

Banco Hipotecario SA
Earnings Release - Second Quarter 2017

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

Friday, August 11, 2017, 10:00 AM EST

If you would like to participate, please call:

USA: (800) 230-1085
International: (612) 288-0337
PIN # 428388

Slideshow available at:

<https://www.webcaster4.com/Webcast/Page/970/22274>

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

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Banco Hipotecario SA reports
Second Quarter 2017 consolidated results

Highlights**Executive Summary**

- Net income for the second quarter was Ps. 372.3 million, 47.3% and 156.8% higher than last quarter and same quarter of previous year, respectively.
- Net financial margin for the quarter was Ps. 1,072.4 million, compared to Ps. 818.4 million of last quarter and Ps. 706.7 million of same quarter of the previous year.
- Net income from services for the quarter was Ps. 1,109.4 million. This represents a decrease of 5.1% QoQ and an increase of 22.9% YoY.
- Loans to the private sector increased 12.6% in the quarter and 43.2% YoY.
- Deposits increased 1.5% in the quarter and increased 11.7% YoY, while financial debt increased 16.5% QoQ and 106.3% YoY.
- NPL remained stable at 2.9% in the quarter, while coverage ratio was 83.2%.
- The equity ratio was 12.1%, compared to 14.3% of previous year.

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. Second quarter 2017 consolidated results

Net income for the second quarter was Ps. 372.3 million, compared to Ps. 252.7 million and Ps. 145.0 million from last quarter and same quarter of previous year, respectively, an 47.3% QoQ and a 156.8% YoY increase. Income before taxes was Ps. 542.1 million, compared to Ps. 362.5 million from last quarter and Ps. 283.2 million from same quarter of previous year, representing a 49.5% QoQ increase and 91.4% YoY increase.

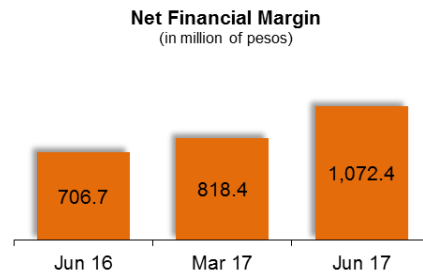
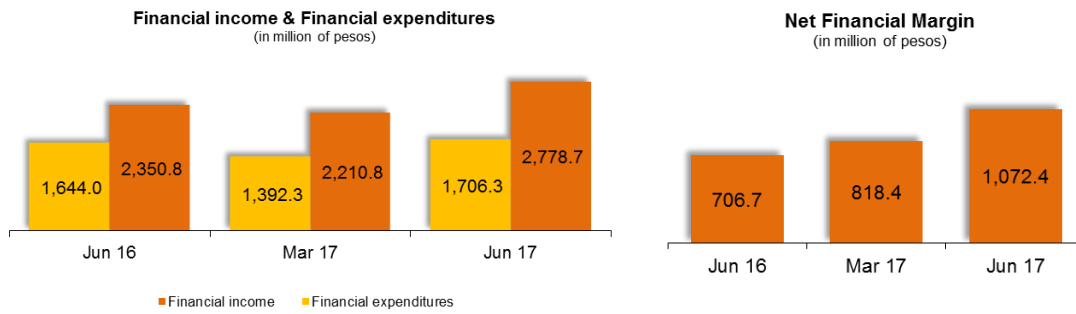
Regarding profitability ratios, the ROA for the quarter was 2.3% compared to 1.9% from last quarter and 1.9% from previous year. ROE for the same periods were 19.6%, 16.3% and 13.3%, respectively.

