



Banco Hipotecario SA
Earnings Release - Fourth Quarter 2017

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

Monday, February 19, 2017, 10:00A ET

If you would like to participate, please call:

EEUU: (800) 230-1096
International: (612) 332-0107
PIN # 444128

Slideshow available at:

<https://www.webcaster4.com/Webcast/Page/970/24469>

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

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Banco Hipotecario SA reports Fourth Quarter 2017 consolidated results

Highlights

Executive Summary

- Total net income for the year was Ps. 1,593.4 million, 159.0% higher than the Ps. 615.3 million of 2016. Net income for the fourth quarter was Ps. 482.2 million, compared to Ps. 486.2 million and Ps. 136.4 million of previous quarter and same quarter of last year, respectively.
- Net financial margin for the year was Ps. 4,470.6 million, 58.6% higher than the Ps. 2,819.4 million for 2016. Net financial margin for the quarter was Ps. 1,465.2 million, 31.5% higher than the Ps. 1,114.5 million of previous quarter and 88.8% higher than the Ps. 776.0 million of same quarter of last year.
- Aggregated net income from services was Ps. 4,885.6 million, 25.6% higher than the Ps. 3,888.4 million of 2016. Net income from services for the quarter was Ps. 1,374.4 million, 11.5% higher than the Ps. 1,233.2 million of previous quarter and 20.1% higher than the Ps. 1,144.4 million of same quarter of last year.
- Loans to the private sector increased 11.7% in the quarter and 32.4% YoY.
- Deposits increased 5.1% in the quarter and 9.6% YoY while financial indebtedness increased 32.5% in the quarter and 60.0% YoY.
- On an individual basis, NPL increased from 1.6% in 2016 to 1.8% in 2017. Coverage ratio was 103.3%. On a consolidated basis, NPL increased from 2.7% in 2016 to 3.8% in 2017. Coverage ratio was 85.6%.
- Equity ratio as of December 31, 2017 was 11.7%, compared to 11.6% of 2016.
- In the fourth quarter the Bank issued Ps. 6,300.0 million at Badlar + 4.0% bonds due 2022 in the international DCM.

Buenos Aires, February 15, 2018

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 S.A., BH Valores SA, BHN Sociedad de Inversión S.A. and Tarshop SA.

II. 2017 consolidated results

Total net income for the year was Ps. 1,593.4 million, compared to Ps. 615.3 million of 2016, while income before taxes was Ps. 2,126.1 million in 2017, compared to Ps. \$1,131.5 of last year.

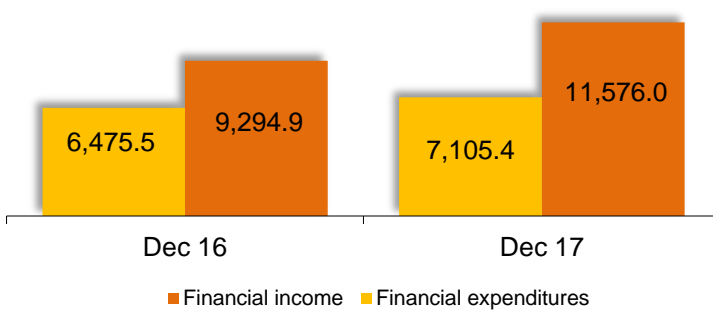
Regarding profitability ratios, the ROAA for 2017 was 2.72% compared to 1.34% for 2016, while ROAE for the same periods were 23.25% and 10.70%, respectively.

