

BANCO HIPOTECARIO S.A.

EARNINGS RELEASE – SECOND QUARTER 2020





Banco Hipotecario cordially invites you to participate in its
Second Quarter 2020 conference call

Thursday, August 20th, 2020, 10:00 AM EST

If you would like to participate, the hyperlink is:

<https://zoom.us/j/94617300333?pwd=c0FiWFFiYWRZdFRRVkZEbmw5YnNNZz09>

Meeting ID: 946 1730 0333

Password: BH

Or you can dial in:

U.S.A: +1 646 558 8656

Argentina: +54 112 040 0447

Meeting ID: 946 1730 0333

Password: 076838

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





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SECOND QUARTER 2020 CONSOLIDATED RESULTS

The Bank began reporting results applying Hyperinflation Accounting, in accordance to IFRS rule IAS 29 ("IAS 29") as established by the Central Bank as of Q1 2020. Therefore, every result and variation described in this report is expressed in constant currency as of June 30th, 2020. Also, the provisioning model of IFRS 9 section 5.5 was applied, as established by the Central Bank.

HIGHLIGHTS

EXECUTIVE SUMMARY

- Net income attributable to owners of the parent company for the quarter was Ps. 596.3 million, compared to Ps. (525.2) million of Q1 2020, and Ps. (27.2) million of Q2 2019.
- Net operating income for the quarter was Ps. 4,599.8 million, compared to Ps. 4,039.4 million of Q1 2020, and Ps. 6,788.5 million of Q2 2019.
- Operating income for the quarter was Ps. 1,113.6 million, compared to Ps. 249.9 million of Q1 2020, and Ps. 1,316.8 million of Q2 2019.
- During the second quarter of 2020, the Liquidity Coverage Ratio (LCR) was 179.0%, Net Stable Funding Ratio (NSFR) was 138.6% and the liquid assets to deposits ratio was 100.8%.
- Loans to the non-financial private sector decreased 3.9% QoQ and 28.2% YoY.
- Deposits increased 40.1% QoQ and 49.4% YoY, while capital markets debt decreased 6.4% QoQ and 26.0% YoY.
- On a consolidated basis, NPL increased from 12.5% in Q1 2020 to 12.7% in Q2 2020, while coverage ratio was 93.6% for the quarter. Besides, NPL in the consumer portfolio decreased from 4.6% to 4.4% during the same period.
- Total capital ratio as a percentage of RWA as of June 30th, 2020 was 16.9%, compared to 17.0% of last quarter, and to 12.9% of Q2 2019.
- The COVID-19 pandemic is adversely impacting both the global economy and the Argentine economy and our business, and it is still too early to know the full extent of its impact.
- During 2020, the Central Bank established measures that affect the result of our operations: maximum rate for credit cards, minimum rate for term deposits and freezing of fees, among others.





Buenos Aires, August 18th, 2020

I. BANCO HIPOTECARIO'S 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. and BHN Sociedad de Inversión S.A. The consolidated financial statements as of June 30th, 2020 were prepared under IFRS according to Central Bank's convergence plan (Communication "A" 5541 and its modifications). Also, provisions under IFRS 9 (5.5) and inflation accounting were implemented starting on January 1st, 2020 (Communication "A" 6430, "A" 6651, "A" 6778 and "A" 6847).

II. SECOND QUARTER 2020 CONSOLIDATED RESULTS

Net income attributable to owners of the parent company, for the quarter was Ps. 596.3 million, compared to Ps. (525.2) million of Q1 2020 and to Ps. (27.2) million of Q2 2019.

Regarding profitability ratios, the ROAA for Q2 2020 was 0.1% compared to (2.0)% for Q1 2020 and (2.2)% for Q2 2019, while ROAE for the same periods were 1.0%, (15.5)% and (17.2)%, respectively.

