

**Banco Hipotecario SA**  
**Earnings Release - First Quarter 2017**

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Banco Hipotecario cordially invites you to participate in its  
First Quarter 2017 conference call

**Friday, May 12, 2017, 10:00P ET**

If you would like to participate, please call:

USA: (800) 230-1074  
International: (612) 288-0340  
PIN # 423733

Slideshow available at:

<https://www.webcaster4.com/Webcast/Page/970/21083>

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

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**Banco Hipotecario SA reports**  
**First Quarter 2017 consolidated results**

**Highlights****Executive Summary**

- Net income for the first quarter was Ps. 252.7 million, 85.3% and 9.7% higher than last quarter and same quarter of previous year, respectively.
- Net financial margin for the quarter was Ps. 818.5 million, compared to Ps. 776.0 million of last quarter and Ps. 760.1 million of same quarter of last year.
- Net income from services for the quarter of Ps. 1,168.5 million increased 2.1% QoQ and 40.6% YoY.
- Loans to the private sector increased 2.8% in the quarter and 39,8% YoY.
- Deposits increased 3.1% in the quarter and decreased 2.6% YoY. While financial debt increased 3.4% QoQ and 113.3% YoY.
- NPL increased from 2.7% to 2.9% in the quarter, while coverage ratio was 86.3%. Provisions registered over minimum provisions required by the Central Bank for the quarter stood as 104.1%.
- Equity ratio of 11.2% compared to 13.5% of previous year.

**Buenos Aires, May 10, 2017**

## I. Banco Hipotecario Consolidation

Banco Hipotecario S.A. has consolidated line by line its balance sheet and income statement with the financial statements of its subsidiaries: BACS Banco de Crédito y Securitización SA, BH Valores SA, BHN Sociedad de Inversión SA and Tarshop SA.

## II. First quarter 2017 consolidated results

Net income for the first quarter was Ps. 252.7 million, compared to Ps. 136.4 million and Ps. 230.4 million from last quarter and same quarter of previous year, respectively, an 85.3% QoQ and a 9.7% YoY increase. Income before taxes was Ps. 362.5 million, compared to Ps. 273.7 million from last quarter and Ps. 343.8 million from same quarter of previous year, representing a 32.4% QoQ increase and 5.4% YoY increase.

Regarding profitability ratios, the ROA for the quarter was 1.9% compared to 1.3% from last quarter and 2.27% from previous year. ROE for the same periods was 16.4%, 10.7% and 16.6%, respectively.

(in thousands of pesos)	3 month period ended			Change	
	03/31/2017	12/03/2016	03/31/2016	QoQ	YoY
<b>Financial income</b>	<b>2,691,405</b>	<b>2,417,442</b>	<b>2,115,259</b>	<b>11.3%</b>	<b>27.2%</b>
<i>Interests on private sector loans</i>	1,928,560	2,003,687	1,459,422	(3.7)%	32.1%
<i>Trading and Position</i>	630,990	481,007	694,062	31.2%	(9.1)%
<i>Interests on public sector loans</i>	2,006	1,980	6,835	1.3%	(70.7)%
<i>Differences on exchange rate</i>	129,849	(69,232)	(45,060)	N/A	N/A
<b>Financial expenditure</b>	<b>(1,872,926)</b>	<b>(1,641,408)</b>	<b>(1,355,134)</b>	<b>14.1%</b>	<b>38.2%</b>
<i>Capital Markets expenses</i>	(731,689)	(735,430)	(326,933)	(0.5)%	123.8%
<i>Interests on deposits</i>	(565,085)	(688,772)	(980,142)	(18.0)%	(42.3)%
<i>Interests on other borrowings</i>	(42,635)	(74,944)	(42,653)	(43.1)%	0.0%
<i>Hedging transactions</i>	(350,767)	48,874	185,206	N/A	N/A
<i>Taxes</i>	(182,750)	(191,136)	(190,612)	(4.4)%	(4.1)%
<b>Net financial margin</b>	<b>818,479</b>	<b>776,034</b>	<b>760,125</b>	<b>5.5%</b>	<b>7.7%</b>
Provision for loan losses	(175,716)	(156,518)	(98,315)	12.3%	78.7%
Net income from services	1,168,548	1,144,435	831,311	2.1%	40.6%
Administrative expenses	(1,373,030)	(1,447,199)	(1,117,384)	(5.1)%	22.9%
Miscellaneous income, net	(46,762)	(21,665)	(35,951)	115.8%	30.1%
Minority Interests	(29,008)	(21,389)	4,051	35.6%	N/A
<b>Income before Taxes</b>	<b>362,511</b>	<b>273,698</b>	<b>343,837</b>	<b>32.4%</b>	<b>5.4%</b>
Income Tax	(109,815)	(137,343)	(113,458)	(20.0)%	(3.2)%
<b>Net income</b>	<b>252,696</b>	<b>136,355</b>	<b>230,379</b>	<b>85.3%</b>	<b>9.7%</b>