(in thousands of pesos)	3 month period ended			Change	
	30/06/2017	31/03/2017	30/06/2016	QoQ	YoY
Financial income	2,778,687	2,210,789	2,350,780	25.7%	18.2%
<i>Interests on private sector loans</i>	2,001,492	1,928,560	1,662,891	3.8%	20.4%
<i>Trading and Position</i>	735,648	630,990	696,109	16.6%	5.7%
<i>Interests on public sector loans</i>	16,463	2,006	5,244	N/M	213.9%
<i>Hedging transactions</i>	25,084	(350,767)	(13,464)	(107.2)%	(286.3)%
Financial expenditure	(1,706,286)	(1,392,310)	(1,644,046)	22.6%	3.8%
<i>Capital Markets expenses</i>	(761,668)	(731,689)	(405,311)	4.1%	87.9%
<i>Interests on deposits</i>	(576,356)	(565,085)	(856,366)	2.0%	(32.7)%
<i>Interests on other borrowings</i>	(30,250)	(42,635)	(74,479)	(29.0)%	(59.4)%
<i>Differences on exchange rate</i>	(141,222)	129,849	(143,541)	(208.8)%	(1.6)%
<i>Taxes</i>	(196,790)	(182,750)	(164,349)	7.7%	19.7%
Net financial margin	1,072,401	818,479	706,734	31.0%	51.7%
Provision for loan losses	(203,964)	(175,716)	(102,477)	16.1%	99.0%
Net income from services	1,109,401	1,168,548	902,453	(5.1)%	22.9%
Administrative expenses	(1,439,377)	(1,373,030)	(1,226,505)	4.8%	17.4%
Miscellaneous income, net	19,512	(46,762)	4,658	(141.7)%	N/M
Minority Interests	(15,884)	(29,008)	(1,658)	(45.2)%	N/M
Income before Taxes	542,089	362,511	283,205	49.5%	91.4%
Income Tax	(169,812)	(109,815)	(138,242)	54.6%	22.8%
Net income	372,277	252,696	144,963	47.3%	156.8%

Compared to previous quarter, financial income increased 25.7% mainly driven by a better performance on hedging transactions and trading and position, while financial expenses increased 22.6% mainly due to difference on exchange rate.

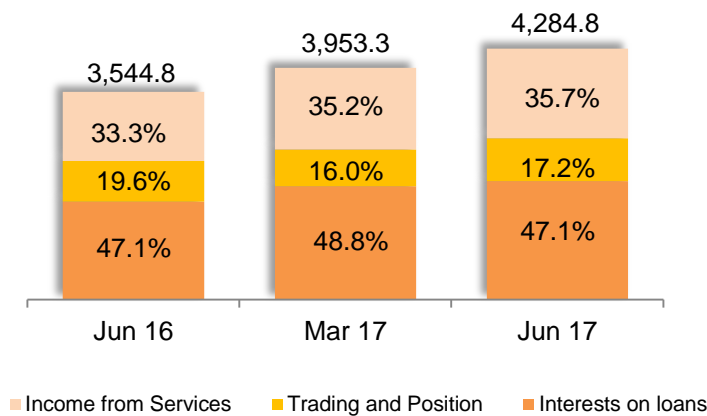
Compared to the same quarter of previous year, financial income increased 18.2% mainly driven by higher interests on private sector loans, while financial expenses increased 3.8% mainly due to higher capital markets expenses.

Net financial margin for the quarter was Ps. 1,072.4 million, compared to Ps. 818.4 million from previous quarter and Ps. 706.7 million from same quarter of previous year. Net financial margin over average assets for the same periods were 7.0%, 6.0% and 7.3%, respectively.



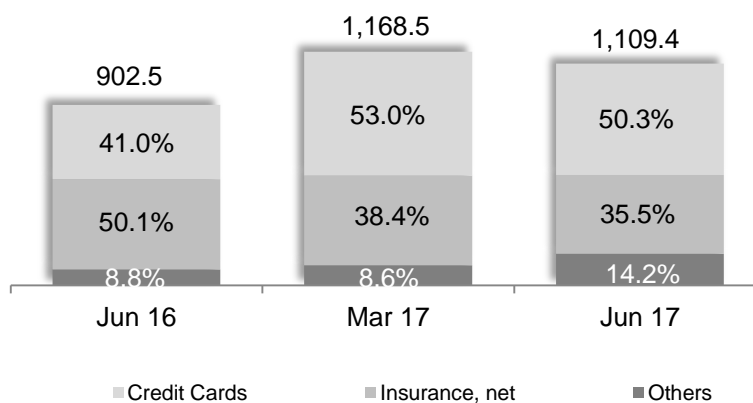
Operating income increased 8.4% QoQ and 20.9% YoY, because of higher volume in our intermediation business. As a result of the business diversification interest on loans and gross income from services represented 47.1% and 35.7% of operating income, respectively.

Gross Operating Income
(Financial Income plus gross Income from services, in million of pesos)



Additionally, net income from services decreased 5.1% QoQ and increased 22.9% YoY, with net income from credit cards and insurance being the ones with the biggest share.

Net income from services
(in million of pesos)



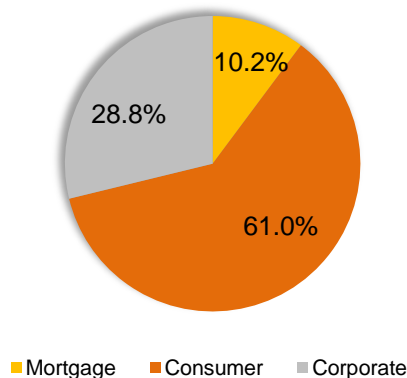
Private sector loan portfolio increased 12.6% QoQ and 43.2% YoY mainly due to an increase of Ps. 5,064 million in consumer financing and Ps. 3,468 million in corporate financing over the last twelve-month period.



