

# BANCO HIPOTECARIO S.A.

## EARNINGS RELEASE – THIRD QUARTER 2020





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

**Friday, November 27<sup>th</sup>, 2020, 10:00 AM EST**

If you would like to participate, the hyperlink is:

<https://zoom.us/j/9357368570?pwd=dWtqdjZheXlXTGMxMnBhY3BwSVM4QT09>

Meeting ID: 935 736 8570

Password: BH

Or you can dial in:

U.S.A: +1 646 558 8656

Argentina: +54 112 040 0447

Meeting ID: 935 736 8570

Password: 560440

Preferably 10 minutes before the call is due to begin.

The conference will be held in English.

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## THIRD 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 September 30<sup>th</sup>, 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. 163.9 million, compared to Ps. 642.0 million of Q2 2020, and Ps. (401.9) million of Q3 2019.
- Net operating income for the quarter was Ps. 4,817.1 million, compared to Ps. 4,952.0 million of Q2 2020, and Ps. 6,568.3 million of Q3 2019.
- Operating income for the quarter was Ps. 686.4 million, compared to Ps. 1,198.8 million of Q2 2020, and Ps. 1,638.4 million of Q3 2019.
- During the third quarter of 2020, the Liquidity Coverage Ratio (LCR) was 139.0%, Net Stable Funding Ratio (NSFR) was 128.8% and the liquid assets to deposits ratio was 102.5%.
- Loans to the non-financial private sector and foreign residents decreased 4.9% QoQ and 25.9% YoY.
- Deposits increased 22.0% QoQ and 85.5% YoY, while capital markets debt increased 1.6% QoQ and decreased (14.1)% YoY.
- On a consolidated basis, NPL decreased from 12.7% in Q2 2020 to 12.5% in Q3 2020, while coverage ratio was 90.6% for the quarter. Besides, NPL in the consumer portfolio decreased from 4.4% to 3.4% during the same period.
- Total capital ratio as a percentage of RWA as of September 30<sup>th</sup>, 2020 was 17.9%, compared to 16.9% of last quarter, and to 13.5% of Q3 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.
- The Bank underwent a successful exchange transaction for its Series 29 Notes due on November 2020. Impact from this will be visible as of next quarter's financial statements.
- 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.
- The change in net income compared to the previous quarter, was given by; an increase in interest and adjustment expense due to an increase in minimum rates of time deposits, a lower net fee and commission income and higher personnel expenses, as well as a higher loss on net monetary position, because of a higher inflation during Q3 compared to Q2 2020.





Buenos Aires, November 25<sup>th</sup>, 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 September 30<sup>th</sup>, 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 1<sup>st</sup>, 2020 (Communications "A" 6430, "A" 6651, "A" 6778 and "A" 6847).

## II. THIRD QUARTER 2020 CONSOLIDATED RESULTS

Net income attributable to owners of the parent's company for the quarter was Ps. 163.9 million, compared to Ps. 642.0 million of Q2 2020 and to Ps. (401.9) million of Q3 2019.

Regarding profitability ratios, the ROAA for Q2 2020 was 0.2% compared to 0.1% for Q2 2020 and (2.1)% for Q3 2019, while ROAE for the same periods were 2.2%, 1.1% and (15.0)%, respectively.

