

**Banco Hipotecario S.A.  
Earnings Release – First Quarter 2020**

---

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

**Wednesday, June 5<sup>th</sup>, 2020, 11:00 AM EST**

If you would like to participate, the hyperlink is:

<https://zoom.us/j/93865419869?pwd=SEUxbIN1bUdTTkRtQ2w3MTNKRUZ5UT09>

Meeting ID: 938 6541 9869

Password: BH

Or you can dial in:

U.S.A: +1 646 558 8656

Argentina: +54 112 040 0447

Meeting ID: 938 6541 9869

Password: 849322

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

---

**Contacts:**

**Eliezer Baschkier**  
**Valentina Bernasconi**  
 Capital Markets  
 Tel. (54-11) 4347- 5967/5986  
 Fax (54-11) 4347-5874  
 Buenos Aires, Argentina  
[baschkier@hipotecario.com.ar](mailto:baschkier@hipotecario.com.ar)  
[vmbernasconi@hipotecario.com.ar](mailto:vmbernasconi@hipotecario.com.ar)

**Martín Diez**  
 CFO  
 Tel. (54-11) 4347-  
 5856  
 Buenos Aires,  
 Argentina

## Banco Hipotecario S.A. reports First 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. Therefore, every result and variation described in this report is expressed in constant currency as of March 31<sup>st</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 for the quarter was Ps. (498.4) million, compared to Ps. (1,247.8) million of 2019’s first quarter.
- Net operating income for the quarter was Ps. 3,833.3 million, compared to Ps. 4,357.5 million of 2019’s first quarter.
- Operating income for the year was Ps. 237.1 million, compared to Ps. (438.7) million of 2019’s first quarter.
- During the first quarter of 2020, the Liquidity Coverage Ratio (LCR) was 208.0%, Net Stable Funding Ratio (NSFR) was 136.6% and the liquid assets to deposits ratio was 88.6%.
- Loans to the non-financial private sector decreased 34.4% between YoY.
- Deposits decreased 0.4% YoY, while capital markets debt decreased 32.4% YoY.
- On a consolidated basis, NPL increased from 11.9% in Q1 2019 to 12.5% in Q1 2020, while coverage ratio was 92.9% for the quarter. Besides, NPL in the consumer portfolio decreased from 10.1% to 4.6% during the same period.
- Total capital ratio as a percentage of RWA as of March 31<sup>st</sup>, 2020 was 17.0%, compared to 12.7% of same quarter of last year.
- 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 Central Bank has established measures that affect the result of our operations: maximum rate for credit cards, minimum rate for term deposits, freeze of fees, among others.

**Buenos Aires, June 3<sup>rd</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 March 31<sup>st</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 (Communication "A" 6430, "A" 6651, "A" 6778 and "A" 6847).

## II. First Quarter 2020 consolidated results

Attributable net income for the quarter was Ps. (498.4) million, compared to Ps. (1,247.8) million of Q1 2019's.

Regarding profitability ratios, the ROAA for Q1 2020 was (1.9)% compared to (3.9)% for Q1 2020, while ROAE for the same periods were (15.8)% and (33.1)%, respectively.

### Income statement

(in millions of pesos)