Income statement (in millions of pesos)	3 month period ended			Variation (%)	
	06/30/20	03/31/20	06/30/19	QoQ	YoY
Interest Income	3,393.2	4,254.6	6,273.5	(20.2)%	(45.9)%
Interest Expense	(3,090.4)	(3,952.1)	(6,008.2)	(21.8)%	(48.6)%
Net Interest Income	302.8	302.6	265.3	0.1%	14.1%
Fee Income	1,446.4	1,247.3	1,830.3	16.0%	(21.0)%
Fee Expense	(60.6)	(55.6)	(249.9)	9.1%	(75.7)%
Net Fee Income	1,385.8	1,191.7	1,580.4	16.3%	(12.3)%
Net Income from financial instruments at Fair Value through profit & Loss	1,930.2	1,772.1	4,780.4	8.9%	(59.6)%
Difference in quoted prices of gold and foreign currency	(48.2)	(311.2)	(1,416.9)	(84.5)%	(96.6)%
Other operating income	1,353.8	1,469.8	1,808.6	(7.9)%	(25.1)%
Provision for loan losses	(324.6)	(385.6)	(229.4)	(15.8)%	41.5%
Net Operating Income	4,599.8	4,039.4	6,788.5	13.9%	(32.2)%
Personnel expenses	(1,372.9)	(1,378.6)	(2,003.1)	(0.4)%	(31.5)%
Administrative expenses	(853.8)	(914.1)	(1,278.9)	(6.6)%	(33.2)%
Depreciation and impairment of assets	(161.8)	(192.5)	(91.9)	(15.9)%	76.1%
Other operating expenses	(1,097.7)	(1,304.3)	(2,097.8)	(15.8)%	(47.7)%
Operating Income	1,113.6	249.9	1,316.8	N/A	(15.4)%
Result from subsidiaries, associates and joint ventures	21.5	(21.5)	14.9	(200.0)%	44.0%
Result from exposure to changes in the purchasing power o	(295.7)	(714.8)	(1,152.8)	(58.6)%	(74.3)%
Income tax from continuing operations	(201.9)	(31.4)	(215.3)	N/A	(6.2)%
Net income of the period attributable to non-controlling interests	(41.1)	(7.4)	9.1	N/A	N/A
Net Income attributable to owners of the parent company	596.3	(525.2)	(27.2)	(213.5)%	N/A

Net interest income for the quarter was Ps. 302.8 million, compared to Ps. 302.6 of Q1 2020 and to Ps. 265.3 of Q2 2019, representing an increase of 0.1% QoQ and of 14.1% YoY.

Interest income for the quarter was Ps. 3,393.2 million, compared to Ps. 4,254.6 million of Q1 2020 and to Ps. 6,273.5 million of Q2 2019, which represents a decrease of 20.2% QoQ and 45.9% YoY. This does not include income from Central Bank notes (Leliq), which are reflected in net income from financial instruments at fair value through profit and loss.





Interest Income

(in millions of pesos)

	3 month period ended			Variation (%)	
	06/30/20	03/31/20	06/30/19	QoQ	YoY
Interest on cash and due from banks	22.6	25.0	11.9	(9.5)%	89.9%
Interest from loans to the financial sector	31.1	0.6	5.8	N/A	N/A
Interest from public and corporate securities	307.9	342.9	261.9	(10.2)%	17.6%
Interest on overdrafts	8.1	23.5	87.6	(65.4)%	(90.7)%
Interest on documents	20.3	17.4	59.5	17.1%	(65.8)%
Interest on pledge loans	6.6	7.5	20.9	(11.6)%	(68.3)%
Interest on financial leases	3.1	5.0	15.7	(36.8)%	(80.0)%
Interest on other loans	363.8	372.5	838.8	(2.3)%	(56.6)%
Interest from commercial loans	402.1	425.8	1,022.4	(5.6)%	(60.7)%
Interest on personal loans	508.4	643.9	1,305.6	(21.1)%	(61.1)%
Interest on credit card loans	968.5	1,622.0	2,673.0	(40.3)%	(63.8)%
Interest from consumer loans	1,476.8	2,265.9	3,978.6	(34.8)%	(62.9)%
Interest on mortgage loans	162.2	171.9	235.1	(5.6)%	(31.0)%
Interest on other receivables from financial operations	7.8	0.6	0.2	N/A	N/A
Income from adjustments	453.2	621.2	628.0	(27.1)%	(27.8)%
Interest from mortgage loans	623.2	793.6	863.2	(21.5)%	(27.8)%
Others	529.5	400.7	129.7	32.2%	N/A
Total	3,393.2	4,254.6	6,273.5	(20.2)%	(45.9)%

