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Ana Bartesaghi

Good morning everyone and welcome to the Grupo Supervielle Second Quarter 2021 earnings call.

This is Ana Bartesaghi, Treasurer and IRO.

A slide presentation will accompany today's webinar, which is available in the Investor section of Grupo Supervielle's investor relations website, www.gruposupervielle.com. Today's conference call is being recorded. As a reminder, all participants will be in listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation.

If you want to ask a question you need to be connected to the zoom platform from any device. We will not be able to take your questions if you are connected from a phone line. Also, please make sure your name and last name appear in the zoom platform you are using. To ask a question by voice please press the "raise your hand" button located in the zoom platform. To withdraw your question press "raise your hand" again. You can also send your questions in written form via the Q&A box in the zoom platform anytime during the call. We will ask you to limit yourself to one question and a follow up and then you can raise your hand again in another round. Speaking during today's call will be Patricio Supervielle, our Chairman & CEO and Mariano Biglia, our Chief Financial Officer.

Also joining us are Alejandro Stengel, Second Vice-Chairman of the Board and Bank CEO and Jorge Ramírez, First-Vice Chairman of the Board. Alejandra Naughton, board member of several of Grupo Supervielle's subsidiaries will also be joining us for today's call. All will be available for the Q&A session.

Note that starting 1Q20, as per Central Bank regulations, we began reporting results applying Hyperinflation Accounting, in accordance with IFRS rule IAS 29. Therefore, all results in this presentation are adjusted for inflation as of June 30, 2021, unless otherwise noted. In addition, following the retrospective application of the Central Bank communication A7211 effective January 1, 2021, figures for all quarters of 2020 have been restated. For your convenience, our earnings report filed yesterday after market close, also includes managerial results in nominal terms.

Before we proceed, I would like to make the following Safe Harbor statement. Today's call will contain forward-looking statements which are based on Management's current expectations and beliefs and are subject to a number of risks and uncertainties, including as a result of the COVID-19 pandemic, and I refer you to the forward-looking statement section of our earnings release and recent filings with the SEC. We assume no obligation to update or revise any forward-looking statements to reflect new or changed events or circumstances.

Today, Mariano Biglia, our CFO will start the call discussing our performance for the quarter and our near-term outlook. Patricio Supervielle, our Chairman and CEO will follow with an update on our mid-term strategic initiatives.

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Mariano Biglia, Chief Financial Officer

Thank you, Ana. Good morning everyone. Thank you for joining us today. Please turn to slide 4 of our earnings presentation.

- We are navigating a recessionary environment with activity in the quarter further penalized by the second wave of Covid-19 resulting in system loan demand growing below inflation and remaining at historical lows. Central Bank regulations on volumes and prices of banking assets and liabilities have also been putting significant pressure on NIM in past quarters.
- This, together with higher turnover taxes along with increased loan loss provisions after the deferral programs finalized last March resulted in a net loss of 318 million pesos and negative ROAE of 2.8% this quarter. For the first half of the year and excluding non-recurring severance charges, we would have reported net income of 643 million pesos and ROAE in real terms of approximately 2.8%.
- In terms of efficiency, our comparable efficiency ratio, excluding non-recurring severance payments and early retirement charges, deteriorated to 72% from 66% in the prior quarter. This mainly reflects a nearly mid-single digit decline in revenues while comparable total expenses were relatively flat.
- Looking at the first six months of the year, when excluding non-recurring charges, comparable expenses were down 6% while personnel expenses dropped 9% year-on-year.
- Finally, we maintain strong liquidity and a solid capital base closing the quarter with a TIER 1 ratio of 14.3% up 50 basis points sequentially.

Now, turning to our strategic initiatives. Keeping our commitment to long-term value creation, Patricio will discuss shortly how we are advancing on our digital transformation agenda.

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Moving on to our loan performance on slide 5.

Our loan book posted a slight sequential contraction, reflecting overall weak credit demand.