Income statement (in millions of pesos)	3 month period ended			Variation (%)	
	09/30/2020	06/30/20	09/30/19	QoQ	YoY
Interest and adjustments income	4,185.4	3,652.9	6,141.7	14.6%	(31.9)%
Interest and adjustments expense	(4,361.8)	(3,327.0)	(4,503.9)	31.1%	(3.2)%
<b>Net interest income</b>	<b>(176.4)</b>	<b>325.9</b>	<b>1,637.8</b>	<b>(154.1)%</b>	<b>(110.8)%</b>
Fee and commission income	1,427.0	1,557.2	1,810.0	(8.4)%	(21.2)%
Fee and commission expense	(63.1)	(65.3)	(249.6)	(3.3)%	(74.7)%
<b>Net fee and commission income</b>	<b>1,363.8</b>	<b>1,491.9</b>	<b>1,560.4</b>	<b>(8.6)%</b>	<b>(12.6)%</b>
Net income from financial instruments at fair value through profit or loss	2,268.2	2,077.9	4,238.8	9.2%	(46.5)%
Gold and foreign currency exchange rate differences	(158.8)	(51.9)	(2,116.0)	206.2%	(92.5)%
Other operating income	1,406.6	1,457.5	2,460.0	(3.5)%	(42.8)%
Loan loss provision	113.7	(349.4)	(1,212.8)	(132.5)%	(109.4)%
<b>Net operating income</b>	<b>4,817.1</b>	<b>4,952.0</b>	<b>6,568.3</b>	<b>(2.7)%</b>	<b>(26.7)%</b>
Personnel expenses	(1,682.8)	(1,478.0)	(1,940.2)	13.9%	(13.3)%
Administrative expenses	(910.7)	(919.2)	(1,276.4)	(0.9)%	(28.6)%
Depreciation and impairment of non-financial assets	(183.6)	(174.2)	(508.2)	5.4%	(63.9)%
Other operating expenses	(1,353.7)	(1,181.7)	(1,215.0)	14.5%	11.4%
<b>Operating income (loss)</b>	<b>686.4</b>	<b>1,198.8</b>	<b>1,628.4</b>	<b>(42.7)%</b>	<b>(57.8)%</b>
Share of profit (loss) of subsidiaries, associates and joint ven	-	23.1	-	(100.0)%	N/A
Gain (loss) on net monetary position	(420.3)	(318.4)	(1,902.2)	32.0%	(77.9)%
Income tax	(103.1)	(217.3)	(138.4)	(52.6)%	(25.5)%
Net income of the period attributable to non-controlling interests	0.9	(44.3)	10.2	(102.0)%	(91.5)%
<b>Net Income attributable to the parent's company</b>	<b>163.9</b>	<b>642.0</b>	<b>(401.9)</b>	<b>(74.5)%</b>	<b>(140.8)%</b>

Net interest income for the quarter was Ps. (176.4) million, compared to Ps. 325.9 of Q2 2020 and to Ps. 1,637.8 of Q3 2019, representing a decrease of 154.1% QoQ and of 110.8% YoY.

Interest and adjustments income for the quarter was Ps. 4,185.4 million, compared to Ps. 3,652.9 million of Q2 2020 and to Ps. 6,141.7 million of Q3 2019, which represents an increase of 14.6% QoQ and a decrease of





31.9% 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 and adjustments income (in millions of pesos)	3 month period ended			Variation (%)	
	09/30/2020	06/30/20	09/30/19	QoQ	YoY
Interest on cash and due from bank	(40.8)	24.3	25.1	(267.5)%	(262.8)%
Interest on loans to the financial sector	11.4	33.5	0.2	(65.9)%	N/A
Interest from public and corporate securities	330.2	331.5	547.0	(0.4)%	(39.6)%
Interest on overdrafts facilities	87.5	8.8	161.5	N/A	(45.8)%
Interest on promissory notes	18.3	21.9	38.1	(16.3)%	(51.9)%
Interest on pledge loans	3.9	7.1	15.7	(44.8)%	(74.9)%
Interest on financial leases	2.0	3.4	12.3	(39.9)%	(83.6)%
Interest on other loans	345.5	391.7	541.8	(11.8)%	(36.2)%
Interest from commercial loans	457.3	432.8	769.4	5.7%	(40.6)%
Interest on consumer loans	516.7	547.3	1,306.0	(5.6)%	(60.4)%
Interest on credit card loans	1,168.5	1,042.6	2,371.7	12.1%	(50.7)%
Interest from consumer loans	1,685.3	1,589.9	3,677.7	6.0%	(54.2)%
Interest on mortgage loans	169.5	174.3	239.0	(2.8)%	(29.1)%
Interest on other receivables from financial operations	(2.8)	8.7	1.3	(131.7)%	N/A
Income from CER, CVS, UVA and UVI adjustments	407.8	487.9	496.0	(16.4)%	(17.8)%
Interest from mortgage loans	574.5	670.9	736.3	(14.4)%	(22.0)%
Others	1,167.5	570.0	386.0	104.8%	202.4%
<b>Total</b>	<b>4,185.4</b>	<b>3,652.9</b>	<b>6,141.7</b>	<b>14.6%</b>	<b>(31.9)%</b>

