

# **BALANCE SHEET**

For the fiscal period ended 03/31/2017  
In comparative format with the previous fiscal year  
In thousands of Argentine Pesos

	2017	2016
<b>ASSETS</b>		
<b>A Cash and cash resources (Note 2.1)</b>	<b>2.251.673</b>	<b>7.099.631</b>
Cash	732.406	714.529
Financial Institutions and Correspondents	1.519.267	6.385.102
- Argentine Central Bank (B.C.R.A.)	1.391.061	5.332.648
- Other domestic institutions	1.715	608
- Other foreign institutions	126.491	1.051.846
<b>B Government and Corporate Securities (Schedule A and Note 2.3.)</b>	<b>9.974.942</b>	<b>3.675.743</b>
Holdings booked at fair market value (Note 40)	3.393.637	1.957.162
Holdings booked at cost plus return	195.648	914.362
Investments in listed corporate securities	23.689	9.283
Securities issued by the BCRA	6.361.968	794.936
<b>C Loans (Schedules B, C and D and Notes 2.2. and 2.4.)</b>	<b>25.682.509</b>	<b>25.223.029</b>
To the non-financial public sector	118.481	122.899
To the financial sector	351.784	532.143
Interfinancial - calls granted -	166.667	30.000
Other loans to domestic financial institutions	173.003	474.679
Accrued interest, adjustments and quotation differences receivable	12.114	27.464
To the non-financial private sector and foreign residents	25.679.975	25.034.496
Overdraft facilities	286.646	290.153
Promissory notes	542.844	557.614
Mortgage loans	2.997.489	2.739.916
Pledge loans	1.205	466.500
Consumer loans	5.028.203	4.307.966
Credit cards	11.453.309	11.466.334
Unallocated collections	(7.996)	(1.166)
Other (Note 7)	5.157.862	4.948.348
Accrued interest and quotation differences receivable	237.276	274.230
Documented interest	(16.863)	(15.399)
Allowances (Schedule J and Note 5)	(467.731)	(466.509)
<b>D Other receivables for financial transactions (Schedules B, C y D and Notes 2.2. y 2.5. )</b>	<b>8.815.807</b>	<b>7.093.076</b>
Argentine Central Bank	813.853	668.432
Amounts receivables under spot and forward sales to be settled	5.424.513	1.199.730
Securities to be received under spot and forward purchases to be settled	349.391	2.489.518
Unlisted negotiable obligations	11.458	21.261
Balances of forward transactions not yet settled without delivery of underlying asset	15.771	169.717
Others not included in the debtor classification regulations (Note 8)	2.154.888	2.424.104
Others included in the debtor classification regulations (Notes 8 and 9)	40.413	114.673
Accrued interest receivable included in the debtor classification regulations (Note 9)	7.052	7.110
Allowances (Schedule J and Note 5)	(1.532)	(1.469)

**Guillermo C. Martinez**  
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**Fernando S. Rubin**  
General Manager  
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See our report dated  
May 10, 2017  
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**S.R.L.**  
(Partner)

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**Eduardo S. Elsztain**  
Chairman  
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**Ricardo Flammini**  
For the Supervisory  
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<b>E Receivables for financial leases (Schedules B, C y D and Note 2.6.)</b>	<b>160.594</b>	<b>157.409</b>
Receivables for financial leases	158.882	155.775
Accrued interest and adjustments receivable	3.219	3.087
Allowances (Schedule J and Note 5)	(1.507)	(1.453)
<b>F Investments in other companies (Schedule E and Notes 2.7, 24 y 27)</b>	<b>1.130.183</b>	<b>1.664.567</b>
In financial institutions	270.394	285.269
Others	859.789	1.379.298
<b>G Miscellaneous Receivables (Note 2.8)</b>	<b>1.707.776</b>	<b>1.031.382</b>
Minimum notional income tax - fiscal credit (Notes 2.19. and 33.)	897	897
Others (Note 10)	1.714.804	1.038.611
Other accrued interest receivable	2.545	2.685
Allowances (Schedule J and Note 5)	(10.470)	(10.811)
<b>H Bank Premises and Equipment (Schedule F and Note 2.9.)</b>	<b>364.103</b>	<b>357.763</b>
<b>I Miscellaneous Assets (Schedule F and Note 2.9.)</b>	<b>287.687</b>	<b>286.017</b>
<b>J Intangible Assets (Schedule G and Note 2.11.)</b>	<b>559.032</b>	<b>544.918</b>
Goodwill	10.102	10.842
Organization and development expenses	548.930	534.076
<b>K Items pending allocation</b>	<b>20.412</b>	<b>9.874</b>
<b>TOTAL ASSETS</b>	<b>50.954.718</b>	<b>47.143.409</b>

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# **BALANCE SHEET**

For the fiscal period ended 03/31/2017  
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	2017	2016
<b>LIABILITIES</b>		
<b>L Deposits (Schedules H and I and Notes 2.2., 2.12. and 23)</b>	<b>19.619.485</b>	<b>19.043.948</b>
Non-financial public sector	3.113.051	2.536.836
Financial Sector	13.119	9.820
Non-financial private sector and foreign residents	16.493.315	16.497.292
Current accounts	867.085	936.950
Savings accounts	3.258.739	3.329.856
Time deposits	11.001.352	10.613.088
Investment accounts	805.460	1.013.895
Others	341.406	318.055
Accrued interest and quotation differences payable	219.273	285.448
<b>M Other liabilities for financial transactions (Schedule I and Notes 2.2., 2.13. )</b>	<b>23.565.702</b>	<b>20.652.208</b>
Argentine Central Bank	57	56
Others	57	56
Unsubordinated negotiable obligations (Note 11)	14.399.308	13.900.745
Amounts payable under spot and forward purchases to be settled	344.270	2.295.724
Securities to be delivered under spot and forward sales to be settled	5.998.629	1.240.944
Loans received from domestic financial institutions	-	265.465
Other loans from domestic financial institutions	-	-
Interfinancial loans (calls received)	-	265.000
Accrued interest payable	-	465
Balances of forward transactions not yet settled without delivery of underlying asset	18.486	187.108
Others (Note 14)	2.158.306	2.214.297
Accrued interest and quotation differences payable	646.646	547.869
<b>N Miscellaneous Liabilities (Note 2.14.)</b>	<b>1.114.734</b>	<b>1.060.158</b>
Fees	37.424	25.892
Others (Note 15)	1.077.310	1.034.266
<b>O Provisions (Schedule J and Notes 2.10., 2.15., 2.16., 2.17. and 16.)</b>	<b>309.533</b>	<b>299.812</b>
<b>Q Items pending allocation</b>	<b>36.336</b>	<b>31.055</b>
<b>TOTAL LIABILITIES</b>	<b>44.645.790</b>	<b>41.087.181</b>
<b>SHAREHOLDERS' EQUITY (per related statement) (Note 2.20.)</b>	<b>6.308.928</b>	<b>6.056.228</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>50.954.718</b>	<b>47.143.409</b>

Notes and Schedules are an integral part of these financial statements.

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# STATEMENT OF INCOME

For the fiscal period ended 03/31/2017  
 In comparative format with the same period of the previous fiscal year  
 In thousands of Argentine Pesos

	2017	2016
<b>A Financial Income</b>	<b>2.308.455</b>	<b>2.097.440</b>
Interest on cash and cash resources	63	21
Interest on loans to the financial sector	23.860	9.080
Interest on overdraft facilities	14.607	53.395
Interest on promissory notes	23.982	11.785
Interest on mortgage loans	126.344	128.401
Interest on pledge loans	14.295	26.438
Interest on credit card loans	737.054	559.648
Interest on financial leases	10.754	7.515
Interest on other loans	669.220	500.789
Interest on other receivables for financial transactions	4.630	4.965
Net income from government and corporate securities	363.912	546.189
Adjustment from application of CER (coefficient for reference stabilization) clause	-	4.857
Gold and foreign currency quotation differences	140.025	-
Others (Note 17)	179.709	244.357
<b>B Financial Expenses</b>	<b>1.651.155</b>	<b>1.468.489</b>
Interest on savings account deposits	1.043	726
Interest on time deposits	507.940	889.388
Interest on interfinancial loans received	1.754	3.331
Interest on other loans from financial institutions	-	14.712
Interest on other liabilities resulting from financial transactions	579.723	221.474
Other interest	56.102	96.099
Contribution to the deposits security fund	8.069	36.197
Adjustment from application of CER (coefficient for reference stabilization) clause	3.042	-
Gold and foreign currency quotation differences	-	60.132
Others (Note 17)	493.482	146.430
<b>GROSS INTERMEDIATION MARGIN</b>	<b>657.300</b>	<b>628.951</b>
<b>C Loan Loss Provision</b>	<b>101.399</b>	<b>65.419</b>
<b>D Income from services</b>	<b>738.425</b>	<b>460.041</b>
Linked with lending transactions	525.010	283.780
Linked with borrowing transactions	55.565	37.856
Other commissions	6.224	5.269
Others (Note 18)	151.626	133.136
<b>E Expenses for Services</b>	<b>251.024</b>	<b>189.284</b>
Comissions	24.960	23.489
Others (Note 19)	226.064	165.795

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# STATEMENT OF INCOME

For the fiscal period ended 03/31/2017  
 In comparative format with the same period of the previous fiscal year  
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	2017	2016
<b>G Administrative expenses</b>	<b>967.799</b>	<b>783.152</b>
Personnel expenses	590.082	504.735
Directors' and syndics' fees	11.536	9.905
Other fees (Note 20)	83.767	66.389
Advertising and publicity	2.634	9.714
Taxes	40.138	29.148
Depreciation of bank premises and equipment	20.048	11.304
Amortization of organization and development expenses	40.274	30.578
Other operating expenses (Note 20)	133.794	92.593
Others	45.526	28.786
<b>NET INCOME FROM FINANCIAL TRANSACTIONS</b>	<b>75.503</b>	<b>51.137</b>
<b>I Miscellaneous income</b>	<b>306.509</b>	<b>283.893</b>
Income from long-term equity investments	215.541	183.397
Penalty interest	14.032	11.548
Loans recovered and allowances reversed	50.589	67.318
Others (Note 21)	26.347	21.630
<b>J Miscellaneous losses</b>	<b>129.316</b>	<b>104.651</b>
Penalty interest and charges in favor of BCRA	54	-
Loan loss provision for miscellaneous receivables and other provisions	52.308	66.109
Depreciation and loss of miscellaneous assets	78	171
Amortization of goodwill	739	739
Others (Note 22)	76.137	37.632
<b>NET INCOME BEFORE INCOME TAX</b>	<b>252.696</b>	<b>230.379</b>
<b>L Income Tax</b> (Note 2.18 and Note 32)	-	-
<b>NET INCOME FOR THE FISCAL PERIOD</b>	<b>252.696</b>	<b>230.379</b>

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**STATEMENT OF CASH FLOWS AND CASH EQUIVALENTS**

For the fiscal period ended 03/31/2017

In comparative format with the same period of the previous fiscal year  
In thousands of Argentine Pesos

	2017	2016
<b><u>Changes in cash and cash equivalents</u></b>		
Cash at Beginning of Fiscal Year	7.099.631	6.344.646
Cash at Fiscal Period End (Note 29)	2.251.673	4.064.463
<b>Net increase in cash (in constant currency)</b>	<b>(4.847.958)</b>	<b>(2.280.183)</b>
<b><u>Causes of cash changes (in constant currency)</u></b>		
<b>Operating activities</b>		
Net collection (payment) on:		
Government and corporate securities	(6.299.199)	(2.898.054)
Loans		
to the Non-financial Public Sector	4.418	4.834
to the Financial Sector	180.359	9.459
to the Non-financial Private Sector and Foreign Residents	(645.479)	452.821
Other receivables for financial transactions	(3.807.387)	(744.528)
Deposits		
to the Financial Sector	-	-
to the Non-financial Public Sector	576.215	(390.458)
to the Non-financial Private Sector and Foreign Residents	-	85.118
Other (except for liabilities under Financing activities)	5.121.161	457.535
Collections linked with income from services	736.425	460.041
Payments linked with expenses for services	(251.024)	(189.284)
Administrative expenses paid	(1.028.121)	(741.270)
Collections net of penalty interest	14.032	11.548
Payments of organization and development expenses	(14.114)	(52.114)
Other collections linked to miscellaneous profits and losses	(132.183)	6.895
Net collections/ (payments) from other operating activities	(156.558)	(20.539)
<b>Net cash flow (used for) operating activities</b>	<b>(5.701.455)</b>	<b>(3.547.996)</b>
<b>Investment activities</b>		
Net payments on bank premises and equipment	(8.010)	(6.448)
<b>Net cash flow (used for) investment activities</b>	<b>(8.010)</b>	<b>(6.448)</b>
<b>Financing Activities</b>		
Net collections/ (payments) on:		
Unsubordinated negotiable obligations	498.563	590.035
Dividends	-	-
<b>Net cash flow originated from financing activities</b>	<b>498.563</b>	<b>590.035</b>
<b>Financial gain (loss), and holding of cash and cash equivalents (including interest and monetary results)</b>	<b>362.944</b>	<b>684.226</b>
<b>Net increase in cash</b>	<b>(4.847.958)</b>	<b>(2.280.183)</b>

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**MEMORANDUM ACCOUNTS**  
For the fiscal period ended 03/31/2017  
In comparative format with the previous fiscal year  
In thousands of Argentine Pesos

	2017	2016
<b>DEBIT</b>	<b>203.814.718</b>	<b>222.415.573</b>
<b>Contingencies</b>	<b>16.475.735</b>	<b>15.416.468</b>
Guarantees received	14.594.249	13.559.762
Others not included in the debtor classification regulations	36.885	37.803
Contingencies - re. contra items	1.844.601	1.818.903
<b>Control</b>	<b>73.873.982</b>	<b>74.175.076</b>
Loans classified as non-recoverable	985.336	916.764
Other	72.554.784	72.917.972
Control - re. contra items	333.862	340.340
<b>Derivatives</b>	<b>26.850.666</b>	<b>48.844.338</b>
"Notional" value of forward transactions without delivery of the underlying asset	14.674.887	24.694.412
Interest rate swap	511.324	528.144
Derivatives - re. contra items	11.664.455	23.621.782
<b>Trust activities</b>	<b>86.614.335</b>	<b>83.979.691</b>
Trust Funds	86.614.335	83.979.691
<b>CREDIT</b>	<b>203.814.718</b>	<b>222.415.573</b>
<b>Contingencies</b>	<b>16.475.735</b>	<b>15.416.468</b>
Loans granted (unused balances) included in the debtor classification regulations (Schedules B, C and D)	153.253	126.962
Other guarantees provided included in the debtor classification regulations (Schedules B, C and D)	106.916	103.040
Contingencies - re. contra items	16.215.566	15.186.466
<b>Control</b>	<b>73.873.982</b>	<b>74.175.076</b>
Amounts to be credited	56.575	54.854
Control - re. contra items	73.817.407	74.120.222
<b>Derivatives</b>	<b>26.850.666</b>	<b>48.844.338</b>
"Notional" value of forward transactions without delivery of the underlying asset	11.665.052	23.622.380
Derivatives - re. contra items	15.185.614	25.221.958
<b>Trust activities</b>	<b>86.614.335</b>	<b>83.979.691</b>
Trust accounts re. contra items	86.614.335	83.979.691

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**STATEMENT OF SHAREHOLDERS' EQUITY**

For the fiscal period ended 03/31/2017

In comparative format with the same period of the previous fiscal year

In thousands of Argentine Pesos

Changes	Capital Stock	Non-Capitalized Contributions		Equity Adjustments	Profit reserves		Retained earnings	Total for the period 03/31/2017	Total for the period 03/31/2016
		Share issuance premiums	Irrevocable contributions for future capital increases		Legal	Others			
1. Opening balances	1.500.000	834	-	717.115	1.006.896	1.052.465	1.778.922	6.056.232	5.440.900
2. Subtotal (*)	1.500.000	834	-	717.115	1.006.896	1.052.465	1.778.922	6.056.232	5.440.900
3. Distribution of Retained Earnings - Shareholders' Meeting dated 04/04/2017 (*)					123.066		(123.066)		
6. Net income for the period	-	-	-	-		-	252.696	252.696	230.379
7. Fiscal period closing balances	1.500.000	834	-	717.115	1.129.962	1.052.465	1.908.552	6.308.928	5.671.279

Dividends to be distributed 42.000

Dividends for Banco de Portugal's shares, still kept as treasury stock (period 2011/2014) : -183

Distributed dividends as of 09/30/2015: 41.817

(\*) See Note 1

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**GOVERNMENT AND CORPORATE SECURITIES**  
For the fiscal period ended 03/31/2017  
In comparative format with the previous fiscal year

**SCHEDULE ( A )**

In thousands of Argentine Pesos

Description	Identification	Holding			Position without options	Options	Final Position
		Market value	Book value 03/31/2017	Book value 12/31/2016			
<b><u>GOVERNMENT SECURITIES AT FAIR MARKET VALUE</u></b>							
<b>Argentina</b>		-	3.393.637	1.957.162	3.393.637	-	3.393.637
<b>In Argentine Pesos</b>		-	<b>101.111</b>	<b>820.779</b>	<b>101.111</b>	-	<b>101.111</b>
Argentine bond due 03/2016	A2M6	-	-	-	-	-	-
Argentine bond due 09/2016	A2S6	-	-	-	-	-	-
BOGAR 2018	NF 18	-	19.899	80.428	19.899	-	19.899
GDP-Linked Negotiable Securities in Argentine Pesos	TVPP	-	1.329	1.038	1.329	-	1.329
DISCOUNT BOND PESOS	DICP	-	4.505	2.460	4.505	-	4.505
BOCON PRO 13	PR13	-	1.367	36.349	1.367	-	1.367
BOCON PRO 15	PR15	-	11.389	-	11.389	-	11.389
BONAR 19	AMX9	-	1.944	34.794	1.944	-	1.944
BONAR 17	AM17	-	-	114	-	-	-
PAR ARS (ARGENTINE LAW)	PARP	-	918	839	918	-	918
Argentine BOND due 2017/05/09	AY17	-	-	164.035	-	-	-
Argentine BOND due 2021/07/22	TC21	-	734	881	734	-	734
Argentine BOND due 2020/04/28 with- CER Adjustment	TC20	-	9.293	23.301	9.293	-	9.293
Argentine BOND due 2021/10/03 - Fixed rate	TO21	-	6.039	7.517	6.039	-	6.039
Argentine BOND due - 2023/10/17	TO23	-	17.888	191.559	17.888	-	17.888
Argentine BOND due 2026/10/17 - Fixed rate	TO26	-	2.109	65.370	2.109	-	2.109
Argentine BOND due 2018/03/05	TM18	-	650	14.330	650	-	650
Argentine BOND due 2018/09/19	TS18	-	1.075	1.414	1.075	-	1.075
Argentine BOND \$ private badlar + 325 bps	AM20	-	371	77.511	371	-	371
Argentine BOND \$ private badlar + 275 bps	AMX8	-	433	42	433	-	433
Argentine BOND \$ private badlar + 300 bps	AO17	-	2.586	101.089	2.586	-	2.586
Argentine BOND CUASIPAR 2003 due 2045	CUAP	-	18.582	17.708	18.582	-	18.582

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For the Supervisory  
Committee

**GOVERNMENT AND CORPORATE SECURITIES**  
For the fiscal period ended 03/31/2017  
In comparative format with the previous fiscal year

**SCHEDULE ( A )**

In thousands of Argentine Pesos

Description	Identification	Holding			Position without options	Options	Final Position
		Market value	Book value 03/31/2017	Book value 12/31/2016			
<b>In foreign currency</b>		-	<b>3.292.526</b>	<b>1.136.383</b>	<b>3.292.526</b>	-	<b>3.292.526</b>
BONCOR 2017	CO17	-	904	1.177	904	-	904
BONAR X due 04/2017	AA 17	-	339.005	31.592	339.005	-	339.005
GLOBAL BOND 2017	GJ17	-	6	42	6	-	6
BONAD 2017 due June	AJ17	-	161.900	19.628	161.900	-	161.900
BONAD 2017 due September	AS17	-	164.753	79.760	164.753	-	164.753
BONAR 2026 (NY Law) due 04/2016	AA26	-	338.169	158.549	338.169	-	338.169
BONAR 2046 (NY Law) due 04/2017	AA46	-	78.764	3.441	78.764	-	78.764
BONAR 2021 (NY Law)	AA21	-	34.100	-	34.100	-	34.100
US Dollar-linked Argentine Bond due 02/2017.	AF17	-	-	30.992	-	-	-
DISCOUNT BOND IN US DOLLARS- Argentine Law	DICA	-	2.374	19.140	2.374	-	2.374
PAR BOND IN US DOLLARS - New York Law	PARY	-	26.234	115.808	26.234	-	26.234
PAR BOND in US dollars - Argentine Law	PARA	-	52.521	40.025	52.521	-	52.521
DISCOUNT BOND in US DOLLARS	DICY	-	168.666	308.703	168.666	-	168.666
Argentine Bond in US Dollars	AY24	-	1.498.412	62.862	1.498.412	-	1.498.412
Argentine Bond in US Dollars	AM18	-	-	79	-	-	-
Treasury Bill in USD due 04.17.2017	L2DA7	-	182.044	-	182.044	-	182.044
Treasury Bill in USD due 07.17.2017	L2DL7	-	10	-	10	-	10
Treasury Bill in USD due 03.04.2017	LTDA7	-	12.592	-	12.592	-	12.592
Argentine Bond in US Dollars	AO20	-	1.562	1.672	1.562	-	1.562
Argentine Bond in US Dollars	AN18	-	-	905	-	-	-
Treasury Bill in USD due 01/30/2017	L2DE7	-	-	2.235	-	-	-
Argentine bond at 6.625%	AL28	-	2.209	2.343	2.209	-	2.209
TVPA - GDP-link Bond in USD - Argentine Law	TVPA	-	4.305	4.353	4.305	-	4.305
TVPE - GDP-link Bond in EUROS - English Law	TVPE	-	26.152	22.460	26.152	-	26.152
Province of Neuquén Bill due 06/12/2016	BNJ16	-	-	-	-	-	-
Province of Entre Ríos Bill due 12/27/2016	ERG16	-	-	-	-	-	-
Province of Mendoza Bill due 05/28/2016	PMY16	-	-	-	-	-	-
Province of Neuquén Bill due 10/11/2018	LDNO18	-	120.881	141.544	120.881	-	120.881
Province of Chubut Bill due 10/21/2019	PUO19	-	11.990	13.398	11.990	-	11.990
Province of Mendoza Bill due 10/29/2018	POM18	-	64.973	75.675	64.973	-	64.973
<b>TOTAL GOVERNMENT SECURITIES AT FAIR MARKET VALUE</b>		-	<b>3.393.637</b>	<b>1.957.162</b>	<b>3.393.637</b>	-	<b>3.393.637</b>

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**GOVERNMENT AND CORPORATE SECURITIES**  
For the fiscal period ended 03/31/2017  
In comparative format with the previous fiscal year

**SCHEDULE ( A )**

In thousands of Argentine Pesos

Description	Identification	Holding			Position without options	Options	Final Position
		Market value	Book value 03/31/2017	Book value 12/31/2016			
In thousands of Argentine Pesos							
<u>GOVERNMENT SECURITIES AT COST PLUS RETURN</u>							
Argentina		144.338	195.648	914.362	195.648	-	195.648
In Argentine Pesos		-	50.691	52.921	50.691	-	50.691
Province of Buenos Aires Bill Series 3 due 01/2017	PBE17	-	-	2.092	-	-	-
Province of Buenos Aires Bill due 12/06/2019	PBD19	-	50.691	50.829	50.691	-	50.691
Province of Buenos Aires Bill due 04/07/2016	LBA16	-	-	-	-	-	-
Province of Buenos Aires Bill due 11/10/2016	LBM16	-	-	-	-	-	-
Province of Buenos Aires Bill due 10/13/2016	LBN16	-	-	-	-	-	-
Province of Buenos Aires Bill due 10/13/2016	LBO16	-	-	-	-	-	-
Province of Buenos Aires Bill due 08/2016	BUM16	-	-	-	-	-	-
In foreign currency		144.338	144.957	861.441	144.957	-	144.957
Province of Neuquén Bill Series 3 due 11/23/2017	BN2N7	-	5	7	5	-	5
Treasury Bill in US dollars due 03.20.17	L2DM7	-	-	393.674	-	-	-
Treasury Bill in US dollars due 04.03.17	LTDA7	-	-	143.015	-	-	-
Treasury Bill in US dollars due 01.16.17	LTDE7	-	-	15.800	-	-	-
Treasury Bill in US dollars due 02.20.17	LTDF7	-	-	14.063	-	-	-
Treasury Bill in US dollars due 03.06.17	LTDZ7	-	-	137.825	-	-	-
Treasury Bill in US dollars due 08.25.17	LTDG7	-	723	-	723	-	723
Province of Mendoza Bill due 12/18/2018	PMD18	62.032	59.749	70.032	59.749	-	59.749
Province of Chubut Bill due 03/30/2021	PUM21	82.306	84.480	87.025	84.480	-	84.480
TOTAL GOVERNMENT SECURITIES AT COST PLUS RETURN		144.338	195.648	914.362	195.648	-	195.648
<u>INVESTMENTS IN LISTED CORPORATE SECURITIES</u>							
Argentina		-	23.689	9.283	23.689	-	23.689
In Argentine Pesos		-	23.689	9.283	23.689	-	23.689
Comercial del Plata	COME	-	-	7.418	-	-	-
Transportadora del Sur	TGSUR	-	2.812	-	2.812	-	2.812
Grupo Financiero Galicia S.A.	GGAL	-	177	-	177	-	177
Central Puerto	CEPU	-	2.673	-	2.673	-	2.673

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GOVERNMENT AND CORPORATE SECURITIES  
For the fiscal period ended 03/31/2017  
In comparative format with the previous fiscal year

SCHEDULE ( A )

In thousands of Argentine Pesos

Description	Identification	Holding			Position without options	Options	Final Position
		Market value	Book value 03/31/2017	Book value 12/31/2016			
Telecom	TECO2	-	1.363	1.466	1.363	-	1.363
Pampa Energia	PAMP	-	11.481	-	11.481	-	11.481
Edenor	EDN	-	2.196	-	2.196	-	2.196
YPF	YPF	-	2.660	-	2.660	-	2.660
Grupo clarin	GCLA	-	327	-	327	-	327
Aluar Aluminio Argentino	ALUA	-	-	399	-	-	-
<b>TOTAL INVESTMENTS IN LISTED CORPORATE SECURITIES</b>		-	<b>23.689</b>	<b>9.283</b>	<b>23.689</b>	-	<b>23.689</b>
<b>SECURITIES ISSUED BY THE BCRA in Argentine Pesos</b>		-	<b>6.361.968</b>	<b>794.936</b>	<b>6.361.968</b>	-	<b>6.361.968</b>
BCRA Bills at fair market value (***)		-	536.562	292.612	536.562	-	536.562
BCRA Bills at fair market value		-	-	-	-	-	-
BCRA Bills for swap transactions		-	5.418.849	-	5.418.849	-	5.418.849
BCRA Bills at cost plus return		-	406.557	502.324	406.557	-	406.557
<b>SECURITIES ISSUED BY THE BCRA in US Dollars</b>		-	-	-	-	-	-
BCRA Bills at cost plus return		-	-	-	-	-	-
<b>TOTAL SECURITIES ISSUED BY THE BCRA</b>		-	<b>6.361.968</b>	<b>794.936</b>	<b>6.361.968</b>	-	<b>6.361.968</b>
<b>TOTAL GOVERNMENT AND CORPORATE SECURITIES</b>		<b>155.801</b>	<b>9.974.942</b>	<b>3.675.743</b>	<b>9.974.942</b>	-	<b>9.974.942</b>

(\*\*\*) Securities I19A7, See Note 40 Capital Markets Law

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**SCHEDULE ( B )**
**CLASSIFICATION OF FINANCING ACCORDING TO LOANS AND GUARANTEES RECEIVED**

For the fiscal period ended 03/31/2017  
 In comparative format with the previous fiscal year  
 In thousands of Argentine Pesos

<u>COMMERCIAL PORTFOLIO</u>	<b>2017</b>	<b>2016</b>
<b>Normal Situation</b>	<b>7.941.276</b>	<b>8.361.556</b>
With "B" preferred collateral and counter-guarantees	1.379.113	1.290.430
Without preferred collateral or counter-guarantees	6.562.163	7.071.126
<b>Potential Risk</b>	<b>3.687</b>	<b>386</b>
With "B" preferred collateral and counter-guarantees	713	-
Without preferred collateral or counter-guarantees	2.974	386
<b>Problematic</b>	<b>183</b>	<b>990</b>
With "B" preferred collateral and counter-guarantees	-	-
Without preferred collateral or counter-guarantees	183	990
<b>High risk of insolvency</b>	<b>4.972</b>	<b>5.090</b>
With "B" preferred collateral and counter-guarantees	67	1.229
Without preferred collateral or counter-guarantees	4.905	3.861
<b>Uncollectible</b>	<b>701</b>	<b>16.931</b>
With "B" preferred collateral and counter-guarantees	88	93
Without preferred collateral or counter-guarantees	613	16.838
<b>TOTAL COMMERCIAL PORTFOLIO</b>	<b>7.950.819</b>	<b>8.384.953</b>

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**SCHEDULE ( B )**

Continued

**CLASSIFICATION OF FINANCING ACCORDING TO LOANS AND GUARANTEES RECEIVED**

For the fiscal period ended 03/31/2017  
In comparative format with the previous fiscal year  
In thousands of Argentine Pesos

<u>CONSUMER AND HOUSING PORTFOLIO</u>	<b>2017</b>	<b>2016</b>
<b>Normal Situation</b>	<b>17.842.217</b>	<b>17.077.799</b>
With "B" preferred collateral and counter-guarantees	1.875.714	1.704.073
Without preferred collateral or counter-guarantees	15.966.503	15.373.726
<b>Low risk</b>	<b>392.118</b>	<b>356.726</b>
With "B" preferred collateral and counter-guarantees	20.127	20.696
Without preferred collateral or counter-guarantees	371.991	336.030
<b>Mid risk</b>	<b>210.163</b>	<b>193.379</b>
With "B" preferred collateral and counter-guarantees	4.688	3.616
Without preferred collateral or counter-guarantees	205.475	189.763
<b>High risk</b>	<b>216.481</b>	<b>199.366</b>
With "B" preferred collateral and counter-guarantees	2.076	2.662
Without preferred collateral or counter-guarantees	214.405	196.704
<b>Uncollectible</b>	<b>19.480</b>	<b>8.964</b>
With "B" preferred collateral and counter-guarantees	780	814
Without preferred collateral or counter-guarantees	18.700	8.150
<b>Uncollectible for technical reasons</b>	<b>155</b>	<b>259</b>
Con garantías y contragarantías preferidas "B"	57	58
Sin garantías ni contragarantías preferidas	98	201
<b>TOTAL CONSUMER AND HOUSING PORTFOLIO</b>	<b>18.680.614</b>	<b>17.836.493</b>
<b>GENERAL TOTAL</b>	<b>26.631.433</b>	<b>26.221.446</b>

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**SCHEDULE ( C )**
**CONCENTRATION OF FINANCING**

For the fiscal period ended 03/31/2017

In comparative format with the previous fiscal year

In thousands of Argentine Pesos

Number of customers	FINANCING			
	2017		2016	
	Debt balance	% of total portfolio	Debt balance	% of total portfolio
10 largest customers	3.040.368	11,42%	3.414.286	13,02%
50 following largest customers	2.788.097	10,47%	2.953.544	11,26%
100 following largest customers	1.180.966	4,43%	1.164.411	4,44%
Rest of customers	19.622.002	73,68%	18.689.205	71,27%
<b>Total</b>	<b>26.631.433</b>	<b>100%</b>	<b>26.221.446</b>	<b>100%</b>

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 For the Supervisory  
 Committee

**SCHEDULE (D)**
**BREAKDOWN OF FINANCING ACCORDING TO MATURITY DATES**

For the fiscal period ended 03/31/2017

In thousands of Argentine Pesos

Item	Past due portfolio	Remaining terms to maturity						Total
		1 month	3 months	6 months	12 months	24 months	More than 24 months	
Non-financial public sector	14	4.190	8.577	13.385	28.817	48.880	14.618	118.481
Financial sector	-	206.021	45.894	55.915	31.630	12.324	-	351.784
Non-financial private sector and foreign residents	476.979	4.357.110	6.618.684	3.978.688	2.739.621	3.299.223	4.690.863	26.161.168
<b>Total</b>	<b>476.993</b>	<b>4.567.321</b>	<b>6.673.155</b>	<b>4.047.988</b>	<b>2.800.068</b>	<b>3.360.427</b>	<b>4.705.481</b>	<b>26.631.433</b>

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# **BREAKDOWN OF INVESTMENTS IN OTHER COMPANIES**

**SCHEDULE ( E )**

For the fiscal period ended 03/31/2017  
In comparative format with the previous fiscal year  
In thousands of Argentine Pesos

Item	Shares and/or Units				Balance as of 03/31/2017	Balance as of 12/31/2016	Information on the Issuer				
Description	Class	Face value per unit	Votes per share	Number			Principal line of business	Data of latest fin. statements			
								Fiscal period/year closing date	Capital stock	Shareholders' equity	Result for the period/year
<b>- <u>In Financial Institutions, supplementary and authorized activities</u></b>											
Controlled - Argentina											
- BACS Banco de Crédito y Securitización S.A.	ordinary	1	1	54.687.500	270.395	285.269	Banking	03/31/2017	87.813	434.155	8.133
- BH Valores SA Soc de Bolsa	ordinary	1	1	1.425.000	39.855	34.957	Brokerage	03/31/2017	1.500	41.953	3.922
- BHN Sociedad de Inversión S.A.	ordinary	1	1	39.131.682	332.377	882.268	Investment	03/31/2017	39.132	332.410	200.054
- TARSHOP S.A.	ordinary	1	1	195.037.152	482.545	457.062	Issuance and marketing of CC	03/31/2017	243.796	603.181	31.849
Subtotal controlled - Argentina					1.125.172	1.659.556					
<b>- <u>In Other Companies</u></b>											
Non-controlled - Argentina											
(*) - BHN Vida S.A.	ordinary	1	1	120	-	-	Insurance	03/31/2017	16.201	791.358	154.362
(*) - BHN Seguros Generales S.A.	ordinary	1	1	120	-	-	Insurance	03/31/2017	10.111	183.095	45.388
- Mercado Abierto Electrónico S.A.	ordinary	1.200	1	1	4	4	Securities open market	12/31/2014	242	24.899	12.485
(**) - ACH S.A.	ordinary	1	1	2.500	7	7	Electronic payment company	12/31/2011	650	371	153
<b><u>Supplementary services -</u></b>											
Non-controlled - Argentina											
Confederar NEA - Mutual guarantee company -	Protecting partner	1	1	12	5.000	5.000	Mutual guarantee company	01/31/2016	258	34.923	727
Subtotal non-controlled - Argentina					5.011	5.011					
Total investments in other companies					1.130.183	1.664.567					

(\*\*) The Extraordinary General Shareholders' Meeting held on 05/17/2011 unanimously resolved the early termination of the company under the terms of Section 94, subsection 1 of the Business Companies Law, which as of to date is in its final stage of liquidation.