Interest expense for the quarter was Ps. 3,090.4 million, compared to Ps. 3,952.1 million of Q1 2020 and to Ps. 6,008.2 million of Q2 2019, which represents a decrease of 21.8% QoQ and of 48.6% YoY.

Interest Expense

(in millions of pesos)

	3 month period ended			Variation (%)	
	06/30/20	03/31/20	06/30/19	QoQ	YoY
Interest on checking accounts	(534.1)	(473.0)	(47.8)	12.9%	N/A
Interest on saving accounts	(1.6)	(3.1)	(5.6)	(49.8)%	(72.1)%
Interest on time deposits	(963.3)	(1,322.1)	(2,096.9)	(27.1)%	(54.1)%
Interest from deposits	(1,499.0)	(1,798.2)	(2,150.3)	(16.6)%	(30.3)%
Interest from other liabilities from financial operations	(1,090.3)	(1,455.4)	(3,189.2)	(25.1)%	(65.8)%
Expense from adjustments	(457.8)	(584.4)	(620.4)	(21.7)%	(26.2)%
Interest from corporate bonds	(1,548.2)	(2,039.8)	(3,809.6)	(24.1)%	(59.4)%
Interest on interfinancial loans	(38.2)	(17.9)	(34.3)	113.8%	11.3%
Interest on other financing from financial institutions	-	-	(10.8)	N/A	(100.0)%
Others	(5.1)	(96.2)	(3.2)	(94.7)%	57.9%
Total	(3,090.4)	(3,952.1)	(6,008.2)	(21.8)%	(48.6)%

Net fee income for the quarter was Ps. 1,385.8 million, compared to Ps. 1,191.7 million of Q1 2020 and to Ps. 1,580.4 million of Q2 2019, which represents an increase of 16.3% QoQ and a decrease of 12.3% YoY.

Net Fee Income

(in millions of pesos)

	3 month period ended			Variation (%)	
	06/30/20	03/31/20	06/30/19	QoQ	YoY
Fee Income					
Fee charged on consumer clients	1,283.9	1,110.9	1,752.5	15.6%	(26.7)%
Fee charged on liability transactions	145.4	126.9	70.0	14.6%	107.7%
Others	17.1	9.5	7.8	79.4%	119.0%
Total	1,446.4	1,247.3	1,830.3	16.0%	(21.0)%
Fee Expense					
Credit related fees	(31.7)	(33.7)	(202.0)	(6.2)%	(84.3)%
Debt placement charges	(24.7)	(18.2)	(45.1)	35.8%	(45.2)%
Others	(4.3)	(3.6)	(2.8)	16.8%	53.4%
Total	(60.6)	(55.6)	(249.9)	9.1%	(75.7)%
Net Fee Income	1,385.8	1,191.7	1,580.4	16.3%	(12.3)%





Net income from financial instruments at fair value through profit and loss for the year was Ps. 1,930.2 million, compared to Ps. 1,772.1 million of Q1 2020 and Ps. 4,780.4 million of Q2 2019, which represents an increase of 8.9% QoQ and a decrease of 59.6% YoY.