Interest and adjustments expense for the quarter was Ps. 4,361.8 million, compared to Ps. 3,327.0 million of Q2 2020 and to Ps. 4,503.9 million of Q3 2019, which represents an increase of 31.1% QoQ and a decrease of 3.2% YoY.

Interest and adjustments expense (in millions of pesos)	3 month period ended			Variation (%)	
	09/30/2020	06/30/20	09/30/19	QoQ	YoY
Interest on current accounts deposits	(777.3)	(575.0)	(338.3)	35.2%	129.8%
Interest on saving accounts deposits	(1.7)	(1.7)	(6.0)	2.0%	(71.5)%
Interest on time deposits	(1,963.3)	(1,037.0)	(2,276.7)	89.3%	(13.8)%
Interest from deposits	(2,742.3)	(1,613.7)	(2,621.0)	69.9%	4.6%
Interest on other liabilities resulting from financial transaction	(1,249.4)	(1,173.8)	(1,104.6)	6.4%	13.1%
Expense for CER, CVS, UVA and UVI adjustments	(351.0)	(492.9)	(453.8)	(28.8)%	(22.7)%
Interest from corporate bonds	(1,600.4)	(1,666.7)	(1,558.4)	(4.0)%	2.7%
Interest on interfinancial loans received	(16.2)	(41.1)	(152.3)	(60.7)%	(89.4)%
Interest on other financing from financial institutions	-	-	(81.9)	N/A	(100.0)%
Others	(2.9)	(5.4)	(90.4)	(47.0)%	(96.8)%
<b>Total</b>	<b>(4,361.8)</b>	<b>(3,327.0)</b>	<b>(4,503.9)</b>	<b>31.1%</b>	<b>(3.2)%</b>

Net fee and commission income for the quarter was Ps. 1,363.8 million, compared to Ps. 1,491.9 million of Q2 2020 and to Ps. 1,560.4 million of Q3 2019, which represents a decrease of 8.6% QoQ and of 12.6% YoY.





## Net fee and commission income

(in millions of pesos)

	3 month period ended			Variation (%)	
	09/30/2020	06/30/20	09/30/19	QoQ	YoY
<b>Fee and commission income</b>					
Fee charged on consumer clients	1,282.2	1,382.2	1,712.4	(7.2)%	(25.1)%
Linked to liabilities	150.5	156.5	84.9	(3.9)%	77.3%
Others	(5.7)	18.4	12.7	(131.2)%	(145.2)%
<b>Total</b>	<b>1,427.0</b>	<b>1,557.2</b>	<b>1,810.0</b>	<b>(8.4)%</b>	<b>(21.2)%</b>
<b>Fee and commission expense</b>					
Credit related fees	(13.7)	(34.1)	(109.4)	(59.8)%	(87.5)%
Debt placement charges	(42.1)	(26.6)	(133.1)	58.5%	(68.3)%
Others	(7.3)	(4.6)	(7.0)	58.6%	3.6%
<b>Total</b>	<b>(63.1)</b>	<b>(65.3)</b>	<b>(249.6)</b>	<b>(3.3)%</b>	<b>(74.7)%</b>
<b>Net fee and commission income</b>	<b>1,363.8</b>	<b>1,491.9</b>	<b>1,560.4</b>	<b>(8.6)%</b>	<b>(12.6)%</b>

Net income from financial instruments at fair value through profit and loss for the year was Ps. 2,268.2 million, compared to Ps. 2,077.9 million of Q2 2020 and Ps. 4,238.8 million of Q3 2019, which represents an increase of 9.2% QoQ and a decrease of 46.5% YoY.

