

BANCO HIPOTECARIO S.A.

EARNINGS RELEASE – YEAR 2020





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

Monday, March 1st, 2021, 09:00 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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YEAR 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 December 31th, 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 year was Ps. 916.6 million, compared to Ps. (3,722.7) million of last year. Net income attributable to owners of the parent company for the quarter was Ps. 648.8 million, compared to Ps. 182.4 million of last quarter and Ps. (1,666.7) million of same quarter last year.
- The net operating income for the year was Ps 21,406.6 million, compared to Ps. 24,629.5 million of last year. Net operating income for the quarter was Ps. 5,689.8 million, compared to Ps. 5,362.8 million of last quarter and Ps. 3,678.2 million of same quarter last year.
- The operating income for the year was Ps. 3,537.3 million, compared to Ps. 1,252.7 million of last year. Operating income for the quarter was Ps. 1,139.1 million, compared to Ps. 764.1 million of last quarter and Ps. (1,584.3) million of same quarter last year.
- During the 4th quarter of 2020, the Liquidity Coverage Ratio (LCR) was 120.0%, Net Stable Funding Ratio (NSFR) was 162,7% and the liquid assets to deposits ratio was 84.0%.
- Loans to the non-financial private sector and foreign residents decreased 18.4% YoY.
- Deposits increased 82.7% YoY, while capital markets debt decreased 50.7% YoY.
- On a consolidated basis, NPL decreased from 12.3% in Q4 2019 to 12.0% in Q4 2020. Besides, NPL in the consumer portfolio decreased from 7.7% to 2.9% during the same period. Coverage ratio remained at 92.8% for the period.
- Total capital ratio as a percentage of RWA as of December 31st, 2020 was 19.4% compared to 14.2% 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.
- During 2020, the Central Bank established measures that affected 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 year, was given by; a reduction in the financial margin due to a decrease in active rates and an increase in passive rates produced by the minimum rates of time deposits, a lower net fee and commission income, a significant decrease in operating expenses (mainly employee benefits, administrative expenses and other operating expenses). There was also a lower negative result in the net monetary position, due to lower inflation in 2020 compared to the previous year.





Buenos Aires, February 25th, 2021

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 December 31th, 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 (Communications "A" 6430, "A" 6651, "A" 6778 and "A" 6847).

II. YEAR 2020 CONSOLIDATED RESULTS

Net income attributable to owners of the parent's company for the year was Ps. 916.5 million, compared to Ps. (3,722.7) million of last year.

Regarding profitability ratios, the ROAA for 2020 was 0.7% compared to (3.0)% for 2019, while ROAE for the same periods were 5.4% and (22.4)%, respectively.





Comparative consolidated income statement

(in millions of pesos)

	12 month period ended		Variation (%)
	31/12/2020	31/12/2019	YoY
Interest income	19,040.6	27,999.6	(32.0)%
Adjustments income	739.8	939.6	(21.3)%
Interest expense	(19,315.1)	(25,188.8)	(23.3)%
Adjustments expense	(532.0)	(788.8)	(32.6)%
Net interest income	(66.7)	2,961.5	N/A
Fee and commission income	6,121.5	7,913.5	(22.6)%
Fee and commission expense	(249.9)	(456.4)	(45.2)%
Net fee and commission income	5,871.5	7,457.1	(21.3)%
Net Income from financial instruments at fair value through profit or loss	10,010.6	16,457.5	(39.2)%
Gold and foreign currency exchange rate differences	(604.5)	(5,741.7)	(89.5)%
Other operating income	6,714.8	8,483.2	(20.8)%
Loan loss provision	(519.1)	(4,988.1)	(89.6)%
Net operating income	21,406.6	24,629.5	(13.1)%
Personnel expenses	(6,824.9)	(8,792.5)	(22.4)%
Administrative expenses	(4,179.7)	(5,675.9)	(26.4)%
Depreciation and impairment of non-financial assets	(841.7)	(792.4)	6.2%
Other operating expenses	(6,023.0)	(8,116.0)	(25.8)%
Operating income	3,537.3	1,252.7	182.4%
Share of profit (loss) of subsidiaries, associates and joint ventures	-	-	N/A
Gain (loss) on net monetary position	(1,754.9)	(4,956.1)	(64.6)%
Income before income tax from continuing operations	1,782.4	(3,703.4)	(148.1)%
Income tax	(811.8)	(56.0)	N/A
Net income (loss) for the period attributable to non-controlling interests	(54.1)	36.7	(247.4)%
Net income (loss) for the period attributable to the parent's company	916.5	(3,722.7)	N/A

Net interest income for the year was Ps. (66.7) million, compared to Ps. 2,961.5 million of last year.