Net Income from financial instruments at Fair Value through profit & loss

(in millions of pesos)	3 month period ended			Variation (%)	
	06/30/20	31/03/20	06/30/19	QoQ	YoY
Income from public securities	1,624.5	1,778.0	4,676.1	(8.6)%	(65.3)%
Income from private securities	317.4	(71.3)	121.4	N/A	161.5%
Income from other securities	(11.8)	65.4	(17.1)	(118.0)%	(31.1)%
Total	1,930.2	1,772.1	4,780.4	8.9%	(59.6)%

The negative result of difference in quoted prices of gold and foreign currency for the quarter was Ps. 48.2 million, compared to Ps. 311.2 million of Q1 2020 and Ps. 1,416.9 million of Q2 2019, which represents a decrease of 84.5% QoQ and 96.6% YoY.

Other operating income for the quarter was Ps. 1,353.8 million, compared to Ps. 1,469.8 million of Q1 2020 and Ps. 1,808.6 million of Q2 2019, which represents a decrease of 7.9% QoQ and 25.1% YoY.

Other operating income

(in millions of pesos)	3 month period ended			Variation (%)	
	06/30/20	03/31/20	06/30/19	QoQ	YoY
Loan related services	979.9	993.6	1,070.0	(1.4)%	(8.4)%
Fee charged on liability transactions	53.3	60.9	46.9	(12.5)%	13.6%
Other income from services	91.1	119.7	159.0	(23.9)%	(42.7)%
Penalty interest	28.6	61.1	122.5	(53.2)%	(76.6)%
Recovered loans	74.9	75.3	40.6	(0.5)%	84.2%
Others	126.1	159.3	369.6	(20.9)%	(65.9)%
Total	1,353.8	1,469.8	1,808.6	(7.9)%	(25.1)%

Provision for loan losses for the quarter was Ps. 324.6 million, compared to Ps. 385.6 million of Q1 2020 and to Ps. 229.4 million of Q2 2019, which represents a decrease of 15.8% QoQ and an increase of 41.5% YoY.

Personnel expenses for the quarter were Ps. 1,372.9 million, compared to Ps. 1,378.6 million of Q1 2020 and to Ps. 2,003.1 of Q2 2019, which represents a decrease of 0.4% QoQ and of 31.5% YoY.

Personnel expenses

(in millions of pesos)	3 month period ended			Variation (%)	
	06/30/20	03/31/20	06/30/19	QoQ	YoY
Salaries	(820.3)	(803.6)	(948.3)	2.1%	(13.5)%
Vacation bonus	(48.3)	(64.8)	(67.6)	(25.5)%	(28.6)%
Social security expenses	(192.8)	(218.3)	(256.3)	(11.7)%	(24.8)%
Severance and bonus expenses	(247.9)	(206.6)	(666.6)	20.0%	(62.8)%
Other personnel expenses	(63.7)	(85.3)	(64.4)	(25.3)%	(1.1)%
Total	(1,372.9)	(1,378.6)	(2,003.1)	(0.4)%	(31.5)%

Administrative expenses for the quarter were Ps. 853.8 million, compared to Ps. 914.1 million of Q1 2020 and to Ps. 1,278.9 million of Q2 2019, which represents a decrease of 6.6% QoQ and of 33.2% YoY.





Administrative expenses

(in millions of pesos)

	3 month period ended			Variation (%)	
	06/30/20	03/31/20	06/30/19	QoQ	YoY
Directors fees	(86.0)	(54.9)	(125.2)	56.6%	(31.3)%
Other fees	(406.1)	(432.6)	(538.8)	(6.1)%	(24.6)%
Advertising and publicity	(13.0)	(23.8)	(33.1)	(45.3)%	(60.7)%
Taxes	(99.3)	(96.4)	(157.4)	3.0%	(36.9)%
Maintenance and conservation fees	(65.1)	(84.5)	(97.7)	(22.9)%	(33.3)%
Electricity, gas and communications	(70.9)	(78.1)	(99.5)	(9.2)%	(28.7)%
Others	(113.3)	(143.8)	(227.1)	(21.2)%	(50.1)%
Total	(853.8)	(914.1)	(1,278.9)	(6.6)%	(33.2)%

Other operating expenses for the quarter were Ps.1,097.7 million, compared to Ps. 1,304.3 million of Q1 2020 and to Ps. 2,097.8 million of Q2 2019, which represents a decrease of 15.8% QoQ and of 47.7% YoY.