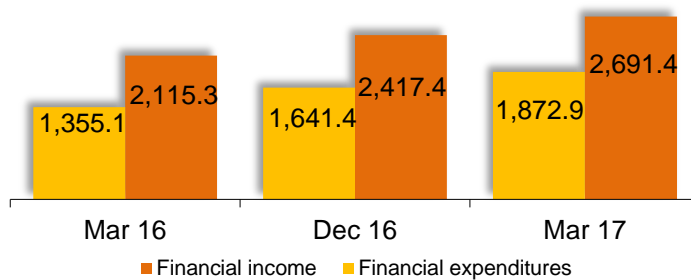
Compared to previous quarter, financial income increased 11.3% mainly due to foreign exchange differences and trading and position, while financial expenses increased 14.1% mainly due to higher expenses on hedging transactions.

Compared to the same quarter of previous year, financial income increased 27.2% mainly due to higher interests on private sector loans, while financial expenses increased 38.2% mainly due to higher capital markets expenses and expenses on hedging transactions.

Net financial margin for the quarter was Ps. 818.5 million, compared to Ps. 776.0 million from previous quarter and Ps. 760.1 million from same quarter of previous year. Net financial margin over average assets for the same periods was 6.0%, 6.2% and 7.5%, respectively.

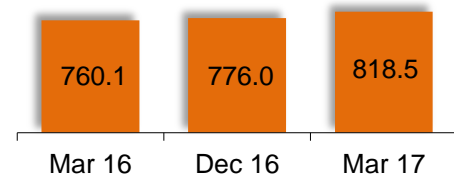
### Financial income & Financial expenditures

(in million of pesos)



### Net Financial Margin

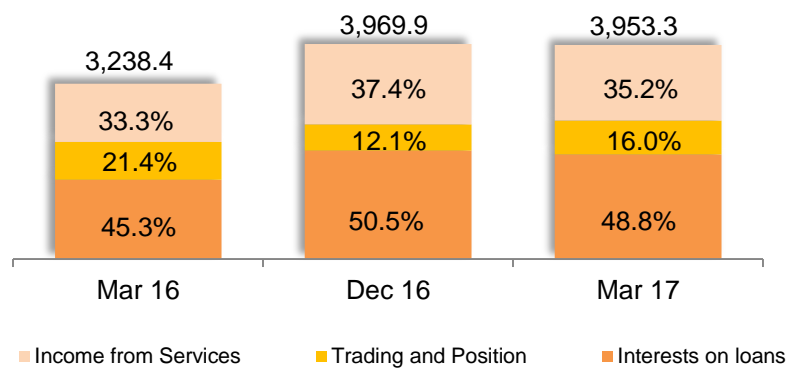
(in million of pesos)



Operating income remained stable QoQ and increased 22.1% YoY, because of higher volume in our intermediation business. As a result of the business diversification interest on loans and gross income from services represented 48.8% and 35.2% of operating income, respectively.

### Gross Operating Income

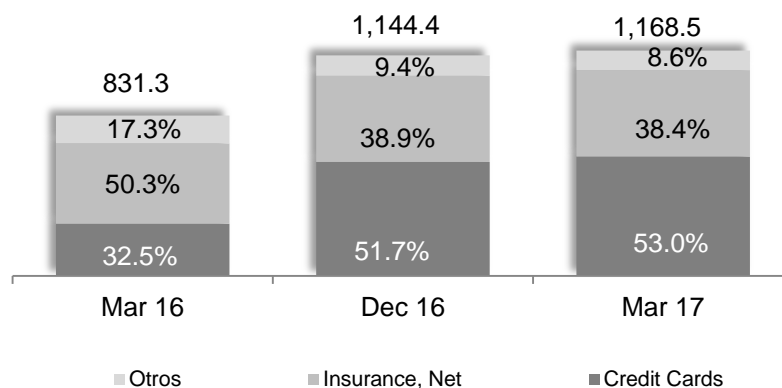
(Financial income plus gross income from services, in million of pesos)