Interest and adjustments income for the year was Ps. 19,780.4 million, compared to Ps. 28,939.2 million of last year, which represents a decrease of 31.6%. 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)

	12 month period ended		Variation (%)
	31/12/20	31/12/19	YoY
Interest on cash and due from bank	17.9	18.9	(5.4)%
Interest on loans to the financial sector	4.6	42.9	(89.4)%
Interest from public and corporate securities	1,503.0	1,582.6	(5.0)%
Interest on overdrafts facilities	153.5	328.8	(53.3)%
Interest on promissory notes	118.8	231.7	(48.7)%
Interest on pledge loans	24.5	82.6	(70.4)%
Interest on financial leases	13.4	67.9	(80.3)%
Interest on other loans	1,611.8	2,802.8	(42.5)%
Interest from commercial loans	1,922.0	3,513.9	(45.3)%
Interest on consumer loans	2,415.2	5,835.7	(58.6)%
Interest on credit card loans	5,556.1	12,583.8	(55.8)%
Interest from consumer loans	7,971.3	18,419.5	(56.7)%
Interest on mortgage loans	792.7	1,056.0	(24.9)%
Interest on other receivables from financial operations	11.3	(0.7)	N/A
Income from CER, CVS, UVA and UVI adjustments	2,481.5	2,855.4	(13.1)%
Interest from mortgage loans	3,285.5	3,910.7	(16.0)%
Interest on active repos	4,911.0	1,450.6	238.5%
Others	165.1	0.0	N/A
Total	19,780.4	28,939.2	(31.6)%

Interest and adjustments expense for the year was Ps. 19,847.1 million, compared to Ps. 25,977.6 million of last year, which represents a decrease of 23.6%.

Interest and adjustments expense

(in millions of pesos)

	12 month period ended		Variation (%)
	31/12/2020	31/12/2019	YoY
Interest on current accounts deposits	(3,973.0)	(1,018.2)	290.2%
Interest on saving accounts deposits	(9.5)	(24.8)	(61.7)%
Interest on time deposits	(7,704.9)	(10,080.1)	(23.6)%
Interest from deposits	(11,687.4)	(11,123.1)	5.1%
Interest on other liabilities resulting from financial transactio	(5,820.0)	(11,511.9)	(49.4)%
Expense for CER, CVS, UVA and UVI adjustments	(2,171.8)	(2,618.5)	(17.1)%
Interest from corporate bonds	(7,991.8)	(14,130.4)	(43.4)%
Interest on interfinancial loans received	(43.2)	(270.3)	(84.0)%
Interest on other financing from financial institutions	-	(129.0)	(100.0)%
Others	(124.7)	(324.8)	(61.6)%
Total	(19,847.1)	(25,977.6)	(23.6)%

Net fee and commission income for the year was Ps. 5,871.6 million, compared to Ps. 7,456.9 million of last year, which represents a decrease of 21.3%.





Net fee and commission income

(in millions of pesos)

	12 month period ended		Variation (%)
	31/12/20	31/12/19	YoY
Fee and commission income			
Fee charged on consumer clients	5,376.5	7,468.8	(28.0)%
Linked to liabilities	653.2	358.0	82.5%
Others	91.8	80.5	14.0%
Total	6,121.5	7,907.3	(22.6)%
Fee and commission expense			
Credit related fees	(110.3)	(234.1)	(52.9)%
Debt placement charges	(119.0)	(202.2)	(41.2)%
Others	(20.6)	(14.0)	47.0%
Total	(249.9)	(450.4)	(44.5)%
Net fee and commission income	5,871.6	7,456.9	(21.3)%

Net income from financial instruments at fair value through profit and loss for the year was Ps. 10,010.6 million, compared to Ps. 16,457.5 million of 2019, which represents a decrease of 39.2%.