Other operating expenses

(in millions of pesos)

	3 month period ended			Variation (%)	
	06/30/20	03/31/20	06/30/19	QoQ	YoY
Turnover tax and others	(412.2)	(443.2)	(709.4)	(7.0)%	(41.9)%
Deposit Guarantee Fund contributions	(27.5)	(19.7)	(18.6)	39.4%	47.8%
Loan related services	(337.4)	(508.9)	(478.7)	(33.7)%	(29.5)%
Other provision charges	(26.8)	(0.6)	(147.9)	N/A	(81.9)%
Discounts	(92.5)	(115.5)	(117.0)	(19.9)%	(21.0)%
Others	(201.5)	(216.4)	(626.2)	(6.9)%	(67.8)%
Total	(1,097.7)	(1,304.3)	(2,097.8)	(15.8)%	(47.7)%

Non-financial private sector loan portfolio totaled Ps. 43,428.9 million in the quarter, compared to Ps. 45,211.9 million of Q1 2020 and to Ps. 60,454.3 million of Q2 2019, which represents a decrease of 3.9% QoQ and of 28.2% YoY.

Loans to the non-financial private sector

(in millions of pesos)

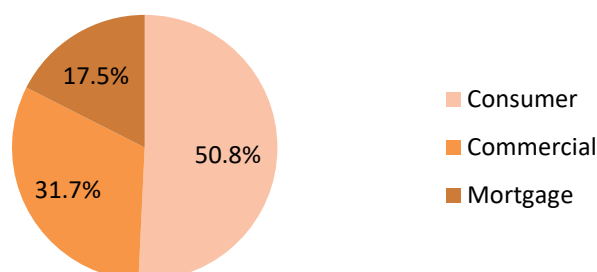
	3 month period ended			Variation (%)	
	06/30/20	31/03/20	06/30/19	QoQ	YoY
Overdrafts	212.7	278.2	754.3	(23.5)%	(71.8)%
Documents	215.1	140.7	276.2	52.9%	(22.1)%
Mortgage loans	7,283.0	7,453.2	8,490.2	(2.3)%	(14.2)%
Pledge loans	61.9	80.5	213.0	(23.2)%	(70.9)%
Personal loans	4,791.3	5,758.3	12,787.7	(16.8)%	(62.5)%
Credit card loans	17,252.3	18,339.5	22,077.4	(5.9)%	(21.9)%
Financial leases	32.3	45.6	127.8	(29.2)%	(74.7)%
Loans to the personnel	332.7	345.8	417.1	(3.8)%	(20.2)%
Unallocated collections	(5.0)	(7.2)	(11.9)	(30.1)%	(57.8)%
Other	12,266.4	12,026.6	14,567.3	2.0%	(15.8)%
Accrued interest and quotation differences receivable	1,010.7	778.8	808.9	29.8%	24.9%
Documented interest	(24.4)	(28.0)	(53.6)	(12.9)%	(54.5)%
Total	43,428.9	45,211.9	60,454.3	(3.9)%	(28.2)%

BH's non-financial private sector loan portfolio composition as of June 30th, 2020 was 68.3% of retail financing and housing loans (50.8% consumer and 17.5% housing) and 31.7% of commercial loans, providing a highly diversified client base.



Non-financial Private Sector Loan Portfolio Diversification

Q2 2020



On a consolidated basis, NPL increased from 12.5% in Q1 2020 to 12.7% in Q2 2020, while coverage ratio was 93.6% for the quarter. Besides, NPL in the consumer portfolio decreased from 4.6% to 4.4% during the same period.