## Net income from financial instruments at fair value through profit or loss

(in millions of pesos)

	3 month period ended			Variation (%)	
	09/30/2020	30/06/20	09/30/19	QoQ	YoY
Income from government securities	2,150.9	1,748.9	3,575.5	23.0%	(39.8)%
Income from other corporate securities	84.3	341.7	578.5	(75.3)%	(85.4)%
Income from other securities	33.0	(12.7)	84.8	N/A	(61.0)%
<b>Total</b>	<b>2,268.2</b>	<b>2,077.9</b>	<b>4,238.8</b>	<b>9.2%</b>	<b>(46.5)%</b>

The negative result of gold and foreign currency exchange rate differences for the quarter was Ps. 158.8 million, compared to Ps. 51.9 million of Q2 2020 and Ps. 2,116.0 million of Q3 2019, which represents an increase of 206.2% QoQ and a decrease of 92.5% YoY.

Other operating income for the quarter was Ps. 1,406.6 million, compared to Ps. 1,457.5 million of Q2 2020 and Ps. 2,460.0 million of Q3 2019, which represents a decrease of 3.5% QoQ and 42.8% YoY.

## Other operating income

(in millions of pesos)

	3 month period ended			Variation (%)	
	09/30/2020	06/30/20	09/30/19	QoQ	YoY
Loan servicing	1,000.3	1,055.0	1,191.9	(5.2)%	(16.1)%
Borrowing transactions commissions	63.9	57.4	49.0	11.4%	30.4%
Other income from services	133.3	98.0	335.6	35.9%	(60.3)%
Penalty interest	26.4	30.8	117.9	(14.4)%	(77.6)%
Loans recovered	131.6	80.6	57.5	63.3%	128.7%
Others	51.3	135.7	708.1	(62.2)%	(92.8)%
<b>Total</b>	<b>1,406.6</b>	<b>1,457.5</b>	<b>2,460.0</b>	<b>(3.5)%</b>	<b>(42.8)%</b>

Provision for loan losses for the quarter was Ps. 113.7 million, compared to Ps. (349.4) million of Q2 2020 and to Ps. (1,212.8) million of Q3 2019, which represents a decrease of 132.5 % QoQ and of 109.4% YoY.





Personnel expenses for the quarter were Ps. 1,682.8 million, compared to Ps. 1,478.0 million of Q2 2020 and to Ps. 1,940.2 of Q3 2019, which represents an increase of 13.9% QoQ and a decrease of 13.3% YoY.

Personnel expenses (in millions of pesos)	3 month period ended			Variation (%)	
	09/30/2020	06/30/20	09/30/19	QoQ	YoY
Salaries	(982.8)	(882.9)	(792.9)	11.3%	24.0%
Vacation bonus	(137.0)	(52.1)	(182.7)	162.9%	(25.0)%
Social security expenses	(238.5)	(207.6)	(255.4)	14.9%	(6.6)%
Severance and bonus expenses	(232.9)	(266.8)	(577.0)	(12.7)%	(59.6)%
Other personnel expenses	(91.5)	(68.5)	(132.2)	33.5%	(30.8)%
<b>Total</b>	<b>(1,682.8)</b>	<b>(1,478.0)</b>	<b>(1,940.2)</b>	<b>13.9%</b>	<b>(13.3)%</b>

Administrative expenses for the quarter were Ps. 910.7 million, compared to Ps. 919.2 million of Q2 2020 and to Ps. 1,276.4 million of Q3 2019, which represents a decrease of 0.9% QoQ and of 28.6% YoY.