	3 month period ended		Variation (%)
	31/03/20	31/03/19	YoY
Interest Income	4,037.6	6,595.8	(38.8)%
Interest Expense	(3,750.5)	(6,138.6)	(38.9)%
<b>Net Interest Income</b>	<b>287.1</b>	<b>457.2</b>	<b>(37.2)%</b>
Fee Income	1,183.7	1,649.7	(28.3)%
Fee Expense	(52.8)	(230.0)	(77.1)%
<b>Net Fee Income</b>	<b>1,130.9</b>	<b>1,419.7</b>	<b>(20.3)%</b>
Net Income from financial instruments at Fair Value through profit & Loss	1,681.7	3,816.3	(55.9)%
Difference in quoted prices of gold and foreign currency	(295.4)	(1,440.1)	(79.5)%
Other operating income	1,394.9	1,794.2	(22.3)%
Provision for loan losses	(365.9)	(1,689.8)	(78.3)%
<b>Net Operating Income</b>	<b>3,833.3</b>	<b>4,357.5</b>	<b>(12.0)%</b>
Personnel expenses	(1,308.3)	(1,851.3)	(29.3)%
Administrative expenses	(867.5)	(1,172.8)	(26.0)%
Depreciation and impairment of assets	(182.7)	(306.1)	(40.3)%
Other operating expenses	(1,237.8)	(1,465.9)	(15.6)%
<b>Operating Income</b>	<b>237.1</b>	<b>(438.7)</b>	<b>(154.1)%</b>
Result from subsidiaries, associates and joint ventures	(20.4)	(14.2)	44.0%
Result from exposure to changes in the purchasing power of tl	(678.4)	(780.1)	(13.0)%
Income tax from continuing operations	(29.8)	(33.6)	(11.5)%
Net income of the period attributable to non-controlling interests	(7.0)	18.8	(137.2)%
<b>Net Income attributable to owners of the parent company</b>	<b>(498.4)</b>	<b>(1,247.8)</b>	<b>(60.1)%</b>

Net interest income for the quarter was Ps. 287.1 million, compared to Ps. 457.2 million of Q1 2019, which represents a decrease of 37.2%.

Interest income for the quarter was Ps. 4,037.6 million, compared to Ps. 6,595.8 million of Q1 2019, which represents a decrease of 38.8%. 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 (%)
	31/03/20	31/03/19	YoY
Interest on cash and due from banks	23.7	(7.3)	N/A
Interest from loans to the financial sector	0.6	33.5	(98.2)%
Interest from public and corporate securities	325.4	254.9	27.7%
Interest on overdrafts	22.3	54.6	(59.1)%
Interest on documents	16.5	69.1	(76.2)%
Interest on pledge loans	7.1	21.5	(66.9)%
Interest on financial leases	4.7	19.9	(76.4)%
Interest on other loans	353.5	544.7	(35.1)%
Interest from commercial loans	404.1	709.8	(43.1)%
Interest on personal loans	611.1	1,409.4	(56.6)%
Interest on credit card loans	1,539.3	3,298.4	(53.3)%
Interest from consumer loans	2,150.4	4,707.8	(54.3)%
Interest on mortgage loans	163.6	227.9	(28.2)%
Interest on other receivables from financial operations	0.0	0.0	N/A
Income from adjustments	589.5	483.8	21.9%
Interest from mortgage loans	753.2	711.7	5.8%
Others	380.3	185.4	105.1%
<b>Total</b>	<b>4,037.6</b>	<b>6,595.8</b>	<b>(38.8)%</b>

Interest expense for the quarter was Ps. 3,750.5 million, compared to Ps. 6,138.6 million of Q1 2019, which represents a decrease of 38.9%.

### Interest Expense

(in millions of pesos)

	3 month period ended		Variation (%)
	31/03/20	31/03/19	YoY
Interest on checking accounts	(448.9)	(70.8)	N/A
Interest on saving accounts	(2.9)	(5.0)	(41.4)%
Interest on time deposits	(1,254.7)	(2,153.5)	(41.7)%
Interest from deposits	(1,706.5)	(2,229.3)	(23.5)%
Interest from other liabilities from financial operations	(1,381.1)	(3,364.6)	(59.0)%
Expense from adjustments	(554.6)	(460.1)	20.5%
Interest from corporate bonds	(1,935.7)	(3,824.7)	(49.4)%
Interest on interfinancial loans	(17.0)	(32.6)	(47.9)%
Interest on other financing from financial institutions	-	(34.8)	(100.0)%
Others	(91.3)	(17.2)	N/A
<b>Total</b>	<b>(3,750.5)</b>	<b>(6,138.6)</b>	<b>(38.9)%</b>

Net fee income for the quarter was Ps. 1,130.9 million, compared to Ps. 1,419.7 million of Q1 2019, which represents a decrease of 20.3%.