**Guillermo C. Martinez**  
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**BANK PREMISES, EQUIPMENT AND MISCELLANEOUS ASSETS**
**SCHEDULE ( F )**

For the fiscal period ended 03/31/2017  
 In comparative format with the previous fiscal year  
 In thousands of Argentine Pesos

Item	Net book value at the beginning of the fiscal year	Additions	Transfers	Withdrawals	Losses due to impairment of value	Depreciation for the fiscal year		Net book value at the end of fiscal period 03/31/2017	Net book value at the end of fiscal year 12/31/2016
						Useful life (years)	Amount		
<b>BANK PREMISES AND EQUIPMENT</b>									
- Real estate properties	146.810	-	-	-	-	50	755	146.055	146.810
- Furniture and facilities	54.337	8.373	-	-	-	10	1.963	60.747	54.337
- Machinery and equipment	91.698	1.121	-	(114)	-	5	5.833	86.872	91.698
- Computer equipment	59.787	16.732	-	-	-	3	11.112	65.407	59.787
- Vehicles	386	-	-	-	-	5	24	362	386
- Sundry	4.745	276	-	-	-	5	361	4.660	4.745
<b>Total</b>	<b>357.763</b>	<b>26.502</b>	<b>-</b>	<b>(114)</b>	<b>-</b>		<b>20.048</b>	<b>364.103</b>	<b>357.763</b>
<b>MISCELLANEOUS ASSETS</b>									
- Construction in progress	51.458	1.339	-	-	-	-	-	52.797	51.458
- Works of art and collectors' items	226	-	-	-	-	-	-	226	226
- Leased assets	2.610	-	-	-	-	50	29	2.581	2.610
- Assets acquired through foreclosures	1.596	-	-	0	-	50	6	1.590	1.596
- Stationery and office supplies	32.555	409	-	-	-	-	-	32.964	32.555
- Other miscellaneous assets	21.021	-	-	-	-	50	43	20.978	21.021
- Advance payment for purchase of goods	176.551	-	-	-	-	-	-	176.551	176.551
<b>Total</b>	<b>286.017</b>	<b>1.748</b>	<b>-</b>	<b>0</b>	<b>-</b>		<b>78</b>	<b>287.687</b>	<b>286.017</b>

**Guillermo C. Martinez**  
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**Eduardo S. Elsztain**  
 Chairman  
**BANCO HIPOTECARIO S.A.**

**Ricardo Flammini**  
 For the Supervisory  
 Committee

**SCHEDULE ( G )**
**INTANGIBLE ASSETS**

For the fiscal period ended 03/31/2017

In comparative format with the previous fiscal year

In thousands of Argentine Pesos

Item	Net book value at the beginning of fiscal year	Additions	Transfers	Withdrawals	Losses due to impairment of value	Amortization for the fiscal year		Net book value at the end of fiscal period 03/31/2017	Net book value at the end of fiscal year 12/31/2016
						Useful life (years)	Amount		
Organization and development expenses	180.511	37.100	-	-	-	5	10.422	207.189	180.511
Mortgage loan origination expenses	353.565	18.027	-	-	-	5	29.852	341.740	353.565
Goodwill	10.842	-	-	-	-	10	739	10.103	10.842
<b>Total</b>	<b>544.918</b>	<b>55.127</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>41.013</b>	<b>559.032</b>	<b>544.918</b>

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Manager  
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**SCHEDULE ( H )**

**CONCENTRATION OF DEPOSITS**

For the fiscal period ended 03/31/2017

In comparative format with the previous fiscal year

In thousands of Argentine Pesos

Number of customers	2017		2016	
	Debt balance	% of total portfolio	Debt balance	% of total portfolio
10 largest customers	4.823.104	24,58%	4.376.170	22,98%
50 following largest customers	2.684.303	13,68%	2.645.444	13,89%
100 following largest customers	989.991	5,05%	1.020.246	5,36%
Rest of customers	11.122.087	56,69%	11.002.088	57,77%
<b>Total</b>	<b>19.619.485</b>	<b>100%</b>	<b>19.043.948</b>	<b>100%</b>

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**SCHEDULE ( I )**
**BREAKDOWN OF DEPOSITS, OTHER LIABILITIES FOR FINANCIAL TRANSACTIONS AND SUBORDINATED  
NEGOTIABLE OBLIGATIONS ACCORDING TO MATURITY DATE**

For the fiscal period ended 03/31/2017

In thousands of Argentine Pesos

Item	Remaining terms to maturity						Total
	1 month (*)	3 months (*)	6 months (*)	12 months (*)	24 months (*)	More than 24 months (*)	
Deposits	13.545.169	4.866.085	1.039.498	139.411	26.251	3.071	19.619.485
- Time deposits	7.602.481	4.866.085	1.039.498	139.411	26.251	3.071	13.676.797
- Investment account	822.553	-	-	-	-	-	822.553
- Savings accounts	3.566.627	-	-	-	-	-	3.566.627
- Current accounts	1.351.771	-	-	-	-	-	1.351.771
- Other deposits	201.737	-	-	-	-	-	201.737
Other liabilities for financial transactions	2.158.306	912.416	724.223	614.950	798.271	11.996.151	17.204.317
- Argentine Central Bank	-	-	-	-	-	57	57
- Others	-	-	-	-	-	57	57
- Unsubordinated negotiable obligations	-	912.416	724.223	614.950	798.271	11.996.094	15.045.954
Series XII, XXXIX and XXXI Bonds in US dollars	-	295.143	460.193	-	211.657	5.383.631	6.350.624
Series XXXII, XXXIV, XXXV, XXXVI, XXXVIII, XXXIX, XL, XLI and XLII Bonds in Pesos	-	617.273	264.030	614.950	586.614	6.612.463	8.695.330
Loans received from domestic financial institutions	-	-	-	-	-	-	-
Local institutions	-	-	-	-	-	-	-
- Others	2.158.306	-	-	-	-	-	2.158.306
Others	2.158.306	-	-	-	-	-	2.158.306
Total	15.703.475	5.778.501	1.763.721	754.361	824.522	11.999.222	36.823.802

(\*) These figures are stated pursuant to contract clauses.

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**CHANGES IN ALLOWANCES AND PROVISIONS**
**SCHEDULE ( J )**

For the fiscal period ended 03/31/2017  
 In comparative format with the previous fiscal year  
 In thousands of Argentine Pesos

Breakdown	Opening balances	Increases in constant currency	Decreases in constant currency	Decreases in constant currency	Balances at fiscal period ended 03/31/2017	Balances at fiscal year ended 12/31/2016
			Reversals	Allocations		
<b><u>ASSET OFFSETTING ACCOUNTS</u></b>						
<b>Loans</b>						
Loan loss risk and impairment (a)	466.509	101.282	9.267	90.793	467.731	466.509
<b>Other receivables for financial transactions</b>						
Loan loss risk and impairment (b)	1.469	63	-	-	1.532	1.469
<b>Receivables for financial leases</b>						
Loan loss risk and impairment	1.453	54	-	-	1.507	1.453
<b>Miscellaneous receivables</b>						
Loan loss risk and impairment (c)	10.811	-	-	341	10.470	10.811
<b>Total</b>	<b>480.242</b>	<b>101.399</b>	<b>9.267</b>	<b>91.134</b>	<b>481.240</b>	<b>480.242</b>
<b><u>LIABILITY OFFSETTING ACCOUNTS</u></b>						
<b>Other contingencies (d)</b>	299.812	52.308	17.489	25.098	309.533	299.812
<b>Total</b>	<b>299.812</b>	<b>52.308</b>	<b>17.489</b>	<b>25.098</b>	<b>309.533</b>	<b>299.812</b>

a) **LOAN LOSS RISK** : Stems from the analysis covering uncollectibility risks of the loan portfolio performed by the Bank, which considers the regulations laid down by the Argentine Central Bank and estimates for the fiscal year, as mentioned in Note 5.

b) **LOAN LOSS RISK OF OTHER RECEIVABLES FOR FINANCIAL TRANSACTIONS**: Reflects the potential uncollectibility of mortgage loans transferred in trust, but not yet securitized.

c) **LOAN LOSS RISK OF MISCELLANEOUS RECEIVABLES**: Stems from the analysis covering uncollectibility risks of miscellaneous receivables.

d) **FOR OTHER CONTINGENCIES**: This provision was set up to cover contingencies involving lawsuits, certain expenses related to the administrative restructuring undertaken by the Bank customer loyalty programs and administrative, disciplinary and criminal penalties (See Notes 2.15 and 37).

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**SCHEDULE (K)**
**COMPOSITION OF CAPITAL STOCK**

For the fiscal period ended 03/31/2017

In thousands of Argentine Pesos

Shares			Capital Stock					
Class	Number (1)	Votes per share	Issued		Pending issuance or distribution	Alloted	Paid-in	Not yet paid-in
			Outstanding	Treasury stock				
Ordinary								
Book-entry	1.500.000.000	(1)	1.463.365	36.635	-	-	1.500.000	-
Total			1.463.365	36.635	-	-	1.500.000	-

(1) See Note 1

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**SCHEDULE (L)**

**FOREIGN CURRENCY BALANCES**  
For the fiscal period ended 03/31/2017  
In comparative format with the previous fiscal year  
In thousands of Argentine Pesos

CAPTIONS	Head office and branches in Argentina	Total for the period as of 03/31/2017	Total for the fiscal year			Total for the fiscal year 12/31/2016
			US\$	EUROS	YENS	
<b>ASSETS</b>						
Cash and cash resources	909.072	909.072	888.307	20.756	9	4.675.184
Government and corporate securities	3.437.483	3.437.483	3.411.331	26.152	-	1.997.824
Loans	3.155.144	3.155.144	3.155.144	-	-	2.849.934
Other receivables for financial transactions	541.809	541.809	541.809	-	-	1.225.305
Miscellaneous receivables	92.361	92.361	92.361	-	-	132.396
Items pending allocation	2	2	2	-	-	114
<b>Total</b>	<b>8.135.871</b>	<b>8.135.871</b>	<b>8.088.954</b>	<b>46.908</b>	<b>9</b>	<b>10.880.757</b>
<b>LIABILITIES</b>						
Deposits	3.849.558	3.849.558	3.849.558	-	-	3.405.535
Other liabilities for financial transactions	6.903.856	6.903.856	6.895.577	8.279	-	7.570.473
Miscellaneous liabilities	8.533	8.533	8.533	-	-	11.879
Items pending allocation	156	156	156	-	-	383
<b>Total</b>	<b>10.762.103</b>	<b>10.762.103</b>	<b>10.753.824</b>	<b>8.279</b>	<b>-</b>	<b>10.988.270</b>
<b>MEMORANDUM ACCOUNTS</b>						
DEBIT (except for contra items)	5.804.746	5.804.746	5.798.004	6.742	-	6.040.717
Contingencies	2.842.536	2.842.536	2.842.536	-	-	2.686.953
Control	2.962.210	2.962.210	2.955.468	6.742	-	3.353.764
CREDIT (except for contra items)	36.916	36.916	36.916	-	-	38.040
Contingencies	36.916	36.916	36.916	-	-	38.040

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For the Supervisory  
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**SCHEDULE ( N )**
**FINANCIAL ASSISTANCE OF RELATED PARTIES**

For the fiscal period ended 03/31/2017  
 In comparative format with the previous fiscal year  
 In thousands of Argentine Pesos

Item - Situation	Normal	Potential risk / inadequate performance	With problems / deficient performance		High risk of insolvency / difficult collection		Uncollectible	Uncollectible for technical reasons	Total	
			Not yet due	Past due	Not yet due	Past due			03/31/2017	12/31/2016
1. Loans	159.975	-	-	-	-	-	-	-	159.975	141.670
- Overdraft facilities	32.094	-	-	-	-	-	-	-	32.094	8.540
With "B" preferred collateral and counter-guarantees	4.000	-	-	-	-	-	-	-	4.000	442
Without any preferred collateral or counter-guarantees	28.094	-	-	-	-	-	-	-	28.094	8.098
- Mortgage and pledge loans	1.720	-	-	-	-	-	-	-	1.720	1.912
With "B" preferred collateral and counter-guarantees	1.720	-	-	-	-	-	-	-	1.720	1.912
- Credit cards	9.625	-	-	-	-	-	-	-	9.625	8.699
Without any preferred collateral or counter-guarantees	9.625	-	-	-	-	-	-	-	9.625	8.699
- Other	116.536	-	-	-	-	-	-	-	116.536	122.519
With "B" preferred collateral and counter-guarantees	927	-	-	-	-	-	-	-	927	1.002
Without any preferred collateral or counter-guarantees	115.609	-	-	-	-	-	-	-	115.609	121.517
2 Other receivables for financial transactions	19.824	-	-	-	-	-	-	-	19.824	23
3 Eventual liabilities	-	-	-	-	-	-	-	-	-	-
4 Equity investments in other companies	1.125.172	-	-	-	-	-	-	-	1.125.172	1.659.556
Total	1.304.971	-	-	-	-	-	-	-	1.304.971	1.801.249
Allowances	1.712	-	-	-	-	-	-	-	1.712	1.427

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**DERIVATIVE FINANCIAL INSTRUMENTS**

For the fiscal period ended 03/31/2017

In thousands of Argentine Pesos

**SCHEDULE (O)**

Kind of Agreement	Purpose of transactions	Underlying assets	Kind of settlement	Trading environment or counterparty	Average weighted term originally agreed	Average residual weighted term	Average weighted term for the settlement of differences	Amount
Futures (Note 13.1.)	Foreign currency hedge	Foreign currency	Daily differences	MAE	6	2	3	525,311
Futures (Note 13.1.)	Foreign currency hedge	Foreign currency	Daily differences	ROFEX	7	2	3	13,957,748
Futures (Note 13.1.)	Foreign currency hedge	Foreign currency	Daily differences	ROFEX	7	2	3	(10,385,767)
Futures (Note 13.1.)	Foreign currency hedge	Foreign currency	Daily differences	OTC - Domestic residents - Financial sector	8	4	10	(508,964)
Swap (Note 13.2.)	Brokerage own account	Other	Upon maturity of differences	Domestic residents - Non-financial sector	201	118	1	114,851
Swap (Note 13.3.)	Brokerage own account	Other	Upon maturity of differences	Domestic residents - Non-financial sector	199	117	1	191,828
Swap (Note 13.4.)	Brokerage own account	Other	Upon maturity of differences	Domestic residents - Non-financial sector	197	118	1	98,102
Swap (Note 13.5.)	Brokerage own account	Other	Upon maturity of differences	Domestic residents - Non-financial sector	211	139	1	127,838
Swap (Note 13.6.)	Brokerage own account	Other	Upon maturity of differences	Domestic residents - Non-financial sector	219	152	1	82,357
Swap (Note 13.7.)	Brokerage own account	Other	Upon maturity of differences	Domestic residents - Non-financial sector	221	157	1	88,177
Repo transaction (Note 13.8)	Brokerage own account	Government Securities	With delivery of underlying asset	MAE	1	1	1	30,184

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the fiscal period ended March 31, 2017**

In comparative format with the previous fiscal year

**1. BANCO HIPOTECARIO SOCIEDAD ANÓNIMA**

Pursuant to Law 24855 enacted on July 2, 1997 and promulgated by the National Executive Branch through Decree 677 dated July 22, 1997, and Decree 924/97, Banco Hipotecario Nacional was declared "subject to privatization" under the terms of Law 23696 and the National Executive Branch was ordered to proceed to its transformation into a corporation ("sociedad anónima"). The new entity arising from this transformation will do business under the denomination of "Banco Hipotecario Sociedad Anónima", and as a commercial bank in accordance with Law 21526 and supplementary rules, as amended, with the scope envisaged by the regulations, and with the rights and obligations of its predecessor, as well as with the franchise to provide insurance over transactions originated until July 23, 2007.

Banco Hipotecario Sociedad Anónima has a corporate capital of ARS 1,500,000 thousand, fully subscribed and paid-in, represented by 1,500,000,000 ordinary book-entry Class A, B, C and D shares, with a face value of ARS 1 each and one vote per share (according to the decision made by the General and Extraordinary Shareholder's Meeting held on July 21, 2006), except for the special multiple vote right for the Class D shares envisaged by the Bank's by-laws.

On February 2, 1999, Banco de la Nación Argentina, as trustee of the Assistance to the Federal Trust Fund for Regional Infrastructure, made the combined public offering of 42,000,000 ordinary Class D shares and 270,000 options, each of the latter representing the right to purchase 100 shares, with the obligation that investors acquire a minimum quantity of Class D shares so as to be awardees of the options. This right expired on February 2, 2004.

With the authorization of the National Securities Commission of Argentina, the Bank placed 13,616,606 Class D shares and 61,289 options on the local capital market, and 28,383,394 ADSs (American Depositary Shares), each representing one Class D share and 208,711 options, on the international capital market in compliance with Rule 144A of the Securities Act of 1933 of the United States of America.

As a result of the expiration date for exercising the options indicated above, on February 2, 2004 certain holders of those options acquired 17,909,500 class D shares.

Due to the expiration on January 29, 2009 of the Total Return Swap that had been executed and delivered on January 29, 2004, Deutsche Bank AG transferred to the Bank 71,100,000 ordinary Class "D" shares of Banco Hipotecario Sociedad Anónima with a face value of \$ 1 each, which were available according to the terms and conditions prescribed in the section 221 of the Argentine Companies Law.

Through Minutes No. 268 dated January 12, 2010, the Board of Directors resolved: 1) to propose to the Shareholders' Meeting that treasury Class D shares be given as payment to the holders of DAAs (StARS) to the extent of their accrued amounts, considering the shares' value at that moment, and 2) to discuss possible alternatives for the Shareholders' Meeting to resolve upon the allocation of the remaining shares.

On April 30, 2010, the General Ordinary Shareholders' Meeting resolved to extend for a year, counted as from January 31, 2010, the term for realizing the treasury shares held by the Bank. On the other hand, the General Extraordinary Shareholders' Meeting resolved to delegate upon the Board of Directors the decision to pay with the treasury shares in portfolio the Stock Appreciation Rights (StAR) coupons resulting from the 2003 debt restructuring as advisable based on the contractually agreed valuation methods and their actual market value after allowing the shareholders to exercise their preemptive rights on an equal footing.

On June 16, 2010, the Board of Directors resolved to launch a preemptive offer to sell a portion of the Bank's treasury shares, for a total of 36.0 million class D shares. The remaining shares would be delivered in payment to the holders of Stock Appreciation Rights (StAR) coupons arising from the debt restructuring,

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which fell due on August 3, 2010. On July 26, 2010, within the framework of the referred offer, the Bank sold approximately 26.9 million of the shares mentioned above.

On August 3, 2010 the proceeds of the offer and the balance of the shares referred in the preceding paragraph were made available to the holders of the Stock Appreciation Rights (StAR) coupons. With the above-mentioned offering, 999,312 Class D shares were sold in excess of those required to pay off the obligation previously mentioned. In connection with such excess sale, Ps. 554 thousand were recorded as Unappropriated retained earnings to reflect the addition of the shares to the entity's equity, which took place on January 29, 2009 as detailed in this note, and a further Ps. 834 thousand were booked as Additional paid-in capital for the difference between the value as added to the entity's equity and the sales value.

As of December 31, 2016, the Bank held 36,634,733 treasury shares, out of which 1,534,733 correspond to third-party holders of StARs who have not filed the documentation required for their collection. The Shareholders' Meeting held on April 4, 2017 unanimously resolved to include 1,534,733 common shares in the compensation program for the personnel that had been approved at the Shareholders' Meetings held on April 24, 2013 and April 24, 2014.

On April 13, 2011, the General Extraordinary Shareholders' Meeting authorized the Board of Directors to sell their own treasury stock in the market reducing to ten days the term for exercising the preemptive right, and suspending the exercise thereof when the sale of shares does not exceed 1% of the Capital Stock within any twelve-month fiscal year. The General Ordinary Shareholders' Meeting held on March 27, 2012 extended for one year the term fixed for the disposition of those shares.

The General Ordinary Shareholders' Meeting held on April 24, 2013 resolved to allocate 35,100,000 Class D shares held by the Bank to a compensation program for the personnel under the terms of Section 67 of Law 26,831. This resolution is pending approval by the CNV.

On April 24, 2014 the General Ordinary Shareholders' Meeting acknowledged the incentive or compensation program described in the preceding paragraph and its extension to the personnel employed by the subsidiaries BACS Banco de Crédito y Securitización S.A., BH Valores S.A., BHN Sociedad de Inversión S.A., BHN Vida S.A. and BHN Seguros Generales S.A.

Under Decree 2127/2012 and Resolution 264/2013 issued by the Ministry of Economy and Public Finance, the *Programa de Propiedad Participada* (Employee Stock Ownership Plan) was implemented. Under this plan, in a first stage, out of a total of 75,000,000, 17,990,721 Class B shares were converted into Class A shares, to be allocated among the employees that have withdrawn from the Bank in accordance with the implementation guidelines. Upon delivery to the former employees, the 17,990,721 shares will become Class D shares. The shares allocated to the Bank's current employees are designated as Class B shares, representing the *Programa de Propiedad Participada*.

On December 2, 2015, the Bank took notice of an observation raised by the Superintendent of Financial Institutions reporting to the Argentine Central Bank with regard to the insurance business developed by Banco Hipotecario S.A. through BHN Vida S.A. and BHN Seguros Generales S.A.

The observation requires the enforcement of the credit scoring regulations, which impose a 12.5% limit on interests in the capital stock and voting rights of other companies.

In reply, the Bank has claimed that such observation should be revised, in that the Bank is allowed to conduct the business in question pursuant to the Privatization Law No. 24,855 and its regulations, in particular Decree No. 1394/98, as continuing company of Banco Hipotecario Nacional, as set forth in the first paragraph of this Note.

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In response to the decision made by the Superintendent of Financial Institutions to dismiss the request for reconsideration, the Bank produced further arguments in support of the reasons of fact and of law in its favor so that they should be duly considered in passing judgment on the administrative appeal lodged.

The Attorney General was asked to participate in the proceedings pursuant to the provisions of Law 12,954, and the motion for having the challenged administrative act stayed under the terms of Section 12 of Law No. 19,549, was maintained. As of the closing of these financial statements, the Argentine Central Bank's authorities had not rendered any decision (see Note 36).

The following table shows the composition of the capital stock as of March 31, 2017, detailing the classes of shares and their face value.

<b>Class</b>	<b>Shares</b>	<b>Face Value</b>	<b>Capital Stock</b>
A	664,888,542	1	664,888,542
B	57,009,279	1	57,009,279
C	75,000,000	1	75,000,000
D	703,102,179	1	703,102,179
	<u>1,500,000,000</u>		<u>1,500,000,000</u>

**2. BASIS FOR PRESENTATION OF THE FINANCIAL STATEMENTS**

These financial statements have been prepared in line with accounting standards established by the Argentine Central Bank through CONAU 1 Circular, supplementary rules and amendments.

The financial statements of the predecessor entity, Banco Hipotecario Nacional, have been adjusted for inflation in conformity with the guidelines set in Communication "A" 551 of the Argentine Central Bank up to the financial year ended December 31, 1994, and prepared in accordance with the standards laid down by CONAU 1 Circular. As from January 1, 1995, and according to the authorization accorded by Resolution No. 388 of the Argentine Central Bank's Superintendency of Financial and Exchange Institutions, the Bank discontinued the adjustment for inflation of its financial statements until December 31, 2001. As from January 1, 2002, as a result of the application of Communication "A" 3702 which established the repeal of any legal and regulatory rule that did not allow companies to restate their accounting balances at period-end currency values, the Bank resumed the application of the adjustment for inflation in accordance with the rules issued in due time by the Argentine Central Bank using the adjustment coefficient derived from the domestic wholesale price index published by the National Statistics and Census Institute (INDEC). Furthermore, it has been considered that the accounting measurements derived from the changes in the purchasing power of the currency between December 31, 1994 and 2001 are stated in the currency value as of the latter date.

On March 25, 2003, the Executive Branch issued Decree 664 establishing that the financial statements for years ending as from that date are to be stated in nominal currency. Consequently, in accordance with Communication "A" 3921 of the BCRA, the restatement of the financial statements was discontinued as from March 1, 2003.

Pursuant to the Argentine professional accounting standards in effect in the City of Buenos Aires, the financial statements must be stated in constant currency. The restatement method and the need to apply it arise from requirements contained in Technical Pronouncements No. 6 and No. 17 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE), as amended by Technical Pronouncement No. 39 issued by the referred entity on October 4, 2013 and approved by the Professional Council in Economic Sciences of the City of Buenos Aires on April 16, 2014. These standards provide that the effects of inflation should be recognized in the financial statements in the event that certain conditions in the Argentine economy are met.

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This circumstance should be considered upon assessing and interpreting these financial statements, which have been prepared in line with the accounting standards issued by the Argentine Central Bank for application by financial institutions. The differences between the Argentine Central Bank regulations and the professional accounting standards in force in the Autonomous city of Buenos Aires are detailed in Note 3.

The restatement method and the need to apply it arise from requirements contained in Technical Pronouncements (RT) No. 6 and No. 17 of the FACPCE, as amended by Technical Pronouncement No. 39 issued by the referred entity on October 4, 2013 and approved by the Professional Council in Economic Sciences of the City of Buenos Aires on April 16, 2014. These standards provide that the effects of inflation should be recognized in the financial statements. As of March 31, 2017, the cumulative inflation rate for the three consecutive years ended on such date could not be calculated on the basis of official data provided by the INDEC since, in October 2015, the referred entity discontinued the calculation of the Wholesale Domestic Price Index (IPIM) and resumed it in January 2016.

As of the end of the reporting period, the Bank has found that the economy does not meet the conditions established in the Argentine professional accounting standards to qualify as highly inflationary; moreover, the Argentine government expects that the inflation level will fall. Therefore, these financial statements were not restated to constant currency.

However, in recent years, certain macroeconomic variables affecting the Bank's business, including, without limitation, wage costs and prices for supplies, have experienced significant annual changes. This circumstance should be considered in assessing and interpreting the Bank's financial position and results disclosed in these financial statements.

The principal disclosure and valuation criteria followed for preparing these financial statements are described below:

**2.1. Foreign currency assets and liabilities**

US dollar assets and liabilities have been valued at the rate of exchange between the peso and the US dollar published by the Argentine Central Bank. Assets and liabilities valued in foreign currencies other than the US dollar were converted into the latter currency using the swap rates communicated by the Argentine Central Bank's operations desk, in force at the close of operations on the last business day of the fiscal period ended March 31, 2017 and the fiscal year ended December 31, 2016.

**2.2. Interest accruals and adjustments of principal amounts (UVA, UVI, CER and CVS)**

Interest accruals were determined using the exponential method for all lending and certain borrowing transactions in local and foreign currency, and interest accruals for loans overdue more than ninety days were discontinued.

Adjustments of principal amounts from application of the UVA, UVI, CER and CVS were accrued as established by Argentine Central Bank regulations, and interest accruals on loans overdue more than ninety days were discontinued.

**2.3. Government and corporate securities**

As of March 31, 2017 and December 31, 2016, the securities classified as "Holdings booked at fair market value", "Investment in listed corporate securities" and "Securities issued by the BCRA" with volatility published by the BCRA, have been valued at period or year-end market quotation.

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As of March 31, 2017 and December 31, 2016, the securities classified as "Holdings booked at cost plus return" and "Securities issued by the BCRA" with no volatility published by the BCRA or with volatility but which the Entity decides to book under the first category, have been valued, in accordance with the provisions of Communication "A" 5180 and supplementary rules, at their acquisition cost subject to an exponential increase based on the internal rate of return, net of contra accounts, if applicable. For comparison purposes with market values, see Schedule A.

The balance and nature of the liquid contra-account required by the Argentine Securities Commission are disclosed in Note 40.

**2.4. Loans**

The portfolio of performing loans and loans due ninety days or less has been valued in terms of the principal amounts actually lent, plus capitalized interest, net of principal amortization collected and debt balance refinancing, plus adjustments (from the application of the CER, and CVS where applicable) and accrued interest receivable and less the estimated reserve for loan losses.

Other loans to the public sector:

- i) as of March 31, 2017 and December 31, 2016, those loans were valued at cost plus return according to point 2.2.6 of Communication "A" 5180, taking as cost their book value as of December 31, 2010.
- ii) those originally granted in foreign currency have been converted into Ps. at the exchange rate of \$1.40 per US dollar, as established by Law 25561, Decree 214 and supplementary rules and amendments. Since February 3, 2002, the CER has been applied to the amount of those loans and maximum rates have been established, in accordance with Decree 1579/02, if those assets were subjected to the Exchange of Provincial Public Debt.

Loans to the non-financial private sector originally granted in foreign currency have been converted into Ps. at the exchange rate of \$1.00 per US dollar, as established by Law 25561, Decree 214 and supplementary rules and amendments. Since February 3, 2002, the CER and CVS have been applied to the amount of those loans and maximum rates have been established, depending on the borrower.

**2.5. Other receivables for financial transactions**

The individual mortgage loans the trustee ownership of which was transferred by the Bank and recorded in this caption have been valued and converted into Ps. following the criterion described in points 2.2. and 2.4.

The rights arising from currency swap transactions have been valued at the quotation of that currency following the criterion described in point 2.1 (Note 13.3).

The financial trust participation certificates have been valued according to the equity method of accounting.

Financial trust debt securities have been stated at cost plus return, index-adjusted by applying the CER to the appropriate instruments.

The interest rate swap transactions carried out for the purposes of hedging assets and liabilities with fixed and floating rates have been valued in accordance with the unsettled balances of agreed upon lending and borrowing interests rates (Notes 13.2, 13.4, 13.5, 13.6 and 13.7).

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OTC transactions agreed upon through ROFEX that are mainly closed as hedging for the position in foreign currency have been valued in accordance with the balances pending settlement (Note 13.1).

US dollar forward transactions which are generally settled upon maturity without delivery of the underlying asset have been valued in accordance with the balances pending settlement (Note 13.1).

Unlisted negotiable obligations have been valued at acquisition cost exponentially increased according to the internal rate of return.

The Bank holds Negotiable Obligations in its own portfolio, measured at their residual value plus interest accrued.

I17Y7 - I19A7 and I19L7 Central Bank Bills held as collateral for OTC transactions are valued as explained in item 2.3 of this note.

Repo transactions are carried at the value originally agreed upon, plus accrued premiums.

Reverse repo transactions are carried at the book value of the underlying assets, as explained in item 2.3.

**2.6. Receivables for financial leases**

Receivables for financial leases are carried at the current value of the periodic installments and the residual value previously agreed upon, calculated as per the conditions set forth in the respective lease agreements, applying the internal rate of return and net of allowances for loan losses.

**2.7. Investments in other companies**

This caption mainly includes the equity investments held by the Bank in BACS Banco de Crédito y Securitización S.A., BHN Sociedad de Inversión Sociedad Anónima, BH Valores SA and Tarshop SA (Note 24). As of March 31, 2017 and December 31, 2016, those equity investments were recorded at their equity value according to the BCRA's accounting rules, plus intercompany profits not involving third parties, where applicable. Those equity investments amount to Ps. 1,125,172 thousand and Ps. 1,659,556 thousand, respectively.

In order to calculate the equity value of BHN Sociedad de Inversión Sociedad Anónima and Tarshop SA, the shareholders' equity and results captions have been subject to some adjustments and reconciliations with the accounting standards used by each subsidiary in order to adapt them to the BCRA's accounting standards. These adjustments and reconciliations have been subject to monitoring and management approval procedures, which contemplate all the significant captions that receive a different treatment under the standards applied, mainly including deferred tax, allowance for loan losses and capitalization of intangible assets.

The above equity investments arise from the financial statements of BACS Banco de Crédito y Securitización S.A., BHN Sociedad de Inversión Sociedad Anónima, BH Valores SA and Tarshop S.A. for the fiscal period ended March 31, 2017 and the fiscal year ended December 31, 2016.

As of March 31, 2017 and December 31, 2016, the Bank carries its participation in the mutual guarantee company (Confederar NEA S.G.R.) at the value of the contribution actually made.

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**2.8. Miscellaneous receivables**

Miscellaneous receivables have been valued at the amounts actually transacted, plus interest accrued and net of allowances for loan losses or impairment, if applicable.

**2.9. Bank premises, equipment and miscellaneous assets**

These assets are recorded at cost restated in constant monetary units until February 28, 2003, following the method mentioned in the second and third paragraphs of this Note, net of accumulated depreciation calculated following the straight-line method, based on the estimated useful life of the assets. The cost of assets added before December 31, 1994 is restated in uniform currency as of that date, while subsequent transactions are valued in current purchasing power values of the year to which they correspond.

The Bank records in "Miscellaneous assets – Assets acquired through foreclosures" housing units added to the Bank's assets in repayment of mortgage loans. These housing units have been valued at the lower of market value or the value of the loan, net of allowances.

The net book values of the assets taken as a whole do not exceed their economic value, except for the assets intended for sale, which do not exceed their net realizable value.

**2.10. Housing, life and unemployment insurance premiums in lending transactions and other transactions originated in its capacity of insurer, in accordance with the franchise granted by the privatization law (Note 1).**

The Bank's policy is to recognize the premium income when the corresponding loan installment accrues, except for those loans that are more than ninety days in arrears, and allocate the expenditures for claims to the net income/(loss) for the year in which they occur.

**2.11. Intangible assets**

Organization and system development expenses have been restated in constant monetary units up until February 28, 2003, following the method mentioned in the second and third paragraphs of this Note, and are being amortized monthly according to the straight-line method, based on their estimated useful life.

The Goodwill stemming from the purchase of 80% of Tarshop SA's capital stock (Note 24) has been valued at acquisition cost, net of the accumulated amortization that had been calculated pro rata of the estimated useful life months.

Pursuant to Argentine Central Bank Communication "A" 5392, the Bank has capitalized increased direct expenses incurred in the mortgage loan origination process in its capacity as trustee, which disbursements would not have been incurred by it had it not been for the grant of the related loans. Such origination expenses are amortized in 60 monthly installments (Notes 38 and 39).

**2.12. Deposits**

Deposits have been valued at their placement value, plus adjustments (CER, UVA and UVI) and accrued interest, where applicable. The fixed return on each transaction is accrued on an exponential basis, while the variable return on time deposits adjusted by applying the CER and included in "Investment Accounts" is accrued at the pro rata agreed upon rate of return based on the improvement

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in the price of the financial asset or financial asset indicator, between the time the transaction is arranged and the end of the month.

**2.13. Other liabilities for financial transactions**

Unsubordinated negotiable obligations have been valued at their residual value plus accrued interest.

Foreign currency-denominated obligations under swap transactions carried out as a hedge have been converted into Argentine pesos according to the criterion described in point 2.1. (Note 13.3)

The interest rate swap transactions carried out for the purposes of hedging assets and liabilities with fixed and floating rates have been valued in accordance with the unsettled balances of agreed upon lending and borrowing interests rates (Notes 13.2, 13.4, 13.5, 13.6 and 13.7). In addition, following a prudent criterion, the Bank creates provisions for these transactions when the value stated above exceeds its fair value.

OTC transactions agreed upon through ROFEX that are mainly closed as hedging for the position in foreign currency have been valued in accordance with the balances pending settlement (Note 13.1).

US dollar forward transactions which are generally settled upon maturity without delivery of the underlying asset have been valued in accordance with the balances pending settlement (Note 13.1).

Repo transactions are carried at the value originally agreed upon plus any accrued premium amounts.

Reverse repo transactions are carried at the book value of the underlying securities in the manner discussed in note 2.3.

**2.14. Miscellaneous liabilities**

They are valued at the amounts actually transacted, plus accrued interest as of fiscal period or year-end.

**2.15. Provisions**

The Bank estimates contingencies and records them in Provisions, under Liabilities according to the estimated likelihood of occurrence. These provisions cover various items, such as provisions for lawsuits, provisions for taxes, other contingencies, etc. (Note 16).

In addition, the Bank has created the allowance required under Communication "A" 5689 issued by the Argentine Central Bank in order to provide for the total amount of administrative and/or disciplinary sanctions and criminal penalties supported by first instance rulings, applied or pursued by the Argentine Central Bank, the Financial Information Unit, the Argentine Securities Commission and the Argentine Superintendence of Insurance.

As of March 31, 2017, the Bank has set up an allowance for Ps. 16,000 thousand due to the fact that, on April 4, 2017, the General Ordinary and Extraordinary Shareholders' Meeting unanimously approved the payment of fees to the Executive Committee for the technical-administrative duties performed during the fiscal year ended December 31, 2016. (Note 37)

**2.16. Dismissal indemnities**

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The Bank does not set up any provisions to cover the risk of dismissal indemnities involving the staff. The disbursements in respect thereof are charged to the results for the period or year in which they occur.

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**2.17. Personnel benefits**

The Bank has set up provisions for its employees' retirement plans (Note 16).

**2.18. Income Tax**

Pursuant to Article 28 of Law 24855, Banco Hipotecario Sociedad Anónima is subject to income tax, except for all the housing loan transactions carried out prior to October 23, 1997, date of registration of its by-laws with the Superintendence of Corporations.

The Bank charges to income and sets up a provision under Liabilities for the income tax determined on its taxable transactions in the fiscal year in which those transactions are carried out (Note 32).

**2.19. Minimum notional income tax**

In view of the option granted by the BCRA by means of Communication "A" 4295, as of December 31, 2016 and March 31, 2017, the Bank capitalized partially the tax amount paid in fiscal year 2012 as a minimum notional income tax credit.

**2.20. Shareholders' Equity**

**a. Capital stock, treasury shares, non-capitalized contributions, reserves, and capital adjustment:**

The Shareholders' Equity account activity and balances prior to December 31, 1994 have been stated in the currency values prevailing at that date, following the method mentioned in this Note. The transactions carried out subsequent to that date have been recorded in currency values of the period or year to which they correspond. The balances of the shareholders' equity accounts as of March 31, 2017 have been restated up to February 28, 2003 as explained in the third paragraph. The adjustment derived from the restatement of the balance of "Capital Stock" was allocated to "Equity Adjustments". The issued treasury shares added due to the termination of Total Return Swap transaction (Note 1) are carried at nominal value.

**b. Results:**

Income and expenses have been recognized against the results for the fiscal year, regardless of whether they have been collected or paid.

The preparation of the financial statements requires that the Bank's Board of Directors perform estimates affecting assets and liabilities, the net income/ (loss) for the fiscal period or year and the determination of contingent assets and liabilities at the date thereof, such as allowances for loan losses and impairment, the recoverable value of assets and provisions. Since these estimates involve value judgments regarding the probability of occurrence of future events, the actual net income/ (loss) may differ from the estimated amount and thus generate losses or profits affecting subsequent periods or years. All legal and regulatory rules in force at the date of presentation of these financial statements have been considered.

The financial statement figures for the previous fiscal period or year, presented for comparative purposes, include certain reclassifications and adjustments that contemplate specific disclosure criteria so as to present them on a consistent basis with those of the current fiscal period or year.