Non-performing loans

(in millions of pesos)

	As of		
	06/30/20	31/03/20	06/30/19
Consolidated level			
Non-performing loans	5,528.7	5,683.3	8,125.1
Total portfolio	43,539.8	45,633.7	61,000.4
Allowances (total)	5,175.0	5,279.2	5,317.0
Non-performing loans / Total portfolio	12.7%	12.5%	13.3%
Allowances (total) / Non-performing loans	93.6%	92.9%	65.4%
Consumer portfolio			
Non-performing loans (consumer)	1,301.9	1,487.6	4,832.0
Consumer portfolio	29,416.9	32,002.3	43,700.3
Allowances (consumer)	2,089.1	2,186.7	4,456.5
Non-performing loans (consumer) / Consumer portfolio	4.4%	4.6%	11.1%
Allowances (consumer) / Non-performing loans (consumer)	160.5%	147.0%	92.2%
Commercial portfolio			
Non-performing loans (commercial)	4,226.9	4,195.7	3,293.1
Commercial portfolio	14,122.9	13,631.4	17,300.1
Allowances (commercial)	3,085.8	3,092.4	860.5
Non-performing loans (commercial) / Commercial portfolio	29.9%	30.8%	19.0%
Allowances (Commercial) / Non-performing loans (commercial)	73.0%	73.7%	26.1%

Deposits totaled Ps. 63,187.3 million, representing an increase of 40.1% QoQ and of 49.4% YoY, while capital markets debt totaled Ps. 31,789.5 million, representing a decrease of 6.4% QoQ and of 26.0% YoY.



Funding (in millions of pesos)	3 month period ended						Variation (%)	
	06/30/20		31/03/20		06/30/19		QoQ	YoY
	Ps.	%	Ps.	%	Ps.	%		
Deposits	63,187.3	66.5%	45,096.4	57.0%	42,281.1	49.6%	40.1%	49.4%
Local capital markets debt	9,419.0	9.9%	13,132.0	16.6%	25,337.7	29.7%	(28.3)%	(62.8)%
International capital markets debt	22,370.6	23.6%	20,839.4	26.4%	17,619.0	20.7%	7.3%	27.0%
Capital markets debt	31,789.5	33.5%	33,971.3	43.0%	42,956.7	50.4%	(6.4)%	(26.0)%
Total	94,976.8	100.0%	79,067.7	100.0%	85,237.8	100.0%	20.1%	11.4%

Comparative consolidated balance sheet (in millions of pesos)	As of		Variation (%)
	06/30/20	06/30/19	YoY
Assets			
Cash and deposits in banks	22,247.5	11,481.9	93.8%
Debt securities at fair value through profit and loss	19,323.9	29,043.4	(33.5)%
Derivatives	1.7	51.4	(96.8)%
Repo transactions	17,295.7	1,864.4	N/A
Loans and other receivables	3,202.7	3,794.4	(15.6)%
Non financial public sector	0.1	0.0	N/A
Financial sector	7.3	42.1	(82.6)%
Non financial private sector and foreign	43,428.9	60,454.3	(28.2)%
Allowances	(5,154.5)	(5,306.1)	(2.9)%
Loans, net of allowances	38,281.8	55,190.2	(30.6)%
Other debt securities	4,807.5	2,408.0	99.6%
Financial assets in guarantee	3,370.9	3,668.7	(8.1)%
Investment in other companies, subsidiaries and joint ventures	6.5	6.4	1.8%
Property, plant and equipment	4,322.4	4,572.6	(5.5)%
Others	8,343.0	8,312.5	0.4%
Total Assets	121,203.6	120,393.9	0.7%
Liabilities			
Deposits	63,187.3	42,281.1	49.4%
Liabilities at fair value through profit and loss	1,411.2	1,851.2	(23.8)%
Derivatives	0.3	90.1	(99.6)%
Repo transactions	412.0	-	N/A
Other financial liabilities	6,343.3	10,057.1	(36.9)%
Financing received from Central Bank and other financial institutic	257.6	1,741.1	(85.2)%
Capital markets debt	31,789.5	42,956.7	(26.0)%
Current income tax liabilities	348.8	595.3	(41.4)%
Subordinated capital markets debt	-	-	N/A
Provisions	667.1	717.1	(7.0)%
Deferred income tax liabilities	-	-	N/A
Other non financial liabilities	2,501.5	4,172.5	(40.0)%
Total Liabilities	106,918.6	104,462.2	2.4%
Shareholders' Equity attributable to non controlling interest	374.6	328.5	14.0%
Shareholders' Equity attributable to controlling interest	13,910.4	15,603.2	(10.8)%
Total Shareholders' Equity	14,285.0	15,931.7	(10.3)%