The Peso loan portfolio remained relatively stable sequentially as a decline in the retail loan portfolio was partially offset by financing to corporates and mandatory SME lines. Consumer Finance loans increased mid-single digits sequentially although we maintain tight credit scoring standards in underwriting policies.

Finally, US dollar loans in original currency, were up over 5% sequentially.

Note that government mandatory credit lines accounted for 10% of our loan portfolio, up 100 basis points sequentially, and includes close to 14 billion pesos in SME loans at preferential rates.

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Turning to funding on slide 6.

Liquidity remains solid.

The loan to deposit ratio continued to contract this quarter reaching a record low of 53%.

AR\$ peso deposits rose in the low single digits sequentially, driven mainly by a seasonal increase in core retail deposits following the 50% payment of the 13th salary in June.

Note that average balances of AR\$ deposits, posted increases of nearly 12% YoY and over 5% sequentially.

US\$ deposits in original currency were up 4% sequentially, accounting for slightly over 12% of total deposits compared to 13% in the prior quarter.

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Now, moving on to the P&L on slide 7.

AR\$ NIM, stabilized at 18.7% after contracting several consecutive quarters pressured by regulatory controls and a recessionary macro.

The bottom right chart shows how the share of average peso loans over total average peso interest earnings assets has compressed since the highs of 85% in the first quarter of 2018 to levels of 46% this quarter negatively impacting Total NIM.

Net Financial Income increased sequentially in the low single digits to 11 billion pesos, mainly reflecting increased volumes of Central Bank Leliqs together with higher yields and volumes of AR\$ government bonds. Loan repricing including the new government mandatory credit lines granted to SMEs at preferential interest rates also contributed to offset overall weak loan demand.

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Moving on to Asset Quality on slide 8.

Loan loss provisions net were 1.7 billion pesos up from 1 billion pesos in the prior quarter, with cost of risk net rising to 5.7%, although below 2020 levels.

Higher delinquency in retail loans observed since the lifting of automatic deferrals in March resulted in higher provisions this quarter. Taking a conservative stance, we did not apply the Covid-19 anticipatory provisions created in 2020 to these loans. At quarter-end Covid-19 anticipatory provisions amounted to AR\$2.4 billion, versus AR\$2.8 billion as of March 31, 2021.

The top right chart of this page depicts our total provisioning ratio, which increased to 7.2% in June from 6.9% in March.

The NPL ratio increased quarter-on-quarter by 40 basis points to 4.4%, driven by credit cards after the end of the grace periods and the mandatory reclassification of customers performing with Supervielle, but non-performing with other banks. By contrast, we observed an improvement in corporate NPLs.

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On slide 9 we provide an update on our loan performance and asset quality for July. Keep in mind this is managerial information.

In terms of asset quality, NPLs for July increased to 5.5% from 4.4% in the second quarter, mainly driven by retail customers and to a much lesser extent by Corporates which reflects a single fully collateralized loan that was reclassified as NPL following Central Bank regulations.

Importantly, 80% of our non-performing commercial loans are collateralized.

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While guidance remains suspended due to the continued limited visibility ahead, on slide 10 we share our views on the main drivers of the business for the remainder of the year.

Peso-denominated loans, which are today at historical lows, are expected to grow below inflation – both commercial and consumer loans.

At the same time, we see deposits growing above inflation, but dampened by FX restrictions and interest rate floors on time deposits. Note the mix has been changing, with non-remunerated sight deposits growing below inflation while remunerated deposits growing above, thus impacting cost of funds as has been the case in the last 4 quarters.

In terms of asset quality, we expect NPLs to peak in the third quarter, reflecting the expiration of the loan deferral programs and grace periods in March. We continue monitoring asset quality and we remain comfortable with the current level of provisions. In addition, we expect Cost of Risk to be below 2020 figures but above the historical average, in line with our expected loss models.

With respect to margins, short term NIMs remain pressured by several factors: weak credit demand, the impact on cost of funds from the floor on interest rates on time deposits and subsidized rates on loans.

Personnel and administrative expenses are likely to grow above inflation impacted by restructuring costs and the deployment of digital transformation.

