



**Banco Hipotecario SA**  
**Earnings Release - First Quarter 2018**

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Banco Hipotecario cordially invites you to participate in its  
First Quarter 2018 conference call

**Friday, May 11<sup>th</sup> , 2018, 10:00A ET**

If you would like to participate, please call:

EEUU: (800) 230-1074  
International: (612) 288-0329  
PIN # 449038

Slideshow available at:

<https://www.webcaster4.com/Webcast/Page/970/25832>

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 2018 consolidated results**

**Highlights****Executive Summary**

- The consolidated financial statements as of March 31, 2018 have been prepared under IFRS according to Central Bank's convergence plan.
- Net income for the first quarter was Ps. 519.1 million, compared to Ps. 294.6 million of same quarter of last year, which represented a 76.2% increase.
- Net financial margin for the quarter was Ps. 1,380.4 million, 51.5% higher than the Ps. 911.1 million of same quarter of last year.
- Aggregated net income from services was Ps. 1,333.4 million, 14.6% higher than the Ps. 1,163.7 million of same quarter of last year.
- Loans to the private sector increased 27.8% YoY, while personal loans increased 44.8% YoY.
- Deposits increased 27.9% YoY while financial indebtedness increased 67.2% YoY.
- On an individual basis, NPL increased from 1.7% in Q1 2017 to 1.9% in Q1 2018. Coverage ratio was 102.7%. On a consolidated basis, NPL increased from 3.5% in Q1 2017 to 4.7% in Q1 2018. Coverage ratio was 83.0%. Unifying the write off criteria of the Bank with its subsidiaries, the consolidated NPL increased from 2.7% in Q1 2017 to 3.6% in Q1 2018.
- Equity ratio as of March 31, 2018 was 11.5%, compared to 13.0% of same quarter of last year.
- In the first quarter the Bank issued Ps. 1,102.8 million at Badlar + 3.6% bonds due 2020 and UVA + 4.9% due 2022 in the local DCM.
- The ordinary shareholders meeting held on April 9<sup>th</sup> 2018 approved a dividend of Ps 200 million.

**Buenos Aires, May 8<sup>th</sup>, 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. The consolidated financial statements as of March 31<sup>st</sup>, 2018 are the first financial statements prepared under IFRS according to Central Bank's convergence plan (Communication "A" 5541 and its modifications). Provisions under IFRS 9 (5.5) will be implemented starting on January 1<sup>st</sup>, 2020 (Communication "A" 6430).

## II. Q1 2018 consolidated results

Total net income for the quarter was Ps. 519.1 million, compared to Ps. 294.6 million of same quarter last year, while income before taxes was Ps. 757.8 million in Q1 2018, compared to Ps. \$396.9 of same quarter last year.

Regarding profitability ratios, the ROAA for Q1 2018 was 2.95% compared to 2.28% for Q1 2017, while ROAE for the same periods were 25.40% and 18.06%, respectively.