Comparative consolidated income statement (in millions of pesos)	6 month period ended		Variation (%)
	06/30/20	06/30/19	YoY
Interest Income	7,194.6	12,595.8	(42.9)%
Income from adjustments	453.2	628.0	(27.8)%
Interest Expense	(6,458.1)	(11,991.9)	(46.1)%
Expenses from adjustments	(584.4)	(484.8)	20.5%
Net Interest Income	605.3	747.1	(19.0)%
Fee Income	2,693.7	3,568.7	(24.5)%
Fee Expense	(116.2)	(492.3)	(76.4)%
Net Fee Income	2,577.5	3,076.4	(16.2)%
Net Income from financial instruments at Fair Value through profit & Loss	3,702.3	8,801.9	(57.9)%
Difference in quoted prices of gold and foreign currency	(359.4)	(2,934.4)	(87.8)%
Other operating income	2,823.7	3,636.0	(22.3)%
Provision for loan losses	(710.1)	(2,010.1)	(64.7)%
Net Operating Income	8,639.2	11,317.0	(23.7)%
Personnel expenses	(2,751.5)	(3,953.9)	(30.4)%
Administrative expenses	(1,767.9)	(2,514.8)	(29.7)%
Depreciation and impairment of assets	(354.3)	(414.4)	(14.5)%
Other operating expenses	(2,402.0)	(3,579.2)	(32.9)%
Operating Income	1,363.5	854.6	59.5%
Result from subsidiaries, associates and joint ventures	-	-	N/A
Result from exposure to changes in the purchasing power of the currency	(1,010.6)	(1,974.9)	(48.8)%
Income before income tax from continuing operations	352.9	(1,120.3)	(131.5)%
Income tax from continuing operations	(233.2)	(250.8)	(7.0)%
Net income of the period attributable to non-controlling interests	(48.5)	28.9	(267.6)%
Net Income attributable to owners of the parent company	71.2	(1,342.1)	(105.3)%





Statistic data and comparative ratios

	For the period ended on		
	06/30/20	03/31/20	06/30/19
Profitability			
ROAA (return on average assets)	0.1%	(2.0)%	(2.2)%
ROAE (return on average equity)	1.0%	(15.5)%	(17.2)%
Net financial margin*	7.1%	6.7%	11.0%
Efficiency**	67.5%	76.8%	67.1%
Capital			
Shareholders' Equity / Total Assets	11.5%	12.2%	13.0%
CET I Ratio	16.4%	16.5%	12.4%
Tier 1 Ratio	16.4%	16.5%	12.4%
Total Capital Ratio	16.9%	17.0%	12.9%
Liquidity			
Liquid Assets / Deposits	100.8%	103.1%	106.0%
LCR	179.0%	208.0%	266.0%
NSFR	138.6%	136.6%	161.3%
Loans / Deposits	60.6%	88.6%	148.7%

* (Annualized net interest income + annualized Net Income from financial instruments at Fair Value through profit and loss + annualized Difference in quoted prices of gold and foreign currency) / Average Assets

** (Personnel expenses + administrative expenses + depreciation and impairment of assets) / (Net Interest Income + Net Fee Income + Net Income from financial instruments at Fair Value through profit and loss + difference in quoted prices of gold and foreign currency + other items included in income and operating expenses)

III. COVID-19 PANDEMIC

The COVID-19 pandemic is adversely impacting both the global economy and the Argentine economy and our business, although it is still too early to know the full extent of its impact.