However, excluding non-recurring items, these expenses are anticipated to decline in real terms. In addition, higher turnover tax rates are anticipated to continue impacting expenses.

Fees, in turn, are expected to grow in line with inflation.

Finally, we expect capital and liquidity to remain at comfortable levels supporting long-term sustainability. As I mentioned earlier, note that 100% of our capital is hedged against inflation.

Now let me turn the call to Patricio Supervielle, who will provide an update on our strategic initiatives. Patricio, please go ahead.

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Patricio Supervielle, Chairman & CEO

Thank you, Mariano.

You've heard Mariano address our financial results and expectations for the remainder of the year as we navigate a challenging backdrop characterized by three-years of economic recession, further deepened by the pandemic which drove industry loan demand to historical lows. As Mariano also discussed, increasing Central Bank regulations on volumes and prices of banking assets and liabilities since 2018, have continued to put significant pressure on NIM.

At the same time, the pandemic accelerated digital adoption and remote working.

In this context, we decided to accelerate our transformation program and increase efficiencies prioritizing Long Term Value Creation. We are working on three key fronts:

- First, accelerating the digital and operational transformation of Banco Supervielle
- Second IUDÚ, our consumer finance subsidiary is building a full-digital banking service.
- Third diversifying revenue generation beyond of Argentina

Over the next few slides, I will provide greater visibility on this transformation. In the exhibits at the back of our earnings call presentation you can find additional information on the progress of our digital KPIs as well as a more detailed description of these initiatives and timeline.

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Moving to slide 12, let's start with our strategy of accelerating the digital and operational transformation of the Group.

Our goals are two-fold:

- On the one hand, we seek to expand our client base, while retaining loyalty and primary banking relationships to remain in a solid position when demand resumes.
- At the same time, we expect to accelerate cost efficiencies while preserving an 11% Tier 1 ratio by 2024.

This calls for an investment of approximately 20 billion pesos in real terms, of which close to 8 billion pesos are anticipated to be deployed this year, slightly over 7 billion pesos next year and 4.5 billion pesos in 2023. Note this does not include investment in the regionalization initiatives, which I will discuss briefly.

Starting with the transformation of Banco Supervielle:

- First, we are executing our IT strategy adding APIS to accelerate digital development and time to market, a data lake to become a data driven Enterprise and migrating to a hybrid multi cloud to provide us with the required flexibility to grow efficiently. We [are advancing at full speed, to transform the journeys of our customers, in a superlative experience.
- Second, our branch network is being transformed, using best in class technologies to facilitate self-service banking and expand SME reach with the vision of everywhere and anytime banking.
- Third, we are rightsizing our branch network and accelerating headcount efficiencies.
- Fourth, we are moving towards a hybrid workplace model optimizing our real estate infrastructure and providing for more flexibility among our colleagues. In this sense, we are gradually reducing rental space in our corporate headquarters with the resulting cost savings of 5 million dollars over the next three years.

We expect that these efficiency measures will be repaid in 24 to 30 months through cost savings and revenue growth when demand resumes.

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As you can see on slide 13, in terms of the transformation of IUDÚ, our consumer finance division, our goals are:

- To offer the best digital banking mobile platform for retail customers, while
- Stepping-up fee revenue growth and lowering cost of funding by attracting retail deposits.

The launch on August 15, of IUDÚ's mobile first digital savings account is a first step in the construction of the best "digital banking services" for individuals. We have an attractive pipeline for the next six-months with the planned additions of payment, wallet, insurance, investment products, US\$ denominated accounts and wellbeing services.

This move also allows us to target higher income customers looking for digital only banking services.

Importantly, we recently renewed the financial services agreement with the de Narvaez Group, which acquired Walmart's operations in Argentina under more flexible conditions.

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Now, please move to slide 14. In terms of diversifying revenue origination beyond Argentina, we plan to approach this through two businesses.

Starting with our broker, IOL invertironline, the goal is to offer US investment products to select countries in LatAm-ex Brazil through mobile apps and online platforms.