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### 3. DIFFERENCES BETWEEN ARGENTINE CENTRAL BANK REGULATIONS AND PROFESSIONAL ACCOUNTING STANDARDS

Below is a detail of the main differences between the Argentine Central Bank regulations and professional accounting standards, considering the statement made in Note 2:

#### 3.1. Valuation criteria

a) Accounting for income tax according to the deferred tax method

The Bank determines income tax at the statutory rate applicable to the estimated taxable income, without considering the effect of any timing differences between the accounting and taxable results. Under professional accounting standards, income tax must be recognized according to the deferred tax method (see Note 32).

b) Derivatives

Derivative instruments were valued as described in Note 2.5. The criteria applied to the recognition of the currency and interest rate swaps, in certain cases, differ from those prescribed by professional accounting standards. As there are no stock exchange quotations available for such instruments, they should have been valued through the application of mathematical models, discounting lending and borrowing cash flows at market rates by currency and by term for comparable transactions as prescribed by FACPCE's Technical Pronouncement No. 18.

c) Receivables and debts stemming from refinancing

Pursuant to professional accounting standards, when certain receivables and debts are replaced by others which terms and conditions are substantially different from the original ones, the existing account shall be closed and a new receivable or debt shall be recorded, the accounting measurement of which shall be made on the best possible estimate of the amount payable or receivable, using a discount rate that reflects market valuations on the time value of money and the specific risks of such assets and liabilities. Said transactions are valued under BCRA standards based on the rates contractually agreed upon and, as the case may be, the risk is measured pursuant to the classification and provisioning criteria specifically set forth.

d) Financial Trusts

The financial trust participation certificates have been valued according to the equity method of accounting, net of allowances, as applicable. In addition, financial trust debt securities have been stated at cost plus return, index-adjusted by applying the CER to the appropriate instruments, net of allowances, less the negative amount of the Participation Certificates, as the case may be, reported by the Trustee. This criterion differs from professional accounting standards.

e) Commissions, Interest and Costs related to Loans and Credit Cards

Pursuant to accounting standards, certain captions for commissions, fees, charges and costs incurred in connection with the granting of loans or the issuance of credit cards must be

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capitalized based on future income generation. This criterion is not applied under the Argentine Central Bank's standards.

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f) Intangible assets

The Bank determined the Goodwill for the acquisition of 80% of Tarshop SA's capital stock based on the excess of the acquisition cost over the equity value of such ownership interest and made the adjustments called for by the differences between the professional accounting standards applied upon valuing shareholders' equity and the accounting standards imposed by BCRA, such as deferred tax and allowances for loan losses. According to the currently applicable professional accounting standards, Goodwill should reflect the difference between the acquisition cost of said ownership interest and the holding percentage over the amount of the net assets valued at fair value as estimated.

Pursuant to Communication "A" 5392, the Bank has capitalized and amortized in 60 installments incremental direct expenses incurred in the origination process of certain mortgage loans in its capacity as trustee. This criterion differs from professional accounting standards.

g) Sanctions and summary proceedings against financial institutions

Pursuant to Communication "A" 5689 of the BCRA, beginning in January 2015, financial institutions are required to create allowances for 100% of the administrative and/or disciplinary sanctions and criminal penalties supported by first instance court rulings, applied or pursued by the Argentine Central Bank, the Financial Information Unit, the Argentine Securities Commission and the Argentine Superintendence of Insurance, of which notice has been served to the relevant institution, irrespective of their significance, even if their payment has been suspended by court or administrative measures and notwithstanding the status of the proceedings. In addition, financial institutions must disclose these sanctions whether quantified or not, in a note to the financial statements, as well as the summary proceedings filed by the BCRA as from the moment notice of process is served on them.

Pursuant to the professional accounting standards in effect in the City of Buenos Aires, such contingencies must be recorded as liabilities when it is highly likely that their effects will occur and it is possible to quantify them adequately in monetary terms, and they must also be disclosed in notes to the financial statements. Contingencies whose likelihood of occurrence is deemed to be remote are not required to be disclosed in the financial statements or their notes, whereas those whose likelihood of occurrence is not deemed to be remote but which do not meet the conditions required for them to be recorded as liabilities, must be disclosed in the notes only.

3.2. Disclosure issues

a) Earnings per share and business segment

The criterion established by Technical Pronouncement No. 19 for disclosing these items differs from that established by the Argentine Central Bank in its Circular CONAU 1.

It is to be emphasized that the exposure and valuation of the various items that make up these financial statements must be analyzed in the light of each one of the sets of regulations in its entirety, that is, both the accounting standards issued by the Central Bank of Argentina for application by financial institutions and the professional accounting standards considering that the application of certain valuation and disclosure criteria may have an impact on the application of other criteria.

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Had the above-mentioned effects been contemplated, the Bank's equity under professional accounting standards would have increased by approximately Ps. 427 thousand and Ps. 12,031 thousand as of March 31, 2017 and December 31, 2016, respectively, whilst income/(loss) under such criteria would have decreased by approximately Ps. 12,453 thousand and increased by Ps. 98,135 thousand as of March 31, 2017 and December 31, 2016, respectively.

**4. RECONCILIATION OF BALANCES TO THE APPLICABLE ACCOUNTING FRAMEWORK FOR CONVERGENCE TOWARDS THE IFRS**

On February 12, 2014, BCRA issued its Communication "A" 5541, as amended, whereby it provides a roadmap to convergence between the informational and accounting regime and International Financial Reporting Standards (IFRS), pursuant to this Communication, the entities and institutions must start to account for their financial transactions and changes in accordance with the rules issued by BCRA following the above-mentioned convergence regime as from the fiscal years beginning on January 1, 2018.

On December 12, 2016, the BCRA issued Communication "A" 6114, whereby it established the criteria that should be taken into consideration by financial institutions in the framework of convergence starting on January 1, 2018, highlighting: i) application of IFRS issued by the International Accounting Standards Board and adopted as of the date hereof by Technical Resolution No. 26 issued by the Argentine Federation of Professional Councils in Economic Sciences, as amended, and any circulars for adoption already approved and scheduled to come into force before December 31, 2018, ii) exception from application of Section 5.5 (impairment) of IFRS 9 "Financial Instruments" for institutions subject to control, with the standards on "Minimum allowances for loan losses" continuing in effect (in due time the BCRA will release a specific schedule for convergence towards the model adopted in line with international best practices), and iii) for the calculation of the interest rate that actually applies to the assets and liabilities that require the use of an interest rate for measurement purposes, preparers should take into consideration the principles, definitions and examples included in IFRS 9; allowing temporarily -until December 31, 2019- to use an overall estimate of the calculation of the interest rate actually applied to a group of similar financial assets or liabilities over which such interest rate should apply.

Accordingly, BH SA has prepared the following reconciliation of asset and shareholders' equity balances according to the BCRA's rules and to the IFRS as of March 31, 2017, and a reconciliation of comprehensive income for the period ended March 31, 2017; provided, however, that the items and figures therein included may be subject to change should the financial statements as of December 31, 2018 be prepared under different standards. As established in IFRS 1 "First-time Adoption of International Financial Reporting Standards," the transition date to the IFRS for the Bank is January 1, 2017.

**Reconciliation of balances to the applicable accounting framework for convergence towards the IFRS**

**A. Reconciliation of balances and shareholders' equity as of March 31, 2017**

**Separate financial statements**

	Ref.	BCRA	IFRS Adjustment	Balance as per IFRS
<b>Assets</b>		<b>50,954,718</b>	<b>1,111,298</b>	<b>52,066,016</b>
Cash and cash resources	(i)	2,251,673	-	2,251,673
Government and Corporate Securities	(a), (g), (i)	9,974,942	401,582	10,376,524

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Loans	(a)	25,682,509	5,940,534	31,623,043
Other receivables for financial transactions	(a), (g), (i)	8,815,807	(5,932,277)	2,883,530
Receivables for financial leases		160,594	-	160,594
Investments in other companies	(b)	1,130,183	(428)	1,129,755
Miscellaneous Receivables	(a), (g)	1,707,776	65,390	1,773,166
Bank Premises and Equipment	(c)	364,103	938,739	1,302,842
Miscellaneous Assets	(c)	287,687	99,765	387,452
Intangible Assets	(d)	559,032	(402,007)	157,025
Items pending allocation		20,412	-	20,412
Other assets				
Other assets under IFRS 10	(h)			
<b>Liabilities</b>		<b>44,645,790</b>	<b>527,503</b>	<b>45,173,293</b>
Deposits		19,619,485	-	19,619,485
Other liabilities for financial transactions	(e), (g), (i)	23,565,702	908,191	24,473,893
Miscellaneous liabilities		1,114,734	(477,525)	637,209
Provisions	(f)	309,533	96,837	406,370
Subordinated negotiable obligations		-	-	-
Items pending allocation		36,336	-	36,336
Minority interests				
Other liabilities	(j)			
Other liabilities under IFRS 10	(h)			

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	<b>Ref.</b>	<b>BCRA</b>	<b>IFRS Adjustment</b>	<b>Balance as per IFRS</b>
<b>Assets</b>		<b>56,129,745</b>	<b>1,722,151</b>	<b>57,851,896</b>
Cash and cash resources	(i)	2,338,458	1,139	2,339,597
Government and Corporate Securities	(a), (g), (i)	11,329,800	251,299	11,581,099
Loans	(a)	27,688,514	10,056,402	37,744,916
Other receivables for financial transactions	(a), (g), (i)	11,184,871	(9,802,690)	1,382,181
Receivables for financial leases		160,594	-	160,594
Investments in other companies	(b)	116,348	-	116,348
Miscellaneous Receivables	(a), (g)	2,014,316	582,475	2,596,791

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Bank Premises and Equipment	(c)	394,585	938,739	1,333,324
Miscellaneous Assets	(c)	300,761	99,765	400,526
Intangible Assets	(d)	581,086	(404,978)	176,108
Items pending allocation		20,412	-	20,412
Other assets				
Other assets under IFRS 10	(h)			
<b>Liabilities</b>		<b>49,820,817</b>	<b>1,138,356</b>	<b>50,959,173</b>
Deposits		19,580,629	-	19,580,629
Other liabilities for financial transactions	(e), (g), (i)	27,267,831	1,728,757	28,996,588
Miscellaneous liabilities		2,300,804	(710,372)	1,590,432
Provisions	(f)	338,605	102,487	441,092
Subordinated negotiable obligations		-	-	-
Items pending allocation		44,955	-	44,955
Minority interests		287,993	17,484	305,477
Other liabilities	(j)			
Other liabilities under IFRS 10	(h)			

**B. Reconciliation of the statement of comprehensive income as of March 31, 2017**

**Separate financial statements**

	<b>BCRA</b>	<b>Adjustment for IFRS first-time adoption (i)</b>	<b>IFRS Adjustment</b>	<b>Balance as per IFRS</b>
Shareholders' equity attributable to parent company's owners	6,308,928	621,014	(37,219)	6,892,723
Capital, Contributions and Reserves	4,400,376			4,400,376
Other comprehensive income			(2,649)	(2,649)
Unappropriated earnings	1,908,552	621,014	(34,570)	2,494,996
<b>Shareholders' equity attributable to minority interests</b>				

	<b>Ref.</b>	<b>BCRA</b>	<b>IFRS Adjustment</b>	<b>Balance as per IFRS</b>
<b>Net Income for the Period/Year</b>		<b>(252,696)</b>	<b>34,570</b>	<b>(218,126)</b>
Financial Income	(a)	(2,320,557)	4,463	(2,316,094)
Financial Expenses	(a)	1,663,257	(3,745)	1,659,512

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Loan Loss Provision		101,399		101,399
Income from Services	(e), (a)	(738,425)		(738,425)
Expenses for Services	(a)	251,024		251,024
Administrative Expenses	(d), (f)	967,799	(4,422)	963,377
	(c)			-
Other	(c)	(177,193)	(52,101)	(229,294)
Income Tax	(j)	-	90,375	90,375
<b>Other Comprehensive Income</b>				<b>(2,649)</b>
Changes to surplus from revaluation of Bank Premises, Equipment and Intangible Assets				
Accumulated actuarial gains (losses) from post-employment defined benefit plans				
Translation exchange gain (loss)				
Gains (losses) from hedging instruments - Cash flow hedge				
Gains (losses) from hedging instruments - Hedge for net investment in foreign business				
Gains (losses) from financial instruments at fair value through other comprehensive income (IFRS 9, Sections 5.7.5 and 4.1.2A)	(a)			(2,649,00)
Change in fair value attributable to changes in credit risk associated to liabilities. IFRS 9, Section 5.7.7. a)				
<b>Total comprehensive income(loss) for the period /year</b>				<b>(220,775)</b>

<b>(*) Total Comprehensive income (loss) attributable to:</b>				
Total comprehensive income (loss) attributable to parent company's owners				(220,775)
Comprehensive income (loss) attributable to minority interests				0

(\*) This section is applicable to consolidated financial statements only

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	<b>BCRA</b>	<b>Adjustment for IFRS first-time adoption (i)</b>	<b>IFRS Adjustment</b>	<b>Balance as per IFRS</b>
Shareholders' equity attributable to parent company's owners	6,308,928	445,823	(167,505)	6,892,723
Capital, Contributions and Reserves	4,400,376			4,400,376
Other comprehensive income			(2,653)	(2,653)
Unappropriated earnings	1,908,552	445,823	(164,852)	2,189,523
<b>Shareholders' equity attributable to minority interests</b>		287,993	17,484	305,477

	<b>Ref.</b>	<b>BCRA</b>	<b>IFRS Adjustment</b>	<b>Balance as per IFRS</b>
<b>Net Income for the Period/Year</b>		<b>(252,696)</b>	<b>164,852</b>	<b>(87,844)</b>
Financial Income	(a)	(2,698,967)	(2,344)	(2,701,311)
Financial Expenses	(a)	1,880,488	5,691	1,886,179
Loan Loss Provision		175,716		175,716
Income from Services	(e), (a)	(1,391,742)		(1,391,742)
Expenses for Services	(a)	223,194		223,194
Administrative Expenses	(d), (f)	1,373,030	(5,796)	1,367,234
Minority Interests	(c)	29,008	145,906	174,914
Other	(c)	46,762	(18,329)	28,433
Income Tax	(j)	109,815	39,724	149,539
<b>Other Comprehensive Income</b>				<b>(2,653)</b>
Changes to surplus from revaluation of Bank Premises, Equipment and Intangible Assets				
Accumulated actuarial gains (losses) from post-employment defined benefit plans				
Translation exchange gain (loss)				
Gains (losses) from hedging instruments - Cash flow hedge				

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Gains (losses) from hedging instruments – Hedge for net investment in foreign business				
Gains (losses) from financial instruments at fair value through other comprehensive income (IFRS 9, Sections 5.7.5 and 4.1.2A)	(a)			(2,653)
Change in fair value attributable to changes in credit risk associated to liabilities. IFRS 9, Section 5.7.7. a)				
<b>Total comprehensive income(loss) for the period /year</b>				<b>(90,497)</b>

<b>(*) Total Comprehensive income (loss) attributable to:</b>				
Total comprehensive income (loss) attributable to parent company's owners				(90,497)
Comprehensive income (loss) attributable to minority interests				0

**C. Adjustments explained**
**(a) Changes to financial asset classification and measurement criteria**

Under the IFRS, financial assets are classified into three categories: financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit and loss, on the basis of the business model and the specific features of the instruments.

The Bank's accounting criteria pursuant to the BCRA'S rules differ from the provisions of the IFRS in certain aspects, namely:

- (i) Government securities with no volatility published by the BCRA have been valued at their acquisition cost subject to an exponential increase based on the internal rate of return (IRR);
- (ii) Loans are stated at their acquisition cost, plus accrued interest on the basis of the contractual rate;
- (iii) Debt securities acquired at par value are stated at their current redemption value;
- (iv) Participation certificates in financial trusts in which the Bank does not have significant influence or control have been valued taking into account the share of liabilities in net assets, as per the financial statements of the respective trusts, adjusted for the effect the application of the BCRA's rules may have had on them, where applicable;
- (v) Unlisted negotiable obligations and debt securities have been valued at their acquisition cost subject to an exponential increase based on the internal rate of return.

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**(b) Investments in other companies**

Also under the IFRS, investments in which the Bank does not have significant control or influence are required to be stated at fair value. Under the BCRA's rules, such investments are stated at cost, limited to the value under the equity method of accounting.

Below is a detail of such adjustment:

Item related to the adjustment	Amount reclassified as per the IFRS	
	Separate FS	Consolidated FS
<b>ASSETS</b>		
<b>Investments in other companies</b>	<b>1,130,183</b>	<b>116,348</b>
Measurement as per equity method of accounting	1,125,172	-
Measurement at fair value	5,011	116,348

**(c) Bank Premises, Equipment and Miscellaneous Assets**

Pursuant to IAS 16, the Bank will either rely on the cost or the revaluation model and will apply the criteria so chosen to all elements comprising an item of bank premises and equipment.

**Cost model**

Following its recognition as an asset, an item of bank premises and equipment will be stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

**Revaluation model**

Following its recognition as an asset, an item of bank premises and equipment the fair value of which can be reliably measured will be accounted for at its revalued amount, that is, at its fair value at the time of revaluation, net of accumulated depreciation and accumulated impairment losses, if any. The revaluation of the asset will take place with sufficient regularity so as to ensure that the carrying amount does not significantly differ at any time from the amount that could be determined using the fair value at the end of the reporting period.

Usually, the fair value of land and buildings will be determined on the basis of market-based evidence, that is, from an appraisal generally carried out by qualified appraisers. The fair value of the items of bank premises and equipment will generally be equal to the market value, as determined through an appraisal.

The Bank has applied the revaluation model established by IAS 16 to its own land and buildings where the Bank's head office, and other operational branches, agencies and offices are set up, as well as the respective improvements thereto.

Adjustment calculation method: On the basis of the Bank's own real estate properties booked under "Bank Premises and Equipment" as of December 31, 2016, the Bank identified real estate properties in which its head office and branches, agencies and other offices were set up and operational on that date.

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Below is a detail of such adjustment:

Item related to the adjustment	Amount reclassified as per the IFRS	
	Separate FS	Consolidated FS
<b>ASSETS</b>		
<b>Bank premises and equipment</b>	<b>364,130</b>	<b>394,585</b>
Measurement as per equity method of accounting	290,780	321,262
Measurement at fair value	73,323	73,323

Item related to the adjustment	Amount reclassified as per the IFRS	
	Separate FS	Consolidated FS
<b>ASSETS</b>		
<b>Miscellaneous assets</b>	<b>287,687</b>	<b>300,761</b>
Measurement as per equity method of accounting	277,618	290,692
Measurement at fair value	10,069	10,069

Separate FS	March 31, 2017		
	BCRA	IFRS	Adjustment
Head office and own branches	77,323	1,016,062	938,739
<b>Real Estate Properties under Bank Premises and Equipment</b>	<b>77,323</b>	<b>1,016,062</b>	<b>938,739</b>
Own branches	3,600	80,965	77,364
Other real estate properties	6,469	61,833	55,365
<b>Real Estate Properties under Miscellaneous Assets</b>	<b>10,069</b>	<b>142,798</b>	<b>132,729</b>
<b>Total Adjustment</b>	<b>87,392</b>	<b>1,158,860</b>	<b>1,071,468</b>

**(d) Intangible Assets**

Under the IFRS, an intangible asset is an identifiable non-monetary asset without physical substance. In order to recognize intangibles, the Bank is required to have control over the asset, and future economic benefits are to be derived from that asset.

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Under the BCRA's rules, the Bank has recognized intangible assets that do not meet the recognition requirements of IFRS. Hence, the adjustment entails derecognizing such intangibles and reversing cumulative amortization and amortization for the year, with the following impact:

Separate FS	March 31, 2017		
	BCRA	Adjustment	IFRS
Intangible Assets	599,032	402,007	157,025

Consolidated FS	March 31, 2017		
	BCRA	Adjustment	IFRS
Intangible Assets	581,086	404,978	176,108

**(e) Financial Collateral**

Under the IFRS, financial collateral given by an entity should be initially recognized at fair value, which in most cases is equal to the fees charged. Such amount is then amortized on a straight line basis during the term of the contract. At each period end, financial collateral is measured at the higher of: (i) the fees not yet accrued as of the period/year-end, and (ii) the best estimate of the amount payable to terminate the contract, discounted at its present value as of the period/year-end.

Under the BCRA's rules, fees earned on financial collateral arrangements are charged to income when cashed.

The adjustment encompasses recognizing fees on collateral not yet accrued at period/year-end and then reversing the charge to income under the BCRA's rules in the following amount:

Separate FS	March 31, 2017		
	Total fees	Accrued fees	Fees to be accrued
Collateral given	1,032	420	612

**(f) Accruals**

Under the IFRS, short-term employee benefits, such as, vacations, salaries and wages, and social security contributions, are recognized as a liability for the undiscounted amount the Bank expects to pay for such benefits.

Under the BCRA's rules, the Bank set up a vacation accrual for an amount equal to the vacation bonus. The adjustment entails recognizing the vacation accrual for the total amount of the benefit the Bank expects to pay, which amounts to:

Separate FS	March 31, 2017		
	BCRA	Adjustment	IFRS
Vacation Bonus Accrual	21,188	96,837	118,025

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Consolidated FS	March 31, 2017		
	BCRA	Adjustment	IFRS
Vacation Bonus Accrual	22,827	102,487	125,314

**(g) Repo transactions**

*Reverse repo transactions*

Under the IFRS, a bank will derecognize a financial asset that had been assigned only to the extent the risks and benefits associated to that asset had been substantially transferred. In a reverse repo transaction, where the repurchase price is fixed, the Bank is not deemed to have substantially transferred all risks and benefits attached to the instrument and, hence, a liability should be recognized for the consideration received, without derecognizing the instrument involved in the repo transaction.

Under the BCRA's rules, a financial asset is to be derecognized when it is transferred. The adjustment involves recognizing the instruments and then reversing the receivable for financial transactions and the haircut booked under miscellaneous receivables.

*Repo transactions*

Under the IFRS, a financial asset acquired through a repo transaction with no transfer of the risks and benefits associated to that asset should be recognized as a loan granted.

Under the BCRA's rules, the acquired security is recognized at the time of the transfer. The adjustment involves derecognizing the listed government security, followed by the reversal of the holding gains (losses) from such security that had been charged to income, and by the reversal of the liability booked under liabilities for financial transactions.

Below are the amounts involved in the reclassification:

Item related to the adjustment	Amount reclassified as per the IFRS	
	Separate FS	Consolidated FS
<b>ASSETS</b>		
Government securities	404,231	253,952
Loans	5,139,358	5,288,882
Other receivables for financial transactions	(5,814,511)	(5,964,035)
Miscellaneous receivables	(4,038)	(4,038)
<b>LIABILITIES</b>		
Other liabilities for financial transactions	(274,960)	(425,239)

**(h) Spot and forward transactions to be settled**

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Under the IFRS, a conventional purchase or sale of financial assets is recognized using the “trade date” or the “settlement date” accounting. The election between one or the other is a matter of accounting criteria that will then have to be consistently applied to all purchases and sales of financial assets classified within the same category.

The Bank relies on the accounting criteria of recognizing spot and forward transactions to be settled on the trade date. Accordingly, the Bank will recognize all traded transactions that are pending as if such transactions had been settled.

Under the BCRA’s rules, the Bank recognizes spot and forward transactions to be settled on the trade date under Other receivables for financial transactions or under Other liabilities for financial transactions, as applicable, and classifies them under the applicable item on the settlement date.

All adjustments and reclassifications that were made are detailed in section (g), along with repo transactions.

**(i) Income tax**

Under IFRS, the income tax liability for the period encompasses current and deferred taxes. Current income tax is calculated on the basis of legislation that was, or is about to be, enacted as of the balance sheet date. Deferred tax is recognized pursuant to the asset-liability method, that is, for the temporary differences arising from the valuation of assets and liabilities for tax and accounting reporting purposes. However, deferred tax liabilities are not accounted for when they arise from the initial recognition of goodwill, or from the initial recognition of an asset or liability in a transaction, other than a business combination, which at the time of its consummation, does not affect net income (loss) for accounting or tax purposes. Deferred tax is assessed using tax rates (and laws) that are, or about to be, enacted as of the balance sheet date and that are expected to be applicable upon the realization of the respective deferred tax asset, or upon the settlement of the deferred tax liability.

Under the BCRA’s rules, the Bank recognizes the current tax liability for the year.

**Optional exemptions under IFRS:**

Below is a detail of the applicable exemptions and exceptions under IFRS 1 that were relied upon during the transition from the BCRA’s rules to the IFRS:

Under IFRS 1, entities adopting the IFRS for the first time are allowed to consider certain one-off waivers to the retroactive application requirement of the IFRS in force for financial statements ending on December 31, 2018. The IASB has established such waivers in order to streamline the first-time adoption of such standards.

Below is a detail of the optional exemptions applicable to the Bank under IFRS 1:

1. **Cost allocated to Bank Premises & Equipment and Investment Property:** the current value of bank premises & equipment and investment property has been adopted as allocated cost as of the transition date to the IFRS.
2. **Business combinations:** the Bank has decided not to apply IFRS 3 “Business combinations” retroactively to business combinations consummated before the transition date to the IFRS.
3. **Assets and liabilities of subsidiaries that have already adopted the IFRS:** the Bank has adopted the IFRS for the first time after its subsidiary Tarshop S.A. Therefore, the carrying values of this subsidiary’s assets

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and liabilities have been measured in the Bank's consolidated financial statements for the same amounts disclosed in that subsidiary's separate financial statements.

4. **Designation of previously recognized financial instruments:** the Bank has opted for designating certain investments in equity instruments as measured at fair value through other comprehensive income, pursuant to paragraph 5.7.5 of IFRS 9, in the light of the facts and circumstances prevailing on the transition date to the IFRS.

5. The Bank has not relied on the other exemptions available under the IFRS 1.

**Mandatory exceptions under IFRS**

Below is a detail of the mandatory exceptions applicable to the Bank under IFRS 1:

1. Estimates: the Bank's estimates under the IFRS as of December 31, 2016 (the transition date to the IFRS) are consistent with the estimates made as of the same date following the Argentine Central Bank's accounting rules (without applying the impairment chapter under IFRS 9)

2. Derecognition of financial assets and liabilities: the Bank has relied on the derecognition criteria for financial assets and liabilities under IFRS 9 on a prospective basis for transactions occurring after December 31, 2016.

3. Classification and measurement of financial assets: the Bank has taken into consideration the facts and circumstances prevailing as of December 31, 2016 in assessing whether financial assets are eligible for classification as assets measured at amortized cost, or at fair value through other comprehensive income.

4. Below is a list of other mandatory exceptions established in IFRS 1 that were not applied for they are not relevant to the Group:

- Hedge accounting
- Minority interests
- Embedded derivatives
- Government loans

However, in preparing this information, the Bank had to make estimates affecting assets and liabilities and net income for the period/year which may result in changes to the items and figures disclosed in the reconciliation when preparing the financial statements as of December 31, 2018.

**5. DEBTORS CLASSIFICATION AND PROVISIONING**

Allowances for loan losses established as of March 31, 2017 and December 31, 2016, cover the minimum allowances required by the Argentine Central Bank, which are determined according to the level of compliance of debtors, the guarantees securing the loans and the debtor's economic and financial condition, among others, the provisions raised for individual loans refinanced in accordance with the criterion described

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in Communication "A" 4583, and supplementary rules, as amended, and certain estimates concerning the impact of the current economic situation on the recoverability of the loan portfolio.

All individual consumer loans that must be fully provisioned in accordance with the rules in force are written off from the Bank's assets one month after the date in which such provision is made. As a result of the foregoing, in compliance with Argentine Central Bank Communication "A" 2357 and supplementary rules, as amended, the Bank recorded Ps. 985,336 thousand and Ps. 916,764 thousand in memorandum accounts as of March 31, 2017 and December 31, 2016, respectively.

The individual mortgage loans granted and managed by the Retail Bank Network, in which said banks assume 100% of cash flows guarantees, have been classified as normal for purposes of calculating provisioning levels.

Based on the foregoing, the Bank's Board of Directors believes that the allowances for loan losses set up are sufficient to cover the minimum allowances required by the Argentine Central Bank rules and professional accounting standards on the total amount of the portfolio.

## **6. RESTRICTED ASSETS**

As of March 31, 2017 and December 31, 2016, the Bank maintains deposits amounting to Ps. 435,201 in Central Bank Bills (I17Y7 - I19A7 and I19L7), Ps. 326,789 thousand in Central Bank Bills (I18E7-I19L7-I24Y7 and I25E7), respectively, as collateral for OTC ROFEX transactions. These escrow deposits have been recorded under "Other receivables for financial transactions".

In addition, as of March 31, 2017 and December 31, 2016, the Bank maintains escrow deposits for MAE transactions amounting to Ps. 4,038 thousand in Central Bank Bills (I7Y17) and Ps. 3,989 thousand in Central Bank Bills (HO4E7), respectively. These escrow deposits have been recorded in "Miscellaneous Receivables".

As of March 31, 2017 and December 31, 2016, the Bank maintains deposits amounting to Ps. 290,374 thousand and Ps. 364,586 thousand, respectively, as collateral for Visa credit card transactions. These escrow deposits have been recorded in "Miscellaneous Receivables".

As of March 31, 2017 and December 31, 2016, the Bank maintains deposits amounting to Ps. 1,067 thousand and Ps. 1,027 thousand, respectively, as collateral for offices and stores leases. These escrow deposits have been recorded in "Miscellaneous Receivables".

As of March 31, 2017 and December 31, 2016, the Bank maintains deposits amounting to Ps. 896 thousand and Ps. 810 thousand, respectively, as collateral for Red Link losses. These escrow deposits have been recorded in "Miscellaneous Receivables".

## **7. LOANS**

The breakdown of the "Others" line under the "Loans" caption is as follows:

	03/31/2017	12/31/2016
	Thousands of Ps.	Thousands of Ps.
Working capital loans in \$	2,213,577	2,221,256
Working capital loans in US\$	1,093,200	973,698
Loans for the financing of Manufacturers in US\$	190,427	189,838

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Export prefinancing	63,726	602,308
Other loans in foreign currency	1,006,932	961,248
<b>Total</b>	<b>5,157,862</b>	<b>4,948,348</b>

**8. OTHER RECEIVABLES FOR FINANCIAL TRANSACTIONS**

The breakdown of the "Other receivables included in the debtor classification regulations" line, under the "Other receivables for financial transactions" caption is as follows:

	03/31/2017	12/31/2016
	Thousands of Ps.	Thousands of Ps.
Mortgage loans delivered in trust (Note 9)	6,102	6,606
Accrued fees receivable	20,662	1,182
Other loan-related items	9,198	10,395
Other consumer loan-related items	4,451	96,490
<b>Total</b>	<b>40,413</b>	<b>114,673</b>

The breakdown of the "Other receivables not included in the debtor classification regulations" line, under the "Other receivables for financial transactions" caption, is as follows:

	03/31/2017	12/31/2016
	Thousands of Ps.	Thousands of Ps.
Own negotiable obligations	75,707	366,439
Trust participation certificates (Note 9)	79,744	85,026
Mortgage-backed debt securities (Note 9)	65,656	67,607
Other securities and Trust participation certificates	1,933,747	1,903,002
Other	34	2,030
<b>Total</b>	<b>2,154,888</b>	<b>2,424,104</b>

**9. SECURITIZATION OF THE MORTGAGE LOAN PORTFOLIO**

The Bank has executed various financial trust agreements under which, as trustor, it has transferred the fiduciary ownership of mortgage loans belonging to its loan portfolio to different financial institutions, as trustee. Once the trustee receives the mortgage loan it proceeds to issue the corresponding debt securities and participation certificates and to use the proceeds of the placement thereof for settling the amount of the loans ceded by the Bank. The trust assets entail a separate and distinct equity from the trustee's assets and those of the trustor.

The trustee is responsible for the management of the trust funds previously set up in accordance with the specifications contained in the trust agreement.

As of March 31, 2017 and December 31, 2016, the Bank recorded Ps. 6,102 thousand and Ps. 6,606 thousand, respectively, in respect of mortgage loans originally granted in foreign currency and converted into Ps. as required by Law 25561 and Decree 214, registered in the name of the trustee, in the "Others included in the debtor classification regulations" line, under the "Other receivables for financial transactions" caption; Ps. 7,052 thousand and Ps. 7,110 thousand, respectively, in the "Accrued interest receivable included in the debtor classification regulations" line, under that caption, in respect of accrued interest and adjustments from application of the CER receivable. Those receivables are held in the Bank's assets because at that date, the trustee had not yet issued the related securities and the Bank continued to act as trustor and only beneficiary.

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In 2004, the Bank created a Global Trust Securities Program, "CÉDULAS HIPOTECARIAS ARGENTINAS" for the securitization of individual mortgage loans for the financing of housing units for a face value of up to ARS 500,000,000, which was authorized by CNV Technical Pronouncement No. 14814 dated June 3, 2004.

As of March 31, 2017, fourteen series of Argentine Mortgage Bonds Financial Funds (CHA) were created, of which eight series fell under the scope of the referred Program, and the other six series were individual issues. As of the closing date of these financial statements, the following series were outstanding:

	Debt Securities Class A1/AV	Debt Securities Class A2/AF	Debt Securities Class B	Participation Certificates	Total
BHSA I Issued on 02.01.2002 Face value in thousands of ARS Declared Maturity Date				43,412 02.01.2021	43,412
CHA VI Issued on 04.07.2006 Face value in thousands of ARS Declared Maturity Date	56,702 12.31.2016			12,447 12.31.2026	69,149
CHA VII Issued on 09.27.2006 Face value in thousands of ARS Declared Maturity Date	58,527 08.31.2017			12,848 02.28.2028	71,375
CHA VIII Issued on 03.26.2007 Face value in thousands of ARS Declared Maturity Date	61,088 08.31.2024			13,409 08.31.2028	74,497
CHA IX - Issued on 08.28.2009 Face value in thousands of ARS Declared Maturity Date	192,509 02.07.2027			10,132 07.07.2027	202,641
CHA X - Issued 08.28.2009 Face value in thousands of ARS Face value in thousands of US\$ Declared Maturity Date	85,001 01.07.2027			17,224 06.07.2028	17,224 85,001
CHA XI - Issued 12.21.2009 Face value in thousands of ARS Declared Maturity Date	204,250 03.10.2024			10,750 10.10.2024	215,000
CHA XII - Issued 07.21.2010 Face value in thousands of ARS Declared Maturity Date	259,932 11.10.2028			13,680 02.10.2029	273,612
CHA XIII- Issued 12.02.2010 Face value in thousands of ARS Declared Maturity Date	110,299 12.10.2029			5,805 04.10.2030	116,104
CHA XIV- Issued 03.18.2011					

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Face value in thousands of ARS	119,876	6,309	126,185
Declared Maturity Date	05.10.2030	08.10.2030	

As of March 31, 2017, Banco Hipotecario S.A. has recorded in memorandum accounts the right to receive the residual value of the mortgages registered in financial trusts BHN II, BHN III, BHN IV and BACS as a result of their settlement.

As of March 31, 2017 and December 31, 2016, the Bank held in its portfolio the following securities corresponding to the abovementioned trusts:

	03/31/2017	12/31/2016
	Thousands of Ps.	Thousands of Ps.
Class A debt securities – CHA VI to CHA XIV	65,656	67,607
Subtotal	65,656	67,607

	03/31/2017	12/31/2016
	Thousands of Ps.	Thousands of Ps.
Participation certificates – CHA IX	8,384	8,782
Participation certificates – CHA X	21,932	24,446
Participation certificates – CHA XI	10,911	11,173
Participation certificates – CHA XII	11,845	12,386
Participation certificates – CHA XIII	2,437	3,132
Participation certificates – CHA XIV	2,250	3,063
Participation certificates – CHA VI	12,539	13,095
Participation certificates – BHSA I 2002	9,446	8,949
Subtotal	79,744	85,026
Total	145,400	152,633

**10. MISCELLANEOUS RECEIVABLES**

The breakdown of the "Others" line corresponding to the "Miscellaneous receivables" caption is as follows:

	03/31/2017	12/31/2016
	Thousands of Ps.	Thousands of Ps.
Tax prepayments and withholdings	35,997	31,398
Prepayments and advances	19,047	19,866
Attachments for non-restructured Notes	4,311	11,179
Other receivables for legal actions	5,553	6,729
Directors' and Supervisory fees	33,920	25,889
Escrow deposits -Visa credit card transactions (Note 6)	290,374	364,586
Escrow deposits for lease - Red Link Losses and others (Note 6)	1,963	1,837
Collections pending reporting by collecting entities	179,416	181,275
Loans to the entity's personnel	184,838	188,175
Receivables from subsidiaries	766,656	17,721

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Leasing-related goods – services and insurance	27,380	21,246
Other	165,349	168,710
Total	1,714,804	1,038,611

**11. NEGOTIABLE OBLIGATIONS AND OTHER FINANCING**

As of March 31, 2017, the contractual residual nominal value of the negotiable obligations amounts to Ps. 14,399,308 thousand and as of December 31, 2016, to Ps. 13,900,745 thousand. These amounts include ordinary negotiable obligations not convertible into shares.

