

Banco Hipotecario SA
Earnings Release - Third Quarter 2017

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

Tuesday, Nov 14, 2017, 10:00A ET

If you would like to participate, please call:

USA: (800) 288-8974
International: (612) 332-0632
PIN # 433343

Slideshow available at:

<https://www.webcaster4.com/Webcast/Page/970/23462>

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

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Banco Hipotecario SA reports
Third Quarter 2017 consolidated results

Highlights**Executive Summary**

- Net income for the third quarter was Ps. 486.2 million, compared to Ps. 372.3 million and Ps. 103.6 million of last quarter and same quarter of previous year, respectively, representing a 30.6% QoQ and a 369.2% YoY increase.
- Net financial margin for the quarter was Ps. 1,114.5 million, compared to Ps. 1,072.4 million of last quarter and Ps. 576.5 million of same quarter of last year, representing a 3.9% QoQ and a 93.3% YoY increase.
- Net income from services for the quarter of Ps. 1,233.2 million increased 11.2% QoQ and 22.1% YoY.
- Loans to the private sector increased 2.4% in the quarter and 39.1% YoY.
- Deposits decreased 0.4% in the quarter and increased 2.4% YoY while our financial indebtedness increased 3.5% QoQ and 91.8% YoY.
- NPL remained stable at 3.1%, compared to 2.9% in the previous quarter. Coverage ratio for the third quarter was 85.7%, and 83.2% in the previous quarter.
- The equity ratio was 12.9%, compared to 12.1% in the previous quarter and 12.9% in the same quarter of previous year.

Buenos Aires, Nov 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. Third quarter 2017 consolidated results

Net income for the third quarter was Ps. 486.2 million, compared to Ps. 372.3 million and Ps. 103.6 million from last quarter and same quarter of previous year, respectively, representing a 30.6% QoQ and a 369.2% YoY increase. Income before taxes was Ps. 562.5 million, compared to Ps. 542.1 million from last quarter and Ps. 230.8 million from same quarter of previous year, representing an 3.8% QoQ and 143.8% YoY increase.

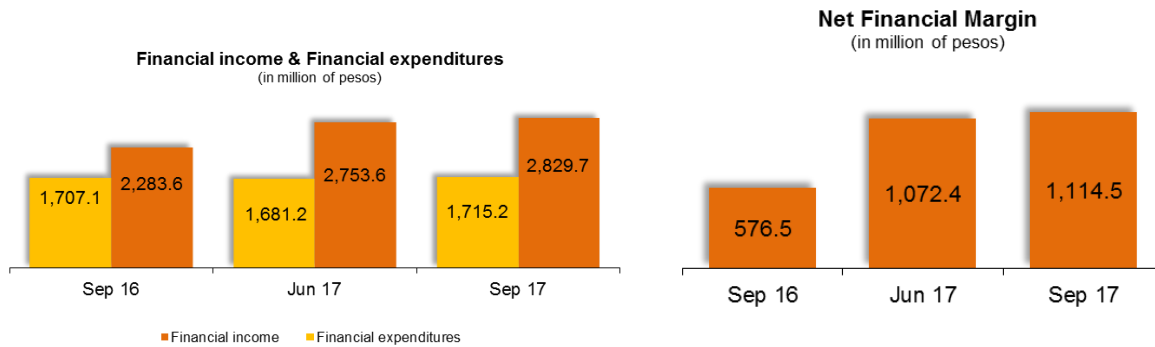
Regarding profitability ratios, the average accumulated annualized ROA for the quarter was 2.75%, compared to 2.33% from last quarter and 1.50% from previous year. Average accumulated annualized ROE for the same periods was 22.41%, 19.63% and 11.24%, respectively.