Our subsidiary in Uruguay has recently submitted a request for approval from the Central Bank to operate as a securities broker. In the next 12 months, we expect to launch a mobile first investment marketplace and to gradually expand in key countries of the region where access to online trading in

US markets is limited to high-end consumers. This initiative will be fully financed by funds held at the subsidiary.

In addition, this month our Board of Directors also approved the Crypto strategy we plan to deploy in the region, again tapping unsatisfied market needs. IOL invertironline aims to offer the possibility of buying and selling cryptocurrencies to customers through a wallet, concentrating stock and crypto asset investments in the same platform. This service will be offered to individuals in Argentina, which are the core of the current IOL business and will be powered by a third-party.

Now please turn to page 15.

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The other business that will spearhead our geographic diversification is IUDÚ Servicios, through which we will deploy Wellbeing and Health services under the B2C or B2B2C format in certain countries in LATAM ex-Brazil.

We aim to leverage our 15 years' successful experience as the leading service aggregator and marketer of non-financial services in the banking industry.

These services provided by Third Parties seek to tap unmet needs in Health, Dentistry, Ophthalmology among other areas that contribute to the "Wellbeing" of our customers in "their every-day life."

As of today, we have already reached agreements with two world-class healthcare providers with presence in the region, one of which we have been working with in Argentina for many years. And we plan to continue adding services over the next months.

In closing, we expect near-term profitability to remain impacted by overall weak loan demand and pressure on NIMs, coupled with the required costs and investments of the transformation strategy. We are stepping up our transformation strategy to meet and anticipate the new banking and wellness demands of our clients while also attracting new digital clients. We are aggressively pursuing cost savings opportunities, while offering flexibility to our workforce through a hybrid working structure and have set in motion strategies to expand and diversify our revenue streams beyond Argentina. With a comfortable capital position, we expect to achieve our ambitious goals.

Now we are ready to open the call for questions.

Q&A Session

Ana Bartesaghi

Thank you, Patricio. At this time we will be conducting the question and answer session. As a reminder, to ask a question you need to be connected to the zoom platform. We will not be able to take your questions if you are connected from a phone line. To ask a question by voice please press the "raise your hand" button, and press it again to withdraw your question. You can also send your questions in written form via the Q&A box.

We will ask you to limit yourself to one question and a follow up and then you can raise your hand again in another round.

One moment while we poll for questions.

Taking the first question. The first question comes from Ernesto Gabilondo with Bank of America.

Ernesto Gabilondo - *Bank of America Merrill Lynch*

Hi. Good morning. Thank you, Ana. Hi. Good morning, Patricio, Mariano and all your team, and thanks for the opportunity. My first question is on asset quality. You mentioned in your presentation that you're expecting the peak of NPLs in third quarter. So just wondering if you have a potential range for that NPL peak? Also in the presentation, you are already presenting July numbers, and they are showing that reserve coverage ratio continued to normalize to 128%. So what would be the level of reserve coverage ratio that you're expecting for the rest of the year? And just wondering if it's considering a potential impact from delta of the third wave of the COVID-19? Thank you.

Patricio Supervielle

Thank you, Ernesto. First, let me state that basically what happened in this quarter mainly reflects the results of the restructuring program, which we anticipated. And we are fully comfortable with the coverage position, and this is going to continue to be constantly reviewed with the risk models.

I would like to have Mariano give more specific details on answering your question.

Mariano Biglia

Sure, Patricio. Hello, Ernesto. Yes, let me give you some color regarding NPLs and coverage ratio. As you know, as of June -- as of March, in fact the automatic deferrals have been ended by the Central Bank. Thus any debtors that didn't resume payments in April and haven't done that so far are being past due more than 90 days, and thus entering the NPL ratio in July. That's why we showed some managerial information showing July figures regarding NPLs.

So what you see in July is an increase of a little bit more of 1 percentage point in NPLs. And this reflects all debtors that haven't made payment maybe for six months or maybe for one year, and you're seeing them all together in one month. For the end of the third quarter and the end of the year, we think that NPLs may peak in the next quarter. That would be similar to July figures or slightly higher as any new NPLs that haven't been shown as of July entering in August or September. And then we have the new portfolio originated after these automatic deferrals. So we should be seeing NPLs peak slightly higher than July figures, but the biggest increase is in this month we are showing.