(in thousands of pesos)	For the year ended		Change	
	31/12/2017	31/12/2016	%	\$
Financial income	11,576,015	9,294,861	24.5%	2,281,154
<i>Interests on private sector loans</i>	8,487,619	6,814,725	24.5%	1,672,894
<i>Trading and Position</i>	3,055,283	2,460,975	24.1%	594,308
<i>Interests on public sector loans</i>	33,113	19,161	72.8%	13,952
Financial expenditure	(7,105,432)	(6,475,481)	9.7%	(629,951)
<i>Capital Markets expenses</i>	(3,547,143)	(1,900,014)	86.7%	(1,647,129)
<i>Interests on deposits</i>	(2,165,307)	(3,333,514)	(35.0)%	1,168,207
<i>Interests on other borrowings</i>	(190,388)	(266,213)	(28.5)%	75,825
<i>Differences on exchange rate</i>	(95,557)	(276,830)	(65.5)%	181,273
<i>Taxes</i>	(797,592)	(700,809)	13.8%	(96,783)
Net financial margin	4,470,583	2,819,380	58.6%	1,651,203
Provision for loan losses	(910,881)	(466,365)	95.3%	(444,516)
Net income from services	4,885,558	3,888,435	25.6%	997,123
Administrative expenses	(6,067,164)	(5,014,461)	21.0%	(1,052,703)
Miscellaneous income, net	(223,315)	(80,825)	176.3%	(142,490)
Minority Interests	(28,684)	(14,657)	95.7%	(14,027)
Income before Taxes	2,126,097	1,131,507	87.9%	994,590
Income Tax	(532,658)	(516,179)	3.2%	(16,479)
Net income	1,593,439	615,328	159.0%	978,111

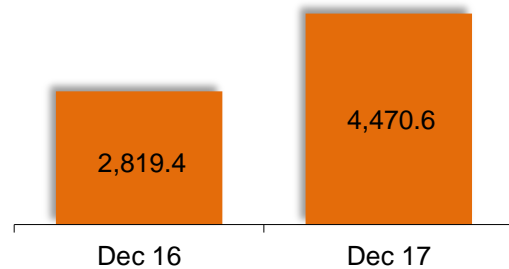
Compared to previous year, financial income increased 24.5% mainly due to higher interests on private sector loans and higher results on trading, while financial expenses increased 9.7% mainly due to higher capital market expenses.

Net financial margin for the year was Ps. 4,470.6 million, compared to Ps. 2,819.4 million of last year. Net financial margin over average assets for the same period was 7.62%, compared to 6.16% of 2016.

Financial income & Financial expenditures (in million pesos)

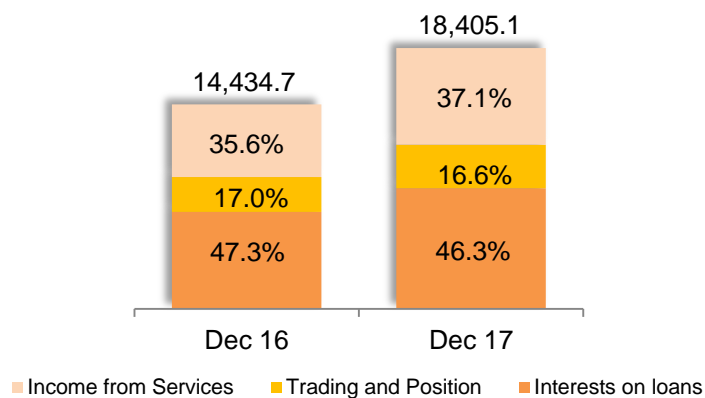


Net Financial Margin (in million pesos)



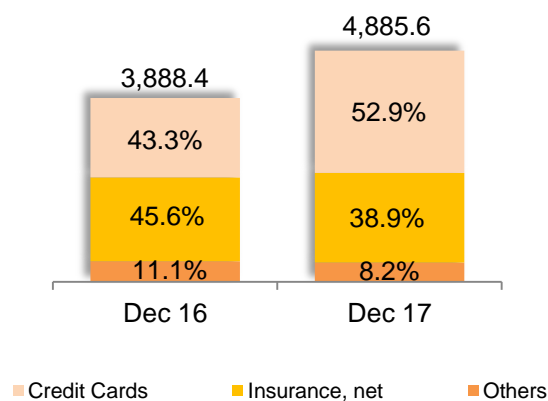
Gross operating income increased 27.5% YoY, driven by higher volume in the intermediation business. Interest on loans and gross income from services represented 46.3% and 37.1% of operating income, respectively.