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

(in millions of pesos)

	12 month period ended		Variation (%)
	31/12/2020	31/12/2019	YoY
Income from government securities	9,246.7	16,187.6	(42.9)%
Income from other corporate securities	651.1	215.8	201.7%
Income from other securities	112.8	54.0	108.8%
Total	10,010.6	16,457.5	(39.2)%

The negative result of gold and foreign currency exchange rate differences for the year was Ps. 604.5 million, compared to Ps. 5,741.7 million of last year, which represents a decrease of 89.5%.

Other operating income for the year was Ps. 6,714.8 million, compared to Ps. 8,483.2 million of 2019, which represents a decrease of 20.8%.

Other operating income

(in millions of pesos)

	12 month period ended		Variation (%)
	31/12/2020	31/12/2019	YoY
Loan servicing	4,544.0	5,361.3	(15.2)%
Borrowing transactions commissions	272.7	234.2	16.4%
Other income from services	587.7	741.5	(20.7)%
Penalty interest	156.6	534.1	(70.7)%
Loans recovered	444.3	269.7	64.7%
Others	709.5	1,342.4	(47.1)%
Total	6,714.8	8,483.2	(20.8)%

Provision for loan losses for the year was Ps. 519.1 million, compared to Ps. 4,988.1 million of last year, which represents a decrease of 89.6%.





Personnel expenses for the year were Ps. 6,824.9 million, compared to Ps. 8,792.5 million of last year, which represents a decrease of 22.4%.

Personnel expenses (in millions of pesos)	12 month period ended		Variation (%)
	31/12/2020	31/12/2019	YoY
Salaries	(4,047.4)	(4,354.4)	(7.0)%
Vacation bonus	(384.4)	(380.7)	1.0%
Social security expenses	(937.0)	(1,095.0)	(14.4)%
Severance and bonus expenses	(1,085.8)	(2,506.3)	(56.7)%
Other personnel expenses	(370.4)	(456.1)	(18.8)%
Total	(6,824.9)	(8,792.5)	(22.4)%

Administrative expenses for the year were Ps. 4,179.7 million, compared to Ps. 5,675.9 million of last year, which represents a decrease of 26.4%.

Administrative expenses (in millions of pesos)	12 month period ended		Variation (%)
	31/12/2020	31/12/2019	YoY
Directors' and statutory auditors' fees	(382.3)	(405.3)	(5.7)%
Fees and compensation for services	(1,884.8)	(2,404.9)	(21.6)%
Advertising, promotion and research expenses	(87.3)	(158.0)	(44.8)%
Taxes and duties	(471.6)	(668.2)	(29.4)%
Maintenance and repairs	(351.3)	(462.8)	(24.1)%
Electricity, gas and telephone services	(343.1)	(452.1)	(24.1)%
Others	(659.3)	(1,124.7)	(41.4)%
Total	(4,179.7)	(5,675.9)	(26.4)%

Other operating expenses for the year were Ps. 6,023.1 million, compared to Ps. 8,116.0 million of last year, which represents a decrease of 25.8%.

Other operating expenses (in millions of pesos)	12 month period ended		Variation (%)
	31/12/2020	31/12/2019	YoY
Turnover tax and others	(1,851.6)	(2,709.6)	(31.7)%
Contribution to the deposit insurance fund	(133.2)	(90.4)	47.3%
Loan servicing	(2,211.3)	(2,620.0)	(15.6)%
Charges for other provisions	(45.9)	(538.2)	(91.5)%
Debit card, credit card & loan rebates	(529.8)	(597.8)	(11.4)%
Others	(1,251.2)	(1,559.9)	(19.8)%
Total	(6,023.1)	(8,116.0)	(25.8)%

Loans to the non-financial private sector and foreign residents totaled Ps. 48,448.0 million as of the end of 2020, compared to Ps. 59,354.0 million as of the end of 2019, which represents a decrease of 18.4%.