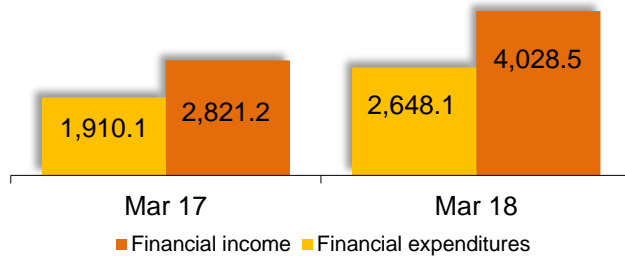
(in thousands of pesos)	3 month period ended		
	31/03/2018	31/03/2017	YoY
<b>Financial income</b>	<b>4,028,532</b>	<b>2,821,248</b>	<b>42.8%</b>
<i>Interests on private sector loans</i>	2,914,816	2,127,401	37.0%
<i>Trading and Position</i>	1,108,771	691,841	60.3%
<i>Interests on public sector loans</i>	4,945	2,006	146.5%
<b>Financial expenditure</b>	<b>(2,648,124)</b>	<b>(1,910,130)</b>	<b>38.6%</b>
<i>Capital Markets expenses</i>	(1,572,275)	(873,346)	80.0%
<i>Interests on deposits</i>	(714,975)	(577,285)	23.9%
<i>Interests on other borrowings</i>	(51,017)	(43,260)	17.9%
<i>Hedging transactions</i>	(11,503)	(350,767)	(96.7)%
<i>Differences on exchange rate</i>	(25,098)	129,849	(119.3)%
<i>Taxes</i>	(273,256)	(195,321)	39.9%
<b>Net financial margin</b>	<b>1,380,408</b>	<b>911,118</b>	<b>51.5%</b>
Provision for loan losses	(377,395)	(241,432)	56.3%
Net income from services	1,333,358	1,163,700	14.6%
Administrative expenses	(1,588,411)	(1,353,521)	17.4%
Miscellaneous income, net	9,809	(82,927)	(111.8)%
<b>Income before Taxes</b>	<b>757,769</b>	<b>396,938</b>	<b>90.9%</b>
Income Tax	(238,703)	(102,385)	133.1%
<b>Net income</b>	<b>519,066</b>	<b>294,553</b>	<b>76.2%</b>

Compared to the same quarter of previous year, financial income increased 42.8% mainly due to higher interests on private sector loans and higher results on trading, while financial expenses increased 38.6% mainly due to higher capital market expenses.

Net financial margin for the first quarter 2018 was Ps. 1,380.4 million, compared to Ps. 911.1 million of same quarter of last year. Net financial margin over average assets for the same period was 7.8%, compared to 7.1% of Q1 2017.

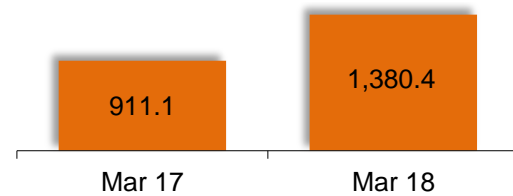
### Financial income & Financial expenditures

(in million of pesos)



### Net Financial Margin

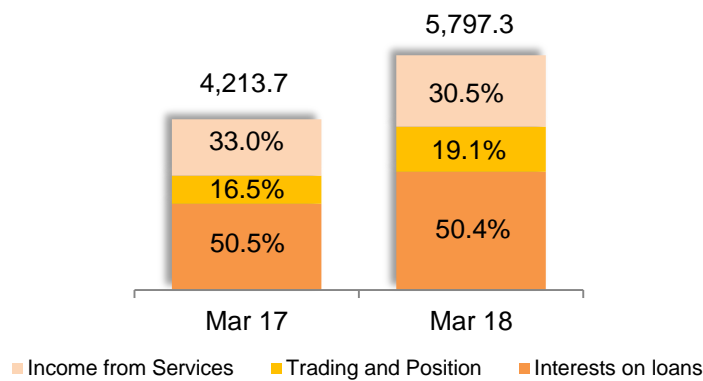
(in million of pesos)



Gross operating income increased 37.6% YoY, driven by higher volume in the intermediation business. Interest on loans and gross income from services represented 50.4% and 30.5% of operating income, respectively.

### Gross Operating Income

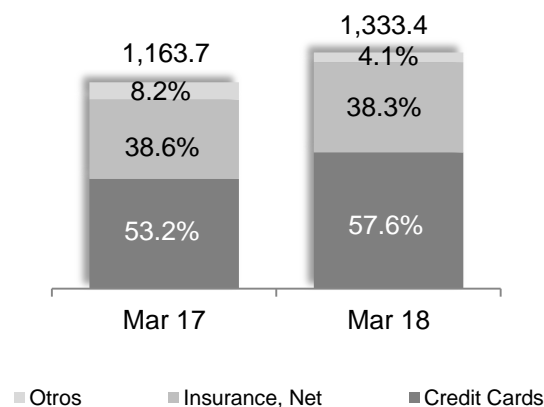
(Financial Income plus gross income from services, in million of pesos)



Additionally, net income from services increased 14.6% YoY mainly due to the insurance and credit card activity.