Administrative expenses (in millions of pesos)	3 month period ended			Variation (%)	
	09/30/2020	06/30/20	09/30/19	QoQ	YoY
Directors' and statutory auditors' fees	(81.8)	(92.5)	(59.9)	(11.6)%	36.6%
Fees and compensation for services	(386.8)	(437.2)	(582.6)	(11.5)%	(33.6)%
Advertising, promotion and research expenses	(103.4)	(14.0)	(122.5)	N/A	(15.6)%
Taxes and duties	(80.5)	(106.9)	(100.4)	(24.7)%	(19.9)%
Maintenance and repairs	(73.8)	(70.1)	(98.7)	5.2%	(25.2)%
Electricity, gas and telephone services	(2.9)	(76.4)	(17.4)	(96.3)%	(83.5)%
Others	(181.5)	(122.0)	(294.9)	48.8%	(38.4)%
<b>Total</b>	<b>(910.7)</b>	<b>(919.2)</b>	<b>(1,276.4)</b>	<b>(0.9)%</b>	<b>(28.6)%</b>

Other operating expenses for the quarter were Ps. 1,353.7 million, compared to Ps. 1,181.7 million of Q2 2020 and to Ps. 1,215.0 million of Q3 2019, which represents an increase of 14.5% QoQ and of 11.4% YoY.

Other operating expenses (in millions of pesos)	3 month period ended			Variation (%)	
	09/30/2020	06/30/20	09/30/19	QoQ	YoY
Turnover tax and others	(395.7)	(443.7)	(639.1)	(10.8)%	(38.1)%
Contribution to the deposit insurance fund	(23.2)	(29.6)	(19.5)	(21.4)%	19.1%
Loan servicing	(550.5)	(363.2)	(416.0)	51.6%	32.3%
Charges for other provisions	(4.4)	(28.8)	2.3	(84.9)%	(292.3)%
Debit card, credit card & loan rebates	(112.8)	(99.6)	(117.3)	13.2%	(3.8)%
Others	(267.1)	(216.9)	(25.4)	23.2%	N/A
<b>Total</b>	<b>(1,353.7)</b>	<b>(1,181.7)</b>	<b>(1,215.0)</b>	<b>14.5%</b>	<b>11.4%</b>

Loans to the non-financial private sector and foreign residents totaled Ps. 44,466.0 million in the quarter, compared to Ps. 46,753.4 million of Q2 2020 and to Ps. 59,969.9 million of Q3 2019, which represents a decrease of 4.9% QoQ and of 25.9% YoY.





## Loans to the non-financial private sector and foreign residents

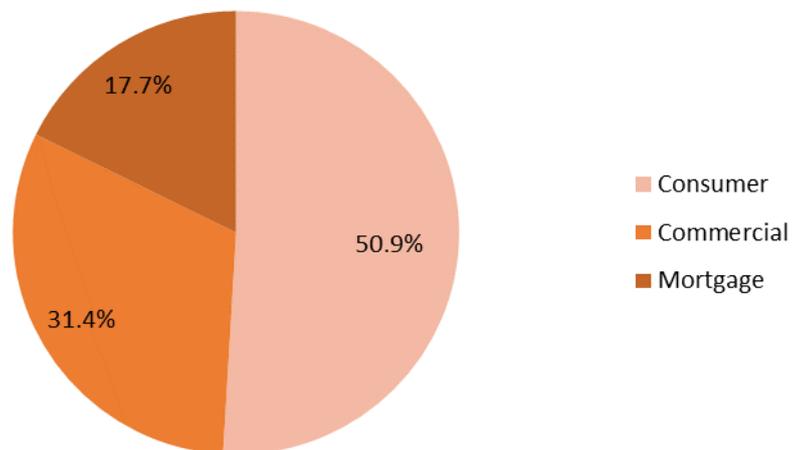
(in millions of pesos)