## Net Fee Income

(in millions of pesos)

	3 month period ended		Variation (%)
	31/03/20	31/03/19	YoY
<b>Fee Income</b>			
Fee charged on consumer clients	990.3	1,541.5	(35.8)%
Fee charged on liability transactions	120.4	57.8	108.3%
Others	73.0	50.4	44.9%
<b>Total</b>	<b>1,183.7</b>	<b>1,649.7</b>	<b>(28.2)%</b>
<b>Fee Expense</b>			
Credit related fees	(32.3)	(197.1)	(83.6)%
Debt placement charges	(17.1)	(30.6)	(44.1)%
Others	(3.4)	(2.3)	49.1%
<b>Total</b>	<b>(52.8)</b>	<b>(230.0)</b>	<b>(77.0)%</b>
<b>Net Fee Income</b>	<b>1,130.9</b>	<b>1,419.7</b>	<b>(20.3)%</b>

Net income from financial instruments at fair value through profit and loss for the year was Ps. 1,681.7 million, compared to Ps. 3,816.3 million of Q1 2019, which represents a decrease of 55.9%.

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

(in millions of pesos)

	3 month period ended		Variation (%)
	31/03/20	31/03/19	YoY
Income from public securities	1,811.5	3,726.6	(51.4)%
Income from private securities	(67.7)	53.6	(226.2)%
Income from other securities	(62.1)	36.1	(272.3)%
<b>Total</b>	<b>1,681.7</b>	<b>3,816.3</b>	<b>(55.9)%</b>

The negative result of difference in quoted prices of gold and foreign currency for the quarter was Ps. 295.4 million, which compensates with the net income from financial instruments at Fair Value through profit and loss of Ps. 1,681.7 million.

Other operating income for the quarter was Ps. 1,394.9 million, compared to Ps. 1,794.2 million of Q1 2019, which represents a decrease of 22.3%.

## Other operating income

(in millions of pesos)

	3 month period ended		Variation (%)
	31/03/20	31/03/19	YoY
Loan related services	942.9	1,291.1	(27.0)%
Fee charged on liability transactions	57.8	39.0	48.1%
Penalty interest	58.0	108.5	(46.5)%
Recovered loans	71.4	34.8	105.3%
Others	264.7	320.7	(17.5)%
<b>Total</b>	<b>1,394.9</b>	<b>1,794.2</b>	<b>(22.3)%</b>

Provision for loan losses for the quarter was Ps. 365.9 million, compared to Ps. 1,689.8 million of Q1 2019, which represents a decrease of 78.3%.

Personnel expenses for the quarter were Ps. 1,308.3 million, compared to Ps. 1,851.3 million of Q1 2019, which represents a decrease of 29.3%.

### Personnel expenses

(in millions of pesos)

	3 month period ended		Variation (%)
	31/03/20	31/03/19	YoY
Salaries and social security expenses	(1,031.3)	(1,247.1)	(17.3)%
Severance and bonus expenses	(196.1)	(513.8)	(61.8)%
Other personnel expenses	(80.9)	(90.4)	(10.5)%
<b>Total</b>	<b>(1,308.3)</b>	<b>(1,851.3)</b>	<b>(29.3)%</b>

Administrative expenses for the quarter were Ps. 867.5 million, compared to Ps. 1,172.8 million of Q1 2019, which represents a decrease of 26.0%.

### Administrative expenses

(in millions of pesos)

	3 month period ended		Variation (%)
	31/03/20	31/03/19	YoY
Directors fees	(52.1)	(60.4)	(13.8)%
Other fees	(410.5)	(485.6)	(15.5)%
Advertising and publicity	(22.6)	(21.8)	3.5%
Taxes	(91.5)	(163.5)	(44.0)%
Maintenance and conservation fees	(80.2)	(107.8)	(25.6)%
Electricity, gas and communications	(74.1)	(99.5)	(25.5)%
Others	(136.4)	(234.2)	(41.8)%
<b>Total</b>	<b>(867.5)</b>	<b>(1,172.8)</b>	<b>(26.0)%</b>

Other operating expenses for the quarter were Ps.1,237.8 million, compared to Ps. 1,465.9 million of Q1 2019, which represents a decrease of 15.6%.