The balance of the negotiable obligations has been included in the "Other liabilities for financial transactions" caption. The residual face values of the different negotiable obligation series issued are as follows:

	ISSUE DATE	MATURITY DATE	ANNUAL INTEREST RATE	RESIDUAL FACE VALUE 03/31/2017	RESIDUAL FACE VALUE 12/31/2016
Thousands of Ps.					
Series XII (US\$ 39,508 thousand)	08/14/13	08/14/17	3.95%	460,193	474,206
Series XXX (Ps. 314,611 thousand)	09/04/2015	03/04/2017	9 months 28.25% and 9 months Badlar + 4.5%	-	314,611
Series XXXI (US\$ 14,730 thousand)	09/04/2015	09/04/2018		226,574	233,473
Series XXXII (Ps. 265,770 thousand)	11/30/2015	05/30/2017	3 months 27% and 15 months Badlar +4.75%	265,770	265,770
Series XXIX – tranche I (US\$ 200,000 thousand)	11/30/2015	11/30/2020	9.75%	3,076,360	3,153,644
Series XXIX – tranche II (US\$ 150,000 thousand)	05/23/2016	11/30/2020	9.75%	2,292,353	2,377,530
Series XXXIV (Ps. 264,030 thousand)	02/10/2016	08/18/2017	Badlar +4.00%	264,030	264,030
Series XXXV (Ps. 235,970 thousand)	02/10/2016	02/10/2019	Badlar +4.99%	235,970	235,970
Series XXXVI (Ps. 469,750 thousand)	05/18/2016	11/18/2017	Badlar +4.25%	469,750	469,750
Series XXXVIII (Ps. 145,200 thousand)	08/18/2016	02/18/2018	Badlar +4%	145,200	145,200
Series XXXIX (Ps. 343,241 thousand)	08/18/2016	08/18/2019	Badlar + 3.49%	343,241	343,241
Series XL (Ps. 6,078,320 thousand)	10/12/2016	01/11/2020	Badlar +2.5%	5,630,557	5,623,320
Series XLI (Ps. 354,162 thousand)	02/20/2017	08/20/2018	Badlar +2.89%	350,644	-
Series XLII (Ps. 645,638 thousand)	02/20/2017	02/20/2020	Badlar +3.20%	638,666	
				14,399,308	13,900,745

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The Bank uses the net proceeds of the placement of negotiable obligations for any of the purposes as set forth in Section 36 of the Negotiable Obligations Law, BCRA Communication "A" 3046, as amended and supplemented, and other applicable regulations.

The Ordinary General Shareholders' Meeting held on May 23, 2008, approved the creation of a new Global Program for the issuance of ordinary negotiable obligations, not convertible into shares, secured or unsecured, for up to two billion US dollars (US\$2,000,000,000) or an equal amount in Pesos.

A resolution adopted by the Bank's Board of Directors and dated February 9, 2011 approved a reduction in the Program amount by up to US Dollars five hundred million (US\$ 500,000,000) or its equivalent in Argentine Pesos.

On March 27, 2012, the General Ordinary Shareholders' Meeting approved the extension of the Global Program for the issuance of Notes, delegating on the Board of Directors the broadest powers to determine the time, amount, as well as the other terms and conditions of each Series to be issued.

On April 24, 2014, the General Ordinary Shareholders' Meeting renewed such delegation of powers.

On February 11, 2015 the Bank's Board of Directors approved the increase in the Program amount for up to US Dollars seven hundred million (US\$ 700,000,000) or its equivalent in pesos.

On May 6, 2015, the Bank's Board of Directors approved the increase in the Program amount for up to US dollars eight hundred million (US\$ 800,000,000) or its equivalent in pesos.

In addition, the General Ordinary Shareholders' Meeting held on April 13, 2016, approved the extension of the Bank's Global Program for the issuance of Notes for up to US Dollars eight hundred million (US\$ 800,000,000) or its equivalent in pesos currently in force for a term of up to 5 years, or for such longer term as may be permitted by applicable laws.

The Board of Directors of Banco Hipotecario S.A., at its meeting held on September 15, 2016, approved the increase in the Program's amount for up to US dollars one billion (US\$1,000,000,000) or its equivalent in pesos.

On October 12, 2016, the Bank issued Notes in the international capital markets for an amount of Ps. 6,078,320 thousand.

The Board of Directors of Banco Hipotecario S.A., at its meeting held on November 9, 2016, approved the increase in the Program's amount for up to US dollars one and a half billion (US\$ 1,500,000,000) or its equivalent in pesos.

On December 23, 2016, the Bank partially repurchased and cancelled Series XI Notes for an amount of Ps. 400,000 thousand.

On February 20, 2017, two new Notes (Series XLI and XLII) were issued in the local market for Ps. 1,000,000 thousand.

On March 6, 2017, Series XXX Notes were fully repaid.

On May 3, 2017, Series XLIII – XLIV and XLV notes were issued. One of them was issued in UVA at a fixed rate and the other two series were issued at BADLAR plus spread for a total of approximately Ps. 1,373,600.

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#### 12. LEVEL 1 AMERICAN DEPOSITARY RECEIPTS PROGRAM

On March 27, 2006 the US Securities and Exchange Commission (SEC) has made effective the Level I American Depositary Receipts, "ADR" program.

This program allows foreign investors to buy the Bank's stock through the secondary market where ADRs are traded freely within the United States. The Bank of New York has been appointed as depositary institution.

#### 13. DERIVATIVE FINANCIAL INSTRUMENTS

The following are the derivative financial instruments outstanding as of March 31, 2017:

1. Forward transactions: US dollar forward transactions have been carried out, the settlement of which, in general, is made without delivery of the underlying asset but by means of the payment in Pesos of currency differences. Transactions closed through MAE call for daily settlement in Pesos and those closed through ROFEX are settled the following day (T+1) in Pesos. These transactions were performed mainly as hedge for foreign currency positions.

At the close of this fiscal period, Ps. 525,311 thousand have been recorded in debit memorandum accounts and Ps. 508,964 thousand have been recorded in credit memorandum accounts for US dollar forward transactions.

Furthermore, Ps. 15,771 thousand have been recorded in Assets and Ps. 18,486 thousand have been recorded in Liabilities in connection with forward transactions traded through ROFEX and pending settlement, which have also been included in debit and credit memorandum accounts for Ps. 13,957,748 thousand and Ps. 10,385,767 thousand, respectively.

As of March 31, 2017, losses for Ps. 344,926 thousand have been recorded in connection with the transactions described above.

2. Interest rate swaps: On August 28, 2009, the Bank issued Series IX of Cédulas Hipotecarias Argentinas (CHA). For purposes of covering the holders of Trust Debt Securities and the Participation Certificate held by BHSA (see note 9) from potential fluctuations in the BADLAR rate at which the referred trust Debt Securities were issued, the Bank entered into a total return swap whereby it pays a variable BADLAR rate less 245 bps and receives a fixed rate (9.1%). This transaction is periodically settled to reflect financial flow differences without any exchange of the main securities. In addition, this transaction is not subject to early termination and no assets are given as collateral. As of March 31, 2017, this transaction had no balance in assets and liabilities. The balance recorded as of period-end in debit memorandum accounts is Ps. 114,851 thousand. In addition the Bank recorded losses for Ps. 2,418 thousand as of March 31, 2017.

3. Currency Swap: On August 28, 2009, the Bank issued Series X of Cédulas Hipotecarias Argentinas (CHA). For purposes of covering the holders of Trust Debt Securities and the Participation Certificate held by BHSA (see Note 9) from potential fluctuations in the dollar exchange rate at which the referred trust Debt Securities were issued, the Bank entered into a total return swap whereby it pays a rate of 2% on a flow of dollars and receives a fixed rate on a flow of pesos (9.25%). This transaction is periodically settled to reflect financial flow differences without any exchange of the main securities. In addition, this transaction is not subject to early termination and no assets are given as collateral. As of March 31, 2017, this transaction had no balance in assets and had a balance of Ps. 592,503 thousand in liabilities. The balances recorded as of period-end in debit

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 Chairman  
**BANCO HIPOTECARIO S.A.**

**Ricardo Flammini**  
 For the Supervisory  
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and credit memorandum accounts are Ps. 197,730 thousand and Ps. 790,233 thousand, respectively. The Bank recorded profits for Ps. 551 thousand as of March 31, 2017.

4. Interest rate swaps: On December 21, 2009, the Bank issued Series XI of Cédulas Hipotecarias Argentinas (CHA). For purposes of protecting the holders of Trust Debt Securities and the Participation Certificate held by BHSA (see Note 9) against potential fluctuations in the BADLAR rate at which the referred trust Debt Securities were issued, the Bank entered into a total return swap whereby it pays a variable BADLAR rate less 291 bps and receives a fixed rate (11.33%). This transaction is periodically settled to reflect financial flow differences without any exchange of the main securities. In addition, this transaction is not subject to early termination and no assets are given as collateral. As of March 31, 2017, this transaction had no balance in assets and liabilities. The balance recorded as of period-end in debit memorandum accounts is Ps. 98,102 thousand. The Bank recorded losses for Ps. 1,408 thousand as of March 31, 2017.
5. Interest rate swaps: On July 21, 2010, the Bank issued Series XII of Cédulas Hipotecarias Argentinas (CHA). For purposes of protecting the holders of Trust Debt Securities and the Participation Certificate held by BHSA (see Note 9) against potential fluctuations in the BADLAR rate at which the referred trust Debt Securities were issued, the Bank entered into a total return swap whereby it pays a variable BADLAR rate plus 10 bps and receives a fixed rate (13.25%). This transaction is periodically settled to reflect financial flow differences without any exchange of the main securities. In addition, this transaction is not subject to early termination and no assets are given as collateral. As of March 31, 2017, this transaction had no balance in assets and liabilities. The balance recorded as of period-end in debit memorandum accounts is Ps. 127,838 thousand. The Bank recorded losses for Ps. 1,934 thousand as of March 31, 2017.
6. Interest rate swaps: On December 2, 2010, the Bank issued Series XIII of Cédulas Hipotecarias Argentinas (CHA). For purposes of protecting the holders of Trust Debt Securities and the Participation Certificate held by BHSA (see Note 9) against potential fluctuations in the BADLAR rate at which the referred trust Debt Securities were issued, the Bank entered into a total return swap whereby it pays a variable BADLAR rate plus 27 bps and receives a fixed rate (9.279%). This transaction is periodically settled to reflect financial flow differences without any exchange of the main securities. In addition, this transaction is not subject to early termination and no assets are given as collateral. As of March 31, 2017, this transaction had no balance in assets and liabilities. The balance recorded as of period-end in debit memorandum accounts is Ps. 82,357 thousand. The Bank recorded losses for Ps. 2,255 thousand as of March 31, 2017.
7. Interest rate swaps: On March 18, 2011, the Bank issued Series XIV of Cédulas Hipotecarias Argentinas (CHA). For purposes of protecting the holders of Trust Debt Securities and the Participation Certificate held by BHSA (see Note 9) against potential fluctuations in the BADLAR rate at which the referred trust Debt Securities were issued, the Bank entered into a total return swap whereby it pays a variable BADLAR rate less 20 bps and receives a fixed rate (9.91%). This transaction is periodically settled to reflect financial flow differences without any exchange of the main securities. In addition, this transaction is not subject to early termination and no assets are given as collateral. As of March 31, 2017, this transaction had no balance in assets and liabilities. The balance recorded as of period-end in debit memorandum accounts is Ps. 88,177 thousand. The Bank recorded losses for Ps. 2,373 thousand as of March 31, 2017.
8. Repo transactions: As of March 31, 2017, Ps. 30,184 thousand were recorded in liabilities on account of repo transactions involving several government securities.

The instruments mentioned in paragraphs 1 through 7 of this Note meet the requirements imposed by AFIP's General Resolution No. 3421/2012 to be considered as hedging transactions inasmuch as

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said transactions are: i) directly related to BHSA's main financial activities and to their underlying elements; ii) identified as from their inception and iii) their risks have been evaluated and mitigated (See Note 30).

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### 14. OTHER LIABILITIES RESULTING FROM FINANCIAL TRANSACTIONS

The breakdown of the "Others" line included in the "Other liabilities for financial transactions" caption is as follows:

	03/31/2017	12/31/2016
	Thousands of Ps.	Thousands of Ps.
Collections and other transactions on behalf of third parties	56,724	36,641
Credit cards consumptions payable	1,506,209	1,549,661
Retail Bank Network	6,764	6,382
Financial hedge contract (Note 13.3)	578,664	620,080
Others	9,946	1,533
	<u>2,158,307</u>	<u>2,214,297</u>

### 15. MISCELLANEOUS LIABILITIES

The breakdown of the "Others" line corresponding to the "Miscellaneous liabilities" caption is disclosed as follows:

	03/31/2017	12/31/2016
	Thousands of Ps.	Thousands of Ps.
Sundry creditors	138,104	158,518
Other expenses payable	222,137	205,131
Tax withholdings to be deposited	69,725	112,606
Taxes payable	235,534	221,280
Payroll withholdings and contributions	70,990	79,440
Salaries and social security charges payable	340,820	257,291
Total	<u>1,077,310</u>	<u>1,034,266</u>

### 16. PROVISIONS

The breakdown of the "Provisions" line is disclosed as follows:

	03/31/2017	12/31/2016
	Thousands of Ps.	Thousands of Ps.
Provision for other contingencies (**)	56,145	35,961
Provision for taxes	15,076	3,131
Provision for lawsuits	178,118	201,996
Customers' Loyalty Program	59,594	58,124
Allowance for administrative-disciplinary-criminal penalties (**)	600	600
Total	<u>309,533</u>	<u>299,812</u>

(\*\*) See Notes 2.15 and 37.

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**17. FINANCIAL INCOME AND EXPENSES**

The breakdown of the "Others" line included in the "Financial income" caption is as follows:

	03/31/2017	03/31/2016
	Thousands of Ps.	Thousands of Ps.
Premiums for forward transactions	-	200,843
Premiums for repos	179,709	43,514
<b>Total</b>	<b>179,709</b>	<b>244,357</b>

The breakdown of the "Others" line included in the "Financial expenses" caption is as follows:

	03/31/2017	03/31/2016
	Thousands of Ps.	Thousands of Ps.
Turnover tax on financial income	126,633	119,315
Premiums on swap and forward transactions	356,464	6,648
Result from interest rate swaps	10,385	20,467
<b>Total</b>	<b>493,482</b>	<b>146,430</b>

**18. INCOME FROM SERVICES**

The breakdown of the "Others" line included in the "Income from services" caption is as follows:

	03/31/2017	03/31/2016
	Thousands of Ps.	Thousands of Ps.
Insurance services (Notes 1 and 2.10)	-	4,257
Services on loans	46,404	27,306
Fees for repo transactions	14,540	38,266
Fees for debit cards	12,530	10,303
Income from PRO.CRE.AR services	74,135	49,930
Other	4,017	3,074
<b>Total</b>	<b>151,626</b>	<b>133,136</b>

**19. EXPENSES FOR SERVICES**

The breakdown of the "Others" line included in the "Expenses for services" caption is as follows:

	03/31/2017	03/31/2016
	Thousands of Ps.	Thousands of Ps.
Services on loans	149,704	113,478
Turnover tax	40,947	21,903
Aerolíneas Argentinas Co-Branding	16,469	20,840
Services related to borrowing transactions	18,944	9,574
<b>Total</b>	<b>226,064</b>	<b>165,795</b>

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**20. ADMINISTRATIVE EXPENSES**

The breakdown of the "Other fees" line included in the "Administrative Expenses" caption is as follows:

	03/31/2017	03/31/2016
	Thousands of Ps.	Thousands of Ps.
Legal, notarial, accounting and tax consulting services	4,680	828
Temporary personnel	49,055	36,531
Consulting services	24,102	23,126
Other fees	5,930	5,904
<b>Total</b>	<b>83,767</b>	<b>66,389</b>

The breakdown of the "Other operating expenses" line included in the "Administrative expenses" caption is as follows:

	03/31/2017	03/31/2016
	Thousands of Ps.	Thousands of Ps.
Insurance	7,341	2,665
Rental income	30,982	23,476
Telephone, electricity, and mailing services	14,282	12,003
System links	8,769	7,019
Maintenance and conservation of premises and equipment	22,043	18,177
Surveillance	17,943	11,555
Cleaning expenses	9,521	7,103
Technological infrastructure maintenance expenses	15,230	7,346
Other	7,683	3,249
<b>Total</b>	<b>133,794</b>	<b>92,593</b>

**21. MISCELLANEOUS INCOME**

The breakdown of the "Others" line included in the "Miscellaneous income" caption is as follows:

	03/31/2017	03/31/2016
	Thousands of Ps.	Thousands of Ps.
Rental income	2,194	700
Result on operations with premises and equipment and miscellaneous assets	258	544
Interest on Bank loans to its personnel	9,755	9,226
Result on collateral securities	224	2,680
Interest on miscellaneous receivables	13,443	8,217
Other	473	263
<b>Total</b>	<b>26,347</b>	<b>21,630</b>

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### 22. MISCELLANEOUS LOSSES

The breakdown of the "Others" line included in the "Miscellaneous losses" caption is as follows:

	03/31/2017	03/31/2016
	Thousands of Ps.	Thousands of Ps.
Turnover tax	2,334	1,736
Other taxes	33,565	22,159
Donations	1,662	1,756
Debit card discounts	12,458	6,144
Credit card discounts	15,294	5,599
Other	10,824	238
Total	76,137	37,632

### 23. DEPOSIT GUARANTEE INSURANCE SYSTEM

According to Law 24485, Decrees 540/95 and 1127/98, Communication "A" 2337 and supplementary ones from the Argentine Central Bank, institutions encompassed by the Financial Institutions Law should make a standard contribution equivalent to 0.03% of their monthly average daily balances of deposits in current accounts, savings accounts, time deposits, special accounts, fixed-term investments and frozen balances stemming from those deposits. After several changes, through Communication "A" 5641 dated November 6, 2014, the percentage is set at 0.06%. As of the end of these financial statements, the percentage is 0.015%.

In addition to the standard contribution, the institutions are required to make a separate additional contribution, in proportion to the result obtained from the weighting of several factors.

It is also established that the BCRA may require an advance payment of an amount equivalent to 24 minimum standard contributions within at least 30 calendar days to meet the Fund's needs for resources.

This System does not cover transferable time deposits whose ownership has been acquired through endorsement, placements attracted through systems which offer incentives in addition to the interest rate agreed upon, deposits in which interest rates exceeding the reference rate established by the Argentine Central Bank are arranged, deposits made by financial institutions with other brokers, including the time deposit certificates acquired through a secondary transaction, deposits made by persons related to the Bank, either directly or indirectly, time deposits of securities, acceptances or guarantees, and the immobilized balances arising from deposits and other liabilities excluded from that System.

As of September 30, 2014, the maximum limit for the guarantee for deposits in force is Ps. 120,000 thousand, according to the provisions in Communication "A" 5170 dated January 11, 2011.

As from and as set forth by the Argentine Central Bank in Communication "A" 5641, the maximum limit of the guarantee for deposits was increased to Ps. 350,000 thousand and by means of Communication "A" 5943, the Argentine Central Bank resolved that effective May 1, 2016, the maximum limit of the guarantee for deposits is Ps. 450,000.

### 24. SUBSIDIARY COMPANIES

The bank has equity investments in the following subsidiaries:

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 Manager  
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1. 99.99% of the BHN Sociedad de Inversión Sociedad Anónima's share capital, those of which amount to Ps. 39,132 thousand and whose corporate purpose is investments. In turn, BHN Sociedad de Inversión Sociedad Anónima owns 99.99% of BHN Vida Sociedad Anónima and BHN Seguros Generales Sociedad Anónima and 5% of BH Valores SA.
2. As of December 31, 2016, Banco Hipotecario S.A. had an 87.50% equity interest in BACS Banco de Crédito y Securitización Sociedad Anónima, equivalent to Ps. 62,500 thousand. As of March 31, 2017, Banco Hipotecario S.A. has a 62.28% equity interest in BACS Banco de Crédito y Securitización Sociedad Anónima, equivalent to Ps. 87,813 thousand, following a resolution passed at a meeting of BACS' Board of Directors held on February 21, 2017 in respect of the issuance of 25,313,251 book-entry common shares with a face value of Ps. 1 and one voting right each in favor of IRSA - Inversiones y Representaciones S.A. It should be noted that, as of December 31, 2016, BACS' core business was to promote the creation and development of a secondary market for mortgage loans in Argentina. On March 14, 2017, BACS' Board of Directors was served notice of a resolution passed by the Board of Directors of the Argentine Central Bank on March 3, 2017, pursuant to which BACS was expressly allowed, under the terms of Article 7 of the Financial Institutions Law, to do business as a first-tier commercial bank.
3. 95% of the share capital of BH Valores S.A., those of which amount to Ps. 1,500 thousand and which is devoted to stock trading activities.
4. 80% of the share capital of Tarshop S.A., those of which amount to Ps. 243,796 and whose main activity is the issuance and marketing of credit cards. On January 10, 2017, the Argentine Central Bank notified the Bank it had completed the final registration of TARSHOP S.A. in the Register of "Other Non-Financial Credit Providers" maintained by the Superintendent of Financial and Exchange Institutions under code number 70106.
5. On January 9, 2012, the Board of Directors of the Bank approved the Bank's involvement as a *protector* member in the mutual guarantee company that is currently in its formation stage and will be called "Confederar NEA S.G.R.". This decision was formalized on June 13, 2013 when the Bank contributed Ps. 12,000 to the capital of Confederar NEA S.G.R. and on June 25, 2013 when the Bank contributed Ps. 5,000 thousand to this company's risk fund. On June 13, 2016, the Bank entered into an agreement with Confederar NEA S.G.R. mutual guarantee company for contributing Ps. 5,000 thousand (renewal) to the risk fund. It must be noted that the regulations laid down by the Argentine Central Bank classify the contributions made by financial institutions to mutual guarantee companies, in the capacities as *protector* members, as services supplementary to financial activities.

The relevant total amounts arising from the March 31, 2017 financial statements of the main controlled investees are as follows:

	<b>BACS Banco de Crédito y Securitización S.A. (1) (9)</b>	<b>BHN Sociedad de Inversión S.A. (1) (2) (6) (8)</b>	<b>BH Valores SA</b>	<b>Tarshop SA (2) (3)(4)(5)(7)</b>
	Thousands of Ps.			
Assets	1,995,061	1,651,087	42,571	3,619,677
Liabilities	1,560,906	1,318,677	618	3,016,496
Shareholders' equity	434,155	332,410	41,953	603,181
Net income/(loss)	8,133	200,054	3,922	31,849

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1. Consolidated balances
2. Financial statements adjusted as per BCRA's accounting rules.
3. On October 22, 2014, the Board of Directors of Banco Hipotecario S.A. unanimously approved an irrevocable capital contribution to Tarshop S.A. in the amount of Ps. 110,000 thousand to be made by shareholders Banco Hipotecario S.A. and Alto Palermo S.A. pro rata of their shareholdings so that Tarshop S.A. should have sufficient resources for its operating activities and to be able to execute its 2015 Business Plan.
4. On September 11, 2015, the Board of Directors of Banco Hipotecario S.A. unanimously approved an irrevocable capital contribution to Tarshop S.A. in the amount of Ps. 52,500 thousand to be made by shareholders Banco Hipotecario S.A. and IRSA Propiedades Comerciales S.A. (continuing company after Alto Palermo S.A.'s change of corporate name) pro rata of their shareholdings so that Tarshop S.A. should have sufficient resources for its operating activities.
5. On November 4, 2015, the Board of Directors of Banco Hipotecario S.A. unanimously approved an irrevocable capital contribution to Tarshop S.A. in the amount of Ps. 52,500 thousand to be made by shareholders Banco Hipotecario S.A. and IRSA Propiedades Comerciales S.A. (continuing company after Alto Palermo S.A.'s change of corporate name) pro rata of their shareholdings, in line with the capitalization program previously approved.
6. On March 9, 2016, the General Ordinary Shareholders' Meeting of BHN Sociedad de Inversión S.A. approved the payment of dividends in cash and/or government securities for Ps. 650,000 thousand, and empowered the Board of Directors to make the relevant distribution as and when they deem it convenient during fiscal year 2016 (See Note 42).
7. On June 23, 2016, the Board of Directors of Banco Hipotecario S.A. unanimously approved an irrevocable capital contribution to Tarshop S.A. in the amount of Ps. 250,000 thousand to be made by shareholders Banco Hipotecario S.A. and IRSA Propiedades Comerciales S.A. (continuing company after Alto Palermo S.A.'s change of corporate name) pro rata of their shareholdings.
8. On November 29, 2016, the Shareholders' Meeting of BHN Sociedad de Inversión S.A. approved the payment of interim dividends against net income for fiscal year 2016 for Ps. 150,000 thousand and the Shareholders' Meeting held on March 30, 2017 approved the distribution of dividends for Ps. 900,000 thousand and ratified the distribution of interim dividends for Ps. 150,000 thousand (See Note 42).
9. The General Extraordinary Shareholders' Meeting of BACS Banco de Crédito y Securitización S.A. dated December 12, 2013 approved the issuance of Convertible Subordinated Notes (the "Convertible Notes") to be privately offered, for an amount of up to Ps. 100,000,000 (one hundred million Pesos). On June 22, 2015, BACS issued notes convertible into common, book-entry shares of the Company for a principal amount of Ps. 100,000 thousand, solely addressed to the Company's shareholders and fully subscribed by IRSA. On June 21, 2016, the Subsidiary was given notice by Inversiones y Representaciones S.A. (IRSA) of its intention to exercise its conversion right over such Subordinated Notes Convertible into Common Shares. On February 10, 2017, BACS took notice of BCRA's Resolution No. 63, dated February 7, 2017, granting its unqualified authorization for the conversion of the Notes Convertible into Common Shares in favor of IRSA, representing 26.989% of its stock capital. BACS's board meeting held on February 21, 2017 approved BACS's capital increase for Ps. 87,813 thousand and the issuance of 25,313,251 book-entry common shares with a face value of (\$1) and one voting right each in favor of IRSA Inversiones y Representaciones S.A.

## 25. DISTRIBUTION OF PROFITS

Argentine Central Bank Communication "A" 4152 dated June 2, 2004 waived the suspension of the distribution of profits established by Communication "A" 3574. However, those banks that proceed to such distribution must be previously authorized by the Superintendent of Financial and Exchange Institutions.

Through Communication "A" 4526 dated April 24, 2006, the BCRA established that when the Legal Reserve is used to absorb losses, earnings shall not be distributed until the reimbursement of said losses. Should the balance prior to the absorption exceed 20% of the Capital Stock plus the Capital Adjustment, profits may be distributed once the latest value is reached.

For purposes of determining distributable balances, the net difference arising from the book value and the market quotation shall be deducted from retained earnings, in the event the Entity records government debt securities and/or debt securities issued by the BCRA not valued at market prices, with volatility published by such entity.

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Pursuant to its Communication "A" 5072, BCRA established that no dividend distribution shall be admitted insofar as: a) the amounts deposited as minimum cash requirements on average – in Pesos, foreign currency or in Government securities – were less than the requirements pertaining to the most recently closed position or the position as projected taking into account the effect of the distribution of dividends, and/or b) the amounts deposited as minimum capital requirements were less than the requirements recalculated as previously mentioned plus a 30% increase, and/or c) the Entity has received financial aid from the BCRA on grounds of illiquidity as set forth in Section 17 of BCRA's Charter.

On January 27, 2012, the BCRA issued Communication "A" 5272 whereby it established that for the calculation of the minimum capital requirement, the minimum capital for operational risk shall be included. On the same date, Communication "A" 5273 was also issued, whereby the BCRA resolved to increase the percentage referred to in the preceding paragraph, subsection b), from 30% to 75%.

Communication "A" 5369 provided that as of January 1, 2013, for the purposes of calculating the position of minimum capitals, the capital requirement for credit risk due to securitizations must be computed over all the outstanding transactions as of the computation date.

On September 23, 2013 the Argentine Congress enacted Law No. 26,983 which amends the Income Tax Law and sets forth that dividends or earnings in money, or in kind shall be levied with Income Tax at a 10% tax rate payable in a final lump sum.

Through Note 314/43/14 dated December 23, 2014, the Argentine Central Bank authorized Banco Hipotecario S.A. to distribute cash dividends for Ps. 42,000 thousand.

This cash dividend distribution had been approved by General Ordinary Shareholders' Meeting dated April 24, 2014.

At its meeting dated January 7, 2015, the Board of Directors of Banco Hipotecario S.A. resolved that these dividends should be made available to the shareholders as of January 16, 2015.

On July 12, 2016, by means of Communication "A" 6013, the Argentine Central Bank published the updated text on "Distribution of profits", effective as from 1/1/2016 by means of Communication "A" 5827 et seq. The provisions of this Communication aim at converging towards international principles and standards, and, among other changes, they establish additional capital margins.

**26. RUBRICATION OF BOOKS**

At the date of these financial statements, the transactions conducted by the Bank had been recorded in the rubricated books, as called for by the regulations in force.

**27. INTERCOMPANY TRANSACTIONS SECTION 33, LAW 19550**

The balances of the intercompany transactions are as follows:

	<u>03/31/2017</u>	<u>12/31/2016</u>
	<u>Thousands of Ps.</u>	
<u>Loans</u>		
BACS - Banco de Crédito y Securitización	28,742	33,342

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Other receivables for financial transactions

Tarshop SA	694	-
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Miscellaneous receivables – Sundry Debtors

BACS Banco de Crédito y Securitización SA	5,678	9,443
BHN Vida SA	23,720	20,467
BHN Seguros Generales SA	20,763	10,850
Tarshop SA	7	1,898

Deposits – Current accounts – Savings accounts and time deposits

BHN Sociedad de Inversión SA	607	1,172
BHN Vida SA	16	2,357
BHN Seguros Generales SA	758	358
BH Valores SA	3,703	15
BACS Banco de Crédito y Securitización SA	9,237	3,426
Tarshop SA	24,535	51,628

Other liabilities for financial transactions

BHN Seguros Generales SA	20,763	1,464
BHN Vida SA	71,750	10,523
BACS Banco de Crédito y Securitización SA	16,837	21,590

Miscellaneous Liabilities

BHN Seguros Generales SA	153	11,745
BHN Vida SA	28,234	19,303
<u>BACS Banco de Crédito y Securitización S.A.</u>	752	-
<u>BHN Sociedad de Inversión S.A.</u>	750,000	-

03/31/2017	03/31/2016
------------	------------

Thousands of Ps.
Financial Income

BACS Banco de Crédito y Securitización SA	2,077	2,535
Tarshop S.A.	317	-

Financial Expenses

BHN Vida S.A.	2,223	8,610
BHN Seguros Generales S.A.	721	739

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Income from services

BACS Banco de Crédito y Securitización S.A.	29	90
BHN Vida SA	85,126	25,454
BHN Seguros Generales SA	100,564	37,473

Expenses for services

BACS Banco de Crédito y Securitización SA	2,000	1,000
BHN Vida SA	1,235	353
BHN Seguros Generales SA	1,235	353

In order to calculate the equity value of BHN Sociedad de Inversión Sociedad Anónima and Tarshop SA, the shareholders' equity captions have been subject to certain adjustments for them to conform to the BCRA's accounting standards. These adjustments mainly refer to Deferred Tax, allowances for loan losses and capitalization of intangible assets.

**28. ACCOUNTS THAT IDENTIFY THE COMPLIANCE OF THE MINIMUM CASH REQUIREMENTS**

The items computed by the Bank to comply with the minimum cash requirements (according to regulations established by BCRA on the matter) and the corresponding average balances as of March 31, 2017:

Item	Currency/Security					
	Ps.	Dollars	Euros	BONAR IN USD 2017	BONAR IN USD 2024	Discount in USD governed by law
(Figures in thousands in the relevant currency)						
Checking accounts at BCRA	1,371,617	32,710	95	-	-	-
Special accounts at BCRA	373,675	290	0	-	-	-
CRYL account	-	-	-	5,991	12,214	151
<b>Total Paid-in</b>	<b>1,745,292</b>	<b>33,000</b>	<b>95</b>	<b>5,991</b>	<b>12,214</b>	<b>151</b>
<b>Total Requirement</b>	<b>2,076,043</b>	<b>29,398</b>	<b>0</b>	<b>4,181</b>	<b>11,526</b>	<b>143</b>
Required Deduction (ATM withdrawals, "Ahora 12" plan and "MiPymes" deduction)	394,043	-	-	-	-	-
<b>Monthly Position</b>	<b>63,292</b>	<b>3,602</b>	<b>95</b>	<b>1,810</b>	<b>688</b>	<b>8</b>

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### 29. STATEMENT OF CASH FLOW AND CASH EQUIVALENTS

The Statement of cash flows and cash equivalents explains the changes in cash and cash equivalents. In this connection, total Cash and cash resources were taken into consideration. Breakdown is as follows:

	03/31/2017
Cash	732,406
Financial institutions and correspondents:	
BCRA	1,391,061
Other, domestic	1,715
Foreign	126,491
<b>Total</b>	<b>2,251,673</b>

### 30. RISK MANAGEMENT POLICY

#### Comprehensive Risk Management

The Bank relies on a comprehensive process to manage risks that includes identifying, assessing, tracking, controlling and mitigating all significant risks. The comprehensive process for managing risks is geared towards having the Board of Directors and Senior Management involved in the management of all significant risks and having them oversee such management and understand the nature and level of risk taken on by the entity and how such risk relates to capital adequacy.

In addition, it is in line with the best practices in risk management and, in particular, with the Argentine Central Bank's guidelines for financial institutions' risk management. To make sure that its significant risks are properly managed, the Bank relies on a management framework and on management devices that are fitting to its size, complexity, economic weight and risk profile.

#### Policies

The Bank implements its comprehensive risk management strategy through policies that guide its decisions. The following are its main policies:

- **Rule Ranking Policy**

This policy defines the Bank's internal rule ranking structure and the guidelines that govern the process to create, issue, manage or update and distribute the rules that make up the policy.

Overall, it lays down the hierarchy of the different rules, the positions responsible for drafting them and the scheme for approving each rule.

In particular, it regulates, among other things, the launch of new products and/or services in order to ensure that the Board approves them and that they are subsequently enforced.

In respect to the launch of new products or services, this policy establishes the duty to draft a Product Program and, if applicable, a Credit Program and obtain the requisite approval.

Product Programs are documents that lay down in a structured and formal manner, all the relevant information concerning the product and/or service –considering, in particular, aspects associated to profitability and the risks inherent in the product or service.

Credit Programs are, in turn, documents that detail the guidelines laid down to manage credit risk in the various stages of the product's loan cycle.

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### • Comprehensive Risk Management Policy

This policy lays down the main guidelines to undertake appropriate management actions vis-à-vis the main risks faced by the Bank.

It comprises risks such as credit risk, liquidity risk, market risk, interest rate risk, operational risk, securitization risk, reputational risk and strategic risk.

This policy establishes the general organizational and legal framework and the devices shared for the comprehensive management of the risks faced by the entity.

In addition, it describes the specific management processes for each one of the risks mentioned above and, in particular, it thoroughly describes the management methodologies applicable to market and liquidity risks.

The following are, in addition, part of this policy:

- The Benchmark Policy for Quoting Loans and Deposits;
- The Stress-testing Policy and the Contingency Plan;
- The Contingency Plan itself.

### • Strategic Planning Policy

This lays down the general guidelines for preparing the Bank's Business Plan, which is approved annually by the Board of Directors.

The preparation of the Business Plan implies a strategic planning process. As such, it entails the definition of a group of specific activities that seek to consummate the Vision and Mission that the organization has proposed for itself.

The organization's Vision is a description of its long-term goals. It draws a picture, defines a guiding idea as well as the manner in which the organization wishes to be externally perceived.

The Mission specifies medium-term objectives. It describes the basic purpose pursued by the organization's activities and its central values aiming at the definition of internal perception.

The establishment of both the Vision and the Mission is the responsibility of the Bank's General Manager's office and its validation is the responsibility of the Board of Directors. At all times, strategic planning must take into account these main aspects:

Specifically, the preparation of the Business Plan implies strategic planning by all of the areas of the Bank and its subsidiaries, in response to the following topics:

- Levels of origination and of new businesses
- Funding structure
- Risk Management strategy
- Distribution channels
- Productivity and quality
- Image and relationship with customers

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### Organizational structure

The Bank has units responsible for managing each one of the significant risks comprised in this policy. They take the form of committees or are made up by management-level areas and when this is the case, they report to the highest-ranking officer in the risk area, that is, the Risk and Controlling Area Manager who in turn reports to the General Manager.

In addition, the Bank has created a Risk Management Committee made up by at least 3 (three) Directors and coordinated by the highest-ranking officer in the Risk and Controlling Area. This Committee has been primarily created to follow up on the activities of Senior Management in connection with risk management and to advise the Board of Directors on the entity's risks.

The following are the units responsible for managing each one of the risks:

- **Retail Banking Credit Risk Area:**

Retail Banking Credit Risk including management of the risks inherent in asset concentration in Retail Banking and securitization (as to the underlying exposures).

- **Corporate Banking Credit Risk Area:**

Corporate Banking, Public Sector and Finance Banking Credit Risk including management of counterparty risks and country risk as well as the risks inherent in asset concentration in Corporate Banking.