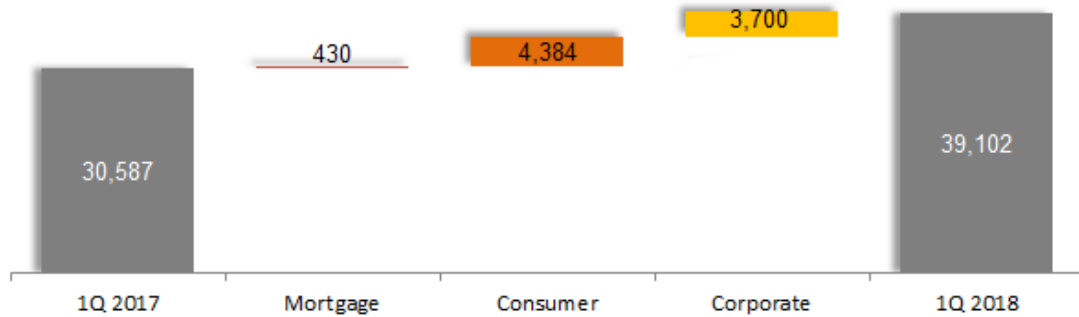
### Net income from services

(in million of pesos)



Private sector loan portfolio increased 27.8% YoY mainly due to an increase of Ps. 4,384 million in consumer financing and Ps. 3,700 million in corporate lending over the last twelve month period.

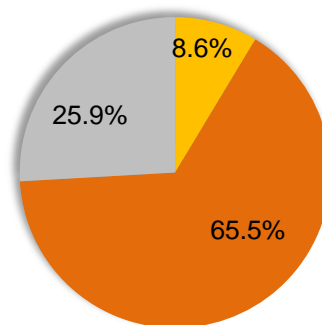
### Private Sector Loans (in million of pesos)



BH's private sector loan portfolio composition as of March 31, 2018 was 74.1% of retail financing and housing loans (65.5% consumer and 8.6% housing) and 25.9% of corporate loans, providing a highly diversified client base.

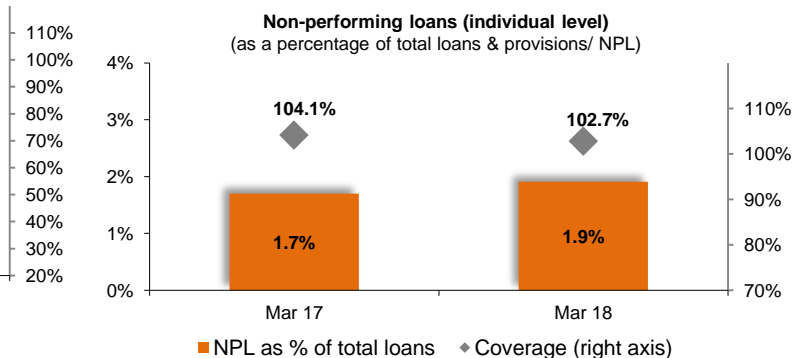
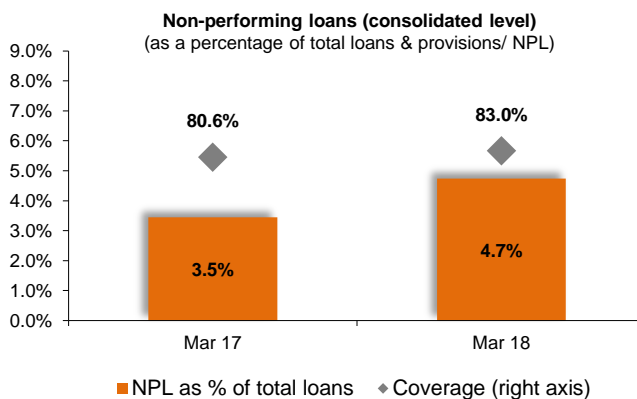
### Loan Portfolio Diversification (Non-financial Private Sector Loans)