### Other operating expenses

(in millions of pesos)

	3 month period ended		Variation (%)
	31/03/20	31/03/19	YoY
Turnover tax and others	(347.7)	(635.5)	(45.3)%
Deposit Guarantee Fund contributions	(18.7)	(19.9)	(5.9)%
Loan related services	(482.9)	(423.6)	14.0%
Loans discounts & credit and debit card discounts	(109.6)	(122.0)	(10.1)%
Others	(278.8)	(265.1)	5.2%
<b>Total</b>	<b>(1,237.8)</b>	<b>(1,465.9)</b>	<b>(15.6)%</b>

Non-financial private sector loan portfolio totaled Ps. 42,905.9 million in the quarter, compared to Ps. 65,435.0 million of Q1 2019, which represents a decrease of 34.4%.

## Loans to the non-financial private sector

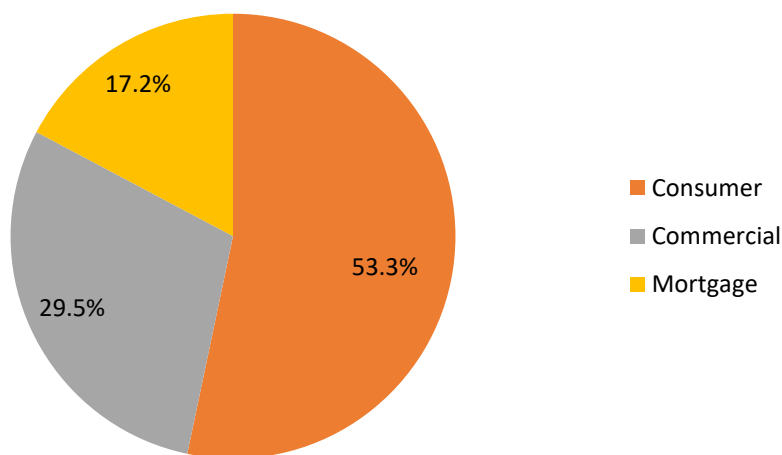
(in millions of pesos)

	3 month period ended		Variation (%)
	31/03/20	31/03/19	YoY
Overdrafts	264.0	374.4	(29.5)%
Documents	133.6	443.6	(69.9)%
Mortgage loans	7,073.0	8,311.8	(14.9)%
Pledge loans	76.4	257.6	(70.3)%
Personal loans	5,464.6	12,026.4	(54.6)%
Credit card loans	17,404.1	25,874.1	(32.7)%
Financial leases	43.3	157.0	(72.4)%
Loans to the personnel	328.1	429.1	(23.5)%
Unallocated collections	(6.8)	(13.3)	(48.6)%
Other	11,413.2	16,773.3	(32.0)%
Accrued interest and quotation differences receivable	739.1	888.2	(16.8)%
Documented interest	(26.6)	(87.3)	(69.6)%
<b>Total</b>	<b>42,905.9</b>	<b>65,435.0</b>	<b>(34.4)%</b>

BH's non-financial private sector loan portfolio composition as of March 31<sup>st</sup>, 2020 was 70.5% of retail financing and housing loans (53.3% consumer and 17.2% housing) and 29.5% of commercial loans, providing a highly diversified client base.

### Loan Portfolio Diversification

(Non-financial Private Sector Loans)  
Q1 2020



On a consolidated basis, NPL increased from 11.9% in Q1 2019 to 12.5% in Q1 2020, while coverage ratio was 92.9% for the quarter. Besides, NPL in the consumer portfolio decreased from 10.1% to 4.6% during the same period.