When it comes to credit risk management, the Credit Committee is also involved. The Credit Committee is made up by no less than 3 regular directors and no more than 7 regular directors. A majority of these directors must be knowledgeable in the matter. Also part of the Credit Committee are the highest ranking officers in credit risk in both the retail and the corporate banking segments. Credit Committee sessions may be attended by the General Manager who is allowed to voice opinions but not to cast votes.

- **Market Risk Area, Planning and Management Control:**

- Market risks encompass interest rate risk, price and exchange rate and securitization.
- Strategic risk.

- **Finance Committee:**

Liquidity risk entails managing the risk of liability concentration.

The Finance Committee is made up by at least 3 (three) Directors and the highest-ranking officers in the Finance, Financial Operations and Market Risk, Planning and Management Control Areas are also regularly involved in it; its functions have been approved by the Board of Directors.

- **Operational Risk:**

- Operational risk
- Reputational risk

Committee membership as well as their responsibilities are described in the Corporate Governance Code.

### Management devices

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The Bank has appropriate devices -feasible, stable, efficient and efficacious- for managing each of the significant risks comprised in this policy. These processes reflect in each case the specifics of their purviews. Notwithstanding, the Bank also has devices that favor risk management comprehensiveness.

The Bank has the following devices, shared in managing the main risks:

**1. Risk Strategy:**

The Risk Strategy is a document that is prepared every year at the time when the Business Plan is put together and that lays down the Bank's general approach to risk management.

The objective pursued by the Risk Strategy consists in defining for each one of the Bank's main risks a level of tolerance and the risk management strategy.

The tolerance level is a limit imposed on one or more indicators to determine how much risk (credit risk, interest rate risk, etc.) the Bank is willing to accept as a maximum while striving for attaining its strategic objectives (profitability, growth, value, etc.) within the context described in the Business Plan.

The limits or levels of tolerance imposed may be re-defined if a significant change were verified in the context referred to, for instance, if there were evidence of a substantial alteration in the assumed macro-economic scenario. All changes must be approved by the Risk Management and/or Financial Committee and then notified to the Board of Directors.

The definition of a tolerance level for an indicator is compared to the risk profile, which is the current value of such indicator.

The risk management strategy for each one of the main risks is the deployment of the means for ensuring that the risk profile is adjusted to the tolerance level established for that risk and for attaining the desired risk positioning.

The definition of the management strategy consists in a description of the main devices (policies, processes, tools, etc.) that will be available in each case for that purpose.

Any significant change concerning the Risk Strategy approved for a given fiscal year, resulting from the variation in the economic and/or regulatory context must be informed and the Board of Directors must give its formal approval.

**2. Stress Testing Program**

Stress testing comprises a series of analytical simulation drills that are conducted to determine the Bank's ability to bear extreme adverse economic situations as regards liquidity, profitability and solvency. To this end, the analysis must:

- Identify those aspects of the business that present meaningful vulnerability in the face of the occurrence of sizable events, either external and/or internal.
- Measure the impact on the Bank of the occurrence of events that are very adverse, highly unlikely but possible.
- Infer the capitalization levels required in connection with the scenarios posited.

Stress tests are considered to be comprehensive when they comprise the main risks and their interaction jointly. Besides, stress tests are considered to be individual when the analysis is conducted in isolation on each one of the factors with an impact on each one of the risks taken in isolation, that is, with the rest of the variables being equal. Comprehensive and individual tests complement each other: whilst comprehensive tests are useful to assess crossed effects between risks -feedback and offsets- and individual tests are useful to focus the analysis on risk factors that are either microeconomic or highly specific, hard to take into account in comprehensive tests.

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The environment in which stress tests are conducted, assessed and used in the Bank's decision-making process is defined as a Stress Testing Program.

The establishment of a stress testing program has multiple benefits: it provides a prospective risk assessment, favors the procedures to plan capital and manage liquidity, helps to fix risk tolerance levels and facilitates contingency plans in the event of stress situations.

Closely related to stress tests are the contingency plans which comprise planning the actions geared towards facing possible stress situations.

The conclusions of stress tests as well as the assumptions and scenarios used are disclosed, documented and submitted to the Board in due time. Comprehensive tests are conducted at least once a year and more tests can be run in response to special requirements or when such are warranted by changes in conditions at any given time.

**3. Contingency Plan**

Contingency Plans are the set of actions geared towards facing stress situations.

The Bank has a Contingency Plan that establishes a menu of possible actions and measures to deal with the occurrence or the increase in the likelihood of stress situations in the economic and/or financial situations and which are, a priori, classified as highly adverse to the Bank's solvency, liquidity and profitability.

This Plan is regularly reviewed, at least annually, and updated to ensure efficacy, feasibility and operational appropriateness.

**4. Economic capital**

Economic capital is the capital needed by the Bank to cover any unexpected losses caused by the exposure to material risks as well as those originating in other risks to which the Bank may be exposed.

In contrast to "unexpected losses" which must be supported by economic capital, "expected losses" are implied in the price of the product (interest rates, commissions, etc.) which must be fixed based on risk and are therefore covered by ordinary operating income. When this is not the case, expected losses must be equally supported by capital.

The methodology employed by the Bank in determining economic capital is based on the quantitative approach "Value at Risk" (VaR). Using this approach, economic capital is the sum of all "Values at Risk" (likely loss in a given horizon and the associated likelihood) of each one of the individual risks.

The time horizon as defined is one year (except in the portfolio of securities, which provides for a holding period of at least 10 rounds) and the associated likelihood of no less than 99% which in theory implies that there is a 1% likelihood that the economic capital determined is insufficient for the portfolio under discussion.

**5. Internal Capital Adequacy Assessment Process (ICAAP)**

This is the internal process implemented by the Bank in order to assess whether it has both at the stand-alone and at the consolidated levels, an adequate level of capital to cover all its material risks as well as a long-term capital maintenance strategy.

Every year, together with the Business Plan, the Risk and Controlling Area drafts a document that describes the scope and the conclusions of said process, for consideration by the Bank's Risk Management Committee and Board of Directors.

Besides, the Risk and Controlling Area prepares a "Capital Self-Assessment Report" which constitutes an integral part of the information to be submitted by the Bank to satisfy the requirements imposed by BCRA's Communication "A" 5515.

**6. Information systems**

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The Bank's Management Information System helps to determine and track the components and characteristics of exposures in due time and manner so that the Bank's risk profile and requirements can be quickly and accurately assessed. This information contains the exposures to all the risks, including those originating in off-balance sheet transactions.

The Bank's Management Information System helps:

- To add risk exposures and measurements from different lines of business,
- Identify emerging risks and concentrations,
- Identify departures from the established limits
- Evaluate the effect of different types of adverse economic and financial scenarios.

In this respect, the Bank has a comprehensive report that is submitted to Senior Management on a monthly basis, to the Risk Management Committee on a bi-monthly basis and to the Board of Directors on a quarterly basis. This is the "Risk Dashboard" which reflects the risk profile at the Bank and its subsidiaries that helps to monitor the most relevant indicators of each one of the main risks.

In addition, for each risk, the Bank has more specific reports addressed to Senior Management, to the Finance Committee, the Risk Management Committee and/or the Board of Directors. These include:

- Value At Risk Market Risk Position (daily)
- FX Position Summary (weekly)
- Main Credit Risk Indicators for Retail Banking (monthly)
- High Liquidity, Minimum Liquidity Level Report (monthly) and LCR
- Interest Rate Risk Report (monthly)
- Corporate Banking Credit Risk Report (quarterly)
- Price Risk and Backtest Reports (quarterly)
- Operating Risk Report (half-yearly)
- Individual Stress Test Report – Securities Portfolio (half-yearly)

## **7. Subsidiary Risk Management**

The Bank's Corporate Governance Code lays down the corporate supervision and coordination structure vis-à-vis the Bank's subsidiaries. This structure allows each Company's Board of Directors to:

- a) Periodically review risk management policies and strategies and determine tolerance levels;
- b) Control that management levels take the steps necessary to identify, assess, monitor, control and mitigate the risks assumed.

This in turn, facilitates each company's Senior Management ability to:

- a) Implement the policies and strategies approved by their Boards of Directors;
- b) Undertake risk management processes to identify, assess, monitor, control and mitigate the risks incurred by the Company;
- c) Implement appropriate internal control systems and monitor their effectiveness, periodically reporting to the Board of Directors on the attainment of objectives.

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According to this structure, the objectives, risk management strategies and, overall, the business plans and budgets of each subsidiary are approved by the subsidiary's Board of Directors made up by the Bank's Board of Directors and communicated by the Boards of Directors to the different organizational levels at each company.

In order to perform a periodical review of the attainment of the objectives and the deployment of the strategies and general business plans and control how management levels manage risks, this structure defines several mechanisms for supervision and coordination.

On one hand, each Company's internal supervision and coordination mechanisms and on the other hand, the application to the subsidiaries of the Bank's supervision and coordination mechanisms. The mechanisms applied by the Bank to the subsidiaries mandate that the Board can obtain information from the Bank's Senior Management, which receives information from each Company's Senior Management.

In this respect, it must be mentioned that the Bank monitors observance of the limits established in each subsidiary's risk management strategies through the Risk Dashboard that the Bank's Senior Management submits to the Risk Management Committee and to the Board.

**31. TRANSPARENT CORPORATE GOVERNANCE POLICY**

Banco Hipotecario assumes that institutions must rely on a Corporate Governance system to provide guidance to the structure and operation of their corporate bodies for the benefit of the institutions, their shareholders, depositors, investors and the community at large.

The Bank sees its Corporate Governance system as a dynamic process that accompanies its evolution, the results of its performance, all new developments in the applicable legislation and all of the market's recommended best practices tailored to the Bank's needs as a legal entity.

The Bank's Corporate Governance is thus governed by currently applicable laws and regulations, its by-laws and the Code of Corporate Governance that address matters related to the Bank's operations, its Shareholders' Meetings, the Board, the Board's committees, the office of the General Manager, Senior Management and relations with its subsidiaries.

Besides, the Bank relies on guidelines for internal behavior contained in its Code of Ethics which enshrines the ethical tenets and principles that are to inspire the behaviors of directors, managers and employees.

**1) The Board of Directors: Structure**

Pursuant to Law No. 24,855, Section 21 and Banco Hipotecario's by-laws, the Bank's Board of Directors is composed of thirteen regular members elected to hold office for two-year terms by the different share class shareholders' meetings. Directors may be reelected indefinitely and on a step-wise basis. Each class of shares appoints a number of Alternate Directors that is equal to or less than the number of regular directors that the class is entitled to elect.

Candidates to serve in the Bank's Board must not be within the scope of the disabilities set forth in Law No. 19,550, Section 264 and in Law No. 21,526 Section 10; they must have prior experience in financial activities and it is only when the Central Bank authorizes it that they can take office.

The Central Bank examines Directors' background information looking for the skills and experience for serving in a Board on the basis of : (i) the nominee's professional history in the financial industry and/or (ii) his professional credentials and track record in the public or private sector in similar matters or areas that

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are relevant to the institution's commercial profile. In addition, the Central Bank's rules require that at least two thirds of Board members should have proven previous experience in financial activities.

Directors are designated by a majority vote at the shareholders' meetings held by each one of the classes of common stock as follows:

- a) Class A shares elect 2 regular Directors and 2 alternates.
- b) Class B shares elect 1 regular Director and 1 alternate in so far as Class B shares are representative of 2% of the capital stock issued at the time the respective shareholders' meeting was called.
- c) Class C shares elect 1 regular Director and 1 alternate Director in so far as Class C shares are representative of more than 3% of the capital stock issued at the time the respective shareholders' meeting was called.
- d) Class D shares are entitled to appoint the rest of the regular and alternate directors (under no circumstances shall this number be less than 9 regular members and at least its equivalent in alternates). When neither Class B or Class C were, for any reason, entitled to appoint and/or participate in the appointment of, directors, any such share class may cast a vote together with Class D shares at the special Class D shareholders' meeting called to elect directors.

The Directors chosen by special Class A and Class B and C shareholders' meetings (in so far as their political rights are exercised by the Argentine Government) and whose appointments are made by the Argentine Executive Branch, may take office and serve as directors on a "non commission" basis, subject to the Argentine Central Bank handing down a resolution without prejudice to the validity of the actions that they undertake during that fiscal year.

Class A shares are held by the Argentine Government (or of its nominated trustees) who exercises its political rights; class B shares are held by the Employee Stock Ownership Plan (*Programa de Propiedad Participada*, or "PPP") for the Bank's employees, the political rights in these shares were exercised by the Argentine Government until the passage of Decree 2127/12 and Resolution 264/2013 issued by the Ministry of Economy and Public Finance (up and until the shares are conferred to the employees, such rights are exercised by the Argentine Government), class C shares are meant to be initially offered to legal entities engaged in the construction of homes or in real estate activities (up and until the shares are sold, the political rights in these shares are exercised by the Argentine Government) and Class D shares, which are transferred in exclusive, perpetual and absolute ownership to private capital. The subscription or acquisition of Class D shares by the Argentine Government, another legal entity run by the State or by the personnel covered by the PPP does not entail a change of class.

To strengthen objective decision making and prevent conflicts of interest, the Board considers it advisable that some of its members should be independent directors. Independent directors must satisfy the requirements imposed by Law No. 19,550, Law 26,831, the CNV's regulations and the Central Bank's rules.

Besides, under the Argentine Companies Law No. 19,550 and the Bank's By-laws, the Bank's Supervisory Committee consists in a committee made up by 5 regular statutory auditors and 5 alternate statutory auditors appointed as follows: 3 regular statutory auditors and 3 alternate statutory auditors are designated by holders of Class D and C shares who cast votes as members of only one class in the class shareholders' meeting held to that end; one regular statutory auditor and one alternate statutory auditor are designated by Class B shares in so far as said Class represents more than 2% of capital stock and 1 regular statutory auditor and 1 alternate statutory auditor are appointed by Class A shares. When Class B shares fall short of representing 2% of capital stock and Class C shares fall short of representing 3% of capital stock, the Company shall reduce the number of statutory auditors to 3 regular statutory auditors and 3 alternate statutory auditors. Two of these regular statutory auditors and two alternate statutory auditors shall be designated by Class B, C and D shares who, to that end, will cast votes as members of an only class in the relevant class shareholders' meeting and one regular statutory auditor and one alternate statutory auditor

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 Manager  
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**Eduardo S. Elsztain**  
 Chairman  
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**Ricardo Flammini**  
 For the Supervisory  
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being appointed by Class A shares. Given that statutory auditors are appointed by classes of shares, in so far as there are classes of shares, the Company will not be required to elect statutory auditors based on cumulative votes. Statutory auditors shall serve for two-year terms and they shall remain in office until they are replaced and may be indefinitely reelected. In addition, the powers and duties of statutory auditors are set forth in the Argentine Companies Law, Section 293.

**Board Committees:**

The Bank's by-laws provide for the operation of an Executive Committee. Besides, the Board has approved the creation of various committees made up by directors and entrusted with the following missions:

**Executive Committee:**

Overall, the Executive Committee is responsible for supervising the Bank's day-to-day businesses and it shall be composed of a minimum of 5 and a maximum of 9 directors elected by Class D shareholders and a number of alternate directors of the same class as determined by the Board.

**Audit Committee:**

The Audit Committee is in charge of overseeing the reasonable operation of the Bank's internal control environment and the Bank's risk management systems.

**Committee for Controlling and Preventing Money Laundering and Terrorism Financing:**

This Committee has been entrusted with helping the Bank comply with the obligations imposed by the applicable rules and regulations that seek to prevent these crimes.

**Information Technology Committee:**

This Committee is responsible for ensuring that the Bank's global IT, informational systems and logical security policies are complied with.

**Credit Committee:**

This is the committee in charge of establishing the Bank's limits when it comes to credit exposure to its customers.

**Personnel Incentives Committee:**

This is the committee responsible for making sure that the system of personnel incentives is consistent with the Bank's culture, its objectives, long-term businesses, strategy and control environment as outlined in the applicable policy. Such Committee reports to the Executive Committee.

**Risk Management Committee:**

The main purpose of this Committee is to monitor the risks to which the entity is exposed, with responsibility, *inter alia*, for: i) monitoring the management of credit, market, liquidity, interest rate and operations risks, taking into account the best risk management practices; and ii) advising the Board of Directors on the design of risk policies and strategies.

**Corporate Governance Committee:**

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Its mission is to supervise the enforcement of the Code of Corporate Governance and adherence to the corporate principles of "full disclosure", "transparency", "efficiency", "investor protection", "equal treatment amongst investors" and "protection of the entity's stability. In addition, it will evaluate the Board's actions, the succession planning schemes in force motion for Senior Management and control compliance with the Bank's internal rules and external regulations.

Ethics Committee:

It has been entrusted with making sure that the Bank relies on the means adequate for the promotion of appropriate decision-making within the framework of its ethical considerations.

Finance Committee:

It is responsible for overseeing compliance with the Bank's solvency and liquidity policies by managing financial risks.

Committee of Social and Institutional Affairs:

This committee has been entrusted with maintaining the Bank's image and positioning in the community at large within the framework of enterprise social responsibility.

**Senior Management:**

The Bank's General Manager and Senior Management members must have the experience and skills required by financial activities. None of them can be within the scope of the disqualifications and incompatibilities prescribed by Law No. 19,550, Section 264 and by Law No. 21,526, Section 10.

The Bank's General Manager and Senior Management members are liable for compliance with applicable laws and regulations, in particular with Laws No. 24,855, 24,240, 21,526, 19,550 and 26,831, as amended, regulatory and supplementary decrees, the rules of the Central Bank, the regulations of the CNV and the Bank's by-laws.

Senior Management members must act with the loyalty and diligence expected from a good businessman. Those members who fail to perform their duties shall incur joint, several and unlimited liability for the damages arising from their actions or omissions.

Furthermore, Senior Management is responsible for deploying the strategy, abiding by the policies and employing the practices that the Board has approved for managing risks such as credit, liquidity, market, interest rate and operational risk and for implementing and following written procedures to identify, evaluate, monitor, control and mitigate risks.

**2) Basic share structure:**

The capital stock is represented by 1,500,000,000 shares of a par value of one peso each, divided into Class A, B, C and D shares according to the percentages set forth in the following table. Class A, B and C shares entitle to one vote per share, Class "D" shares, which are owned by the private sector, entitle to three votes per share so long as the Argentine Government owns more than 42% of the capital stock.

Pursuant to the provisions of the Privatization Law and the Bank's bylaws the majority Class "D" shareholders are entitled to elect nine of the thirteen members of the Board of Directors.

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The following table shows the current composition of the capital stock, specifying the classes of shares, par value and equity percentage:

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Class	Shares	Face Value	Capital Stock
A (a)	664,888,542	1	664,888,542
B (a)	57,009,279	1	57,009,279
C	75,000,000	1	75,000,000
D (a)	703,102,179	1	703,102,179
	<u>1,500,000,000</u>		<u>1,500,000,000</u>

(a) Under Decree 2127/2012 and Resolution 264/2013 issued by the Ministry of Economy and Public Finance, the *Programa de Propiedad Participada* (Employee Stock Ownership Plan) was implemented. Under this plan, in a first stage, out of a total of 75,000,000, 17,990,721 Class B shares were converted into Class A shares, to be allocated among the employees that have withdrawn from the Bank in accordance with the implementation guidelines. Upon delivery to the former employees, the 17,990,721 shares will become Class D shares. As of the date of closing of these financial statements, this process had not yet fully concluded with the shares allocated to the Bank's current employees being designated as Class B shares, representing the *Programa de Propiedad Participada*.

As of the end of these financial statements, 2014 the principal Class "D" non-governmental shareholders (Tyrus S.A., Ritelco S.A., E-Commerce Latina S.A., Palermo Invest S.A., IRSA Inversiones y Representaciones S.A. and Inversora Bolívar S.A. held 75,000,000, 75,000,000, 74,861,691, 71,653,517, 75,000,000 and 75,000,000 Class D shares, respectively) were holders of an aggregate of 446,515,208 shares representing 29.8% of the Capital Stock.

In addition, the following shareholders are holders of Class D shares: (a) 90,905,000 shares are held by the Option Trustee (relating to non-exercised options, which shall be maintained in the Trust until the disposal thereof pursuant to the instructions received from the Selling Shareholder (National Government). During such period, the political rights attaching thereto shall be exercised by the Trustee of the Trust of the *Fondo Federal de Infraestructura Regional* Assistance Trust (Banco de la Nación Argentina); and (b) 74,037,265 shares are held by ANSES, each of them representing 6.1% and 4.9%, respectively.

### 3) Organizational Structure:

Law No. 24,855 declared Banco Hipotecario Nacional to be subject to privatization and transformed it into an Argentine corporation (*Sociedad Anónima*). Banco Hipotecario Nacional was a State-run entity founded on November 15, 1886. By virtue of Law No. 24,855 and its regulatory decrees, Decree 677/1997, Decree 924/1997 and Decree 1394/1998, the Central Bank's Resolutions No. 271/2007, 64/1998, 362/2001 and Communication "B" 6444, starting on December 24, 1998 the Bank has been doing business as Banco Hipotecario SA operating as a merchant retail bank. The Bank was admitted to the public offering regime by the CNV and then it was also authorized to have its shares listed on and traded in the Buenos Aires Stock Exchange.

The following is the Bank's organizational chart as of the closing of these financial statements:

**Guillermo C. Martinez**  
 General Accounting  
 Manager  
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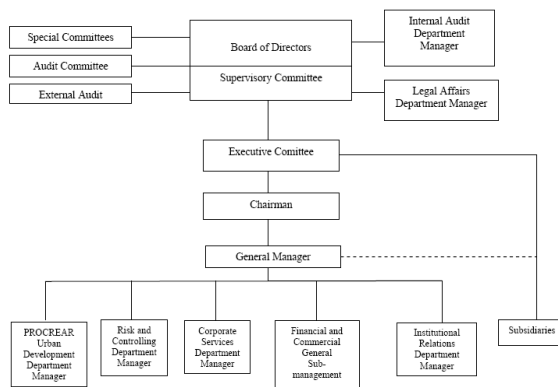
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The Bank controls, either directly or indirectly, the companies comprised in its group of subsidiaries: BHN Sociedad de Inversión SA, engaged in the investment business and responsible for managing ownership interests in other companies; BHN Vida SA, an insurance company that carries life insurance; BHN Seguros Generales SA, which provides insurance against fire and damages to real property; BACS Banco de Crédito y Securitización SA, a non-depository merchant bank, BH Valores SA, engaged in stock brokerage activities, and Tarshop SA, an issuer of credit cards.

#### 4) Information concerning financial incentives to personnel:

1. The Personnel Incentives Committee is made up of 3 Directors and the highest officer in the organizational development area. At least one of the Directors in the Committee must have experience on the subject. The Directors shall remain in the Committee for a term of at least 2 years, always provided that their tenure as Directors does not expire earlier. Such term may be extended in each case only upon express decision of the Board of Directors. The term in such office shall not overlap, so that the Committee is always composed of one Director with experience in the subject. The appointment of the members of the Personnel Incentives Committee, as well as any changes in its membership, whether by reason of resignation, leave of absence, addition or replacement of its members or any other cause, shall be notified by the Company to the BCRA and the CNV within the terms set forth in the applicable laws.

The Committee's main objective is to monitor the incentive system, and it is responsible for establishing the policies and practices for providing financial incentives to the Bank's personnel involved in risk management, be it credit, liquidity, market, interest rate and/or operational risk), adjusting decisions to the exposure to these risks assumed by the Company according to the liquidity and capital requirements at stake both on current and future potential risks and/or risks to the entity's reputation and whereby the economic incentives to the members of the organization should be tied to the contribution by each individual and by each business unit to the Company's performance.

2. The Design is based on the principle that all employees should receive a total compensation that is commensurate with tasks performed, whose internal relative value reflects the responsibilities of the position and the employee's performance, and whose external comparative value is competitive with comparable salaries prevailing in the market, ensuring that internal equity and external competitive criteria are satisfied, by reviewing and managing compensation packages so as to obtain a salary structure aligned to the business needs and possibilities, framed in a set of rules that foster individual progress based on each employee's potential and the Bank's possibilities, so as to ensure an environment that fosters individual development and the organization's advancement.

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3. Personnel financial incentives are adjusted by directly relating each individual contribution to the Organization's performance, with a view to achieving the targets set by the Company's Board of Directors; and the results obtained through the duties that are being compensated are framed into the risk exposure assumed by the Board of Directors.

4. The Entity measures its performance through indicators associated to its strategic environments: business, sustainability, customers, employees and organizational intelligence.

5. Pursuant to its long-term incentive and performance policy, the Bank establishes a direct relationship between each employee's individual contribution and the Organization's goals, with a view to fulfilling the targets set by the Company's Board of Directors and obtaining sustainable profits, through the following actions, *inter alia*.

- Clearly communicating the corporate targets set by the Board of Directors for the following year and in the long term;
- Strengthening and clarifying the relationship between performance and incentives;
- Aligning incentives with the key factors of success for the Organization and rewarding actions that add value, privileging costs and efficiency;
- Fostering cooperation and team work, and causing the various departments to work hand in hand toward the achievement of common targets consistent with the Organization's strategic plans;
- Rewarding the attainment of quantitative, specific, measurable and controllable objectives;
- Achieving better clarity and objectivity upon measuring individual and group performance.

6. The various variable compensation items are: Commissions, Bonus and Profit. Payments are recorded in the salary receipts and are made in cash. Banco Hipotecario S.A. sets the criteria that regulate the Incentive Policy with a view to integrating individual and group efforts, seeing that internal relative value reflects the responsibilities and risks associated to each employee's position and performance and that its external comparative value is competitive in the salary market. Performance management measures the employees' performance in terms of the results attained with respect to the goals set and the qualifications required for each position.

The Bank has a system of financial incentives for personnel, consistent with its culture and objectives, which is aligned with the other managing tools in order to achieve a prudent assumption of both current and future risks.

The Committee of Personnel Incentives assesses individual performance in compliance with targets imposed on their functions and the risk assumed by personnel on behalf of the entity, seeing that the total funds allocated to their payment are consistent with the results obtained during the fiscal year to be remunerated.

**5) Policy related to business conduct and/or ethics code, as well as the applicable governance policy or structure:**

The Bank has internal rules of conduct (Code of Ethics) that enshrine the ethical tenets and principles that govern interaction amongst directors and employees, within a framework of respect for the law and for the rules that govern the banking industry.

Additionally, the Bank adheres to the Code of Banking Practices, which has been prepared with the involvement of all of Argentina's associations in the industry of banking and financial institutions as a self-regulatory initiative that seeks to promote best banking practices in Argentina and, in turn, the Bank adheres

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to the Investor Protection Code of Mercado Abierto Electrónico and through BH Valores S.A., to the Merval's Investor Protection Code.

The Bank adhered to those Codes in the belief that its adoption will help strengthen the rights of clients and increase transparency in the information provided to them by financial institutions.

The referred Code of Ethics and the Code of Banking Practices are an integral part of the Bank's and its subsidiaries' Corporate Governance systems.

**6) Conflicts of Interest:**

The decisions and actions of the Bank's members, managers, legal representatives and employees must always aspire to further the Bank's and its customers' best interests and they should never stem from personal considerations. Neither family and friendship relationships nor expectations from current or potential suppliers, contractors, competitors or regulators must affect independence and sound judgment to safeguard the Bank's interests.

**7) Complex Structures**

In the corporate structure of Banco Hipotecario and its subsidiaries, the controlling company is at the center of the main financial intermediation activities and relies on other economic units for the businesses and supplementary services of non-depository merchant banks, insurance companies, stock brokers and the issuance of Shopping credit cards whilst maintaining and reinforcing any possible synergies amongst its different customers.

None of the group companies has affiliates or subsidiaries abroad, nor are they engaged in off-shore transactions.

The organization does not employ complex structures or trusts disguising the development of certain activities.

The involvement of each company as trustor, trustee or beneficiary is restricted to the sphere of financial trusts whose securities are generally admitted to public offering. The most relevant details surrounding these trusts, as well as the investments in their certificates and securities are disclosed in the stand-alone financial statements and in the Bank's consolidated financial statements.

**32. INCOME TAX**

In accordance with Section 28 of Law 24,855, Banco Hipotecario Sociedad Anónima is subject to income tax, except with respect to housing loan transactions made before October 23, 1997, the date of registration of its bylaws with the Superintendency of Corporations.

The Bank records the charges to income, when applicable, and a provision in its liabilities for the tax applicable to its taxable transactions in the fiscal year to which they refer.

As of March 31, 2017, the income tax calculation recorded a tax loss amounting to approximately Ps. 383,424 thousand.

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**33. MINIMUM NOTIONAL INCOME TAX**

Minimum notional income tax was created by Law No. 25063 to be in effect for 10 years as from fiscal year 1998, which term was extended by Law No. 26545 until December 30, 2019. This is a tax complementary of income tax. Minimum notional income tax consists of minimum taxation, which assesses certain productive assets at the tax rate of 1%. The ultimate tax obligation will be the higher of minimum notional income tax or income tax. For financial entities, the taxable basis will be 20% of their computable assets. If in a fiscal year, minimum notional income tax obligation exceeds income tax liability, the surplus will be computable as a down payment of any income tax excess over minimum notional income tax through the next ten years.

**34. OVER-THE-COUNTER BROKER**

The Bank's minimum shareholders' equity required by the Argentine Central Bank rules is in excess of that required by the National Securities Commission in Technical Pronouncement No. 290, as amended, in order to act as an Over-the-Counter Broker and has been duly paid up at fiscal year end.

**35. FINANCIAL STATEMENTS PUBLICATION**

In line with the guidelines of Communication "A" 760, the prior involvement of the Argentine Central Bank is not required in order to publish these financial statements.

The document drafted pursuant to the provisions of Communication "A" 5394 issued by the Argentine Central Bank discloses information on Banco Hipotecario S.A.'s regulatory capital structure and sufficiency, risk exposure and management, on a stand-alone basis and in consolidated form with its subsidiaries.

Pursuant to the law, the referred document is posted on the Bank's website (<http://www.hipotecario.com.ar>), by accessing the following link "Market Discipline - Minimum Disclosure Requirements".

**36. RESOLUTIONS ISSUED BY THE ARGENTINE CENTRAL BANK****Financing line for production and financial inclusion**

Under Communication "A" 6084 dated October 21, 2016, the Argentine Central Bank sets forth the guidelines of the QUOTA in force for the first half of 2017.

The Argentine Central Bank establishes that financial institutions subject to the provisions of this circular shall be required to record, as from 1/1/17 and until 6/30/17, a lending balance under this credit line amounting to at least 18% (during the second half/16 it was 15.5%) of the deposits from the non-financial private sector in pesos, calculated taking into account the monthly average daily balances of November 2016,

At the closing of these financial statements BHSA had recorded an average of Ps. 2,181,884 thousand as principal and interest under Banco Hipotecario S.A.'s assets in connection with this line.

**Supplementary services to the financial business**

Pursuant to Communication "A" 5700, the Argentine Central Bank included changes in the rules on "Supplementary services to the financial business and permitted activities", "Consolidated supervision" and "Minimum capitals of financial institutions". As concerns the scope of the supplementary services, financial institutions are allowed to hold interests in the stock capital of companies engaged in the development of two

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of the subject activities to the extent that, in the opinion of the SEFyC, both activities are economically related to each other and there are no legal inconsistencies that would prevent them from being developed jointly.

The subject activities include the issuance of credit, debit and similar cards. This notwithstanding, provided that 25% of the total financing amount as of the closing date of each month is not exceeded, loans not subject to the credit card law may be extended to financial services users, in which cases the provisions on "Interest rates applicable to lending transactions" shall be complied with.

On the other hand, with respect to the calculation of the regulatory capital (*responsabilidad patrimonial computable*), a schedule has been established in order to compute ownership interests in companies whose corporate purpose consists in providing financial assistance in the form of leases and document discounts, temporary acquisition of ownership interests in companies, issuance of credit cards, cash withdrawal cards and similar, to name but a few, as items allowed to be detracted from Tier 1 ordinary capital.

Date	Deduction Percentage
Until May 2015	0%
Starting June 2015	25%
Starting June 2016	50%
Starting June 2017	75%
Starting June 2018	100%

**Minimum capital requirements in Financial Institutions – Adaptation to the standards laid down by the Basel Committee on Banking Supervision**

Pursuant to Communication "A" 5831, the Argentine Central Bank modified its rules concerning "Minimum capital requirements in Financial Institutions" and adapted several paragraphs to reflect the standards laid down by the Basel Committee on Banking Supervision.

The adaptation spans the computation of monthly stand-alone and consolidated bases, limits on maximum exposure to a single debtor, margin calls, tranche coverage, accounting treatment to be afforded to credit risk hedges, derivatives, etc. In addition, it also lays down the guidelines to manage financial institution risks.

Besides, it adds a schedule to be observed in order to detract investments in instruments computable as regulatory capital in companies that render services ancillary to financial services which are not under consolidated supervision and insurance companies

Date	Percentage to be deducted
Starting December 2015 to December 2016	40%
Starting January 2017	70%
Starting January 2018	100%

**37. SUMMARY PROCEEDINGS**

**I. Summary proceedings before administrative authorities:**

1. On February 19, 2014, the Bank was notified of Resolution No. 209/13 handed down by the Chairman of the Financial Information Unit (UIF), whereby it ordered to commence summary proceedings against the Bank, its directors (Messrs. Eduardo S. Elsztain; Mario Blejer; Ernesto M. Viñes; Jacobo J. Dreizzen; Edgardo L. Fornero;

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Carlos B. Písula; Gabriel G. Reznik; Pablo D. Vergara del Carril; Mauricio E. Wior; Saul Zang); the Risk and Controlling Manager, Mr. Gustavo D. Efkhanián and the Manager of the Money Laundering Prevention and Control Unit Manager, Mr. Jorge Gimeno. In these proceedings, an investigation is made into the defendants' liability for alleged violation of the provisions of Section 21 of Law 25,246, as amended, and Resolution UIF No. 228/2007 due to certain defaults detected by the BCRA in the inspection of the organization and in internal controls implemented for the prevention of money-laundering derived from illegal activities. On March 25, 2014, the relevant defenses and arguments were filed in support of the Bank and the individuals subject to the summary proceedings. By virtue of a Resolution dated 7.07.16 Gustavo Daniel Efkhanián and Jorge Gimeno were separated from the summary proceedings and the former regular director Marcelo G. Cufre was summoned to appear before the authorities.

In the legal counsel's opinion, at the current stage of the proceedings and based on the precedents existing at the UIF in connection with similar cases, it is estimated that there are chances of imposing an administrative penalty. For such reason, the bank has estimated allowances for Ps. 20 thousand.

2. On August 11, 2015, the Bank was notified of Resolution No. 76/15, whereby the President of the Financial Information Unit (FIU) had ordered the start of summary proceedings against Banco Hipotecario S.A., its directors (Eduardo S. Elsztain, Mario Blejer, Jacobo Julio Dreizzen, Carlos B. Písula, Ernesto M. Viñes, Gabriel G. Reznik, Pablo D. Vergara del Carril, Mauricio Wior, Saúl Zang, Edgardo Fornero, Diego Bossio, Mariana Gonzalez and Ada Maza) and its Compliance Officer (Ernesto M. Viñes) in connection with alleged failures to comply with Section 21, a) of Law No. 25,246 and FIU Resolution No. 121/11. According to said resolution, the Bank and its directors had *prima facie* failed to comply with certain customer identification requirements, monitoring standards, the risk matrix definition and the procedures to update its customers' background and profiles, among other things.

On September 23, 2015, the Bank raised depositions and defenses with the FIU along with documentary evidence, and produced informative evidence, IT expert opinions and oral evidence. On April 13, 2016 the production of evidence was ordered, and all evidence was duly produced.

Pursuant to a resolution communicated to the defendants in the summary proceedings, on August 2, 2016 they were advised that UIF would be sending an official letter to the Argentine Central Bank for it to report on the plan of risk adjustment and mitigation submitted in due time by Banco Hipotecario and send all the information associated to the inspection that gave rise to these summary proceedings.

Based on the FIU's background on similar cases, the Bank is likely to be imposed an administrative fine. Therefore, it was deemed reasonable to create an allowance for this contingency amounting to Ps. 20 thousand, which was booked on October 22, 2015.

3. On February 15, 2016, BHSA was notified of Resolution No. 1014 handed down by the Superintendent of Financial and Foreign Exchange Institutions in order to commence summary proceedings in the terms of Section 41 of the Law of Financial Institutions (Summary Proceedings' File No. 1486) against Banco Hipotecario S.A. and its chairman Mr. Eduardo S. Elsztain on grounds of an alleged breach of the rules under Communication "A" 4490 consisting in failure to report -within the term established by the rules and regulations governing the matter- the appointment of new directors resolved by the General Shareholders' Meetings held on March 27 and on April 24, 2013 and in a delay in filing the documentation associated to those directors. It is worth underscoring that in all cases they were regular and alternate directors appointed by the Argentine Government.

On February 29, 2016, BHSA filed its defenses and produced documentary evidence, all of which is being evaluated by the Argentine Central Bank's Department of Contentious Financial Matters.

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In light of the likelihood that the Bank could be imposed an administrative fine, it was deemed reasonable to create an allowance for this contingency amounting to Ps. 560 thousand, which was booked last June 30, 2016.