	3 month period ended			Variation (%)	
	09/30/2020	30/06/20	09/30/19	QoQ	YoY
Overdraft facilities	451.2	229.0	532.7	97.0%	(15.3)%
Promissory notes	425.8	231.6	206.1	83.9%	106.6%
Mortgage loans	7,526.2	7,840.5	8,485.9	(4.0)%	(11.3)%
Pledge loans	52.7	66.6	169.9	(20.8)%	(69.0)%
Consumer loans	4,482.0	5,158.0	10,135.2	(13.1)%	(55.8)%
Credit cards	18,165.4	18,572.9	22,027.0	(2.2)%	(17.5)%
Financial leases	23.0	34.7	100.0	(33.8)%	(77.0)%
Loans to entity's personnel	342.0	358.2	417.8	(4.5)%	(18.1)%
Unallocated collections	(16.8)	(5.4)	(6.0)	208.8%	181.1%
Others	12,111.4	13,205.3	17,163.0	(8.3)%	(29.4)%
Accrued interest and quotation differences receivable	950.0	1,088.0	774.9	(12.7)%	22.6%
Documented interest	(47.1)	(26.3)	(36.5)	79.2%	29.0%
<b>Total</b>	<b>44,466.0</b>	<b>46,753.4</b>	<b>59,969.9</b>	<b>(4.9)%</b>	<b>(25.9)%</b>

BH's non-financial private sector and foreign residents' loan portfolio composition as of September 30<sup>th</sup>, 2020 was 68.6% of consumer and mortgage loans (50.9% consumer and 17.7% mortgage) and 31.4% of commercial loans, providing a highly diversified client base.

### Non-financial Private Sector and Foreign Residents' Loan Portfolio Diversification

Q3 2020



On a consolidated basis, NPL decreased from 12.7% in Q2 2020 to 12.5% in Q3 2020, while coverage ratio was 90.6% for the quarter. Besides, NPL in the consumer portfolio decreased from 4.4% to 3.4% during the same period.





## Non-performing loans

(in millions of pesos)

	As of		
	09/30/2020	30/06/20	09/30/19
<b>Consolidated level</b>			
Non-performing loans	5,569.3	5,951.9	7,707.9
Total portfolio	44,592.5	46,872.8	60,357.7
Allowances (total)	5,044.3	5,571.1	5,649.9
Non-performing loans / Total portfolio	12.5%	12.7%	12.8%
Allowances (total) / Non-performing loans	90.6%	93.6%	73.3%
<b>Consumer portfolio</b>			
Non-performing loans (consumer)	1,037.1	1,401.5	3,751.5
Consumer portfolio	30,180.5	31,668.8	40,896.2
Allowances (consumer)	1,747.6	2,249.0	3,592.6
Non-performing loans (consumer) / Consumer portfolio	3.4%	4.4%	9.2%
Allowances (consumer) / Non-performing loans (consumer)	168.5%	160.5%	95.8%
<b>Commercial portfolio</b>			
Non-performing loans (commercial)	4,532.2	4,550.4	3,956.4
Commercial portfolio	14,411.9	15,204.0	19,461.5
Allowances (commercial)	3,296.8	3,322.1	2,057.3
Non-performing loans (commercial) / Commercial portfolio	31.4%	29.9%	20.3%
Allowances (Commercial) / Non-performing loans (commercial)	72.7%	73.0%	52.0%

Deposits totaled Ps. 82,981.4 million, representing an increase of 22.0% QoQ and of 85.5% YoY, while capital markets debt totaled Ps. 34,773.8 million, representing an increase of 1.6% QoQ and a decrease of 14.1% YoY.

## Funding

(in millions of pesos)

	3 month period ended						Variation (%)	
	09/30/2020		30/06/20		09/30/19		QoQ	YoY
	Ps.	%	Ps.	%	Ps.	%		
Deposits	82,981.4	70.5%	68,024.3	66.5%	44,730.7	52.5%	22.0%	85.5%
Local capital markets debt	10,802.8	9.2%	11,491.8	11.2%	21,742.8	25.5%	(6.0)%	(50.3)%
International capital markets debt	23,971.0	20.4%	22,731.2	22.2%	18,762.0	22.0%	5.5%	27.8%
Unsubordinated Senior Notes	34,773.8	29.5%	34,223.0	33.5%	40,504.9	47.5%	1.6%	(14.1)%
<b>Total</b>	<b>117,755.1</b>	<b>100.0%</b>	<b>102,247.2</b>	<b>100.0%</b>	<b>85,235.6</b>	<b>100.0%</b>	<b>15.2%</b>	<b>38.2%</b>