Loans to the non-financial private sector and foreign residents

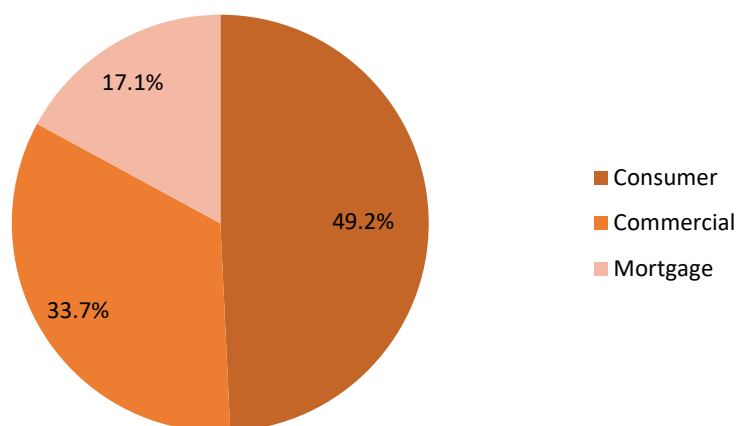
(in millions of pesos)

	As of		Variation (%)
	31/12/2020	31/12/2019	YoY
Overdraft facilities	143.0	396.4	(63.9)%
Promissory notes	1,223.0	202.2	N/A
Mortgage loans	7,925.2	9,181.3	(13.7)%
Pledge loans	38.5	134.2	(71.3)%
Consumer loans	4,173.4	8,599.0	(51.5)%
Credit cards	19,683.3	24,425.7	(19.4)%
Financial leases	17.1	77.1	(77.8)%
Loans to entity's personnel	354.7	435.9	(18.6)%
Unallocated collections	(3.1)	(10.8)	(71.4)%
Others	13,760.3	15,231.2	(9.7)%
Accrued interest and quotation differences receivable	1,212.8	711.1	70.6%
Documented interest	(80.2)	(29.4)	173.0%
Total	48,448.0	59,354.0	(18.4)%

BH's non-financial private sector and foreign residents' loan portfolio composition as of December 31st, 2020 was 66.3% of retail financing and housing loans (49.2% consumer and 17.1% housing) and 33.7% of corporate loans, providing a highly diversified client base.

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

YEAR 2020



On a consolidated basis, NPL decreased from 12.3% in Q4 2019 to 12.0% in Q4 2020, while coverage ratio was 92.8% for the period. Besides, NPL in the consumer portfolio decreased from 7.7% to 2.9% during the same period.





Non-performing loans

(in millions of pesos)

	As of	
	31/12/20	31/12/19
Consolidated level		
Non-performing loans	5,896.9	7,347.5
Total portfolio	49,290.6	59,644.5
Allowances (total)	5,472.5	6,527.1
Non-performing loans / Total portfolio	12.0%	12.3%
Allowances (total) / Non-performing loans	92.8%	88.8%
Consumer portfolio		
Non-performing loans (consumer)	923.5	3,264.4
Consumer portfolio	31,929.8	42,368.1
Allowances (consumer)	1,790.4	2,118.3
Non-performing loans (consumer) / Consumer portfolio	2.9%	7.7%
Allowances (consumer) / Non-performing loans (consumer)	193.9%	64.9%
Commercial portfolio		
Non-performing loans (commercial)	4,973.4	4,083.1
Commercial portfolio	17,360.9	17,276.4
Allowances (commercial)	3,682.1	4,408.8
Non-performing loans (commercial) / Commercial portfolio	28.6%	23.6%
Allowances (Commercial) / Non-performing loans (commercial)	74.0%	108.0%

Deposits totaled Ps. 88,831.2 million, representing a 82.7% increase YoY, while capital markets debt totaled Ps. 19,486.7 million, representing a 50.7% decrease YoY.

Funding

(in millions of pesos)

	12 month period ended				Variation (%)
	31/12/2020		31/12/2019		YoY
	Ps.	%	Ps.	%	
Deposits	88,831.2	82.0%	48,631.9	55.2%	82.7%
Local capital markets debt	10,237.9	9.5%	12,044.0	13.7%	(15.0)%
International capital markets debt	9,248.8	8.5%	27,485.6	31.2%	(66.4)%
Unsubordinated Senior Notes	19,486.7	18.0%	39,529.6	44.8%	(50.7)%
Total	108,317.8	100.0%	88,161.4	100.0%	22.9%

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 is visible in our financial statements as of the end of this year.