(in thousands of pesos)	3 month period ended			Change	
	30/09/2017	30/06/2017	30/09/2016	QoQ	YoY
Financial income	2,829,740	2,753,603	2,283,624	2.8%	23.9%
<i>Interests on private sector loans</i>	2,157,471	2,001,492	1,688,725	7.8%	27.8%
<i>Trading and Position</i>	664,474	735,648	589,797	(9.7)%	12.7%
<i>Interests on public sector loans</i>	7,795	16,463	5,102	(52.7)%	52.8%
Financial expenditure	(1,715,195)	(1,681,202)	(1,707,137)	2.0%	0.5%
<i>Capital Markets expenses</i>	(829,585)	(761,668)	(432,340)	8.9%	91.9%
<i>Interests on deposits</i>	(579,091)	(576,356)	(808,234)	0.5%	(28.4)%
<i>Interests on other borrowings</i>	(61,184)	(30,250)	(74,137)	102.3%	(17.5)%
<i>Hedging transactions</i>	(31,753)	25,084	(218,717)	(226.6)%	(85.5)%
<i>Differences on exchange rate</i>	(7,425)	(141,222)	(18,997)	(94.7)%	(60.9)%
<i>Taxes</i>	(206,157)	(196,790)	(154,712)	4.8%	33.3%
Net financial margin	1,114,545	1,072,401	576,487	3.9%	93.3%
Provision for loan losses	(163,230)	(203,964)	(109,055)	(20.0)%	49.7%
Net income from services	1,233,162	1,109,401	1,010,236	11.2%	22.1%
Administrative expenses	(1,496,570)	(1,439,377)	(1,223,373)	4.0%	22.3%
Miscellaneous income, net	(133,186)	19,512	(27,867)	N/M	377.9%
Minority Interests	7,804	(15,884)	4,339	(149.1)%	79.9%
Income before Taxes	562,525	542,089	230,767	3.8%	143.8%
Income Tax	(76,300)	(169,812)	(127,136)	(55.1)%	(40.0)%
Net income	486,225	372,277	103,631	30.6%	369.2%

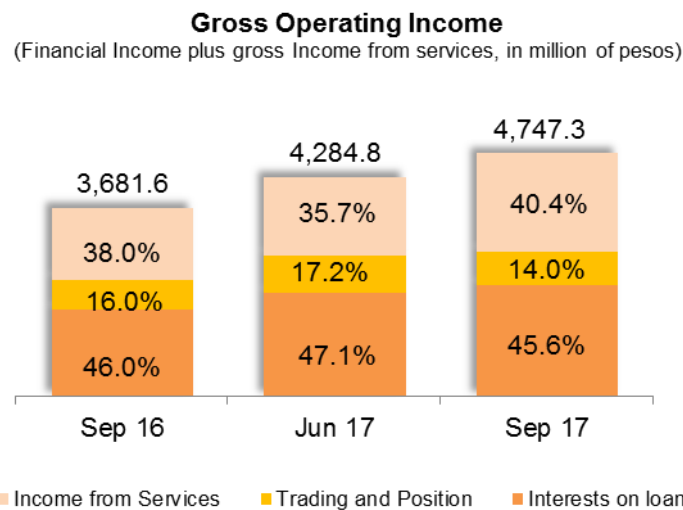
Compared to previous quarter, financial income increased 2.8% with lower results on trading and position, offset by higher interest on private sector loans, while financial expenses increased 2.0% mainly due to higher costs on capital markets.

In a year over year comparison, financial income increased 23.9% mainly due to higher interests on private sector loans and higher results from trading and position, while financial expenses increased 0.5%.