1Q 2018

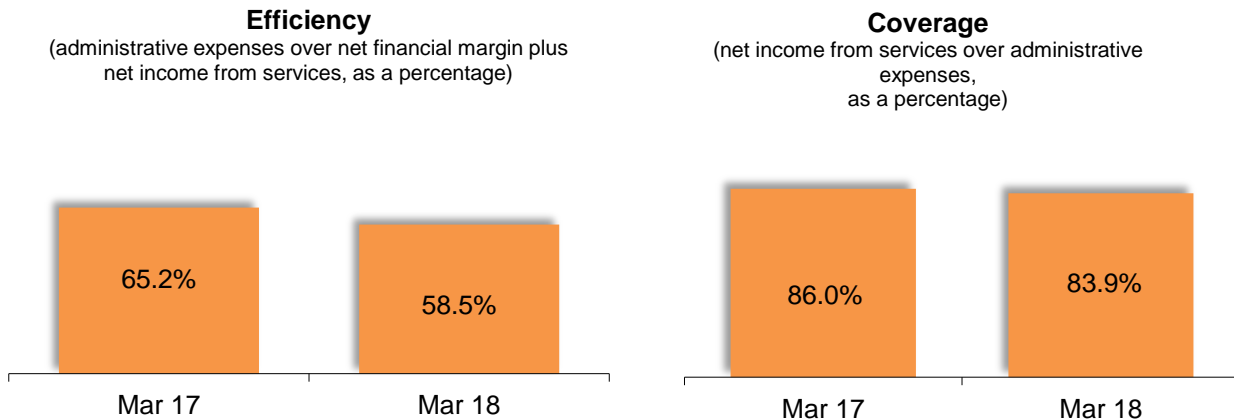


■ Mortgage ■ Consumer ■ Corporate

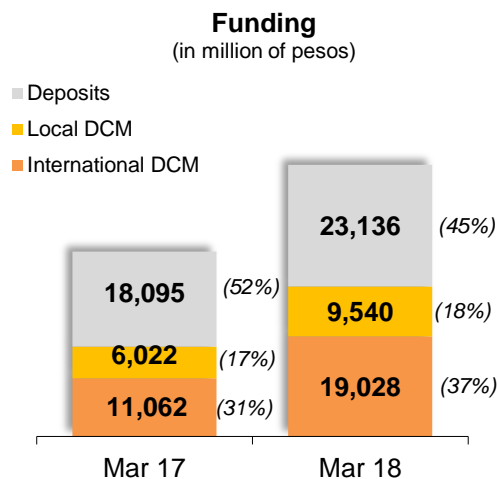
On an individual basis, NPL increased from 1.7% in Q1 2017 to 1.9% in Q1 2018. Coverage ratio was 102.7%. On a consolidated basis, NPL increased from 3.0% in Q1 2017 to 4.7% in Q1 2018. Coverage ratio was 83.0%.



Administrative expenses increased 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 58.5%, while coverage ratio (defined as net income from services over administrative expenses) was 83.9%.



Deposits increased 27.9% YoY, while financial indebtedness increased 67.2% in the same period. In the first quarter the Bank issued Ps. 1,102.8 million at Badlar + 3.6% bonds due 2020 and UVA + 4.9% due 2022 in the local DCM.