Comparative consolidated balance sheet (in millions of pesos)	As of		Variation (%)
	31/12/2020	31/12/2019	YoY
Assets			
Cash and due from banks deposits	13,422.8	25,160.2	(46.7)%
Debt securities at fair value through profit or loss	30,698.9	9,935.0	209.0%
Derivatives	7.9	5.7	36.7%
Repo transactions	24,890.9	5,703.9	N/A
Loans and other financing	2,642.0	2,270.7	16.4%
Non-Financial Public Sector	0.0	0.1	(39.2)%
Financial Sector	305.4	20.8	N/A
Non-Financial Private Sector and Foreign Residents	48,448.0	59,354.0	(18.4)%
Allowances	(5,435.1)	(6,492.4)	(16.3)%
Loans, net of allowances	43,318.4	52,882.4	(18.1)%
Other debt securities	5,563.4	6,524.3	(14.7)%
Financial assets in guarantee	1,606.6	4,416.5	(63.6)%
Investment in subsidiaries, associates and joint ventures	7.8	7.8	(0.0)%
Property, plant and equipment	5,027.8	5,582.4	(9.9)%
Others	10,355.6	9,916.9	4.4%
Total Assets	137,541.9	122,405.9	12.4%
Liabilities			
Deposits	88,831.2	48,631.9	82.7%
Liabilities at fair value through profit or loss	53.2	815.5	(93.5)%
Derivatives	0.0	19.4	(99.8)%
Repo transactions	-	1,364.8	(100.0)%
Other financial liabilities	6,972.7	9,886.0	(29.5)%
Financing received from Argentine Central Bank and other financi	84.6	206.8	(59.1)%
Unsubordinated Senior Notes	19,486.7	39,529.6	(50.7)%
Current income tax liabilities	170.9	166.7	2.5%
Subordinated Senior Notes	-	-	N/A
Provisions	664.2	907.3	(26.8)%
Deferred income tax liabilities	-	-	N/A
Other non financial liabilities	3,330.8	3,897.1	(14.5)%
Total Liabilities	119,594.4	105,425.0	13.4%
Shareholders' Equity attributable to non-controlling interest	444.9	394.7	12.7%
Shareholders' Equity attributable to parent's shareholder:	17,502.7	16,586.2	5.5%
Total Shareholders' Equity	17,947.6	16,980.9	5.7%





Comparative consolidated income statement (in millions of pesos)	12 month period ended		Variation (%)
	31/12/2020	31/12/2019	YoY
Interest income	19,040.6	27,999.6	(32.0)%
Adjustments income	739.8	939.6	(21.3)%
Interest expense	(19,315.1)	(25,188.8)	(23.3)%
Adjustments expense	(532.0)	(788.8)	(32.6)%
Net interest income	(66.7)	2,961.5	N/A
Fee and commission income	6,121.5	7,913.5	(22.6)%
Fee and commission expense	(249.9)	(456.4)	(45.2)%
Net fee and commission income	5,871.5	7,457.1	(21.3)%
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Other operating income	6,714.8	8,483.2	(20.8)%
Loan loss provision	(519.1)	(4,988.1)	(89.6)%
Net operating income	21,406.6	24,629.5	(13.1)%
Personnel expenses	(6,824.9)	(8,792.5)	(22.4)%
Administrative expenses	(4,179.7)	(5,675.9)	(26.4)%
Depreciation and impairment of non-financial assets	(841.7)	(792.4)	6.2%
Other operating expenses	(6,023.0)	(8,116.0)	(25.8)%
Operating income	3,537.3	1,252.7	182.4%
Share of profit (loss) of subsidiaries, associates and joint ventures	-	-	N/A
Gain (loss) on net monetary position	(1,754.9)	(4,956.1)	(64.6)%
Income before income tax from continuing operations	1,782.4	(3,703.4)	(148.1)%
Income tax	(811.8)	(56.0)	N/A
Net income (loss) for the period attributable to non-controlling interests	(54.1)	36.7	(247.4)%
Net income (loss) for the period attributable to the parent's company	916.5	(3,722.7)	N/A





Statistic data and comparative ratios

For the period ended on

31/12/2020 31/12/2019

	31/12/2020	31/12/2019
Profitability		
ROAA (return on average assets)	0.7%	(3.0)%
ROAE (return on average equity)	5.4%	(22.4)%
Net financial margin*	7.2%	11.2%
Efficiency**	70.1%	68.8%
Capital		
Shareholders' Equity / Total Assets	12.7%	13.6%
CET I Ratio	18.8%	13.6%
Tier 1 Ratio	18.9%	13.7%
Total Capital Ratio	19.4%	14.2%
Liquidity		
Liquid Assets / Deposits	84.0%	97.3%
LCR	120.0%	222.0%
NSFR	162.7%	149.3%
Loans / Deposits	48.8%	108.7%

* (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

During this year, the Bank has developed its operations under the challenging circumstances derived from the pandemic declared by the World Health Organization in March 2020, as a result of the outbreak of the Covid-19 virus. The pandemic continues to have consequences on business and economic activities at a global and local level.