On September 2020, the Bank launched an exchange offer for its Series 29 Notes due on November 30th, 2020. The final exchange consideration was USD 420 in cash and USD 600 of new Notes per USD 1,000 tendered. The transaction was successfully closed on October 2020 with USD 130,560,000 tendered, representing a 46.66% of acceptance. The new Notes are due on October 2025, with amortization on 5 installments of 20% per year starting on October 2021 and have a 9.75% coupon. The transaction allowed the Bank to reduce debt maturities in the short term and rebalance its funding structure. It also means a significant reduction in interest payments as of 2021. The impact of this transaction will be visible as of next quarter's financial statements, since the transaction was settled during that period.





## Comparative consolidated balance sheet

(in millions of pesos)

	As of		Variation (%)
	09/30/2020	09/30/19	YoY
<b>Assets</b>			
Cash and due from banks deposits	25,555.8	21,992.5	16.2%
Debt securities at fair value through profit or loss	27,214.9	11,418.7	138.3%
Derivatives	0.1	2.2	(94.9)%
Repo transactions	28,315.1	4,042.6	N/A
Loans and other financing	8,399.0	2,173.4	286.4%
Non-Financial Public Sector	0.0	0.0	(28.9)%
Financial Sector	5.1	29.3	(82.7)%
Non-Financial Private Sector and Foreign Residents	44,466.0	59,969.9	(25.9)%
Allowances	(5,027.7)	(5,640.0)	(10.9)%
Loans, net of allowances	39,443.4	54,359.3	(27.4)%
Other debt securities	3,995.2	7,024.5	(43.1)%
Financial assets in guarantee	4,478.4	4,393.5	1.9%
Investment in subsidiaries, associates and joint ventures	7.0	7.0	0.0%
Property, plant and equipment	4,520.0	5,008.3	(9.7)%
Others	8,860.5	9,633.2	(8.0)%
<b>Total Assets</b>	<b>150,789.5</b>	<b>120,055.2</b>	<b>25.6%</b>
<b>Liabilities</b>			
Deposits	82,981.4	44,730.7	85.5%
Liabilities at fair value through profit or loss	1,125.9	661.5	70.2%
Derivatives	1.1	31.8	(96.6)%
Repo transactions	-	790.5	(100.0)%
Other financial liabilities	12,069.2	9,430.5	28.0%
Financing received from Argentine Central Bank and other financi	190.9	1,658.7	(88.5)%
Unsubordinated Senior Notes	34,773.8	40,504.9	(14.1)%
Current income tax liabilities	303.1	714.8	(57.6)%
Subordinated Senior Notes	-	-	N/A
Provisions	708.3	749.1	(5.4)%
Deferred income tax liabilities	-	-	N/A
Other non financial liabilities	3,094.4	4,043.5	(23.5)%
<b>Total Liabilities</b>	<b>135,248.0</b>	<b>103,316.0</b>	<b>30.9%</b>
Shareholders' Equity attributable to non-controlling interest	402.4	343.5	17.2%
<b>Shareholders' Equity attributable to parent's shareholder:</b>	<b>15,139.1</b>	<b>16,395.7</b>	<b>(7.7)%</b>
Total Shareholders' Equity	15,541.5	16,739.1	(7.2)%