The Bank has an asset and liability structure with solvency levels as of March 31, 2018 of 11.5% 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 March 31, 2018 the trust registered loans on its assets for Ps. 91,106.0 million:

Pro.Cre.Ar	
<i>(in million of pesos)</i>	
	<b>31/03/2018</b>
Individual loans	54,985.7
Commitments to be disbursed	122.3
<b>Sub - Total Individual loans</b>	<b>55,108.0</b>
Urbanistic projects contractually adjudicated	35,998.0
<b>Total Commitments &amp; Loans</b>	<b>91,106.0</b>

### III. Comparative Consolidated Balance Sheet structure\*

(en miles de pesos)	For the period ended				
	31/03/2018	31/03/2017	31/03/2016	31/03/2015	31/03/2014
Cash and due from banks	5,047,447	2,493,754	2,996,122	2,655,537	2,028,322
Government and private securities	17,394,141	8,881,337	5,450,902	3,649,777	3,200,403
Loans	39,641,587	31,081,217	17,218,263	13,935,507	9,799,600
Non-financial public sector	72,470	148,578	101,371	139,702	92,047
Financial sector	467,112	345,707	307,357	298,256	346,466
Non-financial private sector	40,682,341	31,487,814	17,218,803	13,816,984	9,643,588
Advances	1,215,316	285,952	669,431	1,047,005	902,480
Mortgage loans	3,480,060	3,009,748	2,363,659	2,211,379	1,935,691
Documents	677,969	705,278	240,959	297,969	230,869
Pledge loans	292,306	202,895	399,065	42,440	43,024
Personal loans	8,299,966	5,731,616	2,402,533	1,934,896	1,264,209
Credit cards	18,112,851	15,967,223	7,510,877	5,535,278	3,714,368
Other	8,262,892	5,378,900	3,432,916	2,612,414	1,477,042
Interest accrued on uncollected loans	340,981	206,202	199,363	135,603	75,905
Reserve for loan losses	(1,580,336)	(900,882)	(409,268)	(319,435)	(282,501)
Other receivables from financial operations	2,809,733	3,507,389	2,839,208	3,128,945	1,796,269
Miscellaneous assets	8,613,619	5,148,169	2,319,594	1,498,609	1,128,066
<b>Total assets</b>	<b>73,506,527</b>	<b>51,111,866</b>	<b>30,824,089</b>	<b>24,868,375</b>	<b>17,952,660</b>
Deposits	23,135,550	18,095,124	16,916,791	13,180,382	10,009,741
Other liabilities from financial operations	37,220,935	23,183,479	6,836,842	5,996,935	3,436,298
Miscellaneous liabilities	4,416,390	2,866,095	2,473,379	1,574,424	899,969
<b>Total liabilities</b>	<b>64,772,875</b>	<b>44,144,698</b>	<b>26,227,012</b>	<b>20,751,741</b>	<b>14,346,008</b>
Minority Interest	300,234	307,097	66,043	67,277	69,279
<b>Shareholders' equity</b>	<b>8,433,418</b>	<b>6,660,071</b>	<b>4,531,034</b>	<b>4,049,357</b>	<b>3,537,373</b>

(\*) The last two periods are under IFRS, while the previous ones are under BCRA GAAP.

### IV. Comparative 12 month ended period Consolidated Statement of Income\*

(in thousands of pesos)	3 month period ended				
	31/03/2018	31/03/2017	31/03/2016	31/03/2015	31/03/2014
<b>Financial income</b>	<b>4,028,532</b>	<b>2,821,248</b>	<b>2,160,319</b>	<b>1,460,047</b>	<b>956,290</b>
Interests on private sector loans	2,914,816	2,127,401	1,459,422	1,064,028	810,626
Trading and Position	1,108,771	691,841	694,062	391,484	136,974
Interests on public sector loans	4,945	2,006	6,835	4,535	8,690
<b>Financial expenditure</b>	<b>(2,648,124)</b>	<b>(1,910,130)</b>	<b>(1,400,194)</b>	<b>(851,868)</b>	<b>(268,454)</b>
Capital Markets expenses	(1,572,275)	(873,346)	(326,933)	(188,755)	(122,477)
Interests on deposits	(714,975)	(577,285)	(980,142)	(479,071)	(356,440)
Interests on other borrowings	(51,017)	(43,260)	(42,653)	(21,978)	(37,100)
Hedging transactions	(11,503)	(350,767)	185,206	(22,007)	442,601
Differences on exchange rate	(25,098)	129,849	(45,060)	(17,925)	(83,912)
Taxes	(273,256)	(195,321)	(190,612)	(122,132)	(111,126)
<b>Net financial margin</b>	<b>1,380,408</b>	<b>911,118</b>	<b>760,125</b>	<b>608,179</b>	<b>687,836</b>
Provision for loan losses	(377,395)	(241,432)	(98,315)	(94,644)	(79,555)
Net income from services	1,333,358	1,163,700	831,311	656,786	372,870
Administrative expenses	(1,588,411)	(1,353,521)	(1,117,384)	(836,750)	(604,020)
Miscellaneous income, net	9,809	(82,927)	(35,951)	(44,719)	(57,482)
<b>Income before Taxes</b>	<b>757,769</b>	<b>396,938</b>	<b>343,837</b>	<b>290,230</b>	<b>323,689</b>
Income Tax	(238,703)	(102,385)	(113,458)	(114,149)	(121,267)
<b>Net income</b>	<b>519,066</b>	<b>294,553</b>	<b>230,379</b>	<b>176,081</b>	<b>202,422</b>