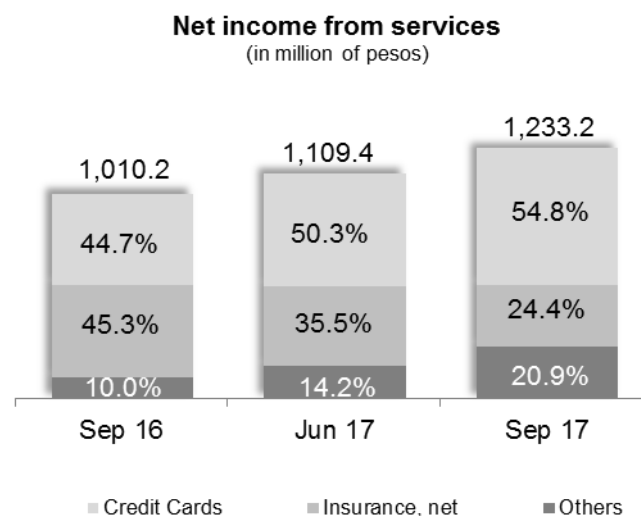
Net financial margin for the quarter was Ps. 1,114.5 million, compared to Ps. 1,072.4 million from previous quarter and Ps. 576.5 million from same quarter of previous year. Net financial margin annualized over average assets for the accumulated periods was 7.45%, 7.04% and 6.4%, respectively.



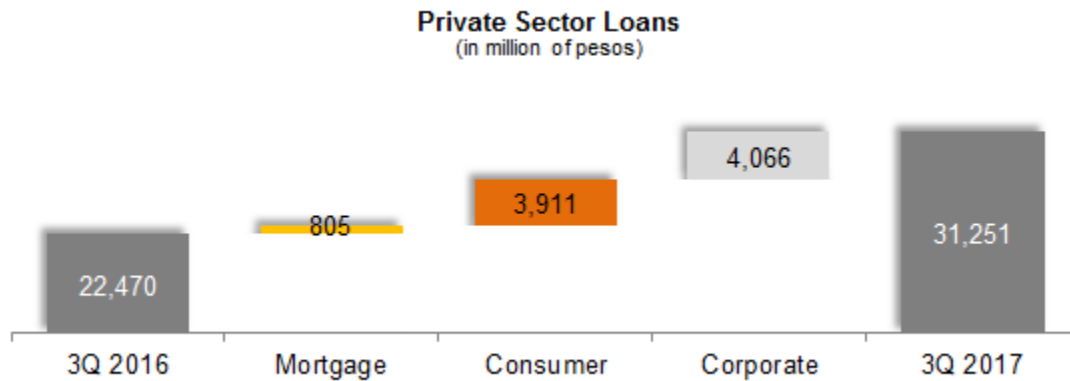
Operating income increased 10.8% QoQ and 28.9% YoY, because of higher volume in our intermediation business and credit card related fees. As a result of the business diversification interest on loans and gross income from services represented 45.6% and 40.4% of operating income, respectively.



Additionally, net income from services increased 11.2% QoQ and 22.1% YoY mainly due to our credit card activity.



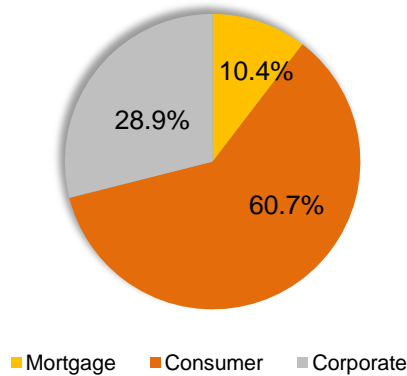
Private sector loan portfolio increased 2.4% QoQ and 39.1% YoY mainly due to an increase of Ps. 4,066 million in corporate lending and Ps. 3,911 million in consumer financing over the last twelve month period.



BH's private sector loan portfolio as of September 30, 2017 is composed of 71.1% of retail financing and housing loans (60.7% consumer and 10.4% mortgage) and 28.9% of corporate loans, providing a highly diversified client base.

Loan Portfolio Diversification
(Non-financial Private Sector Loans)