4. On May 10, 2016, the Bank was notified of Resolution No. 219 dated April 22, 2016, handed down by the Superintendent of Financial and Foreign Exchange Institutions in order to commence summary proceedings (Summary Proceedings' File No. 6845) in the terms of Section 8 of the Foreign Exchange Criminal Regime Law No. 19,359 (as signed into law pursuant to Decree No. 480/95) against Banco Hipotecario S.A., its former Manager Mr. Ricardo José Gonzalez and Mrs. Luciana Sabrina Fusco and Liliana Elisabeth Sabella on grounds of alleged breach of the rules contained in Communication "A" 5318 and 5322, as supplemented, consisting in allegedly selling foreign currency for the amount of US\$ 69,620 agreed upon under a residential mortgage transaction without fulfilling the requirements set forth in the regulations then in effect (Communications "A" 5318, 5322, as supplemented).

On November 18, 2016, the relevant defenses and arguments were filed, including the assertion that the alleged breach is not punishable based on the retroactive application of the most favorable criminal law, and the relevant evidence was offered.

Given the current status of the proceedings, and since there are legal and factual arguments that generate reasonable expectations that the physical persons named defendants and Banco Hipotecario S.A. will be acquitted, no allowances have been created.

**II. Summary Proceedings pending Court Decision**

1. On October 31, 2014, BHSA was notified of Resolution No. 685 dated October 29, 2014 handed down by the Superintendent of Financial and Foreign Exchange Institutions in the summary proceedings in financial matters No. 1320 whereby the Bank and its authorities had been charged, on one hand, with the violation of the rules governing financial aid to the Non-Financial Public Sector, with excess over the limits of fractioned exposure to credit risk from the non-financial public sector, with excess in the allocation of assets to guarantee, with failure to satisfy minimum capital requirements and with objections against the accounting treatment afforded to the "Cer Swap Linked to PG08 and External Debt" transaction and on the other hand, with delays in communicating the appointment of new directors and tardiness in the provision of documentation associated to the directors recently elected by the shareholders' meetings.

Resolution No. 685 then fined Banco Hipotecario S.A. with Ps. 4,040 thousand and also fined BHSA's directors (Eduardo S. Elsztain; Jacobo J. Dreizzen; Carlos B. Pisula; Edgardo L. Fornero; Gabriel G. Reznik; Pablo D. Vergara del Carril; Ernesto M. Viñes; Saul Zang; Mauricio E. Wior), former directors (Clarisa D. Lifsic de Estol; Federico L. Bensadón; Jorge L. March and Jaime A. Grinberg), statutory auditors (Messrs. Ricardo Flammini; José D. Abelovich; Marcelo H. Fuxman; Alfredo H. Groppo; and Martín E. Scotto), the Area Manager Gustavo D. Efkhianian and former managers (Gabriel G. Saidón and Enrique L. Benítez) for an aggregate amount of Ps. 51,582 thousand. Under this decision, former Statutory Auditor Ms. Silvana M. Gentile was acquitted.

On November 25, 2014, Banco Hipotecario and the other individuals affected by the adverse decision, lodged an appeal under Section 42 of the Financial Institutions Law, that was sent by the BCRA to the National Appellate Court with Federal Jurisdiction over Contentious and Administrative Matters. Therefore, at present the case is being heard by Panel I of such Appellate Court. Moreover, on December 30, 2014, the Bank and the individuals against whom sanctions were imposed requested the levying of separate injunctions by such court against the enforcements pursued by the BCRA for collection of the fines.

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Upon being notified of the resolution handed down on June 30, 2016 by the Appellate Court that denied the motion for injunction filed by the Bank and by the directors, managers and some of the statutory auditors and in order to prevent further conflicts and financial damage that could result from the actions to compel payment of fines, the Bank's Executive Committee decided to apply the indemnity rules regarding directors, high ranking officers and statutory auditors, as an alternative for the amounts not covered by the D&O insurance policy approved by the Bank's Board of Directors at its meetings held on August 2, 2002 and May 8, 2013, and resolved to deposit the amounts of the fines.

Such deposit, including the amount corresponding to the fine imposed on the Bank and the respective legal costs, totaled Ps. 57,672 thousand. Out this amount, Ps. 53,632 thousand were computed as losses for the fiscal year ended December 31, 2015 and Ps. 4,040 were computed as an allowance for the fiscal year ended December 31, 2014.

This notwithstanding, in the brief filed with the court that is hearing the proceedings to compel payment it was sustained that the amounts deposited in the judicial accounts opened to such end were subject to attachment, and a petition was filed for the respective amounts to be invested in automatically renewable term deposits for 180 days in order to ensure the integrity of the funds until the Appellate Court with Federal Jurisdiction over Contentious and Administrative Matters hands down a decision on the appeal lodged against Resolution No. 685/14 of the Argentine Central Bank.

The requests for injunction were rejected and the court made progress in the proceedings for enforcing the fines, against each of the defendants. For such reason, the amounts subject to attachment were applied to the payment of the relevant fines.

2. On September 13, 2013, the Bank was notified of Resolution No. 611 handed down by the Superintendent of Financial and Foreign Exchange Institutions, ordering to commence summary proceedings against the Bank, the Organization and Procedures Manager, Mr. Christian Giummarra, and the former Systems Manager, Ms. Aixa Manelli (Summary Proceedings No. 5469 on Foreign Exchange Matters - File 100,082/08)) charging them with alleged violation of the foreign exchange laws in selling foreign currency to persons prohibited from trading foreign currency by the Argentine Central Bank. The cumulative amount derived from the alleged violation in the sale of foreign currency is around US\$ 39.9 thousand and Euro 1.1 thousand. The relevant defenses and arguments have been filed and evidence has been offered in support of all the defendants subject to the summary proceedings. Due to its related subject matter, the record of this case was joined with Summary Proceedings No. 5529 on Foreign Exchange Matters (File 101,327/10). Therefore, its procedural status is described below.

On October 8, 2013, the Bank was notified of Resolution No. 720 handed down by the Superintendent of Financial and Foreign Exchange Institutions, ordering to commence summary proceedings against the Bank and its Organization and Procedures Manager, Mr. Christian Giummarra, and the former Systems Manager, Ms. Aixa Manelli (Summary Proceedings No. 5529 on Foreign Exchange Matters) in accordance with Section 8 of the Criminal Foreign Exchange Regime Law (*Ley de Régimen Penal Cambiario*) -as signed into law by Decree 480/95- charging them with alleged violation of the foreign exchange laws in selling foreign currency to persons prohibited from trading foreign currency by the Argentine Central Bank. The cumulative amount derived from the alleged violation in the sale of foreign currency is around US\$ 86 thousand. The relevant defenses and arguments were filed and evidence was offered in support of all the defendants subject to the summary proceedings. The BCRA opened the discovery stage, and evidence was produced in due time. Once the discovery stage came to a conclusion, the attorneys submitted their closing arguments. By mid-September, the BCRA sent the summary proceedings (in which the two causes of action were joined) to the courts with jurisdiction over criminal economic matters for the entry of judgment. The intervening court is Federal Court No. 2 with Jurisdiction over Criminal Economic Matters (in charge of Dr. Pablo Yadarola) - Clerk's Office No. 3 (in charge of Dr. Fernando Stockfisz). At this stage in these proceedings, the court ordered the production of

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further evidence to hand down a better decision. Before this court, a brief describing the system implemented by the Argentine Central Bank to communicate prohibitions against trading foreign exchange was filed.

The court summoned the defendants to the hearing set forth in Section 41 of the Criminal Code to be held on February 27, 2017.

In the legal counsel's opinion, at the current status of the proceedings, there are legal and factual arguments that generate reasonable expectations that the physical persons named defendants and Banco Hipotecario S.A. will be acquitted and that therefore, there are low chances that the Bank will be subject to the economic sanctions set forth by the Criminal Foreign Exchange Regime Law (*Ley de Régimen Penal Cambiario*). For such reason, no allowances have been created in this regard.

3. On August 26, 2014, the Bank was notified of the Resolution passed by the Superintendent of Financial and Foreign Exchange Institutions No. 416 dated August 7, 2014 ordering the start of Summary Proceedings No. 5843 in the terms of Section 8 of the Foreign Exchange Criminal Regime Law No. 19,359 (as signed into law pursuant to Decree No. 480/95). In the above-mentioned summary proceedings, Banco Hipotecario, its directors (Messrs. Eduardo S. Elsztain; Jacobo J. Dreizzen; Edgardo L. Fornero; Carlos B. Písula; Gabriel G. Reznik; Pablo D. Vergara del Carril; Ernesto M. Viñes; Saul Zang; and Mauricio E. Wior) and former directors (Ms. Clarisa D. Lifsic de Estol and Mr. Federico L. Bensadón), and two former managers (Messrs. Gabriel G. Saidón and Enrique L. Benitez), are charged with failure to comply with the rules disclosed by Communication "A" 3471 (paragraphs 2 and 3) and by Communication "A" 4805 (Paragraph 2.2.) due to certain transfers of currency made abroad between August and October 2008 to guarantee the "CER Swap Linked to PG08 and External Debt" swap transaction for a total of US\$ 46 thousand, without the authorization of the Argentine Central Bank. BHSA has been allowed to review the proceedings (case file No. 100.308/10) which are being handled by the Argentine Central Bank's Department of Foreign Exchange Contentious Matters. The relevant defenses and arguments were filed and evidence was offered in support of all the defendants subject to the summary proceedings. The BCRA opened the discovery stage on March 16, 2015. Evidence was produced and the counsels for the defense's allegations were raised in due time. Upon conclusion of the administrative stage of the proceedings, the case file was sent to the Courts with Jurisdiction over Criminal Economic Matters.

After the resolution by the court of the jurisdictional issues that had been raised on November 18, 2015, in November 2016, notice was taken of the fact that the case is now being heard by Federal Court No. 3 with Jurisdiction over Criminal Economic Matters presided by Judge Rafael E. Caputo, Clerk's Office No. 5, which is to rule upon these summary proceedings.

In the legal counsel's opinion, at the current stage of the proceedings, there are legal and factual arguments that generate reasonable expectations that the physical persons named defendants and Banco Hipotecario S.A. will be acquitted and that therefore, there are low chances that the Bank will be subject to the economic sanctions set forth by the Criminal Foreign Exchange Regime Law (*Ley de Régimen Penal Cambiario*). For such reason, no allowances have been created in this regard.

**III. Summary Proceedings concluded during the fiscal year ended December 31, 2016**

1. On May 4, 2012 the Bank was notified of Resolution No. 186, dated April 25, 2012 issued by the Superintendent of Financial and Foreign Exchange Institutions whereby Summary Proceedings No. 4976 on Foreign Exchange Matters were commenced against the Bank, its directors (Messrs. Eduardo S. Elsztain; Gabriel G. Reznik; Pablo D. Vergara del Carril; Ernesto M. Viñes; Saul Zang; Carlos B. Písula; Edgardo L. Fornero; Jacobo J. Dreizzen); former directors (Ms. Clarisa D. Lifsic de Estol; Messrs. Julio A. Macchi; Federico L. Bensadón; and Jorge M. Grouman) and the former Finance Manager Gabriel G. Saidón, under section 8 of the Foreign Exchange Criminal Regime Law (as signed into law by Decree No. 480/95).

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In such proceedings, charges were pressed for alleged violations of the provisions of Communications "A" 3640, 3645, 4347 and supplementary rules, due to the acquisition of good delivery silver bars during the 2003-2006 period with funds arising from its General Exchange Position.

The defenses to which the Bank is entitled were raised in due time. Within the period granted to such end, the Bank and the other defendants produced the evidence previously offered. As soon as that stage in the procedure came to a conclusion, the counsel for the defense presented their closing arguments and in August 2014, the Argentine Central Bank sent the case file to the competent court (therefore, at present the case is being heard by the Court with Jurisdiction over Criminal Economic Matters No. 7 presided by Judge Juan Galvan Greenway, Clerk's Office No. 13, presided by Ms. Mariana Zavala Duffau).

On April 29, 2016, final judgment was passed, whereby: I - The criminal charges filed against BANCO HIPOTECARIO S.A., Clarisa Diana LIFSIC, Eduardo Sergio Elsztain, Gabriel Adolfo Gregorio REZNIK, Pablo Daniel VERGARA DEL CARRIL, Ernesto Manuel VINES, Saul ZANG, Julio Augusto MACCHI, Carlos Bernardo PISULA, Edgardo Luis José FORNERO, Federico León BENSADON and Gabriel Gustavo SAIDON in connection with the transactions recorded under slips No. 21683, 21749, 22065, 22136, WERE DECLARED PARTIALLY STATUTE-BARRED and the above mentioned persons WERE PARTIALLY ACQUITTED as concerns the above mentioned deeds (Section 19 of Law 19,359 and Section 434 and 443, subsection 3, and 454 of the Code of Criminal Procedure). II - The criminal charges filed against Jacobo Julio DREIZZEN and Jorge Miguel GROUMAN, in connection with the transactions recorded under slips No. 31034, 31042, 37270, 37973, 38476, 38511, 38651, 38693, 40005, 40066, 40190, 40304, 40687 and 40688 WERE DECLARED PARTIALLY STATUTE-BARRED and the above mentioned persons WERE PARTIALLY ACQUITTED as concerns the above mentioned deeds (Section 19 of Law 19,359 and Section 434 and 443, subsection 3, and 454 of the Code of Criminal Procedure). III - BANCO HIPOTECARIO S.A., Clarisa Diana LIFSIC, Eduardo Sergio Elsztain, Gabriel Adolfo Gregorio REZNIK, Pablo Daniel VERGARA DEL CARRIL, Ernesto Manuel VINES, Saúl ZANG, Edgardo Luis José FORNERO, Federico León BENSADON, Jacobo Julio DREIZZEN, Jorge Miguel GROUMAN, Gabriel Gustavo SAIDON, Julio Augusto MACCHI and Carlos Bernardo PISULA WERE FULLY RELEASED OF LIABILITY for the other charges pressed against them in this action in connection with violation of the Criminal Foreign Exchange Regime Law under these summary proceedings filed by the Argentine Central Bank regarding the transactions recorded under slips Nos. 40729 and 41288 (according to the charges pressed in each case) as the alleged conducts did not match with any of the offenses set forth by law. IV - NO COURT COSTS WERE AWARDED (pursuant to Sections 143 and 144 Code of Criminal Procedure).

As no appeal was lodged against it, the judgment became final and conclusive.

2. On October 7, 2014, BHSA was notified of Resolution No. 513 dated August 16, 2014 handed down by the Superintendent of Financial and Foreign Exchange Institutions in the summary proceedings in financial matters No. 1365 (on grounds of alleged failure to comply with the minimum requirements in terms of internal controls under Communication "A" 2525) whereby Banco Hipotecario S.A. was imposed a fine for \$112,000 and its directors (Messrs. Pablo D. Vergara del Carril; Carlos B. Pisula, Eduardo S. Elsztain, Jacobo J. Dreizzen, Gabriel G. Reznik; Edgardo L. Fornero; Ernesto M. Viñes; and Saul Zang) and former directors (Ms. Clarisa D. Lifsic de Estol and Messrs. Jorge L. March; and Federico L. Bensadón) were fined for different amounts.

As required by Section 42 of the Law of Financial Institutions, the fines were paid and the relevant appeal was lodged with the National Appellate Court with Federal Jurisdiction over Contentious and Administrative Matters against the above-mentioned resolution. By mid December 2014, the proceedings were sent by the BCRA to the competent court, and the case was brought before Panel IV under File No. 71,379/2014. The fine for Ps. 112 thousand was recorded in due time under allowances and paid by the Bank.

Under judgment dated June 21, 2016, the National Appellate Court with Federal Jurisdiction over Contentious and Administrative Matters - Panel IV dismissed the appeals lodged by Banco Hipotecario S.A.

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and the defendant directors, and awarded court costs against the losing appellants. The judgment became final and conclusive.

3. On December 29, 2014, the Bank was notified of Resolution No. 824 dated December 1, 2014 handed down by the Superintendent of Financial and Foreign Exchange Institutions whereby Summary Proceedings No. 6086 (File 101,534/11) were commenced against Banco Hipotecario S.A., its former Manager (Mr. Gabriel Cambiasso) and five assistants (Claudio H. Martin; Daniel J. Sagray; Rubén E. Perón; Marcelo D. Buzetti y Pablo E. Pizarro) in the Córdoba Branch, under section 8 of the Foreign Exchange Criminal Regime Law (as signed into law by Decree No. 480/95). In such proceedings, charges were pressed for exceeding the limits imposed for selling foreign currency to two entities in the City of Córdoba (which excesses amounted to Dollars 701 thousand in aggregate) allegedly breaching the provisions of Communication "A" 5085, section 4.2.1.

On July 3, 2015, a brief was filed with the Central Bank containing the relevant defenses and arguments and the relevant evidence was offered. Following the production of evidence, the closing argument was filed and a motion was made for applying the principles of the most favorable criminal law.

Through Resolution No. 703, dated December 28, 2016 handed down by the Superintendent of Financial and Foreign Exchange Institutions, it was resolved to dismiss the charges against Banco Hipotecario S.A. and Messrs. Gabriel Cambiasso, Claudio Hugo Martin, Daniel Javier Sagray, Rubén Ernesto Perón, Marcelo Damián Buzetti and Pablo Edgardo Pizarro; and to close Summary Proceedings No. 6086, pending in File No. 101,534/11.

### **38. FIDUCIARY ACTIVITIES**

#### **PROGRAMA CRÉDITO ARGENTINO DEL BICENTENARIO PARA LA VIVIENDA ÚNICA Y FAMILIAR (Pro.Cre.Ar.)**

On June 12, 2012, the Argentine Executive Branch issued Decree No. 902 whereby it ordered the creation of a Public Fiduciary Fund referred to as *Programa Crédito Argentino del Bicentenario para la Vivienda Única Familiar* (Argentine Single Family Housing Program for the Bicentennial) (Pro.Cre.Ar.).

On that same date, the Bank's Board of Directors approved the Bank's role as trustee of the referred fund.

On July 18, 2012, the Argentine State, as Trustor, and Banco Hipotecario S.A. as Trustee, created the "PROCREAR" Administrative and Financial Trust, and its underlying assets were transferred to it as trust property.

The Trust's sole and irrevocable purpose is as follows: (i) to manage the trust assets with the aim of facilitating the population's access to housing and the generation of job opportunities as economic and social development policies, in compliance with the principles and objectives set forth in Decree No. 902; (ii) the use by the Trustee of the net proceeds of the placement of the Trust Bonds (*Valores Representativos de Deuda* or VRDs) and cash contributions by the Argentine State to originate loans for the construction of houses in accordance with the provisions of Decree No. 902 and the credit lines; and (iii) the repayment of the VRDs in accordance with the terms of the agreement that creates the Trust and the provisions of the Trust Law.

The Trust shall be in effect for a term of thirty (30) years as from the date of execution of the agreement (July 18, 2012).

In addition to the obligations imposed on it under the Trust Law and the Commercial Code, the Trustee is required to:

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- Perform the obligations set forth in the Trust Agreement and follow the instructions imparted on it by the Executive Committee;
- Carry out its duties as Trustee with the loyalty, diligence and prudence of a good businessman acting on the basis of the trust placed on him;
- Exercise the powers granted to it under the Agreement, and preserve the Trust Assets;
- Use the Trust Assets for lawful purposes, in accordance with the provisions of the Agreement and following the Executive Committee's instructions;
- Identify the Trust Property and record it in a separate accounting system, segregated from its own assets or the assets of other trusts held by it at present or in the future in the course of its business;
- Prepare the Trust's financial statements, hire the relevant audit firms and comply with the applicable disclosure regulations;
- Insure the Trust Assets against risks that could affect their integrity;
- Invest or reinvest the Trust's funds in accordance with the provisions of the Agreement and following the instructions imparted by the Executive Committee.

According to the balance sheet as of March 31, 2017, the Trust's financial position was as follows:

- Assets: Ps. 86,614,335 thousand.
- Liabilities: Ps. 43,420,760 thousand.
- Shareholders' Equity: Ps. 43,193,575 thousand.

As of March 31, 2017, the PRO.CRE.AR Administrative and Financial trust had granted 113,204 mortgage loans for the construction of permanent, single family houses and 80,530 consumer loans. The amount disbursed for construction as of such date was Ps. 43,906,750 thousand and Ps. 7,453,824 thousand, respectively. The committed amounts pending disbursement total Ps. 942,537 thousand.

The conditions of these loans vary based on the family income segment involved.

### **39. CAPITALIZATION OF EXPENSES**

Given the Bank's role as Trustee of the Pro.Cre.Ar Trust (Notes 2.11 and 38) the Bank has capitalized increased direct expenses incurred in the mortgage loan origination process, which disbursements would not have been incurred by it had it not been for the grant of the related loans.

Capitalized expenses as of March 31, 2017 total Ps. 601,630 thousand. The most significant items capitalized refer to appraisal expenses, temporary staff fees, system development consultation fees, leases, surveillance service and other administrative expenses.

Pursuant to Communication "A" 5392, these expenses are amortized in 60 monthly installments, as follows:

Year 2012 amortizations	332
Year 2013 amortizations	14,786
Year 2014 amortizations	37,318
Year 2015 amortizations	72,209
Year 2016 amortizations	105,392
Year 2017 amortizations	119,759
Year 2018 amortizations	105,532

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Year 2019 amortizations	83,000
Year 2020 amortizations	48,149
Year 2021 amortizations	14,926
Year 2022 amortizations	227
<b>Total in Ps. thousand</b>	<b>601,630</b>

**40. CAPITAL MARKET LAW**

On December 27, 2012, the Capital Market Law No. 26,831 was promulgated, considering a comprehensive amendment to the public offering regime set forth by Law No. 17,811.

Insofar as concerns the matters related to the Company's business, this law broadens the regulatory powers of the Argentine Government in connection with the public offering of securities, through the Argentine Securities Commission (CNV), and concentrates in this agency the powers of authorization, supervision and oversight, disciplinary authority and regulation of all capital market players; furthermore, it establishes that intermediary agents willing to deal in a securities market are no longer required to be members thereof, thus allowing the entry of other participants, and delegates to the CNV the power to authorize, register and regulate the various categories of agents.

On August 1, 2013, Decree 1023/2013, partially regulating the Capital Markets Law, and on September 9, 2013, General Resolution No. 622 of the CNV, approving the related regulations, were published in the Official Gazette.

These regulations implement a register of agents that participate in the capital market. To take part in each of the activities regulated by this resolution, agents had to be entered in that register in such capacity by March 1, 2014.

For those agents who have applied for registration with the final registry before March 1, 2014 to comply with all the requirements, on February 7, 2014, the Argentine Securities Commission (CNV) extended the term until September 30, 2014. On June 23, 2014 we were notified by Mercado Abierto Electrónico S.A. that CNV mandated that the Agents registered with MAE S.A. who have proceedings underway before CNV for registration as Agent in any of the categories authorized by currently applicable rules and regulations may continue to do business normally up and until they start operating in the new Agent category as per the CNV rules (N.T.2013)

In turn, pursuant to CNV Resolution No. 17,392 dated June 26, 2014, the Bank was registered with the Registry of Financial Trustees prescribed by Sections 6 and 7 of Chapter IV, Title V of the Rules, under No. 57. And, on September 19, 2014, pursuant to CNV Resolution No. 2122, the Bank has been registered as Settlement and Clearing Agent and Comprehensive Trading Agent No. 40.

Pursuant to the provisions of Section 45 of Law 26,831 and paragraph a), Section 20, Article VI, Chapter II, Title VII, and subsection j) of Section 7, Article IV, Chapter IV, Title V of Resolution No.622 of the CNV, it is made known that Banco Hipotecario's minimum shareholders' equity composed as required by the rules issued by the Argentine Central Bank exceeds the minimum amount required under such resolution. On the other hand, the Bank's capital was duly paid in as of March 31, 2017 and the liquid balancing account is identified -through Argentine Central Bank Bills (I19A7) - Government Bond carried at fair market value - See Exhibit "A" to these Financial Statements, as per the following detail:

Date	Amount Ps.	Government	Kind	Amount	Listing	Valuation
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 Manager  
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**Eduardo S. Elsztain**  
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**Ricardo Flammini**  
 For the Supervisory  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the fiscal period ended March 31, 2017**

In comparative format with the previous fiscal year

	As per CNV Matrix	Security	CV			
03/31/2017	10,500,000.00	I19A7	46806	12,500,000	0.991067	12,388,337

On October 22, 2014, the Board of Directors of Mercado de Valores de Buenos Aires S.A. (MERVAL) approved the registration of Banco Hipotecario S.A. in Mercado de Valores de Buenos Aires S.A.'s Registry of Agents as Settlement and Clearing Agent and Trading Agent - Comprehensive (ALyC and AN as per the Spanish acronyms).

On December 23, 2014, Banco Hipotecario S.A. was authorized to operate under the provisions of Merval Communication No. 15594.

On April 12, 2017, the bank was given notice by BYMA (Bolsas y Mercados Argentinos S.A.) on the migration of MERVAL's operating processes to such market, according to the authorization granted by the CNV through Resolution No. 18,424 dated December 26, 2016.

#### **41. QUALITY CERTIFICATION**

On November 17, 2014, the Argentine Standardization and Certification Institute (*Instituto Argentino de Normalización y Certificación, IRAM*) has acknowledged that Banco Hipotecario S.A.'s Corporate Audit Area Department has in place a Quality Management System that conforms to the standards set by referential number 13:2013. This referential was developed by the Argentine General Audit Department (*Sindicatura General de la Nación, SIGEN*) and IRAM on a joint basis.

In this way, Banco Hipotecario S.A.'s Corporate Audit Area Department has become the first internal audit unit in a banking institution to obtain the referred certification.

#### **42. DIVIDEND DISTRIBUTION BY BHN INVERSION S.A.**

On March 9, 2016, the Ordinary Shareholders' Meeting of BHN Sociedad de Inversión S.A. approved the payment of dividends in cash and/or government securities for Ps. 650,000 thousand and empowered the Board of Directors to make the relevant distribution as and when they deem it convenient during fiscal year 2016.

On March 30, 2016, BHN Inversión S.A. made the first payment of dividends to Banco Hipotecario S.A. in government securities for Ps. 330,000 thousand and on November 17, 2016, it made the second payment of dividends in government securities for Ps. 320,000 thousand.

At the Board Meeting of BHN Sociedad de Inversión dated November 29, 2016, it was unanimously resolved that, based on the review of the special Financial Statements as of September 30, 2016, as approved by the Board of Directors on November 15, 2016, interim dividends would be paid for Ps. 150,000 thousand against the net income for the current fiscal year. On December 7, 2016, these interim dividends were paid in government securities.

On March 30, 2017, the Shareholders' Meeting approved a payment of dividends in cash and/or government securities for Ps. 900,000 thousand, and ratified the payment of interim dividends for Ps. 150,000 thousand referred to in the preceding paragraph. The Board of Directors was also authorized to distribute the remaining balance within the current year, in the manner and at the time it may deem convenient.

#### **43. PURCHASE OF EDIFICIO DEL PLATA**

**Guillermo C. Martinez**  
 General Accounting  
 Manager  
**BANCO HIPOTECARIO S.A.**

**Fernando S. Rubin**  
 General Manager  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the fiscal period ended March 31, 2017**

In comparative format with the previous fiscal year

On April 20, 2016, Banco Hipotecario S.A. purchased the building known as “Edificio del Plata” through a public auction held by the Government of the City of Buenos Aires, with the purpose of setting up a branch and corporate offices.

The purchase price was US Dollars sixty-eight million one hundred and fourteen thousand (68,114,000). The equivalent amount in Pesos was determined at the selling exchange rate as of the close of business of the preceding business day quoted by Banco de la Nación Argentina. The relevant fee payable to Banco de la Ciudad plus VAT must be added to the price mentioned above.

Pursuant to the provisions of Section 3, Decree 208/16, on April 29, 2016, fifteen percent of the price (15%) was paid. The balance was repayable within three hundred and sixty-five days (365) at the time of execution of the relevant notarial deed and delivery of possession.

On April 19, 2017, Banco Hipotecario S.A.’s Executive Committee decided to ratify the purchase of “Edificio del Plata” pursuant to the terms and conditions of the preliminary sales contract, and to authorize the payment of the outstanding balance. This balance, plus expenses, fees and stamp tax, were paid on April 20, 2017. The title deed was executed on April 25, 2017.

**44. CNV’s General Resolution 629 - ISSUERS - DUTY TO RETAIN DOCUMENTATION**

On August 14, 2014, through its General Resolution No. 629, Article 26, Section VII of Chapter IV under Title II of the Technical Rules, Version 2013 as modified, CNV imposed a duty to detail in a note to the financial statements, the address and identity of the person responsible for the warehouse accommodating the supporting documentation for accounting transactions and company management.

To comply with the duty described in the preceding paragraph, Banco Hipotecario S.A. reports that the documentation retained in an off-site location is at the warehouses of the company Bank S.A. located in Carlos Pellegrini 1401 (Avellaneda).

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For the Supervisory  
Committee



**CONSOLIDATED BALANCE SHEET**

For the fiscal period ended 03/31/2017

In comparative format with the previous fiscal year

In thousands of Argentine Pesos

ASSETS	2017	2016
<b>A Cash and cash resources (Note 2.1.)</b>	<b>2,338,458</b>	<b>7,188,279</b>
Cash	751.363	756.704
Financial Institutions and Correspondents	1.587.095	6.431.575
- Argentine Central Bank (B.C.R.A)	1.425.464	5.355.489
- Other domestic institutions	7.684	15.181
- Other foreign institutions	153.947	1.060.905
<b>B Government and corporate securities (Note 2.3.)</b>	<b>11,329,800</b>	<b>4,997,612</b>
Holdings booked at fair market value (Note 9)	4.085.461	2.522.425
Holdings booked at cost plus return	266.988	1.017.085
Investments in listed corporate securities	493.810	352.854
Securities issued by the BCRA	6.495.203	1.116.910
(Allowances)	(11.662)	(11.662)
<b>C Loans (Schedule B and Note 2.4.)</b>	<b>27,688,514</b>	<b>27,163,942</b>
To the non-financial public sector	148.578	153.032
To the financial sector	424.847	636.950
Interfinancial (calls granted)	166.667	50.000
Other loans to domestic financial institutions	240.682	555.726
Accrued interest, adjustments and quotation differences receivable	17.498	31.224
To the non-financial private sector and foreign residents	27.851.244	27.050.101
Overdraft facilities	285.952	290.153
Promissory notes	705.278	687.965
Mortgage loans	3.001.978	2.744.734
Pledge loans	202.895	640.365
Consumer loans	5.323.225	4.611.052
Credit cards	12.756.413	12.663.403
Unallocated collections	(7.996)	(1.166)
Other	5.377.473	5.166.467
Accrued interest and quotation differences receivable	255.638	293.006
Documented interest	(49.612)	(45.878)
Allowances	(736.155)	(676.141)
<b>D Other receivables for financial transactions (Schedule B and Note 2.5.)</b>	<b>11,184,871</b>	<b>9,262,132</b>
Argentine Central Bank	835.268	691.913
Amounts receivable for spot and forward sales to be settled	5.707.146	1.368.657
Securities to be received under spot and forward purchases to be settled	430.267	2.503.986
Unlisted negotiable obligations	251.800	322.118
Balances of forward transactions not yet settled without delivery of underlying asset	15.771	169.717
Others not included in the debtor classification regulations	3.910.040	4.097.312
Others included in the debtor classification regulations	40.900	115.509
Accrued interest receivable included in the debtor classification regulations	7.052	7.110
Allowances	(13.373)	(14.190)

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**CONSOLIDATED BALANCE SHEET**

For the fiscal period ended 03/31/2017

In comparative format with the previous fiscal year

In thousands of Argentine Pesos

	2017	2016
<b>E Receivables for financial leases (Schedule B and Note 2.6.)</b>	<b>160.594</b>	<b>157.409</b>
Receivables for financial leases	158.882	155.775
Accrued interest and adjustments receivable	3.219	3.087
Allowances	(1.507)	(1.453)
<b>F Investments in other companies (Note 2.7.)</b>	<b>116.348</b>	<b>101.020</b>
Others	116.348	101.020
<b>G Miscellaneous receivables (Note 2.8.)</b>	<b>2.014.316</b>	<b>1.974.182</b>
Minimum notional income tax - fiscal credit	109.973	97.447
Other	1.912.268	1.886.759
Other accrued interest receivable	2.545	787
Allowances	(10.470)	(10.811)
<b>H Bank premises and equipment (Note 2.9.)</b>	<b>394.585</b>	<b>390.228</b>
<b>I Miscellaneous assets (Note 2.9.)</b>	<b>300.761</b>	<b>296.068</b>
<b>J Intangible assets (Note 2.11.)</b>	<b>581.086</b>	<b>567.364</b>
Goodwill	564.777	13.363
Organization and development expenses	16.309	554.001
<b>K Items pending allocation</b>	<b>20.412</b>	<b>9.874</b>
<b>TOTAL ASSETS</b>	<b>56.129.745</b>	<b>52.108.110</b>

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**CONSOLIDATED BALANCE SHEET**

For the fiscal period ended 03/31/2017

In comparative format with the previous fiscal year

In thousands of Argentine Pesos

	2017	2016
<b>LIABILITIES</b>		
<b>L Deposits (Note 2.12.)</b>	<b>19,580.629</b>	<b>18,984.992</b>
Non-financial public sector	3.113.051	2.536.836
Financial sector	3.882	6.394
Non-financial private sector and foreign residents	16.463.696	16.441.762
Current accounts	837.466	881.421
Savings accounts	3.258.739	3.329.855
Time deposits	11.001.352	10.613.088
Investment accounts	805.460	1.013.895
Other	341.406	318.055
Accrued interest and quotation differences payable	219.273	285.448
<b>M Other liabilities for financial transactions (Note 2.13.)</b>	<b>27,267.831</b>	<b>24,187.338</b>
Argentine Central Bank	57	56
Other	57	56
Unsubordinated negotiable obligations	16.493.871	16.018.680
Amounts payable under spot and forward purchases to be settled	406.609	2.295.724
Securities to be delivered under spot and forward sales to be settled	6.281.221	1.422.674
Loans received from domestic financial institutions	345.815	707.468
Interfinancial loans (calls received)	-	265.000
Other financing from local financial institutions	339.689	434.475
Accrued interest payable	6.126	7.993
Balances of forward transactions not yet settled without delivery of underlying asset	18.486	187.108
Other	3.000.336	2.931.778
Accrued interest and quotation differences payable	721.436	623.850
<b>N Miscellaneous Liabilities (Note 2.14.)</b>	<b>2,300.804</b>	<b>2,220.193</b>
Fees	81.016	55.270
Other	2.213.816	2.154.603
Adjustments and interest payable	5.972	10.320
<b>O Provisions (Notes 2.10., 2.15., 2.16. and 2.17.)</b>	<b>338.605</b>	<b>325.847</b>
<b>P. Subordinated negotiable obligations</b>	<b>-</b>	<b>136.838</b>
<b>Q Items pending allocation</b>	<b>44.955</b>	<b>38.967</b>
<b>TOTAL LIABILITIES</b>	<b>49,532.824</b>	<b>45,894.175</b>
<b>R Minority interest</b>	<b>287.993</b>	<b>157.707</b>
<b>SHAREHOLDERS' EQUITY (Note 2.20.)</b>	<b>6,308.928</b>	<b>6,056.228</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>56,129.745</b>	<b>52,108.110</b>
Notes and Schedules are an integral part of these financial statements.		