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

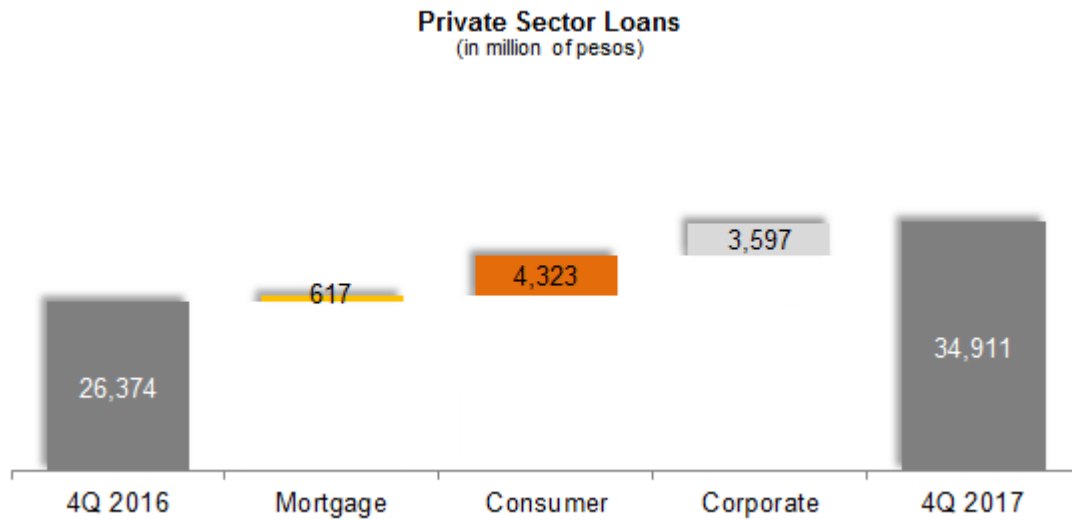


Additionally, net income from services increased 25.6% YoY mainly due to the insurance and credit card activity.

Net income from services (in million pesos)



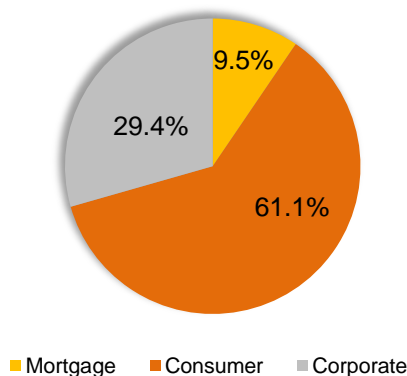
Private sector loan portfolio increased 32.4% YoY mainly due to an increase of Ps. 4,323 million in consumer financing and Ps. 3,597 million in corporate lending over the last twelve month period.



BH's private sector loan portfolio composition as of December 31, 2017 was 70.6% of retail financing and housing loans (61.1% consumer and 9.5% housing) and 29.4% of corporate loans, providing a highly diversified client base.

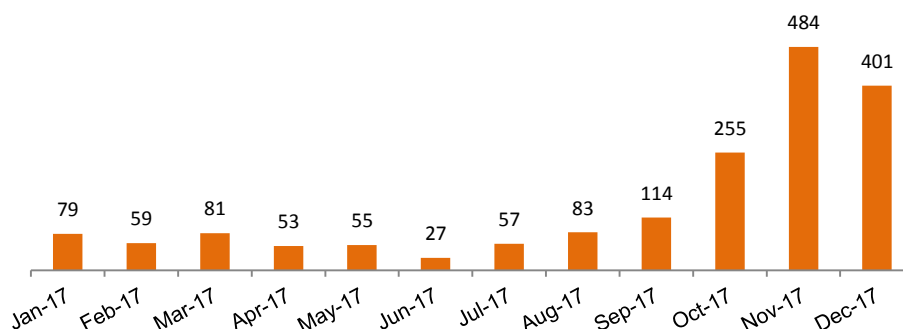
Loan Portfolio Diversification (Non-financial Private Sector Loans)