## Non-performing loans

(in millions of pesos)

3 month period ended

	31/03/20	31/03/19
<b>Consolidated level</b>		
Non-performing loans	5,393.4	8,077.7
Total portfolio	43,306.1	67,996.3
Allowances (total)	5,009.9	6,018.7
Non-performing loans / Total portfolio	12.5%	11.9%
Allowances (total) / Non-performing loans	92.9%	74.5%
<b>Consumer portfolio</b>		
Non-performing loans (consumer)	1,411.7	4,714.0
Consumer portfolio	30,369.9	46,684.6
Allowances (consumer)	2,075.2	4,840.6
Non-performing loans (consumer) / Consumer portfolio	4.6%	10.1%
Allowances (consumer) / Non-performing loans (consumer)	147.0%	102.7%
<b>Commercial portfolio</b>		
Non-performing loans (commercial)	3,981.7	3,363.7
Commercial portfolio	12,936.2	21,311.6
Allowances (commercial)	2,934.7	1,178.1
Non-performing loans (commercial) / Commercial portfolio	30.8%	15.8%
Allowances (Commercial) / Non-performing loans (commercial)	73.7%	35.0%

Deposits totaled Ps. 42,796.2 million, representing a 0.4% decrease YoY, while capital markets debt totaled Ps. 32,238.6 million, representing a 32.4% decrease YoY.

## Funding

(in millions of pesos)

	3 month period ended				Variation (%)
	31/03/20		31/03/19		
	Ps.	%	Ps.	%	YoY
Deposits	42,796.2	57.0%	42,985.4	47.4%	(0.4)%
Local capital markets debt	11,399.3	15.2%	29,488.7	32.5%	(61.3)%
International capital markets debt	20,839.4	27.8%	18,172.6	20.0%	14.7%
Capital markets debt	32,238.6	43.0%	47,661.3	52.6%	(32.4)%
<b>Total</b>	<b>75,034.8</b>	<b>100.0%</b>	<b>90,646.7</b>	<b>100.0%</b>	<b>(17.2)%</b>

**Comparative consolidated balance sheet**

(in millions of pesos)

	As of		Variation (%)
	31/03/20	31/03/19	YoY
<b>Assets</b>			
Cash and deposits in banks	23,209.4	10,180.0	128.0%
Debt securities at fair value through profit and loss	15,663.9	31,955.7	(51.0)%
Derivatives	5.5	72.4	(92.4)%
Repo transactions	1,910.4	1,336.0	43.0%
Loans and other receivables	2,591.9	4,317.1	(40.0)%
Non financial public sector	0.1	21.8	(99.7)%
Financial sector	10.4	211.3	(95.1)%
Non financial private sector and foreign	42,905.9	65,435.0	(34.4)%
Allowances	(4,996.7)	(5,985.0)	(16.5)%
Loans, net of allowances	37,919.6	59,683.1	(36.5)%
Other debt securities	3,357.7	2,888.1	16.3%
Financial assets in guarantee	6,121.4	3,554.3	72.2%
Investment in other companies, subsidiaries and joint ventures	6.2	6.2	0.0%
Property, plant and equipment	4,209.7	4,572.9	(7.9)%
Others	8,248.4	8,520.8	(3.2)%
<b>Total Assets</b>	<b>103,244.0</b>	<b>127,086.6</b>	<b>(18.8)%</b>
	-	-	
<b>Liabilities</b>			
Deposits	42,796.2	42,985.4	(0.4)%
Liabilities at fair value through profit and loss	1,023.8	1,284.3	(20.3)%
Derivatives	5.9	144.5	(95.9)%
Repo transactions	1,404.4	75.8	N/A
Other financial liabilities	7,365.8	11,064.3	(33.4)%
Financing received from Central Bank and other financial institutions	1,063.3	1,529.3	(30.5)%
Capital markets debt	32,238.6	47,661.3	(32.4)%
Current income tax liabilities	884.5	878.3	0.7%
Subordinated capital markets debt	-	-	N/A
Provisions	648.6	577.6	12.3%
Deferred income tax liabilities	2,858.2	5,479.1	(47.8)%
Other non financial liabilities	-	-	N/A
<b>Total Liabilities</b>	<b>90,289.5</b>	<b>111,679.9</b>	<b>(19.2)%</b>
	-	-	
Shareholders' Equity attributable to non controlling interest	319.5	323.5	(1.2)%
<b>Shareholders' Equity attributable to controlling interest</b>	<b>12,634.9</b>	<b>15,083.2</b>	<b>(16.2)%</b>
Total Shareholders' Equity	12,954.5	15,406.7	(15.9)%