And then regarding coverage, as we mentioned during the presentation, we have COVID-specific provisions we created in 2020, and we haven't released them in the first two quarters. So we have those provisions to be used during the third and fourth quarter, probably mainly in the third quarter. So coverage as of July was 128%, probably at the end of the year, it will be on that level, probably a little bit up.

Ernesto Gabilondo - *Bank of America Merrill Lynch*

Excellent. Thank you very much. And then for my second question is on your digital transformation. We have seen different traditional banks in the region exploring to create independent digital banks. So

considering that you have IUDÚ and you have other digital initiatives, such as the online investments, cryptocurrencies, insurance, have you explored the idea to incorporate all those initiatives in an independent digital bank?

Patricio Supervielle

Alejandro, do you like to answer this question?

Alejandro Stengel

Yes. Thank you, Ernesto. It's a very interesting question. Right now, the first step of our strategy is make sure that our traditional bank, Banco Supervielle, goes through a successful digital transformation. We are doing this through a series of initiatives, but basically, it has to do with boosting our IT capabilities and making sure that we provide excellent experience end-to-end for our customers. We are also making great progress in the digital adoption of different segments. Notably, great progress has been made during the pandemic in the retirees segment, which we thought would be reluctant to adopt automatic channels and even digital channels, and we're making good progress there.

There are reasons that have to do with the business model, with our agreement with the Grupo de Narvaez, which deploys the consumer division on what was the Walmart network to make that unit sustainable, stand-alone and to focus on increasing their funding capabilities by taking deposits from the public. We are, however, working on an ecosystem initiative, which will contemplate certain customer journeys to be integrated throughout the different companies, and many of the ones you mentioned are included, like journeys that would integrate bank, IOL, the online broker, insurance and other aspects of that division.

So this is a long answer to say, yes, we are assessing the possibility of integrating them into an ecosystem. I wouldn't call it one independent digital bank, but yes, we are looking forward to integrating this ecosystem, which is a concept close to the one you point out.

Ernesto Gabilondo - *Bank of America Merrill Lynch*

Perfect. Thank you so much.

Ana Bartesaghi

Thank you, Ernesto. Our next question comes from Gabriel Nobrega with Citi. Gabriel, go ahead.

Gabriel Nobrega - *Citi*

Hi, everyone. Good morning, and thank you for the opportunity to ask question.

So my question is also on this digital transformation, we acknowledge all of the efforts here and we understand the investments as well. But I wanted to understand how you were looking at the competitive landscape even more so as we saw the recent valuation of UALÁ and we also see increased efforts from Mercado Pago. And so I just really wanted to understand how you were looking at it? I know that they aren't necessarily the same thing, but we are seeing fintechs starting to spur up in Argentina. And so I just wanted to understand here whether you were seeing in terms of the competitive environment? And I'll ask my second question afterwards. Thank you.

Patricio Supervielle

Thank you. I will pass -- thank you, Gabriel. I will pass this question to Alejandro again.

Alejandro Stengel

Good morning, Gabriel. It's a great question actually. First of all, you must remember that the Argentine competitive scenario has been very different and very difficult for fintechs as compared to other parts of the world and the region. The reason being that the profit pools that you typically found, for example, in the U.S. that had to do with the cost of transfers and the cost of maintenance of accounts in Argentina have long been reduced to zero, and we have immediate transfers available for at least 10 years now, and we also have universal savings account free of charge. These two conditions have made the typical profit pools where fintechs start from to cherry pick the value proposition of banks more difficult in Argentina than in other competitive scenarios.

Having said that, the fintechs that have sprung up, including the digital banks that have risen have had a significant difficulty in developing integral relationships. They have been able to create some balances in the accounts, but they have had significant difficulties on the asset side. And when you look at them in detail, what you will find is that they've been basically lending to the Central Bank or to the Argentine State. So integral relationships and principality developed by the digital banks in Argentina still remains to be proven.