4Q 2017

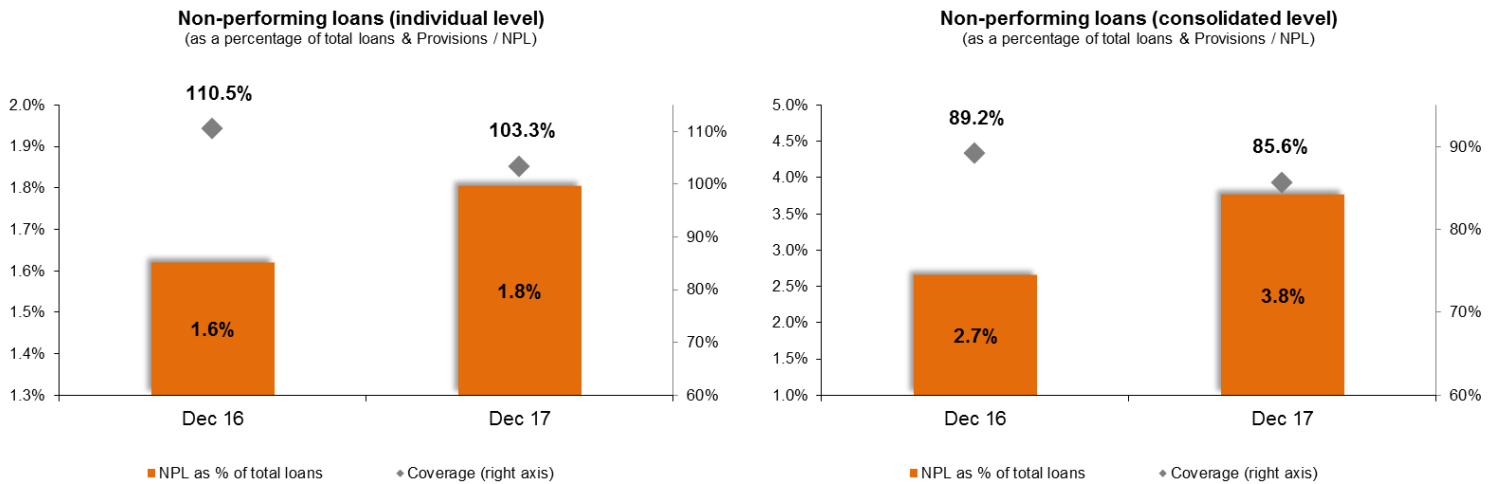


During 2017 BH received UVA mortgage loans requests for an amount of Ps. 1,748.3 million. In the last quarter of 2017 BH received UVA mortgage loans requests for an amount of Ps. 1,140.1 million.

UVA Mortgage loans requested amount (in million pesos)

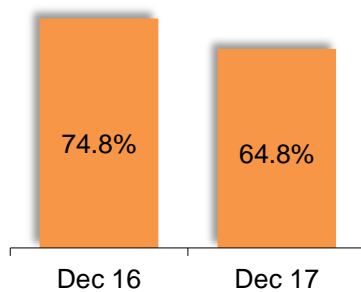


On an individual basis, NPL increased from 1.6% in 2016 to 1.8% in 2017. Coverage ratio was 103.3%. On a consolidated basis, NPL increased from 2.7% in 2016 to 3.8% in 2017. Coverage ratio was 85.6%.

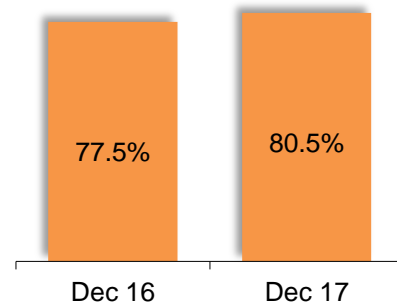


Administrative expenses increased 21.0% over the year, mainly as a result of salary adjustments. Efficiency ratio (defined as administrative expenses over net financial margin plus net income from services) was 64.8%, while coverage ratio (defined as net income from services over administrative expenses) was 80.5%.

Efficiency
(administrative expenses over net financial margin plus net income from services, as a percentage)

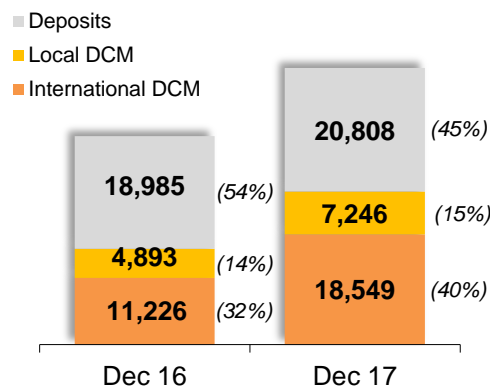


Coverage
(net income from services over administrative expenses as a percentage)



Deposits increased 5.1% in the quarter and 9.6% YoY, while financial indebtedness increased 32.5% and 60.0%, respectively. In the fourth quarter the Bank issued Ps. 6,300.0 million at Badlar + 4.0% bonds due 2022 in the international DCM.