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. In this way, the measures taken by the National Government to contain the spread of the virus, included, among others, the closure of borders and the mandatory isolation of the population along with the cessation of non-essential commercial activities for a prolonged period of time, with variants depending on the region of the country. Although various types of difficulties have arisen at the Bank that slow down or make our activities more complex, operations are maintained and we expect them to continue despite the difficulties. Since April 3, 2020, the Bank's branches have started to operate again for the attention of certain clients and with shift systems, having to be subject to strict compliance with sanitary regulations to preserve the health of clients and bank workers. Additionally, all the usual virtual service and operation





channels continue to be in force, so we estimate that demand levels will be maintained in the products in which we operate.

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. FOURTH QUARTER 2020 CONSOLIDATED RESULTS

The attributable net income for the quarter was Ps. 648.8 million, compared to Ps. 182.4 million of last quarter and Ps. (1.666,7) million of the same quarter last year.

Regarding profitability ratios, the ROAA for Q4 2020 was 2.0%, compared to (5.45)% for Q4 2019, while ROAE for the same periods were 15.23% and (40.19)%, respectively.

Income statement (in millions of pesos)	3 month period ended			Variation (%)	
	31/12/2020	30/09/20	31/12/2019	QoQ	YoY
Interest and adjustments income	5,955.1	4,659.5	6,253.2	27.8%	(4.8)%
Interest and adjustments expense	(6,550.9)	(4,855.8)	(6,010.3)	34.9%	9.0%
Net interest income	(595.9)	(196.4)	242.8	203.5%	N/A
Fee and commission income	1,304.5	1,588.6	1,621.4	(17.9)%	(19.5)%
Fee and commission expense	(40.4)	(70.3)	411.4	(42.5)%	(109.8)%
Net fee and commission income	1,264.1	1,518.3	2,032.8	(16.7)%	(37.8)%
Net income from financial instruments at fair value through profit or loss	3,048.4	2,525.1	1,189.5	20.7%	156.3%
Gold and foreign currency exchange rate differences	3.1	(176.8)	130.9	(101.7)%	(97.6)%
Other operating income	1,764.7	1,566.0	1,311.0	12.7%	34.6%
Loan loss provision	205.4	126.6	(1,228.9)	62.3%	(116.7)%
Net operating income	5,689.8	5,362.8	3,678.2	6.1%	54.7%
Personnel expenses	(1,653.9)	(1,873.4)	(1,893.8)	(11.7)%	(12.7)%
Administrative expenses	(1,047.0)	(1,013.9)	(1,241.0)	3.3%	(15.6)%
Depreciation and impairment of non-financial assets	(212.8)	(204.3)	270.1	4.1%	(178.8)%
Other operating expenses	(1,637.1)	(1,507.0)	(2,397.9)	8.6%	(31.7)%
Operating income (loss)	1,139.1	764.1	(1,584.3)	49.1%	(171.9)%
Share of profit (loss) of subsidiaries, associates and joint ven	-	-	0.0	N/A	(100.0)%
Gain (loss) on net monetary position	(75.8)	(467.9)	(471.6)	(83.8)%	(83.9)%
Income tax	(417.5)	(114.8)	398.6	263.7%	(204.7)%
Net income of the period attributable to non-controlling interests	3.1	1.0	(9.4)	215.8%	(132.7)%
Net Income attributable to the parent's company	648.8	182.4	(1,666.7)	255.6%	(138.9)%





V. NEXT QUARTER AND 2021 PERSPECTIVES

The next quarter and 2021 perspectives for the Bank are based on:

- ✓ Continue with the high standard of our operations during the pandemic, while addressing 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.

Eduardo S. Elsztain
Chairman

Assets and liabilities denominated in foreign currency as of December 31st, 2020 were converted to Pesos at the exchange rate of Ps. 84.145/USD1.00 and Ps. 102.8565/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.