3Q 2017



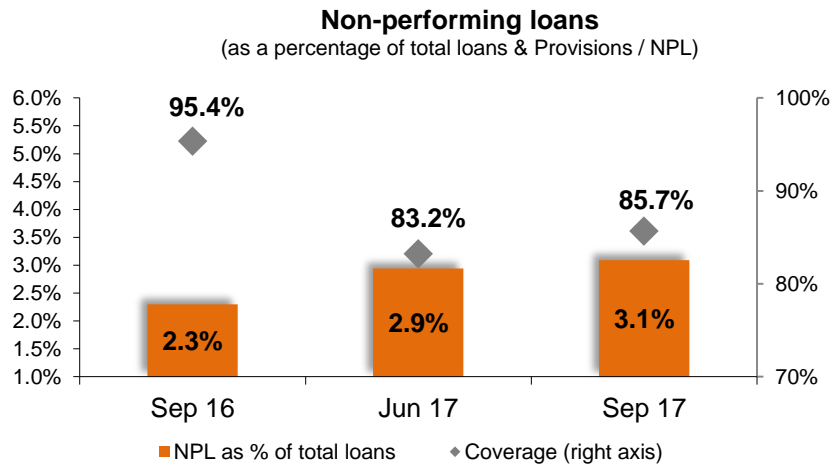
Additionally, since 2012 BH acts as a trustee of Pro.Cre.Ar trust, which purposes is to originate mortgage loans for individual housing construction and the development of urbanistic projects. On this regards, as of September 30, 2017 the trust registered loans on its assets for Ps. 87,847.2 millions.

Pro.Cre.Ar	
<i>(in million of pesos)</i>	
	09/30/2017
Individual loans ¹	52,434.4
Commitments to be disbursed	390.5
Sub - Total Individual loans	52,824.9
Urbanistic projects adjudicated ²	35,022.3
Total Commitments & Loans	87,847.2

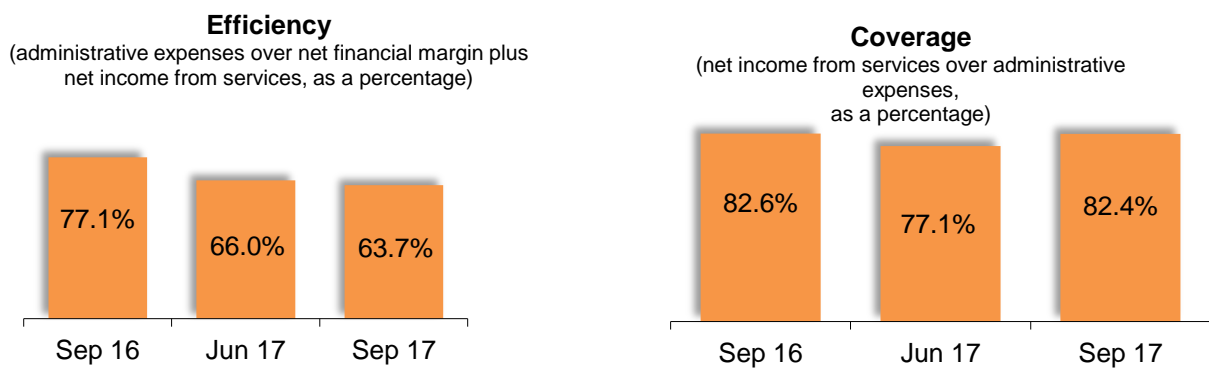
¹ Net of provisions.

² Base price plus redeterminations approved by 09/30/2017.

NPL remained stable at 3.1%, compared to 2.9% in the previous quarter. Coverage ratio for the third quarter was 85.7%, and 83.2% in the previous quarter.