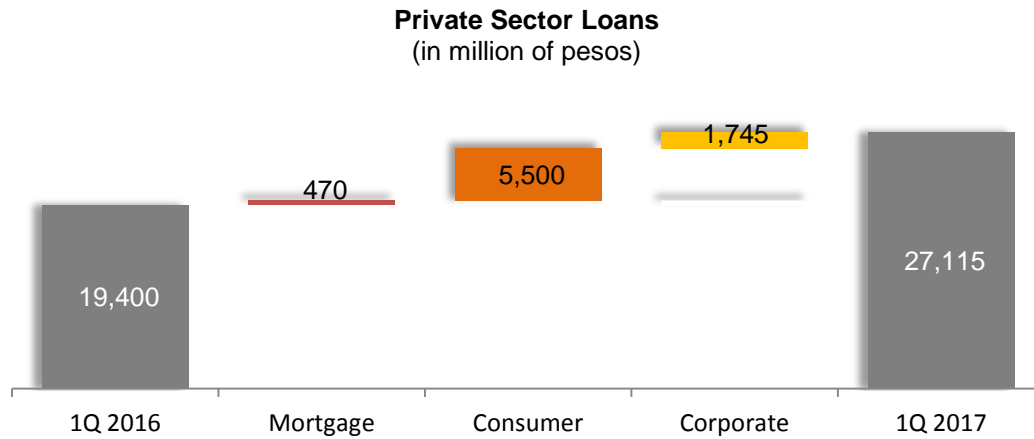
Additionally, net income from services increased 2.1% QoQ and 40.6% YoY mainly due to our insurance and credit card activity.

### Net income from services

(in million of pesos)



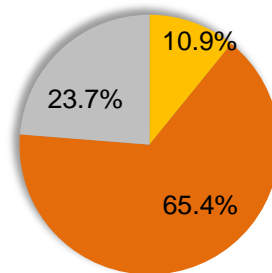
Private sector loan portfolio decreased 2.8% QoQ and increased 39.8% YoY mainly due to an increase of Ps. 5,500 million in consumer financing over the last twelve month period.



BH's private sector loan portfolio as of March 31, 2017 are composed of 76.3% of retail financing and housing loans (65.4% consumer and 10.9% housing) and 23.7% of corporate loans, providing a highly diversified client base.