BH's private sector loan portfolio as of June 30, 2017 are composed of 71.2% of retail financing and housing loans (61.0% consumer and 10.2% housing) and 28.8% of corporate loans, providing a highly diversified client base.

Loan Portfolio Diversification
(Non-financial Private Sector Loans)

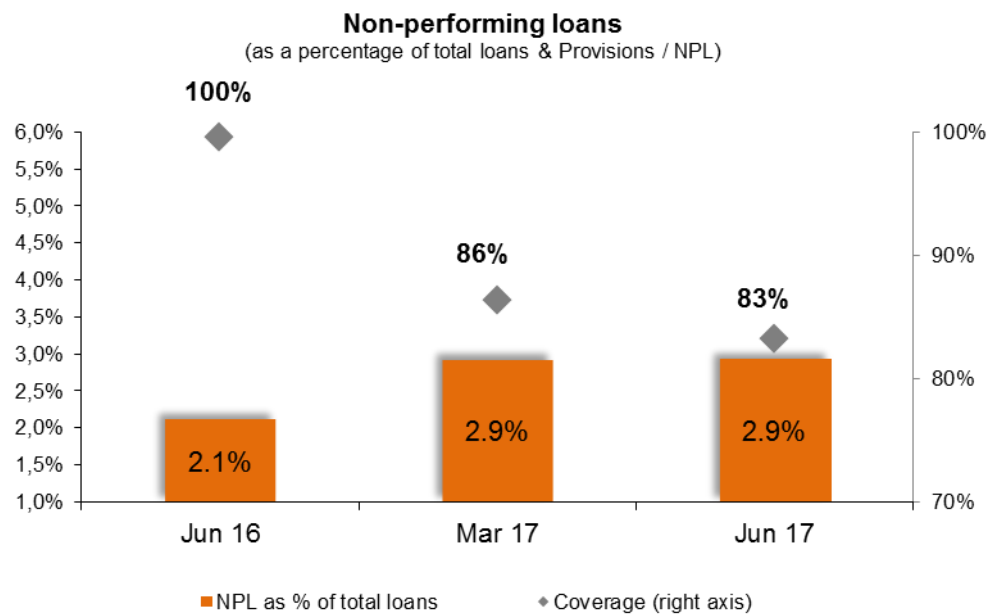
2Q 2017



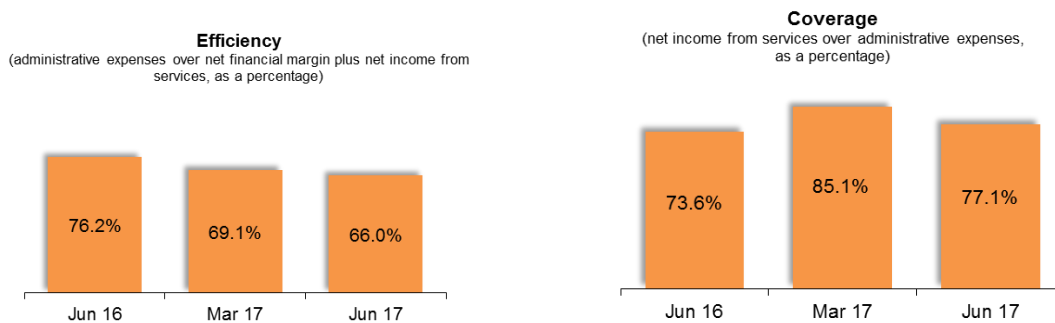
Since 2012 BH acts as a trustee of Pro.Cre.Ar trust, which purposes is to originate mortgage loans for individual housing construction and the development of urbanistic projects. On this regard, as of June 30, 2017 the trust was composed as follows:

Pro.Cre.Ar	
<i>(in million of pesos)</i>	
06/30/2017	
Individual loans ¹	51,464.5
Commitments to be disbursed	719.1
Sub - Total Individual loans	52,183.6
Urbanistic projects adjudicated ²	35,236.1
Total Commitments & Loans	87,419.7

NPL remained stable at 2.9% in the quarter. Coverage ratio was 83.2%.