**Guillermo C. Martinez**  
General Accounting  
Manager  
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**Ricardo Flammini**  
For the Supervisory  
Committee

# **CONSOLIDATED STATEMENT OF INCOME**

For the fiscal period ended 03/31/2017  
In comparative format with the same period of the previous fiscal year  
In thousands of Argentine Pesos

	2017	2016
<b>A Financial income</b>	<b>2.698.967</b>	<b>2.365.992</b>
Interest on cash and cash resources	115	21
Interest on loans to the financial sector	24.558	7.915
Interest on overdraft facilities	14.607	53.395
Interest on promissory notes	37.295	25.121
Interest on mortgage loans	126.508	128.626
Interest on pledge loans	31.965	40.904
Interest on credit card loans	974.309	688.005
Interest on financial leases	10.754	7.515
Interest on other loans	722.916	520.977
Interest on other receivables for financial transactions	4.630	1.687
Net income from government and corporate securities	421.901	639.275
Adjustment from application of CER (coefficient for reference stabilization) clause and CVS (coefficient for salary variation) clause	-	4.857
Gold and foreign currency quotation difference	129.849	-
Other	199.560	247.694
<b>B Financial expenses</b>	<b>1.880.488</b>	<b>1.605.867</b>
Interest on savings account deposits	1.043	726
Interest on time deposits	507.940	883.317
Interest on interfinancial loans received	1.817	696
Interest on other loans from financial institutions	28.719	37.825
Interest on other liabilities resulting from financial transactions	727.368	321.848
Interest on subordinated negotiable obligations	4.321	5.085
Other interest	56.102	92.821
Gold and foreign currency quotation difference	-	45.060
Adjustment from application of CER (coefficient for reference stabilization) clause and CVS (coefficient for salary variation) clause	3.018	-
Contribution to the deposits security fund	8.069	36.197
Other	542.091	182.292
<b>GROSS INTERMEDIATION MARGIN</b>	<b>818.479</b>	<b>760.125</b>
<b>C Loan Loss Provision</b>	<b>175.716</b>	<b>98.315</b>
<b>D Income from services</b>	<b>1.391.742</b>	<b>1.078.074</b>
Linked with lending transactions	756.603	368.686
Linked with borrowing transactions	55.565	37.856
Other commissions	6.224	5.269
Other	573.350	666.263
<b>E Expenses for Services</b>	<b>223.194</b>	<b>246.763</b>
Commissions	125.707	88.688
Other	97.487	158.075

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For the Supervisory  
Committee

**CONSOLIDATED STATEMENT OF INCOME**

For the fiscal period ended 03/31/2017

In comparative format with the same period of the previous fiscal year

In thousands of Argentine Pesos

	2017	2016
<b>G Administrative expenses</b>	<b>1.373.030</b>	<b>1.117.384</b>
Personnel expenses	789.694	646.384
Directors' and syndics' fees	38.434	25.166
Other fees	126.064	125.031
Advertising and publicity	19.056	34.150
Taxes	88.103	62.803
Depreciation of bank premises and equipment	24.847	15.284
Amortization of organization and development expenses	43.881	32.843
Other operating expenses	186.687	141.661
Other	56.264	34.062
<b>NET INCOME FROM FINANCIAL TRANSACTIONS</b>	<b>438.281</b>	<b>375.737</b>
<b>MINORITY INTEREST RESULTS - (loss)/income</b>	<b>(29.008)</b>	<b>4.051</b>
<b>I Miscellaneous Income</b>	<b>138.870</b>	<b>139.928</b>
Result from permanent equity interests	17.422	11.220
Penalty interest	25.981	29.133
Loans recovered and allowances reversed	63.453	75.551
Other	32.014	24.024
<b>J Miscellaneous losses</b>	<b>185.632</b>	<b>175.879</b>
Penalty interest and charges in favor of the BCRA	572	16
Loan loss provision for miscellaneous receivables and other provisions	55.908	66.109
Depreciation and loss of miscellaneous assets	78	171
Amortization of goodwill	857	857
Other	128.217	108.726
<b>NET INCOME BEFORE INCOME TAX</b>	<b>362.511</b>	<b>343.837</b>
<b>K Income tax</b>	<b>109.815</b>	<b>113.458</b>
<b>NET INCOME FOR THE FISCAL PERIOD</b>	<b>252.696</b>	<b>230.379</b>

Notes and Schedules are an integral part of these financial statements.

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**CONSOLIDATED STATEMENT OF CASH FLOWS AND CASH EQUIVALENTS**

For the fiscal period ended 03/31/2017

In comparative format with the same period of the previous fiscal year

In thousands of Argentine Pesos

	2017	2016
<b><u>Changes in cash and cash equivalents</u></b>		
Cash at beginning of fiscal year	7.188.279	6.378.793
Cash at fiscal period end	2.338.458	4.066.635
<b>Net increase in cash (in constant currency)</b>	<b>(4.849.821)</b>	<b>(2.312.158)</b>
<b><u>Causes of cash changes (in constant currency)</u></b>		
<b>Operating activities</b>		
Net collection/(payment) on:		
Government and corporate securities	(6.332.188)	(2.800.419)
Loans		
To the Financial Sector	212.103	(130.901)
To the Non-financial Public Sector	4.454	5.908
To the Non-Financial Private Sector and Foreign Residents	(801.143)	735.352
Other receivables for financial transactions	(4.187.509)	(2.961.480)
Deposits		
To the Non-financial Public Sector	576.215	(390.458)
To the Financial Sector	(2.512)	-
To the non-financial Private Sector and Foreign Residents	(21.934)	99.167
Other (except for liabilities under Financing activities)	5.574.733	2.580.778
Collections linked with income from services	1.391.742	1.078.074
Payments linked with expenses for services	(223.194)	(246.763)
Administrative expenses paid	(1.441.758)	(1.165.511)
Collection net of penalty interest	25.981	29.133
Payment of organization and development expenses	(13.722)	(50.586)
Other (payments) linked to miscellaneous profits and losses	(172.829)	(186.952)
Net (payments) from other operating activities	(849.711)	(353.112)
<b>Net cash flow (used for) operating activities</b>	<b>(6.261.272)</b>	<b>(3.757.770)</b>
<b>Investment Activities</b>		
Net payments on bank premises, equipment and miscellaneous assets	(9.050)	(8.718)
Collection of dividends in other companies	-	-
<b>Net cash flow (used for) investment activities</b>	<b>(9.050)</b>	<b>(8.718)</b>
<b>Financing Activities</b>		
Collections on unsubordinated negotiable obligations	475.191	729.322
Subordinated negotiable obligations	-	5.086
<b>Net cash flow originated from financing activities</b>	<b>475.191</b>	<b>734.408</b>
<b>Financial gain (loss), and holding of cash and cash equivalents (including interest and monetary results)</b>	<b>945.310</b>	<b>719.922</b>
<b>Net increase in cash</b>	<b>(4.849.821)</b>	<b>(2.312.158)</b>

**Guillermo C. Martinez**  
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Committee

**CONSOLIDATED MEMORANDUM ACCOUNTS**

For the fiscal period ended 03/31/2017

In comparative format with the previous fiscal year

In thousands of Argentine Pesos

	2017	2016
<b>DEBIT</b>	<b>205.956.966</b>	<b>224.569.130</b>
<b>Contingencies</b>	<b>17.224.501</b>	<b>16.093.823</b>
Guarantees received	15.307.509	14.201.884
Others not included in the debtor classification regulations	49.856	51.167
Contingent - re. contra items	1.867.136	1.840.772
<b>Control</b>	<b>75.047.342</b>	<b>75.348.415</b>
Loans classified as non-recoverable	1.100.582	1.010.218
Other	73.612.898	73.997.857
Control - re. contra items	333.862	340.340
<b>Derivatives</b>	<b>27.008.295</b>	<b>49.055.406</b>
"Notional" value of forward transactions without delivery of the underlying asset	14.674.887	24.694.412
Interest rate swap	511.324	528.144
Derivatives-re. contra items	11.822.084	23.832.850
<b>Trust activities</b>	<b>86.676.828</b>	<b>84.071.486</b>
Trust Funds	86.676.828	84.071.486
<b>CREDIT</b>	<b>205.956.966</b>	<b>224.569.130</b>
<b>Contingencies</b>	<b>17.224.501</b>	<b>16.093.823</b>
Loans granted (unused balances) included in the debtor classification regulations (Schedule B)	153.253	126.962
Other guarantees granted included in the debtor classification regulations (Schedule B)	106.916	103.040
Other guarantees not included in the debtor classification regulations	22.535	21.869
Contingent - re. contra items	16.941.797	15.841.952
<b>Control</b>	<b>75.047.342</b>	<b>75.348.415</b>
Amounts to be credited	56.575	54.854
Control - re. contra items	74.990.767	75.293.561
<b>Derivatives</b>	<b>27.008.295</b>	<b>49.055.406</b>
"Notional" value of forward transactions without delivery of the underlying asset	11.822.681	23.833.448
Derivatives - re. contra items	15.185.614	25.221.958
<b>Trust activities</b>	<b>86.676.828</b>	<b>84.071.486</b>
Trust accounts re. contra items	86.676.828	84.071.486

Notes and Schedules are an integral part of these financial statements.

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**Fernando S. Rubin**  
General Manager  
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For the Supervisory  
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**SCHEDULE ( B )**
**CONSOLIDATED CLASSIFICATION OF FINANCING ACCORDING TO STATUS  
AND GUARANTEES RECEIVED**

For the fiscal period ended 03/31/2017

In comparative format with the previous fiscal year

In thousands of Argentine Pesos

<u>COMMERCIAL PORTFOLIO</u>	2017	2016
<b>Normal situation</b>	<b>8.622.425</b>	<b>9.102.607</b>
With "B" preferred collateral and counter-guarantees	1.379.113	1.290.430
Without any preferred collateral or counter-guarantees	7.243.312	7.812.177
<b>Potential risk</b>	<b>3.687</b>	<b>386</b>
With "B" preferred collateral and counter-guarantees	713	-
Without any preferred collateral or counter-guarantees	2.974	386
<b>Problematic</b>	<b>183</b>	<b>990</b>
With "B" preferred collateral and counter-guarantees	-	-
Without any preferred collateral or counter-guarantees	183	990
<b>High risk of insolvency</b>	<b>4.972</b>	<b>5.090</b>
With "B" preferred collateral and counter-guarantees	67	1.229
Without any preferred collateral or counter-guarantees	4.905	3.861
<b>Uncollectible</b>	<b>701</b>	<b>16.931</b>
With "B" preferred collateral and counter-guarantees	88	93
Without any preferred collateral or counter-guarantees	613	16.838
<b>TOTAL COMMERCIAL PORTFOLIO</b>	<b>8.631.968</b>	<b>9.126.004</b>

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**SCHEDULE ( B )**  
 Continued

**CONSOLIDATED CLASSIFICATION OF FINANCING ACCORDING TO STATUS  
AND GUARANTEES RECEIVED**

For the fiscal period ended 03/31/2017  
 In comparative format with the previous fiscal year  
 In thousands of Argentine Pesos

<u>CONSUMER AND HOUSING PORTFOLIO</u>	<b>2017</b>	<b>2016</b>
<b>Normal situation</b>	<b>19.118.674</b>	<b>18.332.886</b>
With "B" preferred collateral and counter-guarantees	1.875.714	1.704.073
Without any preferred collateral or counter-guarantees	17.242.960	16.628.813
<b>Low risk</b>	<b>545.831</b>	<b>476.437</b>
With "B" preferred collateral and counter-guarantees	20.127	20.696
Without any preferred collateral or counter-guarantees	525.704	455.741
<b>Mid risk</b>	<b>336.304</b>	<b>276.289</b>
With "B" preferred collateral and counter-guarantees	4.688	3.616
Without any preferred collateral or counter-guarantees	331.616	272.673
<b>High risk</b>	<b>364.236</b>	<b>392.205</b>
With "B" preferred collateral and counter-guarantees	2.076	2.662
Without any preferred collateral or counter-guarantees	362.160	389.543
<b>Uncollectible</b>	<b>149.517</b>	<b>69.598</b>
With "B" preferred collateral and counter-guarantees	6.575	4.837
Without any preferred collateral or counter-guarantees	142.942	64.761
<b>Uncollectible for technical reasons</b>	<b>161</b>	<b>265</b>
With "B" preferred collateral and counter-guarantees	57	58
Without any preferred collateral or counter-guarantees	104	207
<b>TOTAL CONSUMER AND HOUSING PORTFOLIO</b>	<b>20.514.723</b>	<b>19.547.680</b>
<b>GENERAL TOTAL</b>	<b>29.146.691</b>	<b>28.673.684</b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the fiscal period ended March 31, 2017

In comparative format with the previous fiscal year

### 1. CONSOLIDATION BASIS

These financial statements reflect the consolidated financial condition of Banco Hipotecario Sociedad Anónima, BHN Sociedad de Inversión Sociedad Anónima -consolidated-, BACS Banco de Crédito y Securitización Sociedad Anónima -consolidated-, BH Valores SA and Tarshop SA for the fiscal period ended March 31, 2017 and the fiscal year ended December 31, 2016.

The equity investments held by the Banco Hipotecario Sociedad Anónima in the consolidated companies as of March 31, 2017 are as follows:

- BACS Banco de Crédito y Securitización Sociedad Anónima: 54,687,500 ordinary book-entry shares with a value of \$1 each and entitled to one vote per share, which represent 62.28% of the capital stock. – See Note 12.
- BHN Sociedad de Inversión Sociedad Anónima: 39,131,682 ordinary book-entry shares with a value of \$1 each and entitled to one vote per share, which represent 99.99% of the capital stock.
- BH Valores SA: 1,425,000 ordinary book-entry shares with a value of \$1 each and entitled to one vote per share, which represent 95% of the capital stock.
- Tarshop SA: 195,037,152 ordinary book-entry shares with a value of \$1 each and entitled to one vote per share, which represent 80% of the capital stock.

The procedure followed by the Bank to include the controlled investees BHN Sociedad de Inversión Sociedad Anónima -consolidated- and BACS Banco de Crédito y Securitización Sociedad Anónima -consolidated-, BH Valores SA and Tarshop SA's accounts was as follows:

- 1.1. The Bank's financial statements have been prepared in line with the valuation and disclosure standards laid down by the Central Bank of the Republic of Argentina, including consolidated balances reported in the Balance Sheet, the Statement of Income, Memorandum Accounts, Statement of Cash Flow and Cash Equivalents and Schedule B of the referred companies, in compliance with such standards.
- 1.2. Items resulting from intercompany transactions not disclosed to third parties were deleted from the Balance Sheet, the Statement of Income, Memorandum Accounts, Statement of Cash Flow and Cash equivalents and Schedule B.
- 1.3. The portion of the Shareholders' Equity corresponding to the minority interest has been disclosed in the Consolidated Balance Sheet, in the line captioned "Minority Interest".
- 1.4. The portion of the net income/ (loss) on the minority interest has been disclosed in the Consolidated Statement of income, in the line captioned "Net income / (loss) on Minority Interest".

### 2. BASIS FOR THE PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Banco Hipotecario Sociedad Anónima have been prepared in line with the provisions of Argentine Central Bank Communication "A" 2813 and supplementary rules, as amended, regarding financial reporting requirements for the publication of quarterly and annual financial statements and observing the guidelines of Technical Pronouncement No. 21 of the Argentine Federation of Professional Councils of Economic Sciences (F.A.C.P.C.E.).

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the fiscal period ended March 31, 2017**

In comparative format with the previous fiscal year

The consolidated financial statements of BACS Banco de Crédito y Securitización Sociedad Anónima and the individual financial statements of BH Valores SA have been prepared following similar criteria to those applied by Banco Hipotecario Sociedad Anónima.

The consolidated financial statements of BHN Sociedad de Inversión Sociedad Anónima and Tarshop SA's individual financial statements have been prepared in accordance with the professional accounting standards, which differ in certain significant aspects from BCRA's accounting standards. For consolidation purposes, Tarshop SA's financial statements have been adapted by application of accounting criteria similar to the ones applied by the Bank.

As from January 1, 2002, as a result of the application of Communication "A" 3702 which established the repeal of any legal and regulatory rule that did not allow the restatement of the accounting balances at period-end currency values, the Bank has resumed the application of the adjustment for inflation following the restatement method established by the Argentine Central Bank (BCRA).

On March 25, 2003, the Executive Branch issued Decree 664 establishing that the financial statements for years ending as of that date are to be stated in nominal currency. Consequently, in accordance with Communication "A" 3921 of the BCRA, restatement of the financial statements was discontinued as from March 1, 2003.

Pursuant to the Argentine professional accounting standards in effect in the City of Buenos Aires, the financial statements must be stated in constant currency. The restatement method and the need to apply it arise from requirements contained in Technical Pronouncements No. 6 and No. 17 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE), as amended by Technical Pronouncement No. 39 issued by the referred entity on October 4, 2013 and approved by the Professional Council in Economic Sciences of the City of Buenos Aires on April 16, 2014. These standards provide that when the cumulative inflation rate for three consecutive years is equal to or higher than 100%, as measured by the wholesale domestic price index calculated by the Argentine Institute of Statistics and Census, the inflationary context is such that the financial statements should be restated to reflect the purchasing power at the end of the reporting period.

The principal disclosure and valuation criteria followed for preparing these financial statements is described below:

**2.1. Foreign currency assets and liabilities**

US dollar assets and liabilities have been valued at the rate of exchange between the peso and the US dollar published by the Argentine Central Bank. Assets and liabilities valued in foreign currencies other than the US dollar were converted into the latter currency using the swap rates communicated by the Argentine Central Bank's operations desk, in force at the close of operations on the last business day of the fiscal period ended March 31, 2017 and the fiscal year ended December 31, 2016.

**2.2. Interest accruals and adjustments of principal amounts (UVA, UVI, CER and CVS)**

Interest accruals were determined using the exponential method for all lending and certain borrowing transactions in local and foreign currency, and interest accruals for loans overdue more than ninety days were discontinued.

Adjustments of principal amounts from application of the UVA, UVI, CER and CVS were accrued as established by Argentine Central Bank regulations, and interest accruals on loans overdue more than ninety days were discontinued.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the fiscal period ended March 31, 2017

In comparative format with the previous fiscal year

### 2.3. Government and corporate securities

As of March 31, 2017 and December 31, 2016, the securities classified as "Holdings booked at fair market value", "Investment in listed corporate securities" and "Securities issued by the BCRA" with volatility published by the BCRA have been valued at fiscal period/year-end market quotation, as the case may be.

As of March 31, 2017 and December 31, 2016, the securities classified into "Holdings booked at cost plus return" and "Securities issued by the BCRA" with no volatility published by the BCRA, or with volatility but which the Entity decides to book under the first category, have been valued in accordance with the provisions of Communication "A" 5180, and supplementary rules, at their acquisition cost subject to an exponential increase based on the internal rate of return, net of contra-accounts, if applicable.

The balance and nature of the liquid contra-account BACS Banco de Crédito y Securitización S.A. and BH Valores are required to maintain by the Argentine Securities Commission are included in Note 9.

### 2.4. Loans

The portfolio of performing loans and loans due ninety days or less has been valued in terms of the principal amounts actually lent, plus capitalized interest, net of principal amortization collected and debt balance refinancing, plus adjustments (from the application of the CER, and CVS where applicable) and accrued interest receivable and less the estimated reserve for loan losses.

Pursuant to the standards set forth by the BCRA (Communication "A" 2729 and supplementary regulations), the Bank set up allowances for uncollectibility risk on its loan portfolio. Said standards set forth certain debtors' classification criteria and minimum guidelines to be applied to the uncollectibility risk provisioning process.

Other loans to the public sector:

- i) As of March 31, 2017 and December 31, 2016, those loans were valued at cost plus return according to point 2.2.6 of Communication "A" 5180, taking as cost their book value as of December 31, 2010.
- ii) Those originally granted in foreign currency have been converted into pesos at the exchange rate of \$1.40 per US dollar, as established by Law 25561, Decree 214 and supplementary rules and amendments. Since February 3, 2002, the CER has been applied to the amount of those loans and maximum rates have been established, in accordance with Decree 1579/02, if those assets were subjected to the Exchange of Provincial Public Debt.

Loans to the non-financial private sector originally granted in foreign currency have been converted into pesos at the exchange rate of \$1.00 per US dollar, as established by Law 25561, Decree 214 and supplementary rules and amendments. Since February 3, 2002, the CER and CVS have been applied to the amount of those loans and maximum rates have been established, depending on the borrower.

### 2.5. Other receivables for financial transactions:

The individual mortgage loans the fiduciary ownership of which was transferred by the Bank and recorded in this caption have been valued and converted into pesos following the criterion described in points 2.2. and 2.4.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the fiscal period ended March 31, 2017**

In comparative format with the previous fiscal year

The rights arising from currency swap transactions have been valued at the quotation of that currency following the criterion described in point 2.1.

The financial trust participation certificates have been valued according to the equity method of accounting, written down to reflect allowances for impairment.

Financial trust debt securities have been stated at cost plus return, index-adjusted by applying the CER to the appropriate instruments.

As of March 31, 2017, Banco Hipotecario S.A. has recorded in memorandum accounts the right to receive the residual value of mortgages registered in financial trusts BHN II, BHN III, BHN IV and BACS as a result of their settlement.

The interest rate swap transactions carried out for the purposes of hedging assets and liabilities with fixed and floating rates has been valued in accordance with the unsettled balances of agreed upon lending and borrowing interests rates.

Unlisted negotiable obligations have been valued at acquisition cost exponentially increased according to the internal rate of return.

The Bank holds negotiable obligations in its own portfolio, measured at their residual value plus interest accrued.

Central Bank Bills and government securities held as collateral for OTC transactions are valued as explained in item 2.3 of this note.

Repo transactions are carried at the value originally agreed upon, plus accrued premiums.

OTC transactions agreed upon through ROFEX that are mainly closed as hedging for the position in foreign currency have been valued in accordance with the unsettled balances of agreed upon lending and borrowing interest rates.

**2.6. Receivables for financial leases**

Receivables for financial leases are carried at the current value of the periodic installments and the residual value previously agreed upon, calculated as per the conditions set forth in the respective lease agreements, applying the internal rate of return and net of allowances for loan losses.

**2.7. Investments in other companies:**

This caption includes, for BACS Banco de Crédito y Securitización S.A. and for Banco Hipotecario S.A., among others, the equity investments held in: Mercado Abierto Electrónico Sociedad Anónima, ACH Sociedad Anónima and Mercado de Valores de Buenos Aires Sociedad Anónima, which are recorded at the lower of cost or estimated recoverable value.

As of March 31, 2017, BH Valores S.A. recorded the value of its share in Mercado de Valores de Buenos Aires S.A. at the listed value of the latest transaction made in such market as of the closing of the period, taking into account that is easily tradable and it is listed in an active market, against a backdrop of scarce business volume and considering the prospects of realizing such instrument in the market.

On January 9, 2012, the Board of Directors of Banco Hipotecario S.A. approved the Bank's involvement as a protecting partner in the mutual guarantee company that is currently in the formation stage and will be

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called "Confederar NEA S.G.R.". This decision was formalized on June 13, 2013 when the Bank contributed Ps. 12 thousand to the capital of Confederar NEA S.G.R. and on June 25, 2013 when the Bank contributed Ps. 5,000 thousand to this company's risk fund.

On June 13, 2016, Banco Hipotecario entered into an agreement with Confederar NEA S.G.R. mutual guarantee company for contributing Ps. 5,000 thousand (renewal) to the risk fund.

It must be noted that the regulations laid down by the Argentine Central Bank classify the contributions made by financial institutions to mutual guarantee companies in their capacities as protecting partners as services supplementary to financial activities.

TARSHOP, in turn, approved the establishment of SUPER - CARD sociedad anónima and subscribed 12.5% of its capital stock. This ownership interest consists in 12,500 Class "A" shares with right to one vote each. SUPER - CARD sociedad anónima will pursue as its corporate purpose the grant of debit and credit cards to individuals and/or legal entities. TARSHOP shall take on issuance, processing, management and financing functions vis-à-vis these cards.

Through Minutes No. 74 dated October 1, 2003, BACS' Board of Directors resolved to purchase at book value 80 common shares of Ps. 1 par value and entitled to one vote per share in BHN Sociedad de Inversión S.A.

On September 24, 2008, the Bank purchased one share in Mercado Abierto Electrónico (MAE) for Ps. 55 thousand for the purpose of conducting certain transactions that may be carried out exclusively through the MAE.

On December 13, 2013, BACS Banco de Crédito y Securitización consummated its participation as protecting partner in the mutual guarantee company named "Don Mario S.G.R." The transaction was formally executed on December 30, 2013 by contributing Ps. 5 to the company's capital and Ps. 10,000 thousand to such company's risk fund. On December 23, 2014, June 29, 2015, and December 29, 2015, three capital contributions were made to the risk fund for Ps. 10,000 thousand each. On December 23, 2016, the second contribution for Ps. 10,000 thousand was returned.

As of March 31, 2017, the contribution to the "Don Mario S.G.R." risk fund resulted in a balance of Ps. 20,000 thousand and a yield of Ps. 4,219 thousand.

On November 12, 2014, BACS Banco de Crédito y Securitización consummated its participation as protecting partner in the mutual guarantee company named "Los Grobo S.G.R." The transaction was formally executed on December 10, 2014 by contributing Ps. 15,000 thousand to the referred company's risk fund. On September 30, 2015 and December 30, 2015, capital contributions were made for Ps. 10,000 thousand and Ps. 7,500 thousand, respectively. On December 13, 2016, the first contribution for Ps. 15,000 thousand was returned.

As of March 31, 2017, the contribution to the "Los Grobo S.G.R." risk fund resulted in a balance of Ps. 17,500 and a yield of Ps. 1,986 thousand.

On June 30 2015, BACS Banco de Crédito y Securitización consummated its participation as protecting partner in the mutual guarantee company named "Intergarantías S.G.R.". The decision was made effective on June 30, 2015 through a contribution of Ps. 10,000 thousand to the referred company's risk fund. On September 29, 2015, a second capital contribution was made for Ps. 10,000, and on December 28, a third capital contribution was made for Ps. 9,500 thousand.

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As of March 31, 2017, the contribution to "Intergarantías S.G.R." risk fund resulted in a balance of Ps. 29,500 thousand and a return of Ps. 484 thousand.

On June 30 2016, BACS Banco de Crédito y Securitización consummated its participation as protecting partner in the mutual guarantee company named "Garantizar S.G.R.". The decision was made effective on June 30, 2016 through a contribution of Ps. 10,000 thousand to the referred company's risk fund.

On June 29, 2016 a second contribution was made for Ps. 9,500 thousand.

As of March 31, 2017, the contribution to "Garantizar S.G.R." risk fund resulted in a balance of Ps. 19,500 thousand and a return of Ps. 2,443 thousand.

It should be noted that pursuant to the Argentine Central Bank's regulations, interests held by financial institutions in mutual guarantee companies, in the capacity of protecting partner, qualify as supplementary services to the financial business.

On May 4, 2012, BACS Banco de Crédito y Securitización bought 255,000 shares in FCMI Argentina Financial Corporation S.A. S.G.F.C.I. representative of 85% of the capital stock and votes of such company. FCMI Argentina Financial Corporation S.A. S.G.F.C.I. is the company that runs the mutual funds that in turn manage the Toronto Trust and the Toronto Trust Special Opportunities funds. On May 29, 2012, the shareholders' meeting decided to change its corporate name to BACS Administradora de Activos S.A. S.G.F.C.I.

On April 19, 2016, BACS Administradora de Activos S.A. S.G.F.C.I. made the payment of dividends to BACS for Ps. 4,250 thousand.

### 2.8. Miscellaneous receivables

Miscellaneous receivables have been valued at the amounts actually transacted, plus interest accrued and net of allowances for loan losses or impairment, if applicable.

### 2.9. Bank premises and equipment and miscellaneous assets

These assets are recorded at cost restated in constant monetary units until February 28, 2003, net of accumulated depreciation calculated following the straight-line method, based on the estimated useful life of the assets. The cost of assets added before December 31, 1994 is restated in uniform currency as of that date, while subsequent transactions are valued in current purchasing power values of the year to which they correspond.

The Bank records in "Miscellaneous assets – Assets acquired through foreclosures" housing units added to the Bank's assets in repayment of mortgage loans. These housing units have been valued at the lower of market value or the value of the loan, net of allowances.

The net book values of the assets taken as a whole do not exceed their economic value, except for the assets intended for sale, which do not exceed net realizable value.

### 2.10. Housing, life and unemployment insurance premiums in lending and other transactions originated in its capacity of insurer, in accordance with the franchise granted by the privatization law.

The Bank's policy is to recognize the premium income when the corresponding loan installment accrues, except for those loans that are more than ninety days in arrears, and to allocate the expenditures for claims to the net income/(loss) for the year in which they occur.

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**Ricardo Flammini**  
 For the Supervisory  
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### 2.11. Intangible assets

These assets represent organization and systems development expenses incurred by Banco Hipotecario S.A. and organization expenses due to the establishment and start-up and implementation of computer software of BHN Sociedad de Inversión Sociedad Anónima and BACS Banco de Crédito y Securitización Sociedad Anónima. These assets have been restated in constant monetary units of February 28, 2003, and are being amortized monthly according to the straight-line method, based on their estimated useful life.

The Goodwill stemming from the purchase of 80% of Tarshop SA's capital stock has been valued at acquisition cost, net of the accumulated amortization that had been calculated pro rata of the estimated useful life months.

Pursuant to Argentine Central Bank Communication "A" 5392, the Bank has capitalized increased direct expenses incurred in the mortgage loan origination process, which disbursements would not have been incurred by it had it not been for the grant of the related loans. Such origination expenses are amortized in 60 monthly installments (Note 8).

### 2.12. Deposits

Deposits have been valued at their placement value, plus adjustments and accrued interest, where applicable. The fixed return on each transaction is accrued on an exponential basis, while the variable return is accrued at the pro rata rate of return agreed upon based on the improvement in the price of the financial asset or financial asset indicator, between the time the transaction is arranged and the end of the month.

### 2.13. Other liabilities for financial transactions

Unsubordinated negotiable obligations have been valued at their residual value plus interest accrued.

Foreign currency-denominated obligations under swap transactions carried out as a hedge have been valued according to the criterion described in point 2.1.

The interest rate swap transactions carried out for the purposes of hedging assets and liabilities with fixed and floating rates has been valued in accordance with the unsettled balances of agreed upon lending and borrowing interests rates. Furthermore, in exercise of a prudent criterion, the Bank creates allowances for these transactions when the value referred to above is higher than the fair value.

OTC transactions agreed upon through ROFEX that are mainly closed as hedging for the position in foreign currency have been valued in accordance with the balances pending settlement of agreed-upon lending and borrowing interest rates.

### 2.14. Miscellaneous liabilities

They are valued at the amounts actually transacted, plus interest accrued as of the end of the fiscal year, if applicable.

### 2.15. Provisions

Banco Hipotecario S.A. estimates contingencies and records them in Provisions, under Liabilities, according to the estimated likelihood of occurrence. These provisions cover various items, such as insurance risk, provisions for lawsuits, provisions for taxes, other contingencies, etc.

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In addition, the Bank has created the allowance required under Communication "A" 5689 issued by the Argentine Central Bank in order to provide for the total amount of administrative and/or disciplinary sanctions and criminal penalties supported by first instance rulings, applied or pursued by the Argentine Central Bank, the Financial Information Unit, the Argentine Securities Commission and the Argentine Superintendence of Insurance (See Notes 2.15 and 37 to the financial statements of Banco Hipotecario S.A.).

### 2.16. Dismissal indemnities

The Bank does not set up any provisions to cover the risk of dismissal indemnities involving the staff. The disbursements in respect thereof are charged to the results for the fiscal year in which they occur.

### 2.17. Personnel benefits

The Bank has set up provisions for its employees' retirement plans.

### 2.18. Income Tax

Pursuant to Article 28 of Law 24855, Banco Hipotecario Sociedad Anónima is subject to income tax, except for all the housing loan transactions carried out prior to October 23, 1997, date of registration of its by-laws with the Superintendence of Corporations.

The Bank charges to income and sets up a provision for the income tax determined based on its taxable transactions in the fiscal year in which those transactions are carried out (Note 32).

### 2.19. Minimum notional income tax

In view of the option granted by the BCRA by means of Communication "A" 4295, as of December 31, 2016 and March 31, 2017, the Bank capitalized partially as a minimum notional income tax credit the tax amount paid in fiscal year 2012.

### 2.20. Shareholders' Equity

#### a. Capital stock, own treasury shares, non-capitalized contributions, reserves, and capital adjustment:

The Shareholders' Equity account activity and balances prior to December 31, 1994 have been restated in the currency values prevailing at that date, following the method mentioned in the first paragraph of this Note. The transactions carried out subsequent to that date have been recorded in currency values of the year to which they correspond. The balances of the Shareholders' Equity accounts as of June 30, 2016 have been restated in the currency value of February 28, 2003. The adjustment derived from the restatement of the balance of "Capital Stock" was allocated to "Equity Adjustments". The issued treasury shares added due to the termination of Total Return Swap transaction are carried at nominal value.

#### b. Results:

Income and expenses for the year have been charged, regardless of whether they have been collected or paid.

The preparation of the financial statements requires that the Bank's Board of Directors perform estimates affecting assets and liabilities, the net income/(loss) for the year and the determination of contingent assets and liabilities at the date thereof, such as allowances for loan losses and impairment, the recoverable value of assets and provisions. Since these estimates involve value judgments regarding the probability of occurrence of future

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events, the actual net income/ (loss) may differ from the estimated amount and thus generate losses or profits affecting subsequent years. All legal and regulatory rules in force at the date of presentation of these financial statements have been considered.

The financial statement figures for the previous period/fiscal year, presented for comparative purposes, include certain reclassifications and adjustments that contemplate specific disclosure criteria so as to present them on a consistent basis with those of the current fiscal period/year.

### 3. DIFFERENCES BETWEEN ARGENTINE CENTRAL BANK REGULATIONS AND PROFESSIONAL ACCOUNTING STANDARDS

Below is a detail of the main differences between the Argentine Central Bank regulations and professional accounting standards, considering the statement made in Note 2:

#### 3.1. Valuation criteria

##### a) Accounting for income tax according to the deferred tax method

The Bank determines income tax at the statutory rate applicable to the estimated taxable income, without considering the effect of any timing differences between the accounting and taxable results. Under professional accounting standards, income tax must be recognized according to the deferred tax method.

##### b) Derivatives

Derivative instruments were valued as described in Note 2.5. The criteria applied to the recognition of the currency and interest rate swaps differ in certain cases from those prescribed by professional accounting standards. As there are no stock exchange quotations available for such instruments, they should have been valued through the application of mathematical models, discounting lending and borrowing cash flows at market rates by currency and by term for comparable transactions as prescribed by FACPCE's Technical Pronouncement No. 18.

##### c) Receivables and debts stemming from refinancing

Pursuant to Professional Accounting Standards, when certain receivables and debts are replaced by others the terms and conditions thereof are substantially different to the original ones, the existing account shall be closed and a new receivable or debt shall be recorded, the accounting measurement thereof shall be made on the best possible estimate of the amount payable or receivable, discounted at a rate that reflects market valuations on the time value of money and the specific risks of such assets and liabilities. Said transactions are valued under BCRA standards based on the rates contractually agreed upon and, as the case may be, the risk is measured pursuant to the classification and provisioning criteria specifically set forth.

##### d) Financial Trusts

The financial trust participation certificates have been valued according to the equity method of accounting net of allowances, if any. In addition, financial trust debt securities have been stated at cost plus return, index-adjusted by applying the CER to the appropriate instruments, net of reserves, less the negative amount of the Participation Certificates, as the case may be, reported by the Trustee. This criterion differs from professional accounting standards.

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e) Commissions, Interest and Costs related to Loans and Credit Cards

Pursuant to accounting standards, certain captions for commissions, fees, charges and costs incurred in, in relation to the granting of loans and credit cards must be capitalized based in future income generation. This criterion is not applied according to the Argentine Central Bank's standards.

f) Intangible assets

The Bank determined the goodwill for the acquisition of 80% of Tarshop SA's capital stock based on the excess of the acquisition cost over the equity value of such ownership interest and made the adjustments called for by the differences between the professional accounting standards applied upon valuing shareholders' equity and the accounting standards imposed by BCRA, such as deferred tax and allowances for loan losses. According to the currently applicable professional accounting standards, Goodwill should reflect the difference between the acquisition cost of said ownership interest and the holding percentage over the amount of the net assets valued at fair value as estimated.

g) Sanctions and summary proceedings against financial institutions

Pursuant to Communication "A" 5689 of the BCRA, beginning in January 2015, financial institutions are required to create allowances for 100% of the administrative and/or disciplinary sanctions and criminal penalties supported by first instance court rulings, applied or pursued by the Argentine Central Bank, the Financial Information Unit, the Argentine Securities Commission and the Argentine Superintendence of Insurance, of which notice has been served to the relevant institution, irrespective of their significance, even if their payment has been suspended by court or administrative measures and notwithstanding the status of the proceedings. In addition, in a note to the financial statements financial institutions must disclose those sanctions, whether quantified or not, and the summary proceedings filed by the BCRA as from the moment notice of process is served on them.

Pursuant to the professional accounting standards in effect in the City of Buenos Aires, such contingencies must be recorded as liabilities when it is highly likely that their effects will occur and it is possible to quantify them adequately in monetary terms, and they must also be disclosed in notes to the financial statements. Contingencies whose likelihood of occurrence is deemed to be remote are not required to be disclosed in the financial statements or their notes, whereas those whose likelihood of occurrence is not deemed to be remote but which do not meet the conditions required for them to be recorded as liabilities, must be disclosed in the notes only.

### 3.2. Disclosure issues

a) Earnings per share and business segment

The criterion established by Technical Pronouncement No. 19 for disclosing these items differs from that established by the Argentine Central Bank in its Circular CONAU 1.

It is to be emphasized that the exposure and valuation of the various items that make up these financial statements must be analyzed in the light of each one of the sets of regulations in its entirety, that is, both the accounting standards issued by the Central Bank of Argentina for application by financial institutions and the professional accounting standards because the application of certain valuation and disclosure criteria may have an impact on the application of other criteria.

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Had the aforementioned effects on the equity of BACS Banco de Crédito y Securitización been contemplated under professional accounting standards, it would have increased by approximately Ps. 22,852 thousand and by approximately Ps. 13,343 thousand as of March 31, 2017 and December 31, 2016, respectively.

The consolidated effects of the differences between the Argentine Central Bank Regulations and professional accounting standards are detailed in Note 3 to the individual financial statements.

**4. RECONCILIATION OF BALANCES TO THE APPLICABLE ACCOUNTING FRAMEWORK FOR CONVERGENCE TOWARDS THE IFRS**

The complete text of this Note should be read in Note 4) "Reconciliation of balances to the applicable accounting framework for convergence towards the IFRS" of Banco Hipotecario S.A.'s Financial Statements.