Funding
(in million pesos)



The Bank has an asset and liability structure with solvency levels as of December 31, 2017 of 11.7% which allows its growth strategy. In this regard, over the past years the Bank's strategy was to increase the participation of consumer and corporate loans in order to match our assets and liabilities duration.

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 regard, as of December 31, 2017 the trust registered loans on its assets for Ps. 89,945.2:

Pro.Cre.Ar	
<i>(in million pesos)</i>	
	31/12/2017
Individual loans	54,300.7
Commitments to be disbursed	199.4
Sub - Total Individual loans	54,500.1
Urbanistic projects contractually adjudicated	35,445.1
Total Commitments & Loans	89,945.2

III. Comparative Consolidated Balance Sheet structure

<i>(in thousands of pesos)</i>	As of				
	31/12/2017	31/12/2016	31/12/2015	31/12/2014	31/12/2013
Cash and due from banks	3,646,536	7,188,279	6,378,793	5,368,514	2,240,567
Government and private securities	14,814,101	4,997,612	5,446,262	4,518,035	1,740,587
Loans	35,456,649	27,163,942	20,369,933	17,239,525	13,138,688
Non-financial public sector	89,573	153,032	46,999	112,131	139,373
Financial sector	456,279	636,950	198,130	339,190	379,308
Non-financial private sector	36,112,755	27,050,101	20,576,555	17,195,344	12,928,639
Advances	1,221,539	290,153	493,226	1,173,527	792,178
Mortgage loans	3,404,877	2,744,734	2,631,874	2,349,468	2,220,627
Documents	846,372	687,965	310,407	369,360	371,267
Pledge loans	271,701	640,365	427,857	103,576	42,460
Personal loans	6,842,584	4,611,052	2,970,468	2,354,793	1,822,810
Credit cards	15,039,798	12,663,403	9,903,383	7,155,260	5,181,068
Other	8,203,537	5,165,301	3,608,750	3,501,877	2,372,742
Interest accrued on uncollected loans	282,347	247,128	230,590	187,483	125,487
Reserve for loan losses	(1,201,958)	(676,141)	(451,751)	(407,140)	(308,632)
Other receivables from financial operations	6,574,889	9,262,132	4,553,256	2,366,225	1,824,334
Miscellaneous assets	4,775,382	3,496,145	2,709,655	1,859,212	1,443,717
Total assets	65,267,557	52,108,110	39,457,899	31,351,511	20,387,893
Deposits	20,808,381	18,984,992	20,392,213	18,334,113	10,889,794
Other liabilities from financial operations	33,400,980	24,187,338	10,924,747	6,475,372	4,137,110
Miscellaneous liabilities	3,126,232	2,721,845	2,614,164	2,077,528	1,442,743
Total liabilities	57,335,593	45,894,175	33,931,124	26,887,013	16,469,647
Minority Interest	282,293	157,707	85,871	67,591	71,311
Shareholders' equity	7,649,671	6,056,228	5,440,904	4,396,907	3,846,935

IV. Comparative 12 month ended period Consolidated Statement of Income

(in thousands of pesos)	For the period ended				
	31/12/2017	31/12/2016	31/12/2015	31/12/2014	31/12/2013
Financial income	11,576,015	9,294,861	6,905,183	4,910,284	2,933,776
Interests on private sector loans	8,487,619	6,814,725	4,982,523	3,794,046	2,241,470
Trading and Position	3,055,283	2,460,975	1,905,549	1,091,718	674,306
Interests on public sector loans	33,113	19,161	17,111	24,520	18,000
Financial expenditure	(7,105,432)	(6,475,481)	(3,870,702)	(2,588,763)	(1,304,214)
Capital Markets expenses	(3,547,143)	(1,900,014)	(953,481)	(602,727)	(350,052)
Interests on deposits	(2,165,307)	(3,333,514)	(2,318,166)	(1,661,072)	(842,005)
Interests on other borrowings	(190,388)	(266,213)	(101,567)	(144,011)	(65,059)
Differences on exchange rate	(95,557)	(276,830)	(198,116)	(108,909)	(74,002)
Hedging transactions	(309,445)	1,899	283,527	312,027	264,464
Taxes	(797,592)	(700,809)	(582,899)	(384,071)	(237,560)
Net financial margin	4,470,583	2,819,380	3,034,481	2,321,521	1,629,562
Provision for loan losses	(910,881)	(466,365)	(354,179)	(343,437)	(264,290)
Net income from services	4,885,558	3,888,435	3,025,575	1,909,818	1,219,281
Administrative expenses	(6,067,164)	(5,014,461)	(3,952,592)	(2,855,738)	(1,896,956)
Miscellaneous income, net	(223,315)	(80,825)	(51,649)	(81,204)	(65,346)
Minority Interests	(28,684)	(14,657)	3,077	25,653	(7,178)
Income before Taxes	2,126,097	1,131,507	1,704,713	976,613	615,073
Income Tax	(532,658)	(516,179)	(618,899)	(426,641)	(194,123)
Net income	1,593,439	615,328	1,085,814	549,972	420,950