Comparative consolidated income statement (in millions of pesos)	3 month period ended		Variation (%)
	31/03/20	31/03/19	YoY
Interest Income	3,448.1	6,112.0	(43.6)%
Income from adjustments	589.5	483.8	21.9%
Interest Expense	(3,195.9)	(5,678.5)	(43.7)%
Expenses from adjustments	(554.6)	(460.1)	20.5%
<b>Net Interest Income</b>	<b>287.1</b>	<b>457.2</b>	<b>(37.2)%</b>
Fee Income	1,183.7	1,649.7	(28.3)%
Fee Expense	(52.8)	(230.0)	(77.1)%
<b>Net Fee Income</b>	<b>1,130.9</b>	<b>1,419.7</b>	<b>(20.3)%</b>
Net Income from financial instruments at Fair Value through profit & Loss	1,681.7	3,816.3	(55.9)%
Difference in quoted prices of gold and foreign currency	(295.4)	(1,440.1)	(79.5)%
Other operating income	1,394.9	1,794.2	(22.3)%
Provision for loan losses	(365.9)	(1,689.8)	(78.3)%
<b>Net Operating Income</b>	<b>3,833.3</b>	<b>4,357.5</b>	<b>(12.0)%</b>
Personnel expenses	(1,308.3)	(1,851.3)	(29.3)%
Administrative expenses	(867.5)	(1,172.8)	(26.0)%
Depreciation and impairment of assets	(182.7)	(306.1)	(40.3)%
Other operating expenses	(1,237.8)	(1,465.9)	(15.6)%
<b>Operating Income</b>	<b>237.1</b>	<b>(438.7)</b>	<b>(154.1)%</b>
Result from subsidiaries, associates and joint ventures	(20.4)	(14.2)	44.0%
Result from exposure to changes in the purchasing power of the currency	(678.4)	(780.1)	(13.0)%
<b>Income before income tax from continuing operations</b>	<b>(461.6)</b>	<b>(1,233.0)</b>	<b>(62.6)%</b>
Income tax from continuing operations	(29.8)	(33.6)	(11.5)%
Net income of the period attributable to non-controlling interests	(7.0)	18.8	(137.2)%
<b>Net Income attributable to owners of the parent company</b>	<b>(498.4)</b>	<b>(1,247.8)</b>	<b>(60.1)%</b>

## Statistic data and comparative ratios

	3 month period ended	
	31/03/20	31/03/19
<b>Profitability</b>		
ROAA (return on average assets)	(2.0)%	(3.9)%
ROAE (return on average equity)	(15.5)%	(33.1)%
Net financial margin*	6.7%	8.9%
Efficiency**	77.3%	72.0%
<b>Capital</b>		
Shareholders' Equity / Total Assets	12.2%	11.9%
CET I Ratio	16.5%	12.1%
Tier 1 Ratio	16.5%	12.1%
Total Capital Ratio	17.0%	12.7%
<b>Liquidity</b>		
Liquid Assets / Deposits	98.7%	104.7%
LCR	208.0%	211.0%
NSFR	136.6%	151.1%
Loans / Deposits	88.6%	138.8%

\* (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 20 to March 31, 2020 inclusive, and has been extended since then until June 7, 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 March 31<sup>st</sup>, 2020 were converted to pesos at the exchange rate of Ps. 64.4697/USD1.00 and Ps. 71.0448/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) / 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.