(\*) The last two periods are under IFRS, while the previous ones are under BCRA GAAP.

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



(in thousands of pesos)	For the period ended				
	31/03/2018	31/03/2017	31/03/2016	31/03/2015	31/03/2014
Net cash flow originated from (used for) operating ac	2,832,659	(6,261,272)	(3,757,770)	(3,020,103)	(613,473)
Net cash flow originated from (used for) investment :	(1,493,644)	(9,050)	(8,718)	(7,627)	(8,348)
Net cash flow originated from (used for) financing ac	(220,574)	475,191	734,408	60,967	513,630
Financial gain (loss), holding of cash and cash equi	95,297	945,310	719,922	594,371	523,161
<b>Net increase (decrease) in cash</b>	<b>1,213,738</b>	<b>(4,849,821)</b>	<b>(2,312,158)</b>	<b>(2,372,392)</b>	<b>414,970</b>

(\*) The last two periods are under IFRS, while the previous ones are under BCRA GAAP.

## VI. Statistic data and comparative ratios\*

	For the period ended				
	31/03/2018	31/03/2017	31/03/2016	31/03/2015	31/03/2014
<b>Profitability</b>					
ROAA (Return on average assets)	2.95%	2.28%	2.27%	2.27%	3.58%
ROAE (Return on average shareholders' equity)	25.40%	18.06%	16.59%	15.78%	20.51%
Net financial margin	7.83%	7.06%	7.48%	7.83%	12.16%
Efficiency	58.53%	65.24%	70.21%	66.15%	56.95%
<b>Capital</b>					
Total shareholders' equity / total assets	11.47%	13.03%	13.55%	14.70%	16.28%
Funding / total shareholders' equity	613.09%	528.21%	506.04%	474.78%	409.85%
CET1 ratio	14.69%	13.80%	13.05%	15.19%	17.35%
Total capital ratio	14.06%	13.07%	13.90%	16.23%	16.06%
<b>Liquidity</b>					
Current assets / deposits	97.00%	62.86%	61.26%	49.93%	47.84%
Loans / deposits	171.34%	171.77%	97.63%	101.78%	105.73%
<b>Asset Quality</b>					
Non-performing loans / total loans	4.75%	3.45%	2.33%	2.31%	2.14%
Reserves for loan losses / total non-performing loan:	83.02%	80.62%	94.91%	97.45%	101.05%
Non-performing loans, net of reserves / total loans	0.81%	0.67%	0.12%	0.06%	(0.02)%

(\*) The last two periods are under IFRS, while the previous ones are under BCRA GAAP.

## VII. 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.

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**Eduardo S. Elsztain**  
Chairman

Assets and liabilities denominated in foreign currency as of March 31, 2018 were converted to pesos at the exchange rate of Ps. 20.1433/USD1.00 and Ps. 24.8195/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) / 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](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.