On March 12, 2020, the National Executive Power (PEN) decreed a health emergency to handle the crisis caused by COVID-19, and later, on March 19, the PEN issued a decree ordering social, preventive and mandatory isolation, which originally applied from March 20th to March 31st, 2020 inclusive, and has been extended since then until August 30th 2020, for now, with varying restrictions for different places of the country. The measures adopted in Argentina include the deceleration or suspension of most of the non-essential activities carried out by individuals, and consequently, is significantly affecting the national and regional economy, and economic uncertainty is increasing, evidenced by an increase in asset price volatility and exchange rate volatility.

Central Bank regulations issued after the outbreak of the COVID-19 crisis included measures related to the postponement of maturities of loans past due during the quarantine period that the Argentine government decreed in mid-March, the provision of credit lines with low rates for individuals and companies that have been most affected by the pandemic, ensuring the availability of banking services and keeping the payment chain at all levels, even in the face of branch offices closings according to what the Central Bank required.





The Bank is actively monitoring the impact of the pandemic on its business, liquidity, financial situation, and results of operations, as well as the continuity of its operations. Some of the actions we have taken to date, in response to the COVID-19 pandemic include (i) in March 2020, we implemented various response measures to ensure the continuity of our business operations and protect the health and safety of our employees, including a quarantine protocol, guidelines for customer meetings and employee meetings (now conducted exclusively via videoconference from the start of the quarantine) and certain changes in the daily operations of critical processes, (ii) we have assigned more resources for the provision of banking services through our electronic channels, such as our electronic banking website and mobile applications, through the reassignment of personnel from our branches, and we have increased the type of transactions that can be completed through these channels and (iii) we have adopted work from home measures that our staff must follow with the goal of reducing cybersecurity problems and other risks. Besides, the Bank is designing a plan to return to the office in stages when there is government authorization. The management team is also reviewing future actions that we can take if the Argentine quarantine or other effects of the pandemic persist for an extended period. We hope that continuous control of expenses, solid balance sheet, liquidity and capital management are the fundamental pillars of our strategy.

The Bank faces various risks arising from the economic impact of the pandemic on its operations, as well as on its clients. Both these effects, and government measures related to the pandemic and its impact are difficult to predict accurately at this time. These risks include: (i) lower revenues as a consequence of the lower interest rates on loans and credit cards promoted by the Central Bank, (ii) the Bank could face certain difficulties to refinance capital market maturities if it is severely damaged by the pandemic, (iii) higher expenses as a result of minimum rates for term deposits established by the Central Bank, (iv) a possible significant increase in loans delinquency, with a consequent increase in loan loss provisions, and (v) we cannot foresee the physical and psychological impact that prolonged lockdown may have on our employees, and the potential impact of this on our operations.





IV. NEXT QUARTER AND 2020 PERSPECTIVES

The next quarter and 2020 perspectives for the Bank are based on:

- ✓ Continue with the high standard of our operations during the pandemic, while assessing the impact it will have on our business model.
- ✓ Maintain high liquidity and solvency levels in order to face volatility.
- ✓ Deepen the implementation of the digital strategy to enhance distribution capacity and increase client base profitability, in light of the impact of the pandemic.
- ✓ Sustain a balanced asset and liability structure in order to hedge the different tenors and currencies.
- ✓ Continue with the development of sustainable housing solutions.
- ✓ Improve efficiency and continue with the rationalization of expenses.

Eduardo S. Elsztain
Chairman

Assets and liabilities denominated in foreign currency as of June 30th, 2020 were converted to Pesos at the exchange rate of Ps. 70.4550/USD1.00 and Ps. 79.1759/EUR1.00, which was the reference exchange rate published by the Central Bank on such date.

Unless otherwise indicated, all figures are stated in millions 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 / Investor Relations). 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.