**Loan Portfolio Diversification**  
(Non-financial Private Sector Loans)

**1Q 2017**

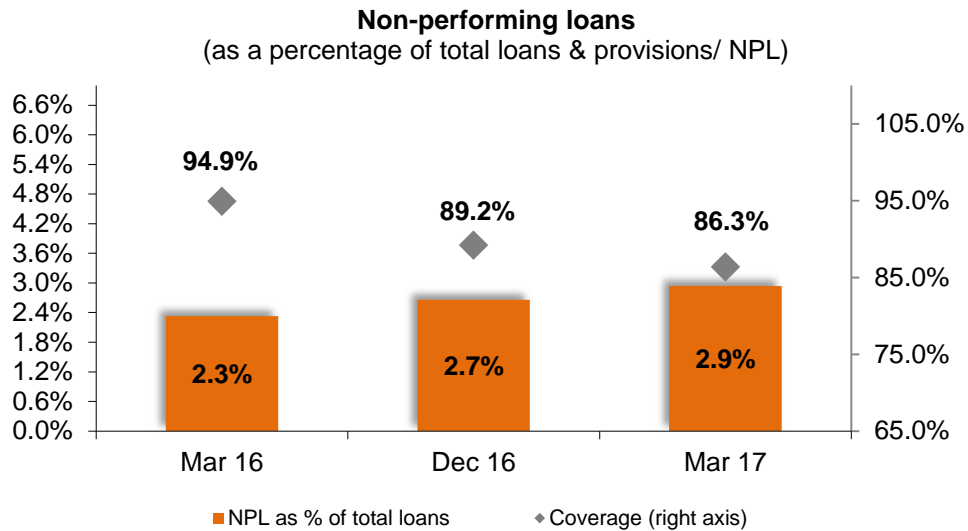


■ Mortgage ■ Consumer ■ Corporate

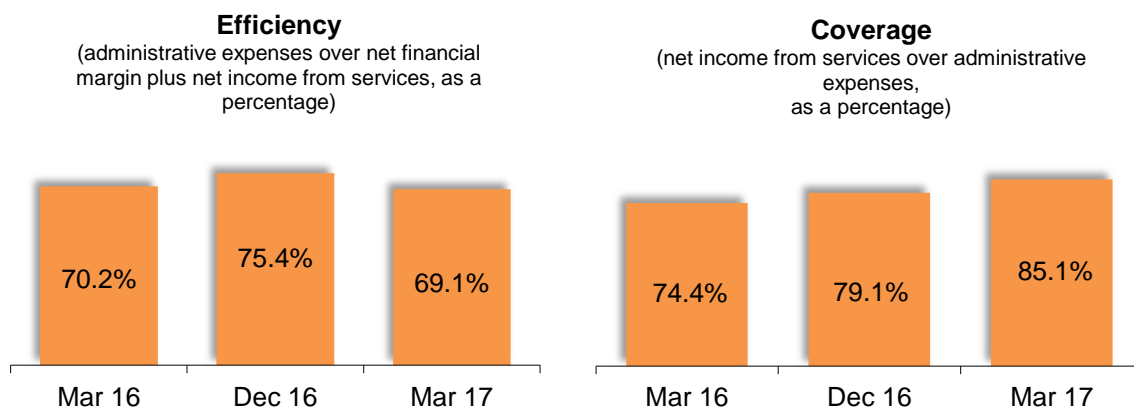
Additionally, since 2012 BH acts as a trustee of Pro.Cre.Ar trust, which purposes is to originate mortgage loans for individual housing construction and the development of urbanistic projects. On this regards, as of March 31, 2017 the trust was composed as follows:

<b>Pro.Cre.Ar</b>	
<i>(in million of pesos)</i>	
	<b>03/31/2017</b>
Individual loans	50,506.0
Commitments to be disbursed	942.6
<b>Sub - Total Individual loans</b>	<b>51,448.6</b>
Urbanistic projects adjudicated	21,910.5
<b>Total Commitments &amp; Loans</b>	<b>73,359.1</b>

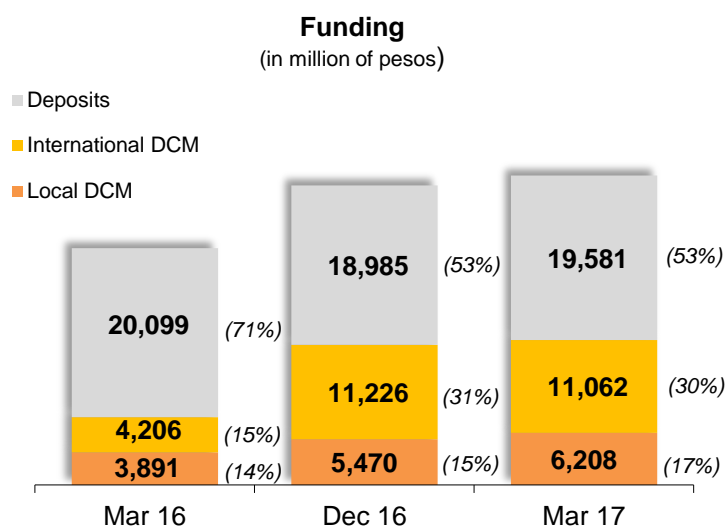
NPL increased from 2.7% to 2.9% in the quarter. Coverage ratio was 86.3%. Provisions registered over minimum provisions required by the Central Bank for the quarter stood as 104.1%.



Administrative expenses decreased 5.1% QoQ and increased 22.9% YoY, mainly as a result of salary adjustments. Efficiency ratio (defined as administrative expenses over net financial margin plus net income from services) was 69.1%, while coverage ratio (defined as net income from services over administrative expenses) was 85.1%.



Deposits increased 3.1% QoQ and decreased 2.6% YoY while financial debt increased 3.4% in the quarter and 113.3% in the year. On this regard, in 1Q 2017 the Bank has issued notes in local DCM for an amount of Ps. 1.0 billion.



The Bank has an asset and liability structure with solvency levels of 11.2% which allows its growth strategy. On this regard, over the past years the Bank's strategy attempted to increase the participation of consumer and corporate loans in order to reduce the loans average life and increase floating rate assets.