**5. RESTRICTED ASSETS OF RELATED COMPANIES**

As of March 31, 2017, BHN Sociedad de Inversión Sociedad Anónima did not have any restricted assets.

As of December 31, 2016, the share of Mercado de Valores de Buenos Aires SA belonging to BH Valores SA, is pledged in favor of Chubb Argentina de Seguros SA.

On September 30, 2015, BACS Banco de Crédito y Securitización S.A. applied for a loan from Banco Hipotecario S.A. in the amount of Ps. 24,992 thousand to purchase a new portfolio. This loan was secured by a collateral assignment of the collection rights over its own pledge loan portfolio. On November 19, a new loan from Banco Hipotecario S.A. was requested in the amount of Ps. 14,158 thousand, under the same terms as the previous one, both loans are effective as of March 31, 2017.

As of March 31, 2017 and December 31, 2016, Ps. 20,028 thousand and Ps. 26,572 thousand, respectively, were recorded in memorandum accounts in the financial statements of BACS Banco de Crédito y Securitización S.A., corresponding to principal of and interest on its pledge loans assigned as collateral.

Besides, in connection with the foreign currency forward transactions to be settled in pesos in the ROFEX market and for swap transactions, Ps. 32,452 thousand were allocated as securities and cash guarantees for such transactions.

Tarshop S.A. tendered sums of money to secure lease agreements for the stores hosting Tarshop S.A. branches. These amounts are carried in the caption "Trade receivables and Other receivables - Escrow deposits" and they are Ps. 616 thousand. Out of this amount, Ps. 478 thousand are deposits in US Dollars (US\$ 31,065).

Tarshop set up a commercial pledge over its collection rights under the Series LXXXVII Tarjeta Shopping financial trust agreement (56.41%) for the sum of Ps. 32,205 thousand to secure a loan for Ps. 14,000 thousand granted by Banco de Galicia y Buenos Aires S.A.

The funds for contingencies, expenses and other miscellaneous receivables in connection with financial trusts that as of March 31, 2017 total Ps. 143,858 thousand are restricted availability receivables in accordance with the respective offering memorandums.

Tarshop S.A. pledged a term deposit amounting to Ps. 7,202 thousand associated to the certificate of deposit No. 901440 for the benefit of Banco de Valores S.A. This amount is restricted by the tax obligations arising from financial trusts Series XXIX, XXX, XXXII, XXXVIII to L, and LII to LXXVII. The pledge will remain in force up and until there is a resolution to the potential tax contingencies arising from the above-mentioned financial trusts when it comes to the relevant part.

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In October 2015, Industrial and Commercial Bank of China (Argentina) S.A. granted Tarshop S.A. a checking account overdraft facility for up to Ps. 40,000 thousand, which was extended to Ps. 60,000 thousand in June 2016. As security for the performance of its obligations, Tarshop S.A. has assigned and transferred to Banco de Valores S.A., as collateral trustee, fiduciary ownership of the trust receivables, consisting of Ps. 84,341 thousand in equity securities. Such receivables and interest accrual amounts will be held and carried in the Company's books under the caption "Trade receivables and Other receivables - Loan receivables". Therefore, any taxes, duties, rates or similar items that may be imposed under the different tax laws on account of such holdings and results, will be considered and included in the Company's applicable taxable bases, as the Company agreed to bear the costs and expenses arising from the defense and any charges that could be imposed by the tax authorities on the trust and/or the trustee.

As of March 31, 2017, the Company holds loan receivables for Ps. 67,811 thousands in equity securities from Financial Trust Series XCIV, and Ps. 78,079 thousand in equity securities from Financial Trust Series XCVI, and Ps. 90,896 thousand in equity securities from Financial Trust Series XCVII, whose availability is restricted until the moment when a decision is adopted on whether to place such loan portfolios and transfer them to the trust portfolio or to keep them as its own freely available portfolio, as applicable.

As of March 31, 2017, the Company maintains an escrow deposit in connection with Tarshop/Visa credit card operations for Ps. 22,507 thousand.

Against this framework, in June 2015, the Company raised a second escrow fund, which as of March 31, 2017, is made up by Treasury Bonds (TC20), for a face value of Ps. 1,355 thousand and Argentine Bonds (NF18) for a nominal value of Ps. 25,645 thousand. These securities are subject to a pledge in favor of Banco Hipotecario S.A. to secure the payments associated to the reconciliation of funds corresponding to credit cards.

### 6. DERIVATIVE FINANCIAL INSTRUMENTS OF RELATED COMPANIES

The following is a detail of the transactions involving derivative financial instruments entered into by BACS Banco de Crédito y Securitización S.A. in force as of March 31, 2017:

- Forward foreign currency agreement

BACS Banco de Crédito y Securitización S.A. closed forward foreign currency transactions with customers through the ROFEX market whereby it agreed to remunerate these customers or to be remunerated for the price difference between the benchmark price of the US Dollar exchange rate as of a given date, compared to the amount agreed upon and based on the face values negotiated in the agreed sale.

As of March 31, 2017 and December 31, 2016, there are Ps. 157,629 thousand and Ps. 211,068 thousand, respectively, carried in memorandum accounts that reflect the face value of the amounts traded.

- Repo transactions

As of March 31, 2017, BACS Banco de Crédito y Securitización S.A. maintains repo transactions with the B.C.R.A. performed with Bills issued by the B.C.R.A. or LEBAC as underlying assets, maturing on January 2, 2017. For these transactions, as of fiscal year-end, Ps. 282,633 thousand and Ps. 282,633 thousand are recorded under "Other receivables for financial transactions - Amounts receivable under spot and forward sales to be settled" and "Other liabilities for financial transactions - Securities to be delivered under spot and forward sales to be settled", respectively.

As of March 31, 2017, the Bank recorded Ps. 168,927 thousand and Ps. 168,927 thousand under "Other receivables for financial transactions - Amounts receivable under spot and forward sales to be settled" and

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"Other liabilities for financial transactions – Securities to be delivered under spot and forward sales to be settled", respectively.

#### 7. CAPITAL MARKET LAW APPLICABLE TO RELATED COMPANIES

Pursuant to CNV's Resolution No. 17.338 dated April 24, 2014, BACS, Banco de Crédito y Securitización S.A., was registered with the Registry of Financial Trustees prescribed by Sections 6 and 7 of Chapter IV, Title V of the Rules, under No. 55. And, on September 19, 2014, CNV communicated to BACS that in its capacity as Settlement and Clearing Agent - Comprehensive and Trading Agent the Bank has been assigned License No. 25. It must be noted that the composition of BACS's minimum shareholders' equity as of fiscal period-end was correct and that as of March 31, 2017 the liquidity requirement takes the form of BCRA Bills Lebacks.

In addition, as Settlement and Clearing Agent and Trading Agent- Comprehensive, the Company has been entered in the Registry of Agents kept by Merval under No. 179, following the resolution adopted by Merval's Board of Directors at its meeting dated November 19, 2014. The Company was permitted to operate on April 17, 2015 pursuant to Merval Communication No. 15739 and was admitted as member of ROFEX (Mercado a Término de Rosario S.A. and Argentina Clearing S.A., Communication No. 628).

Through Resolution No. 18381 issued by the CNV on November 24, 2016, BACS was registered in the Registry of Custody Agents of products of Collective Investment of Common Funds under No. 247 under the terms of Section 14 of Law 24,083 and Section 11 of Chapter I Volume V of the CNV Rules.

As of March 31, 2017, BH Valores S.A. is registered with the CNV as a Settlement and Clearing Agent in its own. According to the minimum requirements laid down, BH Valores S.A.'s minimum shareholders' equity exceeds the amount prescribed by CNV's General Resolution No. 622 and its composition is correct as of year-end. As to the liquidity requirements, they have been satisfied through sight account number 300000000366874 of Banco Hipotecario S.A., as discussed in its financial statements, and which as of the closing date of these financial statements, amounts to Ps. 3,703 thousand.

In view of the latest tax, regulatory and operational developments that have modified BH Valores S.A.'s commercial strategy and decreased the competitive advantages of running such a business, at the meeting held on May 6, 2015, the Board of Directors of BH Valores S.A. resolved to substantially diminish the volume of operations with an eye towards suspending the operations of Sociedad BH Valores S.A. in the future to prevent two structures that are presently highly similar in terms of their functions and have been rendered redundant within the same conglomerate from overlapping.

#### 8. CAPITALIZATION OF EXPENSES

Given the Bank's role as Trustee of the Pro.Cre.Ar Trust (Notes 2.11 and 38), the Bank has capitalized increased direct expenses incurred in the mortgage loan origination process, which disbursements would not have been incurred by it had it not been for the grant of the related loans.

Capitalized expenses as of March 31, 2017 total Ps. 601,630 thousand. The most significant items capitalized refer to appraisal expenses, temporary staff fees, system development consultation fees, leases, surveillance service and other administrative expenses.

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Pursuant to Communication "A" 5392, these expenses are amortized in 60 monthly installments, as follows:

Year 2012 amortizations	332
Year 2013 amortizations	14,786
Year 2014 amortizations	37,318
Year 2015 amortizations	72,209
Year 2016 amortizations	105,392
Year 2017 amortizations	119,759
Year 2018 amortizations	105,532
Year 2019 amortizations	83,000
Year 2020 amortizations	48,149
Year 2021 amortizations	14,926
Year 2022 amortizations	227
<b>Total in Ps. thousand</b>	<b>601,630</b>

**9. CAPITAL CONTRIBUTION TO TARSHOP S.A.**

In order for Tarshop S.A. to have sufficient resources for its operational activities, at its meeting held on September 11, 2015, the Board of Directors of Banco Hipotecario S.A. unanimously resolved that an irrevocable capital contribution be made for Ps. 42,000 thousand within the framework of a total capital contribution of Ps. 52,500 thousand to be made by its shareholders Banco Hipotecario S.A. and IRSA Propiedades Comerciales S.A. (continuing company after Alto Palermo S.A.'s change of corporate name). The disbursement was made by the Bank on September 25, 2015.

Banco Hipotecario S.A.'s Board of Directors unanimously approved at the meeting held on November 4, 2015 a new irrevocable capital contribution of Ps. 42,000 thousand within the framework of a total capital contribution of Ps. 52,500 thousand to be made by its shareholders Banco Hipotecario S.A. and IRSA Propiedades Comerciales S.A. (continuing company after Alto Palermo S.A.'s change of corporate name). The Bank disbursed such funds on November 20, 2015.

On June 23, 2016, the Board of Directors of Banco Hipotecario S.A. approved an irrevocable capital contribution to Tarshop S.A. in the amount of Ps. 250,000 thousand to be made by shareholders Banco Hipotecario S.A. and IRSA Propiedades Comerciales S.A. (continuing company after Alto Palermo S.A.'s change of corporate name) pro rata of their shareholdings. This contribution was paid by Banco Hipotecario S.A. on June 27, 2016.

According to the rules and regulations established by the Argentine Central Bank, financial institutions are required to rely on BCRA's previous authorization when financial institutions aspire to capitalize irrevocable contributions

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Given that the Argentine Central Bank has not yet rendered an opinion on this situation, the Company has applied to CNV for an interruption in the term imposed by Section 3, Chapter III, Title III of the Standards (Technical Standards 2013 as modified).

Pursuant to the "Issuers' Opinion No. 856 dated December 2, 2015, CNV notified Tarshop S.A. that the term described above shall be reinstated as soon as the Company is notified that BCRA has approved the irrevocable contributions.

### 10. SUPPLEMENTARY SERVICES TO THE FINANCIAL BUSINESS

Pursuant to Communication "A" 5700, the Argentine Central Bank included changes in the rules on "Supplementary services to the financial business and permitted activities", "Consolidated supervision" and "Minimum capitals of financial institutions".

As concerns the scope of the supplementary services, it is allowed to hold interests in the stock capital of companies engaged in the development of two of the subject activities to the extent that, in the opinion of the SEFyC, both activities are economically related to each other and there are no legal inconsistencies that would prevent them from being developed jointly.

The subject activities include the issuance of credit, debit and similar cards. This notwithstanding, provided that 25% of the total financing amount as of the closing date of each month is not exceeded, loans not subject to the credit card law may be extended to financial services users, in which cases the provisions on "Interest rates applicable to lending transactions" shall be complied with.

On the other hand, changes are introduced in the calculation of the regulatory capital (*responsabilidad patrimonial computable*) to reflect the impact of these amendments.

As a result of such Communication, on March 16, 2015, Tarshop SA's General Extraordinary Shareholders' Meeting approved an amendment to its corporate purpose. According to such amendment, the company may grant and market consumer loans and consumer credits and financing for users of financial services pursuant to the Argentine Central Bank's rules and regulations, handle the collection of utility bills, credits and similar items, render payroll and supplier payment and revenue collection services.

In such regard, on June 3, 2016, the Argentine Central Bank awarded the Company a Provisional Authorization Code in the Register of Other Non-Financial Credit Providers, and thus allowed it to start granting consumer loans, in line with the amendment to the corporate purpose recorded with the General Superintendency of Corporations on January 8, 2016 under number 437, book 77 of Corporations, and authorized by the Argentine Securities Commission under Resolution No. 17,930 dated December 21, 2015.

### 11. SUMMARY PROCEEDINGS PENDING AT CRIMINAL COURTS - RELATED COMPANIES

#### 1. Financial Summary Proceedings No. 1406/201. File 100,553/12

BACS Banco de Crédito y Securitización S.A. has been notified of Resolution No. 401 dated September 7, 2012 handed down by the BCRA's Superintendent of Financial and Exchange Institutions, ordering to start summary proceedings against the Bank and its Chairman, due to the late filing of documentation related to the appointment of the Bank's authorities. On October 9, 2012, the defenses in support of the Bank's rights were filed. Afterwards, the Bank was notified of Resolution No. 729 dated October 23, 2013, whereby a warning was made to the Bank and its Chairman, pursuant to Section 41, subsection 1 of the Financial Institutions Law.

**Guillermo C. Martínez**  
 General Accounting  
 Manager  
**BANCO HIPOTECARIO S.A.**

**Fernando S. Rubin**  
 General Manager  
**BANCO HIPOTECARIO S.A.**

See our report dated  
 May 10, 2017  
**PRICE WATERHOUSE & Co. S.R.L.**  
 (Partner)  
 C.P.C.E.C.A.B.A. Volume 1 Page 17

**Eduardo S. Elsztain**  
 Chairman  
**BANCO HIPOTECARIO S.A.**

**Ricardo Flammini**  
 For the Supervisory  
 Committee

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the fiscal period ended March 31, 2017

In comparative format with the previous fiscal year

Pursuant to the above-mentioned Resolution, a fine of Ps. 320 thousand was imposed on the Bank and individuals fines amounting to Ps. 393 thousand were imposed to its directors (Eduardo S. Elsztain and Ernesto M. Viñes).

Such amounts were booked as a loss of the previous fiscal year.

BACS and the Directors filed an appeal against Resolution No. 690 in due course. The appeals are pending resolution by Panel IV of the National Court of Appeals in Federal Administrative Contentious Matters in the action styled "BACS BANCO DE CRÉDITO Y SECURITIZACIÓN S.A. ET AL V. BANCO CENTRAL DE LA REPÚBLICA ARGENTINA, in re. Financial Institutions Law No. 21,526, Section 42, Direct Appeal" (Case File No. 51,471/2015). On November 8, 2016, the National Court of Appeals dismissed the appeals raised by defendants and awarded legal costs against the losing parties.

### 2. Filing of Summary Proceedings by the Financial Information Unit

On November 25, 2014, Tarshop S.A. was notified by the Financial Information Unit that summary proceedings had been filed, identified under Resolution No. 234/14, for potential formal violations derived from the alleged non-compliance with Section 21, paragraph a) of Law 25,246 and UIF Resolutions No. 27/11 and 2/12. Summonses were sent to the Company (Tarshop S.A.), its Compliance Officer (Mauricio Elías Wior) and the Directors then in office (Messrs. Eduardo Sergio Elsztain, Saúl Zang, Marcelo Gustavo Cufre and Fernando Sergio Rubín) for them to file their defenses. In the legal counsel's opinion, at the current stage of the proceedings and based on the precedents existing at the UIF in similar cases, it is likely that a penalty be imposed under the scope of the administrative proceedings. For such reason, allowances have been recorded in this regard for Ps. 360 thousand during the previous fiscal year.

## 12. BACS - ISSUANCE OF CONVERTIBLE SUBORDINATED NEGOTIABLE OBLIGATIONS

At the Extraordinary General Shareholders' Meeting of BACS Banco de Crédito y Securitización S.A., dated December 12, 2013, the issuance of Convertible Subordinated Negotiable Obligations through private offering was approved for an amount of up to Ps. 100,000,000 (Pesos one hundred million).

On June 22, 2015, BACS issued negotiable obligations that are convertible into the Company's ordinary and book-entry shares for a principal amount of Ps. 100,000 thousand.

The private offering of the convertible negotiable obligations was solely addressed to the Company's shareholders. As of December 31, 2016, IRSA Inversiones y Representaciones Sociedad Anónima subscribed all the convertible negotiable obligations.

On June 21, 2016, the Entity was notified by Inversiones y Representaciones S.A. (I.R.S.A.) about the decision to exercise its conversion rights over the Subordinated Negotiable Obligations Convertible into Common Shares and the filings made before the Argentine Central Bank (the "BCRA") and the Argentine Securities Commission (the "CNV").

On February 10, 2017, BACS took notice of BCRA's Resolution No. 63, dated February 7, 2017, granting its unqualified authorization for the conversion of the Notes Convertible into Common Shares in favor of IRSA, representing 26.989% of its stock capital.

BACS Banco de Crédito y Securitización S.A.'s board meeting held on February 21, 2017 resolved BACS' capital increase for Ps. 87,813 thousand and the issuance of 25,313,251 book-entry common shares with a face value of (\$1) and one voting right each in favor of IRSA Inversiones y Representaciones S.A.

## 13. DIVIDEND DISTRIBUTION BY BHN INVERSIÓN S.A.

**Guillermo C. Martinez**  
 General Accounting  
 Manager  
**BANCO HIPOTECARIO S.A.**

**Fernando S. Rubin**  
 General Manager  
**BANCO HIPOTECARIO S.A.**

See our report dated  
 May 10, 2017  
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 (Partner)  
 C.P.C.E.C.A.B.A. Volume 1 Page 17

**Eduardo S. Elsztain**  
 Chairman  
**BANCO HIPOTECARIO S.A.**

**Ricardo Flammini**  
 For the Supervisory  
 Committee

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the fiscal period ended March 31, 2017

In comparative format with the previous fiscal year

On March 9, 2016, the Ordinary Shareholders' Meeting of BHN Sociedad de Inversión S.A. approved the payment of dividends in cash and/or government securities for Ps. 650,000 thousand and empowered the Board of Directors to make the relevant distribution as and when they deem it convenient during fiscal year 2016.

On March 30, 2016, BHN Inversión S.A. made the first payment of dividends to Banco Hipotecario S.A. in government securities for Ps. 330,000 thousand, and on November 17, 2016, it made the second payment of dividends in government securities for Ps. 320,000 thousand.

At the Board Meeting of BHN Sociedad de Inversión dated November 29, 2016, it was unanimously resolved that, based on the review of the special Financial Statements as of September 30, 2016, as approved by the Board of Directors on November 15, 2016, interim dividends would be paid for Ps. 150,000 thousand against the net income for the current fiscal year. On December 7, 2016, these interim dividends were paid in government securities.

On March 30, 2017, the Shareholders' Meeting approved a payment of dividends in cash and/or government securities for Ps. 900,000 thousand, and ratified the payment of interim dividends for Ps. 150,000 thousand referred to in the preceding paragraph. The Board of Directors was also authorized to distribute the remaining balance within the current year, in the manner and at the time it may deem convenient.

### 14. BACS - AUTHORIZATION OF THE ARGENTINE CENTRAL BANK FOR THE ENTITY TO BE ALLOWED TO DO BUSINESS AS A FIRST-TIER COMMERCIAL BANK

At the General Extraordinary Shareholders' Meeting of BACS Banco de Crédito y Securitización S.A. held on October 20, 2015, the following actions were unanimously approved by the shareholders:

- a) delegating broadest powers to the Board of Directors in order for it to conduct all such proceedings and acts and make all such filings with the Argentine Central Bank as necessary to secure the authorization to act as a first-tier commercial bank, as well as to prepare, approve, secure and execute all such documentation - whether as public or private instruments - as required by the Argentine Central Bank for the purposes of said authorization; and
- b) empowering the Board to sub-delegate the abovementioned powers to one or several of its members or managers of the Bank.

On March 14, 2017, BACS' Board of Directors was served notice of a resolution passed by the Board of Directors of the Argentine Central Bank on March 3, 2017, pursuant to which BACS was expressly allowed, under the terms of Article 7 of the Financial Institutions Law, to do business as a first-tier commercial bank.

### 15. ACQUISITION OF INTEREST IN "COMPARAENCASA.COM" BY BHN INVERSION

On December 19, 2016, the Board of Directors of BHN Sociedad de Inversión S.A. approved the acquisition of a 12.5% interest in Comparaencasa Ltd., controlling company of Comparaencasa S.A., which operates under the name of "comparaencasa.com" by making an investment of U.S. Dollars 1,000,000. The transaction includes the issuance by Comparaencasa Ltd. of warrants that grant the company the right (but not the obligation) to subscribe for shares in future investment rounds for up to U.S. Dollars 3,000,000.

**Guillermo C. Martinez**  
 General Accounting  
 Manager  
**BANCO HIPOTECARIO S.A.**

**Fernando S. Rubin**  
 General Manager  
**BANCO HIPOTECARIO S.A.**

See our report dated  
 May 10, 2017  
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 (Partner)  
 C.P.C.E.C.A.B.A. Volume 1 Page 17

**Eduardo S. Elsztain**  
 Chairman  
**BANCO HIPOTECARIO S.A.**

**Ricardo Flammini**  
 For the Supervisory  
 Committee

ADDITIONAL INFORMATION REQUIRED BY CHAPTER III, TITLE IV, SECTION 12 OF CNV  
RULES (GENERAL RESOLUTION No. 622/13)

I. BHSA's business: General Aspects

1. Significant specific legal regimes that confer benefits which are contingently forfeited and/or granted.

There are none.

2. Significant changes in the Company's businesses or in other similar circumstances occurred in the periods covered by the financial statements and apt to affect their comparability with those presented in previous fiscal years or comparability with financial statements to be presented in the future.

There are none.

3. Classification of receivables (extensions of credit) and payables (deposits and obligations) according to their maturity dates.

See Schedule "D" – Breakdown of financing according to maturity dates and Schedule "T" – Breakdown of Deposits, Other Liabilities for Financial Transactions and Subordinated Negotiable Obligations According to Maturity Date in Banco Hipotecario S.A.'s stand-alone financial statements.

4. Classification of receivables (lending) and payables (deposits and obligations) so as to disclose the financial effects stemming from their maintenance.

See Note 2.1, Schedule "D" – Breakdown of financing according to maturity dates and Schedule "T" – Breakdown of Deposits, Other Liabilities for Financial Transactions and Subordinated Negotiable Obligations According to Maturity Date and Schedule "L" – Foreign Currency Balances in Banco Hipotecario S.A.'s stand-alone financial statements.

5. Detail of the ownership interest percentages in the companies governed by Law No. 19,550, Section 33 in the capital stock and in total votes and debit and/or credit balances by company.

See Schedule "E" – Breakdown of Investments in Other Companies and Note 27 Intercompany Transactions Section 33 Law No. 19,550 in Banco Hipotecario S.A.'s stand-alone financial statements.

6. Trade receivables or loans held against directors, supervisory committee members, surveillance committee members and their relatives up to, and including, the second degree.

As of March 31, 2017, loans to directors, supervisory committee members, surveillance committee members and their relatives up to, and including, the second degree, amount to Pesos 14,808 thousand with the highest amount lent as of that date being Pesos 14,808 thousand. Credit extended to directors, supervisory committee members and their related parties complies with the limits and conditions established in this respect by Section 28, Sub-section d) of the Financial Institutions Law and BCRA's rules (Communications "A" 2140 and supplementary).

ADDITIONAL INFORMATION REQUIRED BY CHAPTER III, TITLE IV, SECTION 12 OF CNV  
RULES (GENERAL RESOLUTION No. 622/13)

II. Physical count of inventories

7. Periodicity and scope of physical counts on inventories.

Given the Company's corporate purpose, this does not apply.

III. Current values

8. Current values used to measure inventories, bank premises and equipment and other significant assets.

The Bank abides by BCRA's rules in force for the valuation of bank premises and equipment and miscellaneous assets. See Note 2.9 and Schedule "F" – Banks premises and equipment and miscellaneous assets in Banco Hipotecario S.A.'s stand-alone financial statements.

Bank premises and equipment

9. Bank premises and equipment that have been technically re-measured

The Bank abides by BCRA's rules in force for the valuation of bank premises and equipment and miscellaneous assets. See Note 2.9 and Schedule "F" - Bank premises and equipment and miscellaneous assets in Banco Hipotecario S.A.'s stand-alone financial statements.

10. Bank premises and equipment –unused on grounds of obsolescence

The Bank abides by BCRA's rules in force for the valuation of bank premises and equipment and miscellaneous assets. See Note 2.9 and Schedule "F" - Bank premises and equipment and miscellaneous assets in Banco Hipotecario S.A.'s stand-alone financial statements.

IV. Ownership interests in other companies

11. Ownership interests in other companies in excess of what has been admitted by Section 31 of Law No. 19,550 and plans to regularize the situation.

There are none.

V. Recoverable values

12. Criteria applied to determine all significant "recoverable values" for inventories, bank premises and equipment and other assets, used as limits on their respective book values.

The Bank abides by BCRA's rules in force for the valuation of bank premises and equipment and miscellaneous assets. See Note 2.9 and Schedule "F" - Bank premises and equipment and miscellaneous assets in Banco Hipotecario S.A.'s stand-alone financial statements.

ADDITIONAL INFORMATION REQUIRED BY CHAPTER III, TITLE IV, SECTION 12 OF CNV  
 RULES (GENERAL RESOLUTION No. 622/13)

## VI. Insurance

### 13. Insurance that covers tangible assets.

Insured Property				
Type of Insurance	Coverage	Risk	Policy No.	Insurance Company
Banking Comprehensive	Cash, checks and valuables	Fraud, theft, safety box and valuables in transit	621629 (Effective term 10/31/16 to 10/31/17)	ACE
All Operating Risk	Building, machinery, equipment, furniture, fixtures and works of art	Fire, looting and earthquake	1195445 (Effective term 10/31/16 to 10/31/17)	FEDERACIÓN PATRONAL (42%)
			16001/624702 (Effective term 10/31/16 to 10/31/17)	ALLIANZ (58%)
Banking Comprehensive (Excess)	Cash, checks and valuables	Fraud, theft, safety box and valuables in transit	982184-4 (Effective term 10/31/16 to 10/31/17)	LA HOLANDO
Motor Vehicles	Vehicles	Comprehensive risk and third parties with deductibles	AUT 1-00-984362/00000 (Effective term 06/08/16 to 06/08/17)	QBE

## VII. Positive and negative contingencies

14. Elements considered to calculate the loan losses whose balances, considered individually or in the aggregate, are in excess of two per cent (2%) of equity.
15. The Bank abides by BCRA's rules for loan loss provisions. See Schedule "J", Note 5 ("Debtors classification and provisioning") and Notes 2.15 and 16 ("Provisions -under Liabilities"), in Banco Hipotecario S.A.'s stand-alone financial statements.
16. Situations that are contingent as of the date of the financial statements, whose likelihood of occurrence is not remote and whose financial effects have not been accounted for, with an indication as to whether they have not been accounted for based on their probability of occurrence or on difficulties in quantifying their effects.

There are none.

## VIII. Irrevocable advances on account of future subscriptions

17. Status of procedures aimed at capitalization.

There are none.

18. Unpaid cumulative dividends on preferred shares.

There are none.

ADDITIONAL INFORMATION REQUIRED BY CHAPTER III, TITLE IV, SECTION 12 OF CNV  
RULES (GENERAL RESOLUTION No. 622/13)

19. Conditions, circumstances or terms for restrictions on the distribution of unappropriated retained earnings to be lifted.

See Note 25 - Distribution of Profits in Banco Hipotecario S.A.'s stand-alone financial statements.



## **LIMITED REVIEW REPORT BY THE INDEPENDENT AUDITOR**

To the Shareholders and Directors of

***Banco Hipotecario SA***

Registered office: Reconquista 151

Autonomous City of Buenos Aires

CUIT – 30-50001107-2

### **Introduction**

We have reviewed the interim financial statements of Banco Hipotecario S.A. (hereinafter, “the Entity”) that comprise the Balance sheet as of March 31, 2017, the related Statements of income, of Changes in shareholders' equity and of Cash flows and cash equivalents for the quarter ended on March 31, 2017, as well as a summary of the significant accounting policies and other explanatory information included in the Notes and Exhibits that supplement them. In addition, we have reviewed the entity's interim financial statements as consolidated with its controlled companies for the quarter ended on March 31, 2017, which are presented as supplementary information.

The balances and other information for fiscal year 2016 and interim periods are an integral part of the above-mentioned financial statements and should therefore be considered in connection with these financial statements.

### **The Board's responsibility**

The Entity's Board of Directors is responsible for preparing and presenting the accompanying interim financial statements in conformity with the accounting framework laid down by the Argentine Central Bank (BCRA).

### **Scope of our review**

Our review was limited to the application of the review procedures established by Technical Pronouncements No. 37 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) to review interim financial statements and the audit standards issued by the Argentine Central Bank (BCRA) for limited reviews. The review of interim financial statements consists in posing enquiries to the Company's personnel in charge of preparing the information included in the interim financial statements and applying analytical procedures and other reviews. The scope of this review is substantially narrower than that of an audit examination conducted in accordance with Argentine audit standards. Therefore, a review will not allow us to obtain assurance that we will gain knowledge into all the significant issues that could be identified in an audit. Therefore, we do not issue an audit opinion on the Company's balance sheet, the results of its operations, changes in its equity nor the Company's flows of cash and cash equivalents.

### **Conclusion**

On the basis of our review, there has been nothing that could have led us to believe that the interim financial statements and the consolidated financial statements mentioned in the first paragraph of this report have not been prepared in all their significant aspects in accordance with the accounting standards of the Argentine Central Bank.

### **Emphasis paragraphs**

#### **Basis of Accounting**

As provided in Note 2, the attached financial statements have been prepared in conformity with the accounting framework laid down by the Argentine Central Bank. These standards differ, in some aspects, from the professional accounting standards currently in force. In said note, the Company has identified and quantified the effect on the financial statements exerted by the different valuation and presentation criteria.

### Supplementary information on IFRS

As provided in Note 24 to the attached financial statements, the Bank is in the process of adopting the International Financial Reporting Standards (IFRS), which shall be applicable for the fiscal year ended December 31, 2018. The items and figures in the reconciliations included in such note, are subject to changes and may only be considered final when the relevant annual financial statements for the fiscal year in which IFRS are to be applied for the first time are prepared.

### **Report on compliance with currently applicable rules and regulations**

In compliance with the regulations in force, we report that:

- a) Banco Hipotecario S.A.'s financial statements and its consolidated financial statements as of March 31, 2017, have been transcribed unto the "Inventory and Balance Sheet" book and, insofar as concerns our field of competence, are in compliance with the provisions of the Argentine Business Companies and the relevant resolutions issued by the Argentine Central Bank and the Argentine Securities Commission (CNV).
- b) the company's financial statements arise from accounting records which, in their formal aspects, are kept in accordance with statutory provisions;
- c) We have read the Company's Management Discussion and Analysis as well as the additional information to the notes to the financial statements as required under Section 12, Chapter III, Title IV, as restated, of the rules issued by the Argentine Securities Commission on which we have no comments to make as concerns our field of competence;
- d) As of March 31, 2017, the amounts accrued in favor of the Company's Argentine Comprehensive Social Security System according to the Company's accounting records amounted to \$31,741,848, with no amounts being due and enforceable at that date;
- e) We have read the information provided in Note 40 to the stand-alone financial statements as of March 31, 2017 in connection with the minimum requirements imposed by the Argentine Securities Commission in terms of Minimum Shareholders' Equity and Counterbalancing entry on which we have no comments to make as concerns our field of competence.

Autonomous City of Buenos Aires, May 10, 2017.

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

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Dr. Diego Sisto  
Public Accountant (UCA)  
C.P.C.E.C.A.B.A  
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## **REPORT OF THE SUPERVISORY COMMITTEE**

To the Directors and Shareholders of  
**BANCO HIPOTECARIO S.A.**  
Reconquista 151  
Autonomous City of Buenos Aires

### **1. Introduction**

We have made a review of the attached interim financial statements of BANCO HIPOTECARIO S.A. (hereinafter “the Bank”), which includes the Balance sheet as of March 31, 2017, the respective Statement of income, Statement of changes in shareholders' equity and Statement of cash flows and cash equivalents for the 3-month period ended on March 31, 2017, as well as a summary of the significant accounting policies and other explanatory information included in supplementary notes and schedules. We have also made a review of the consolidated interim financial statements of the Bank with its subsidiaries for the three-month period ended on March 31, 2017, presented herein as supplementary information.

The balances and other information for fiscal year 2016 and its interim periods are an integral part of the above-mentioned financial statements and should therefore be considered in connection with those financial statements.

### **2. The Board's Responsibility**

The Bank's Board of Directors is responsible for the preparation and issuance of the attached interim financial statements in accordance with the accounting framework set forth by the Argentine Central Bank (BCRA).

### **3. Scope of our audit**

Our work was performed in accordance with standards applicable to statutory auditors currently in force. These standards require statutory auditors to examine the accounting documents detailed in section 1 in accordance with auditing standards in force for limited review of financial statements for interim periods and include verifying the reasonableness of the significant information contained in the examined documents and whether they are consistent with the remaining information concerning corporate decisions of which we became aware, disclosed in the minutes of the meetings of the Board of Directors and the Shareholders' Meetings, and evaluating the conformity of those decisions with the law and the by-laws insofar as concerns formal and documentary aspects.

For purposes of our professional work involving the accounting documents detailed in section 1., we reviewed the work performed by the Independent Auditor Price Waterhouse & Co S.R.L., in accordance with the auditing standards currently applicable to the limited review of financial statements for interim periods, in conformity with professional accounting standards and the minimum standards on independent audits issued by the Argentine Central Bank. Said review included verifying the planning of the work, as well as the nature, scope and timing of the procedures applied and the results of the limited review performed by said firm of professional services. A limited review mainly consists in applying analytical procedures to the accounting information and make inquiries to those in charge of accounting and financial matters. This review is performed in a substantially lesser extent than an audit of financial statements, the purpose of which is to render an opinion on the financial statements taken as a whole. Therefore, not all the procedures necessary to render an opinion on the financial statements mentioned in 1 were applied. The independent auditors issued their Report on May 10, 2017, the content of which we share. Given that it is not the Supervisory Committee duty to perform management controls, the examination did not span the business criteria and decisions of the Company's various areas, as these matters are solely within the purview of the Board of Directors.

### **4. Conclusion**

On the basis of our review, there has been nothing that could have led us to believe that the interim financial statements and the consolidated financial statements mentioned in the first paragraph of this report have not been prepared in all their significant aspects in accordance with the accounting standards of the Argentine Central Bank.

### **5. Emphasis Paragraph**

Basis of Accounting

As stated in Note 2, the attached financial statements have been prepared in accordance with the accounting framework set forth by the Argentine Central Bank. Said regulations differ, in certain aspects, from the professional accounting standards in force. The impact on said financial statements as a result of the different valuation and presentation criteria has been identified and quantified by the Bank in said notes.

#### Supplementary information on IFRS

As provided in Note 24 to the attached financial statements, the Bank is in the process of adopting the International Financial Reporting Standards (IFRS), which shall be applicable for the fiscal year ended December 31, 2018. The items and figures in the reconciliations included in such note, are subject to changes and may only be considered final when the relevant annual financial statements for the fiscal year in which IFRS are to be applied for the first time are prepared.

6. **Report on compliance with currently applicable rules and regulations**

In compliance with the regulations in force, we report that:

- a) The Bank's financial statements and its consolidated financial statements as of March 31, 2017, appear on the "Inventory and Balance Sheet" book and comply, insofar as concerns our field of competence, with the provisions of the Argentine Companies Act and in the pertinent resolutions of the BCRA and the Argentine Securities Committee.
- b) The entity's financial statements arise from accounting records kept in all formal respects in accordance with the statutory rules.
- c) We have read the Information Summary and the information additional to the notes to the financial statements required by Section 12, Chapter III, Title IV, as amended by the Argentina Securities Commission (NT 2013), upon which, insofar as concerns our field of competence, there are no observations to make.
- d) We have read the information included in Note 40 to the individual financial statements as of March 31, 2017 in relation to the requirements of the Argentine Securities Commission regarding Minimum Capital and its Balancing Account, upon which, insofar as concerns our field of competence, there are no material observations to make.
- e) The Bank has complied with the provisions of Section 294, Law No. 19,550.

In addition, any member of the Supervisory Committee is authorized to sign this report on behalf of the entire body.

City of Buenos Aires, May 10, 2017.

For the Supervisory Committee

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Ricardo Flammini

Statutory Auditor