Comparative consolidated income statement (in millions of pesos)	9 month period ended		Variation (%)
	09/30/2020	09/30/19	YoY
Interest income	12,010.8	19,881.8	(39.6)%
Adjustments income	407.8	496.0	(17.8)%
Interest expense	(11,592.4)	(17,481.9)	(33.7)%
Adjustments expense	(351.0)	(453.8)	(22.7)%
<b>Net interest income</b>	<b>475.3</b>	<b>2,442.1</b>	<b>(80.5)%</b>
Fee and commission income	4,326.9	5,651.9	(23.4)%
Fee and commission expense	(188.2)	(779.5)	(75.9)%
<b>Net fee and commission income</b>	<b>4,138.6</b>	<b>4,872.4</b>	<b>(15.1)%</b>
Net Income from financial instruments at fair value through profit or loss	6,253.9	13,714.5	(54.4)%
Gold and foreign currency exchange rate differences	(545.8)	(5,275.1)	(89.7)%
Other operating income	4,446.4	5,988.1	(25.7)%
Loan loss provision	(650.8)	(3,376.7)	(80.7)%
<b>Net operating income</b>	<b>14,117.7</b>	<b>18,365.3</b>	<b>(23.1)%</b>
Personnel expenses	(4,645.0)	(6,196.8)	(25.0)%
Administrative expenses	(2,814.0)	(3,983.7)	(29.4)%
Depreciation and impairment of non-financial assets	(565.0)	(954.4)	(40.8)%
Other operating expenses	(3,939.6)	(4,682.0)	(15.9)%
<b>Operating income</b>	<b>2,154.2</b>	<b>2,548.4</b>	<b>(15.5)%</b>
Share of profit (loss) of subsidiaries, associates and joint ventures	-	-	N/A
Gain (loss) on net monetary position	(1,508.2)	(4,028.3)	(62.6)%
<b>Income before income tax from continuing operations</b>	<b>646.0</b>	<b>(1,479.9)</b>	<b>(143.7)%</b>
Income tax	(354.2)	(408.3)	(13.2)%
Net income (loss) for the period attributable to non-controlling interests	(51.3)	41.4	(224.1)%
<b>Net income (loss) for the period attributable to the parent's company</b>	<b>240.5</b>	<b>(1,846.8)</b>	<b>(113.0)%</b>





## Statistic data and comparative ratios

For the period ended on

09/30/2020    06/30/20    09/30/19

	09/30/2020	06/30/20	09/30/19
<b>Profitability</b>			
ROAA (return on average assets)	0.2%	0.1%	(2.1)%
ROAE (return on average equity)	2.2%	1.1%	(15.0)%
Net financial margin*	14.2%	7.1%	27.2%
Efficiency**	75.2%	67.5%	70.5%
<b>Capital</b>			
Shareholders' Equity / Total Assets	10.0%	11.5%	13.7%
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%
<b>Liquidity</b>			
Liquid Assets / Deposits	102.5%	100.8%	99.4%
LCR	139.0%	179.0%	262.0%
NSFR	128.8%	138.2%	160.4%
Loans / Deposits	47.5%	60.6%	151.4%

\* (Annualized net interest income + annualized Net Income from financial instruments at Fair Value through pro 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 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 continues to adversely impact both the global economy and the Argentine economy and our business, although we still cannot 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 20<sup>th</sup> to March 31<sup>st</sup>, 2020 inclusive, and has been extended since then until November 29<sup>th</sup> 2020, for now, with varying restrictions for different places of the country. The measures adopted in Argentina included the deceleration or suspension of most of the non-essential activities carried out by individuals, and has recently began to be less restrictive. Consequently, it has and continues to significantly affect the national and regional economy, and economic uncertainty continues increasing, evidenced by the 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.





The Bank continues to actively monitor 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 since the commencement of 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 adopted work from home measures that our staff must follow with the goal of reducing cybersecurity problems and other risks. Besides, the Bank continues to design 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 effects of the pandemic persist for a longer period than expected. We hope that continuous control of expenses, solid balance sheet, liquidity and capital management are the fundamental pillars of our strategy.

The Bank continues to face various risks that arose from the economic impact the pandemic has 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.
- ✓ Ensure our employees' wellbeing during these unprecedented times.
- ✓ 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.

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**Eduardo S. Elsztain**  
Chairman





Assets and liabilities denominated in foreign currency as of September 30<sup>th</sup>, 2020 were converted to Pesos at the exchange rate of Ps. 76.175/USD1.00 and Ps. 89.2982/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](http://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](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.