### III. Comparative Consolidated Balance Sheet structure

(in thousands of pesos)	As of				
	03/31/2017	03/31/2016	03/31/2015	03/31/2014	03/31/2013
Cash and due from banks	2,338,458	4,066,635	2,996,122	2,655,537	2,028,322
Government and private securities	11,329,800	8,246,681	5,450,902	3,649,777	3,200,403
Loans	27,688,514	19,622,794	17,218,263	13,935,507	9,799,600
Non-financial public sector	148,578	41,091	101,371	139,702	92,047
Financial sector	424,847	181,701	307,357	298,256	346,466
Non-financial private sector	27,851,244	19,862,303	17,218,803	13,816,984	9,643,588
Advances	285,952	843,407	669,431	1,047,005	902,480
Mortgage loans	3,001,978	2,506,592	2,363,659	2,211,379	1,935,691
Documents	705,278	393,995	240,959	297,969	230,869
Pledge loans	202,895	412,504	399,065	42,440	43,024
Personal loans	5,323,225	2,946,199	2,402,533	1,934,896	1,264,209
Credit cards	12,756,413	9,443,353	7,510,877	5,535,278	3,714,368
Other	5,369,477	3,102,691	3,432,916	2,612,414	1,477,042
Interest accrued on uncollected					
loans	206,026	213,562	199,363	135,603	75,905
Reserve for loan losses	(736,155)	(462,301)	(409,268)	(319,435)	(282,501)
Other receivables from financial operations	11,184,871	6,587,648	2,839,208	3,128,945	1,796,269
Miscellaneous assets	3,588,102	3,342,986	2,319,594	1,498,609	1,128,066
<b>Total assets</b>	<b>56,129,745</b>	<b>41,866,744</b>	<b>30,824,089</b>	<b>24,868,375</b>	<b>17,952,660</b>
Deposits	19,580,629	20,099,415	16,916,791	13,180,382	10,009,741
Other liabilities from financial operations	27,267,831	13,169,373	6,836,842	5,996,935	3,436,298
Miscellaneous liabilities	2,684,364	2,844,840	2,473,379	1,574,424	899,969
<b>Total liabilities</b>	<b>49,532,824</b>	<b>36,113,628</b>	<b>26,227,012</b>	<b>20,751,741</b>	<b>14,346,008</b>
Minority Interest	287,993	81,837	66,043	67,277	69,279
<b>Shareholders' equity</b>	<b>6,308,928</b>	<b>5,671,279</b>	<b>4,531,034</b>	<b>4,049,357</b>	<b>3,537,373</b>



#### IV. Comparative 3 months period ended Consolidated Statement of Income

(in thousands of pesos)	For the period ended				
	03/31/2017	03/31/2016	03/31/2015	03/31/2014	03/31/2013
<b>Financial income</b>	<b>2,691,405</b>	<b>2,115,259</b>	<b>1,442,122</b>	<b>872,378</b>	<b>613,423</b>
<i>Interests on private sector loans</i>	1,928,560	1,459,422	1,064,028	810,626	456,982
<i>Trading and Position</i>	630,990	694,062	391,484	136,974	169,690
<i>Interests on public sector loans</i>	2,006	6,835	4,535	8,690	4,428
<i>Differences on exchange rate</i>	129,849	(45,060)	(17,925)	(83,912)	(17,677)
<b>Financial expenditure</b>	<b>(1,872,926)</b>	<b>(1,355,134)</b>	<b>(833,943)</b>	<b>(184,542)</b>	<b>(311,115)</b>
<i>Capital Markets expenses</i>	(731,689)	(326,933)	(188,755)	(122,477)	(70,990)
<i>Interests on deposits</i>	(565,085)	(980,142)	(479,071)	(356,440)	(183,488)
<i>Interests on other borrowings</i>	(42,635)	(42,653)	(21,978)	(37,100)	(10,720)
<i>Hedging transactions</i>	(350,767)	185,206	(22,007)	442,601	(1,693)
<i>Taxes</i>	(182,750)	(190,612)	(122,132)	(111,126)	(44,224)
<b>Net financial margin</b>	<b>818,479</b>	<b>760,125</b>	<b>608,179</b>	<b>687,836</b>	<b>302,308</b>
Provision for loan losses	(175,716)	(98,315)	(94,644)	(79,555)	(66,715)
Net income from services	1,168,548	831,311	656,786	372,870	289,109
Administrative expenses	(1,373,030)	(1,117,384)	(836,750)	(604,020)	(401,231)
Miscellaneous income, net	(46,762)	(35,951)	(44,719)	(57,482)	(13,518)
Minority Interests	(29,008)	4,051	1,378	4,040	(4,950)
<b>Income before Taxes</b>	<b>362,511</b>	<b>343,837</b>	<b>290,230</b>	<b>323,689</b>	<b>105,003</b>
Income Tax	(109,815)	(113,458)	(114,149)	(121,267)	(23,615)
<b>Net income</b>	<b>252,696</b>	<b>230,379</b>	<b>176,081</b>	<b>202,422</b>	<b>81,388</b>