In the case of other players, like UALÁ, they have actually moved into requesting a license through an agreement and a merger with Willow Bank to be operating as a digital bank. And what they've done so far is be extremely successful in creating a large amount of clients. But we have yet to see the profitability of those operations going forward and the funding of those operations, because otherwise, they will be operating in the mode of a narrow bank. And as you know, narrow banks are not very profitable.

And so we think there is a significant opportunity for banks, traditional banks like us that managed to transform their models into digital. And what we see is acquisition costs and scaling costs, marginal acquisition costs and marginal scaling costs actually getting very close to fintechs. And this is providing a significant evening of the playing field for traditional banks to be able to expand.

In terms of Mercado Pago, if I recall your last point, there is a very good progress done on MODO, which is a platform for payments a clearing payment platform that has been launched by a group of banks, Banco Supervielle is a shareholder at MODO. And the last figures I recall is that MODO has been able to recruit 4 million merchants to its platform and is continuing to grow very successfully. This, as you might recall, follows a pattern of what banks responded in the U.S. by the creation of sell, here, we call it MODO, and it's doing pretty well. I don't know if I've covered your question, Gabriel.

Patricio Supervielle

Sorry, Gabriel. I'd like to further a little bit the answer of Alejandro. Concerning the pure digital banks in Argentina, so far, I think they have achieved a good customer experience with the effort. So this is a plus for the digital banks that are operating in Argentina. But their business, they have no assets. So they only lend to the Central Bank, Leliqs and so on.

So they have basically, this is a problem situation for the digital banks, which in our case, the IUDÚ launch, we believe we have a better competitive advantage because we have assets already which we have built over the last few years, and we have the capability to create assets, personal loans, credit cards. We have a strong capability on that. And we believe that attracting deposits will be an easier task because basically what we will do is that the IUDÚ application that we launched recently will be sort of provided to the 250,000 customers that are operating already with assets at IUDÚ.

Concerning also another aspect I'd like to point out is that some of the recent valuations or capital raisings of fintechs in the region, they reflect, I think for instance, in the case of UALÁ, they reflect the

revenue generation or revenue expectations that they might get in -- beyond Argentina. And this is also the reason why we believe in our case that we need to move beyond Argentina with certain businesses where we have capabilities, and this is why we are making the moves we're making.

Gabriel Nobrega - Citi

All right. That makes sense, and I completely agree with you. I don't know if you guys saw, but Nu Bank has been trying a valuation of \$100 billion dollars. So I think it's exactly in line with what you just said on the recent capital raise. And if you just allow me a follow-up here. I understand that you are going to see efficiency gains over the coming 12 to 24 months. But I wanted to understand how are you seeing client engagement? You were doing a lot of great things here, launching really good products, which you say have a really good competitive advantage over the other digital players. But I just wanted to understand how clients are using these products? Are they moving maybe into higher value products as well? Just trying to understand here. Thank you.

Patricio Supervielle

Alejandro, do you want to answer that?

Alejandro Stengel

Sure. Another great question, Gabriel. We track customer satisfaction very closely. And you're right, we are seeing a significant increase in our NPS. We do this at different levels. And the investments are actually panning out in terms of increasing customer satisfaction. A thing that have driven this customer satisfaction is the increase of our self service areas in our lobbies. On average, we are moving from something that used to be around 30 square meters to a new format of 100 square meters, which is a significant increase in what we call *Espacio 24* and digital and automatic channel adoption has shot up, including in the segments of the retirees and as well as satisfaction in that segment, which has proven very, very successful.

We have also introduced several changes in our mobile app. And there has been also a recognition in that this usability is getting better. We typically see a pattern, which initially when you change the configuration, there are some customers that actually complain about having to change, but then it picks up very quickly and is proving to be a great booster of satisfaction.