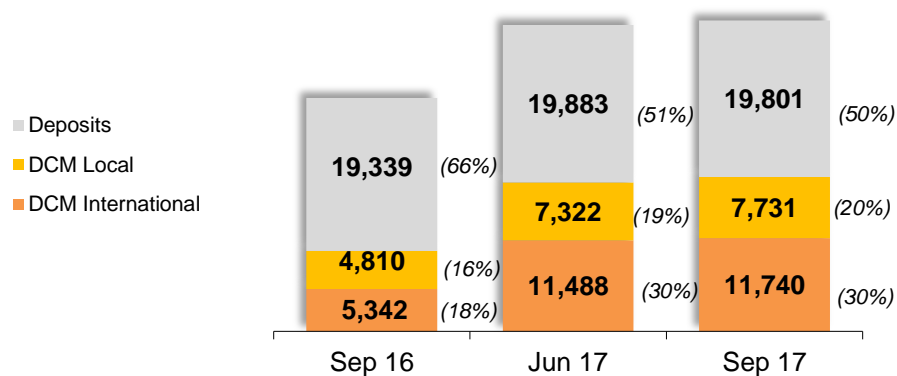


Administrative expenses increased 4.0% QoQ and increased 22.3% YoY, mainly as a result of salary adjustments. Efficiency ratio (defined as administrative expenses over net financial margin plus net income from services) was 63.7%, while coverage ratio (defined as net income from services over administrative expenses) was 82.4%.



Deposits decreased 0.4% QoQ and increased 2.4% YoY while our financial indebtedness increased 3.5% QoQ and 91.8% YoY. On this regard, in 3Q 2017 the Bank has issued notes in local DCM for an amount of Ps. 496.8 million and US\$ 7.2 million.

Funding (in million of pesos)



The Bank has a balanced asset and liability structure with solvency levels of 12.9% 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 match our assets and liabilities duration.

III. Comparative Consolidated Balance Sheet structure

(in thousands of pesos)	As of				
	30/09/2017	30/09/2016	30/09/2015	30/09/2014	30/09/2013
Cash and due from banks	3,372,926	2,554,467	3,083,359	2,811,665	2,502,254
Government and private securities	9,238,272	7,674,030	6,374,144	5,395,287	1,991,745
Loans	31,924,065	23,115,223	19,780,614	15,395,193	11,748,749
Non-financial public sector	110,018	158,205	78,105	121,947	92,467
Financial sector	563,226	487,510	202,774	307,551	314,334
Non-financial private sector	32,134,238	23,001,586	19,948,679	15,344,112	11,647,230
Advances	497,238	321,480	677,974	876,869	1,134,395
Mortgage loans	3,316,383	2,478,911	2,497,603	2,309,051	2,117,767
Documents	1,004,955	535,537	328,460	263,382	282,760
Pledge loans	273,251	317,851	472,674	110,652	37,887
Personal loans	6,183,754	3,768,497	2,914,179	2,231,099	1,542,675
Credit cards	13,164,118	11,487,462	9,172,827	6,139,126	4,321,822
Other	7,455,931	3,873,137	3,679,045	3,274,592	2,118,259
Interest accrued on uncollected loans	238,608	218,711	205,917	139,341	91,665
Reserve for loan losses	(883,417)	(532,078)	(448,944)	(378,417)	(305,282)
Other receivables from financial operations	6,529,008	8,828,973	4,811,505	5,229,201	2,101,601
Miscellaneous assets	4,385,251	3,523,194	2,209,998	1,718,192	1,451,906
Total assets	55,449,522	45,695,887	36,259,620	30,549,538	19,796,255
Deposits	19,800,600	19,338,517	19,630,348	15,385,069	10,241,672
Other liabilities from financial operations	25,525,410	17,722,973	9,329,470	9,087,042	4,605,040
Miscellaneous liabilities	2,665,611	2,579,500	2,302,747	1,675,625	1,153,017
Total liabilities	47,991,621	39,640,990	31,262,565	26,147,736	15,999,729
Minority Interest	290,471	135,024	78,867	51,190	70,897
Shareholders' equity	7,167,430	5,919,873	4,918,188	4,350,612	3,725,629