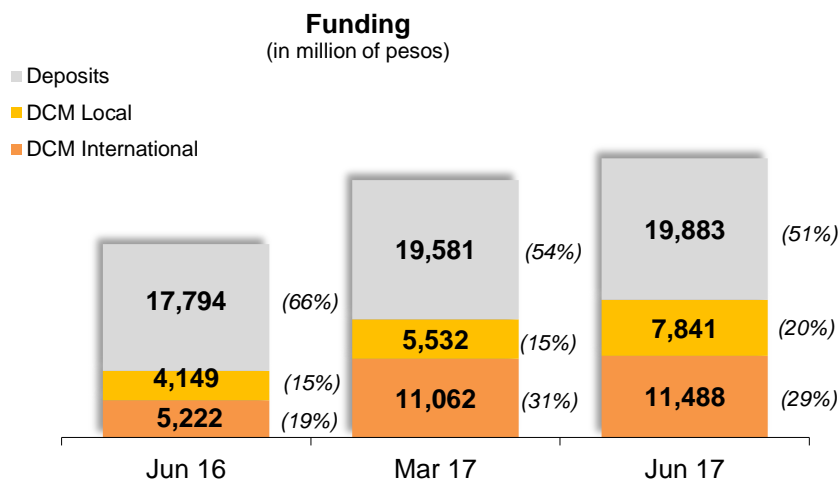
Administrative expenses increased 4.8% QoQ and 17.4% YoY, mainly as a result of salary adjustments. Efficiency ratio (defined as administrative expenses over net financial margin plus net income from services) was 66.0%, while coverage ratio (defined as net income from services over administrative expenses) was 77.1%.



¹ Net of provisions.

² Base price plus redeterminations approved by 06/30/2017.

Deposits increased 1.5% QoQ and 11.7% YoY while financial debt increased 16.5% in the quarter and 106.3% in the year. On this regard, in 2Q 2017 the Bank issued notes in local DCM for an amount of Ps. 1,373 million.



The Bank has an asset and liability structure with solvency levels of 12.1% 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				
	30/06/2017	30/06/2016	30/06/2015	30/06/2014	30/06/2013
Cash and due from banks	3,435,303	3,301,840	3,201,575	3,008,168	2,217,327
Government and private securities	8,082,099	5,269,499	5,271,583	3,395,192	1,510,485
Loans	31,167,477	21,953,669	19,033,145	15,219,978	10,512,503
Non-financial public sector	129,474	165,019	90,231	130,925	91,174
Financial sector	472,777	472,777	351,000	384,448	413,960
Non-financial private sector	31,316,146	21,809,409	19,025,739	15,060,872	10,304,002
Advances	546,129	890,819	685,978	1,139,629	762,122
Mortgage loans	3,168,830	2,469,806	2,473,874	2,202,867	2,053,610
Documents	933,292	390,408	238,162	257,286	249,082
Pledge loans	236,800	367,452	432,994	84,748	35,414
Personal loans	5,784,096	3,149,503	2,650,126	2,040,282	1,351,192
Credit cards	13,178,322	10,573,083	8,500,601	5,950,266	4,065,538
Other	7,238,834	3,741,626	3,829,466	3,248,387	1,711,084
Interest accrued on uncollected loans	229,843	226,712	214,538	137,407	75,960
Reserve for loan losses	(796,546)	(493,536)	(433,825)	(356,267)	(296,633)
Other receivables from financial operations	7,942,975	6,841,589	3,378,146	2,573,443	1,884,410
Miscellaneous assets	4,634,004	3,160,732	2,436,907	1,658,804	1,215,642
Total assets	55,261,858	40,527,329	33,321,356	25,855,585	17,340,367
Deposits	19,882,975	17,793,533	18,428,831	13,907,154	8,978,121
Other liabilities from financial operations	25,753,785	14,448,191	7,689,843	6,066,310	3,818,775
Miscellaneous liabilities	2,643,323	2,339,156	2,434,009	1,616,929	864,275
Total liabilities	48,280,083	34,580,880	28,552,683	21,590,393	13,661,171
Minority Interest	300,570	130,207	67,957	59,849	70,880
Shareholders' equity	6,681,205	5,816,242	4,700,716	4,205,343	3,608,316