V. Comparative 12 month period ended Consolidated Statement of Cash Flow and Cash Equivalents

(in thousands of pesos)	For the year ended				
	31/12/2017	31/12/2016	31/12/2015	31/12/2014	31/12/2013
Net cash flow originated from (used for) operating activities	(16,337,836)	(10,397,007)	(4,484,366)	(760,949)	(1,358,932)
Net cash flow originated from (used for) investment activities	(1,168,079)	(378,366)	(124,937)	(54,757)	(20,157)
Net cash flow originated from (used for) financing activities	9,650,095	9,034,850	2,773,584	1,698,654	604,752
Financial gain (loss), holding of cash and cash equivalents	4,314,077	2,550,009	2,845,998	2,244,999	1,605,576
Net increase (decrease) in cash	(3,541,743)	809,486	1,010,279	3,127,947	831,239

VI. Statistic data and comparative ratios

	For the year ended				
	31/12/2017	31/12/2016	31/12/2015	31/12/2014	31/12/2013
Profitability					
ROAA (Return on average assets)	2.72%	1.34%	3.07%	2.13%	2.31%
ROAE (Return on average shareholders' equity)	23.25%	10.70%	22.07%	13.34%	11.53%
Net financial margin	7.62%	6.16%	8.57%	8.97%	8.96%
Efficiency	64.85%	74.76%	65.22%	67.49%	66.59%
Capital					
Total shareholders' equity / total assets	11.72%	11.62%	13.79%	14.02%	18.87%
Funding / total shareholders' equity	523.72%	593.53%	514.49%	313.61%	358.44%
Liquidity					
Current assets / deposits	88.72%	64.19%	57.99%	53.92%	36.56%
Loans / deposits	170.40%	143.08%	99.89%	94.03%	120.65%
Asset Quality					
Non-performing loans / total loans*	3.77%	2.66%	1.98%	2.34%	2.17%
Non-performing loans / total loans**	1.81%	1.62%	1.56%	1.92%	1.55%
Reserves for loan losses / total non-performing loans*	85.65%	89.19%	105.84%	95.89%	101.62%
Reserves for loan losses / total non-performing loans**	103.35%	110.46%	119.97%	105.54%	121.71%
Non-performing loans, net of reserves / shareholders' equity*	0.54%	0.29%	(0.12)%	0.10%	(0.04)%
Non-performing loans, net of reserves / shareholders' equity**	(0.06)%	(0.17)%	(0.31)%	(0.11)%	(0.34)%

(*) On a consolidated basis

(**) On an individual basis

VII. Fourth quarter Consolidated Statement of Income

Net income for the fourth quarter was Ps. 482.2 million, compared to Ps. 486.2 million and Ps. 136.4 million of previous quarter and same quarter last year, respectively.