IV. Comparative 9 months period ended Consolidated Statement of Income

(in thousands of pesos)	For the 9 month period ended				
	30/09/2017	30/09/2016	30/09/2015	30/09/2014	30/09/2013
Financial income	8,144,899	6,808,187	4,688,332	3,708,300	2,033,370
Interests on private sector loans	6,087,523	4,811,038	3,505,897	2,694,651	1,536,621
Trading and Position	2,031,112	1,979,968	1,169,214	994,245	483,288
Interests on public sector loans	26,264	17,181	13,221	19,404	13,461
Financial expenditure	(5,139,474)	(4,764,841)	(2,865,473)	(1,838,895)	(936,500)
Capital Markets expenses	(2,322,942)	(1,164,584)	(658,136)	(430,722)	(244,424)
Interests on deposits	(1,720,532)	(2,644,742)	(1,631,130)	(1,251,196)	(588,982)
Interests on other borrowings	(134,069)	(191,269)	(66,864)	(117,565)	(44,087)
Hedging transactions	(357,436)	(46,975)	(63,659)	353,098	123,800
Differences on exchange rate	(18,798)	(207,598)	(49,806)	(108,430)	(32,292)
Taxes	(585,697)	(509,673)	(395,878)	(284,080)	(150,515)
Net financial margin	3,005,425	2,043,346	1,822,859	1,869,405	1,096,870
Provision for loan losses	(542,910)	(309,847)	(279,659)	(244,568)	(191,630)
Net income from services	3,511,111	2,744,000	2,183,350	1,287,508	883,741
Administrative expenses	(4,308,977)	(3,567,262)	(2,803,684)	(2,033,110)	(1,328,245)
Miscellaneous income, net	(160,436)	(59,160)	(18,945)	(46,659)	(24,280)
Minority Interests	(37,088)	6,732	(671)	20,120	(6,764)
Income before Taxes	1,467,125	857,809	903,250	852,696	429,692
Income Tax	(355,927)	(378,836)	(340,152)	(349,019)	(130,048)
Net income	1,111,198	478,973	563,098	503,677	299,644

V. Comparative 9 months period ended Consolidated Statement of Cash Flow and Cash Equivalents

(in thousands of pesos)	For the period ended				
	30/09/2017	30/09/2016	30/09/2015	30/09/2014	30/09/2013
Net cash flow originated from (used for) operating ac	(9,004,617)	(8,786,971)	(4,943,996)	(2,361,601)	(793,865)
Net cash flow originated from (used for) investment :	(1,084,775)	(361,060)	(82,944)	(38,578)	(12,957)
Net cash flow originated from (used for) financing ac	3,334,037	3,060,334	960,346	1,183,515	787,819
Financial gain (loss), holding of cash and cash equi	2,940,002	2,263,371	1,781,439	1,787,762	1,070,763
Net increase (decrease) in cash	(3,815,353)	(3,824,326)	(2,285,155)	571,098	1,051,760

VI. Statistic data and comparative 9 months ratios

	For the period ended				
	30/09/2017	30/09/2016	30/09/2015	30/09/2014	30/09/2013
Profitability					
ROAA (Return on average assets)	2.75%	1.50%	2.22%	2.64%	2.23%
ROAE (Return on average shareholders' equity)	22.41%	11.24%	16.12%	16.38%	11.13%
Net financial margin	7.45%	6.40%	7.19%	9.79%	8.17%
Efficiency	66.12%	74.51%	69.98%	64.40%	67.06%
Capital					
Total shareholders' equity / total assets	12.93%	12.95%	13.56%	14.24%	18.82%
Funding / total shareholders' equity	558.96%	508.56%	514.11%	444.53%	358.48%
Regulatory Capital / Risk weighted assets	12.75%	13.52%	14.55%	16.89%	19.32%
Liquidity					
Current assets / deposits	63.69%	52.89%	48.18%	53.34%	43.88%
Loans / deposits	161.23%	119.53%	100.77%	100.07%	114.72%
Asset Quality					
Non-performing loans / total loans	3.09%	2.30%	2.10%	2.60%	2.45%
Reserves for loan losses / total non-performing loan:	85.67%	95.35%	103.15%	90.19%	98.85%
Non-performing loans, net of reserves / shareholder:	0.44%	0.11%	(0.07)%	0.26%	0.03%

VII. Next quarter and 2017 perspectives

The next quarter and 2017 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.

Eduardo S. Elsztain
Chairman

Assets and liabilities denominated in foreign currency as of September 30, 2017 were converted to pesos at the exchange rate of Ps. 17.3183/USD1.00 and Ps. 20.4327/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.