IV. Comparative 6 months period ended Consolidated Statement of Income

(in thousands of pesos)	For the period ended				
	30/06/2017	30/06/2016	30/06/2015	30/06/2014	30/06/2013
Financial income	4,989,476	4,524,563	2,942,381	2,297,183	1,197,599
<i>Interests on private sector loans</i>	3,930,052	3,122,313	2,254,319	1,741,454	946,616
<i>Trading and Position</i>	1,366,638	1,390,171	678,899	541,962	242,169
<i>Interests on public sector loans</i>	18,469	12,079	9,163	13,767	8,814
Financial expenditure	(3,098,596)	(3,057,704)	(1,803,515)	(1,065,835)	(599,855)
<i>Capital Markets expenses</i>	(1,493,357)	(732,244)	(406,847)	(272,413)	(149,409)
<i>Interests on deposits</i>	(1,141,441)	(1,836,508)	(1,016,403)	(821,258)	(366,210)
<i>Interests on other borrowings</i>	(72,885)	(117,132)	(51,257)	(85,763)	(27,801)
<i>Differences on exchange rate</i>	(325,683)	171,742	(41,163)	392,135	54,100
<i>Hedging transactions</i>	(11,373)	(188,601)	(35,098)	(84,531)	(18,646)
<i>Taxes</i>	(379,540)	(354,961)	(252,747)	(194,005)	(91,889)
Net financial margin	1,890,880	1,466,859	1,138,866	1,231,348	597,744
<i>Provision for loan losses</i>	(379,680)	(200,792)	(198,479)	(166,646)	(127,588)
<i>Net income from services</i>	2,277,949	1,733,764	1,409,786	804,451	588,472
<i>Administrative expenses</i>	(2,812,407)	(2,343,889)	(1,805,016)	(1,293,865)	(851,080)
<i>Miscellaneous income, net</i>	(27,250)	(31,293)	(26,791)	(7,107)	(2,239)
<i>Minority Interests</i>	(44,892)	2,393	(528)	11,467	(6,742)
Income before Taxes	904,600	627,042	517,838	579,648	198,567
<i>Income Tax</i>	(279,627)	(251,700)	(172,212)	(221,240)	(46,236)
Net income	624,973	375,342	345,626	358,408	152,331

V. Comparative 6 months period ended Consolidated Statement of Cash Flow and Cash Equivalents

(in thousands of pesos)	For the period ended				
	30/06/2017	30/06/2016	30/06/2015	30/06/2014	30/06/2013
Net cash flow originated from (used for) operating ac	(7,274,004)	(6,319,923)	(3,925,046)	(1,352,069)	(67,519)
Net cash flow originated from (used for) investment :	(1,018,386)	(262,635)	(21,784)	(30,780)	(6,727)
Net cash flow originated from (used for) financing ac	2,684,877	2,218,617	669,554	853,282	278,053
Financial gain (loss), holding of cash and cash equi	1,854,537	1,286,988	1,110,337	1,297,168	563,026
Net increase (decrease) in cash	(3,752,976)	(3,076,953)	(2,166,939)	767,601	766,833

VI. Statistic data and comparative 6 months ratios

	For the period ended				
	30/06/2017	30/06/2016	30/06/2015	30/06/2014	30/06/2013
Profitability					
ROAA (Return on average assets)	2,33%	1,88%	2,14%	3,10%	1,83%
ROAE (Return on average shareholders' equity)	19,63%	13,34%	15,20%	17,80%	8,63%
Net financial margin	7,04%	7,34%	7,04%	10,65%	7,17%
Efficiency	67,46%	73,23%	70,82%	63,56%	71,75%
Capital					
Total shareholders' equity / total assets	12,09%	14,35%	14,11%	16,26%	20,81%
Funding / total shareholders' equity	588,01%	472,21%	504,06%	423,04%	317,65%
Regulatory Capital / Risk weighted assets	11,97%	13,41%	15,72%	16,53%	21,29%
Liquidity					
Current assets / deposits	57,93%	48,17%	45,98%	46,04%	41,52%
Loans / deposits	156,75%	123,38%	103,28%	109,44%	117,09%
Asset Quality					
Non-performing loans / total loans	2,94%	2,13%	2,26%	2,40%	2,51%
Reserves for loan losses / total non-performing loan:	83,22%	99,58%	95,93%	92,52%	92,91%
Non-performing loans, net of reserves / shareholders	0,49%	0,01%	0,09%	0,18%	0,18%

VII. Next quarter and 2017 perspectives

The next quarter and 2017 perspectives for the Bank are based on:

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

Eduardo S. Elsztain
Chairman

Assets and liabilities denominated in foreign currency as of June 30, 2017 were converted to pesos at the exchange rate of Ps. 16.5985/USD1.00 and Ps. 18.9831/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 / 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) and the Bolsa de Comercio de Buenos Aires (www.bolsar.com). In addition, the Central Bank (www.bcra.gov.ar) may publish information related to Banco Hipotecario as of a date subsequent to the last date for which the Bank has published information.