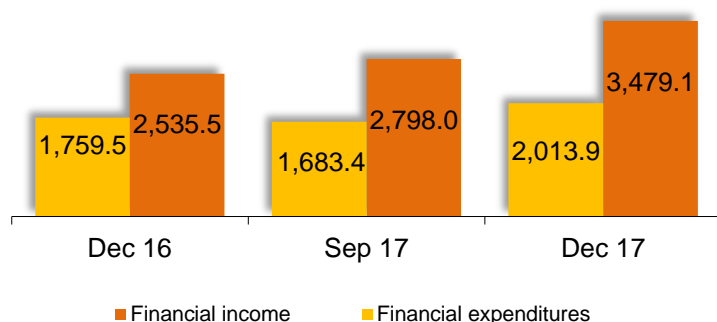
Regarding profitability ratios, the annualized ROAA for the 4Q2017 was 3.20% compared to 3.51% for the previous quarter and 1.12% for the 4Q2016. While annualized ROAE for the same periods were 26.04%, 28.09% and 9.11%, respectively.

(in thousands of pesos)	3 month period ended			Change	
	31/12/2017	30/09/2017	31/12/2016	QoQ	YoY
Financial income	3,479,107	2,797,987	2,535,548	24.3%	37.2%
<i>Interests on private sector loans</i>	2,400,096	2,157,471	2,003,687	11.2%	19.8%
<i>Trading and Position</i>	1,024,171	664,474	481,007	54.1%	112.9%
<i>Interests on public sector loans</i>	6,849	7,795	1,980	(12.1)%	245.9%
<i>Hedging transactions</i>	47,991	(31,753)	48,874	(251.1)%	(1.8)%
Financial expenditure	(2,013,949)	(1,683,442)	(1,759,514)	19.6%	14.5%
<i>Capital Markets expenses</i>	(1,224,201)	(829,585)	(735,430)	47.6%	66.5%
<i>Interests on deposits</i>	(444,775)	(579,091)	(688,772)	(23.2)%	(35.4)%
<i>Interests on other borrowings</i>	(56,319)	(61,184)	(74,944)	(8.0)%	(24.9)%
<i>Differences on exchange rate</i>	(76,759)	(7,425)	(69,232)	N/M	10.9%
<i>Taxes</i>	(211,895)	(206,157)	(191,136)	2.8%	10.9%
Net financial margin	1,465,158	1,114,545	776,034	31.5%	88.8%
Provision for loan losses	(367,971)	(163,230)	(156,518)	125.4%	135.1%
Net income from services	1,374,447	1,233,162	1,144,435	11.5%	20.1%
Administrative expenses	(1,758,187)	(1,496,570)	(1,447,199)	17.5%	21.5%
Miscellaneous income, net	(62,879)	(133,186)	(21,665)	(52.8)%	190.2%
Minority Interests	8,404	7,804	(21,389)	7.7%	(139.3)%
Income before Taxes	658,972	562,525	273,698	17.1%	140.8%
Income Tax	(176,731)	(76,300)	(137,343)	131.6%	28.7%
Net income	482,241	486,225	136,355	(0.8)%	253.7%

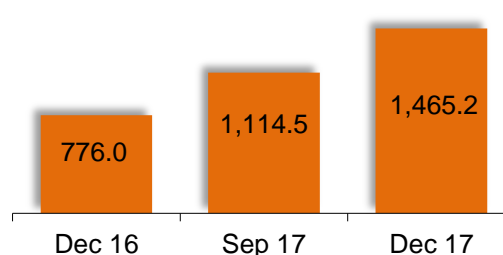
Financial income increased 24.3% compared to the previous quarter, while financial expenses increased 19.6%. Financial income increased 37.2% compared to the same quarter of last year, while financial expenses increased 14.5%.

Net financial margin for the quarter was Ps. \$1,465.2 million, compared to Ps. 1,114.5 million of last quarter and Ps. 776.0 million of same quarter last year.

Financial income & Financial expenditures
(in million pesos)



Net Financial Margin
(in million pesos)



VIII. Next quarter and 2018 perspectives

The next quarter and 2018 perspectives for the Bank are based on:

- ✓ Continue with the development of sustainable housing solutions.
- ✓ Increasing the consumer financing market share.
- ✓ Increasing the corporate business.
- ✓ Expanding the client base and the distribution capacity.
- ✓ Balancing the asset and liability structure in order to hedge the different tenors and currencies.

Eduardo S. Elsztain
Chairman

Assets and liabilities denominated in foreign currency as of December 31, 2017 were converted to pesos at the exchange rate of Ps. 18.7742/USD1.00 and Ps. 22.4179/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 / Institutional / Financial Information and Bonds). 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.