#### V. Comparative 3 months period ended Consolidated Statement of Cash Flow and Cash Equivalents

(in thousands of pesos)	For the year ended				
	03/31/2017	03/31/2016	03/31/2015	03/31/2014	03/31/2013
Net cash flow originated from (used for) operating activities	(6,261,272)	(3,757,770)	(3,020,103)	(613,473)	235,406
Net cash flow originated from (used for) investment activities	(9,050)	(8,718)	(7,627)	(8,348)	(2,847)
Net cash flow originated from (used for) financing activities	475,191	734,408	60,967	513,630	99,501
Financial gain (loss), holding of cash and cash equivalents	945,310	719,922	594,371	523,161	286,934
<b>Net increase (decrease) in cash</b>	<b>(4,849,821)</b>	<b>(2,312,158)</b>	<b>(2,372,392)</b>	<b>414,970</b>	<b>618,994</b>

#### VI. Statistic data and comparative 3 months ratios

	For the year ended				
	03/31/2017	03/31/2016	03/31/2015	03/31/2014	03/31/2013
<b>Profitability</b>					
ROAA (Return on average assets)	1.87%	2.27%	2.27%	3.58%	1.92%
ROAE (Return on average shareholders' equity)	16.35%	16.59%	15.78%	20.51%	9.31%
Net financial margin	6.05%	7.48%	7.83%	12.16%	7.12%
Efficiency	69.10%	70.21%	66.15%	56.95%	67.84%
<b>Capital</b>					
Total shareholders' equity / total assets	11.24%	13.55%	14.70%	16.28%	16.28%
Funding / total shareholders' equity	584.10%	506.04%	474.78%	409.85%	345.37%
Total capital under Central Bank rules/ RWA	13.07%	13.90%	16.23%	16.06%	21.05%

<b>Liquidity</b>					
Current assets / deposits	69.80%	61.26%	49.93%	47.84%	52.24%
Loans / deposits	141.41%	97.63%	101.78%	105.73%	97.90%
<b>Asset Quality</b>					
Non-performing loans / total loans	2.94%	2.33%	2.31%	2.14%	2.52%
Reserves for loan losses / total non-performing loans	86.35%	94.91%	97.45%	101.05%	96.21%
Non-performing loans, net of reserves / shareholders' equity	0.40%	0.12%	0.06%	(0.02)%	0.10%

## VII. Next quarter and 2017 perspectives

The next quarter and 2016 perspectives for the Bank are based on:

- ✓ Continuing with the development of sustainable housing solutions.
- ✓ Increasing the consumer financing market share.
- ✓ Increasing the corporate business.
- ✓ Expanding the client base and the distribution network.
- ✓ Sustaining a balanced assets and liabilities structure regarding the different tenors and currencies.

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**Eduardo S. Elsztain**  
Chairman

Assets and liabilities denominated in foreign currency as of March 31, 2017 were converted to pesos at the exchange rate of Ps. 15.3818/USD1.00 and Ps. 16.4396/EUR1.00, which was the reference exchange rate published by the Central Bank on such date.

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

### Disclaimer

Any comment made in this release in relation to future events is subject to many conditions and risks detailed and described in our Offering Memorandums and financial statements available at our website ([www.hipotecario.com.ar](http://www.hipotecario.com.ar) / Inversores). The words "believe," "may," "will," "aim," "estimate," "continue," "anticipate," "intend," "expect" and similar words are intended to identify forward-looking statements. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulation and the effects of competition. This release is a summary analysis of Banco Hipotecario's financial condition and results of operations as of and for the period indicated, which might have certain reclassification from the Financial Statements. For a correct interpretation, this release must be read in conjunction with all other material periodically filed with the Comisión Nacional de Valores ([www.cnv.gov.ar](http://www.cnv.gov.ar)) and the Bolsa de Comercio de Buenos Aires ([www.bolsar.com](http://www.bolsar.com)). In addition, the Central Bank ([www.bcra.gov.ar](http://www.bcra.gov.ar)) may publish information related to Banco Hipotecario as of a date subsequent to the last date for which the Bank has published information.