So I think client engagement is increasing. We are seeing this also on the small and medium enterprises as we deploy a value proposition of small and medium enterprises in some points of our network where we did not have them. And we continue to explore this kind of format, including hubs and virtual hubs that will allow for, we believe, a very enhanced customer experience too. So we are investing and we're starting to see the results. There were some KPIs in exhibits that can help you track them as we publish them every quarter.

I don't know if I've addressed your question, Gabriel.

Patricio Supervielle

Alejandro, let me build on your answer. There's another aspect which we are working and I think which will be a very powerful in building strong relationship with customers, and in this case, individual customers. We, as you know, in our bank, we believe that cash management and services and particularly attracting funding is very important for the development of our strategy.

And so we started to work on, let's say, an investment platform that will be integrated with our ecosystem, the bank connected with our fund and our asset management company and connected with our investment broker, Invertironline. This investment platform that will start to begin to have results

at the last quarter of this year will provide a superlative experience of, let's say, through automatic, for instance, enrollment of Invertironline for making transactions in the stock exchange or dollar MEP and so on.

So we believe this is very important. And I think we are one of the few banks doing this. And looking forward, this is going to be a very strong part of our strategy. And also -- excuse me, also IUDÚ will have the same features connected with an investment platform.

Gabriel Nobrega - *Citi*

All right. Alejandro and Patricio, thank you very much. This is really clear, and congratulations on these new efforts.

Ana Bartesaghi

Thank you, Gabriel. And now our next question comes from Yuri Fernandes with J.P. Morgan. Hello, Yuri, you can proceed with your question.

Yuri Fernandes - *J.P. Morgan*

Thank you. And hi, Patricio and hi, Mariano. Good morning, everyone. I have also a follow-up regarding the digital strategy, more specifically about the fee and NII mix, right? I guess, it's clear that you want to go to a more service-oriented model, right, like the investment products, well being services, potentially a more fee-related business. So I just would like to confirm that that's what you have in mind.

I also would like to confirm how is regulation in those things, right? I would assume you are more free to charge on those kind of services like a percentage of the transactions, maybe I don't know if the Central Bank in Argentina has powers on that. But I guess where I'm trying to access here is that maybe your ROEs can improve in the long term because of the strategy, not only because of lower capital allocation, right? You're not required to have base your capital requirements on that, but also because you are more -- you're less regulated, right? So that's my first question, and I can have -- I will do another one after this. Thank you.

Patricio Supervielle

Mariano, would you like to provide an answer on that?

Mariano Biglia

Sure. Regarding the new initiatives, as you said, they are basically services, which will increase our net fee income. Right now, mainly at the bank level, we have a lot of restrictions already set in place. So we don't see there's much room to further create more restrictions like commissions on loans to individuals, like commissions on transfers, all those fees that have already been restricted, some of them several years ago.

So we are already working with that environment. But where we see more room to increase net fee income, as you mentioned, is on services like our brokerage service or the sale of non-financial services like medical assistance. So as far as we increase those complementary services to our customers for the bank, IUDÚ or Invertironline and further with the deployment of some of these strategies beyond Argentina and thus having revenues in other currencies. That will, for sure, it would impact in our net fee income.

Patricio Supervielle

Yes. And adding to that, also, I would like to say -- to state that we are very satisfied with the prospects of insurance -- our insurance business in Argentina and particularly now. I mean it was impacted, of course. The insurance was impacted by the pandemic. In terms of -- part of it was because when we had less people in branches, it was more difficult to connect with customers, but this is an interaction. But also the brokerage business, the insurance broker is gaining a strong traction among medium-sized enterprises as a reason, typical clients of Banco Supervielle. And this has a huge potential going forward for our franchise.

Yuri Fernandes - *J.P. Morgan*

Thank you, guys.

Alejandro Stengel

Yuri, I think you are quite right on in terms of looking at what we're trying to do in terms of the fee generating businesses because it definitely has a greater efficiency in terms of cost to income, and it's not a low capex model for scale. But a key feature that I would add to that vision, is that we are looking to increase the engagement and loyalty and offering some of these products in a high inflation context is very important for that purpose too.

Yuri Fernandes - *J.P. Morgan*

So you announced an investment plan of ARS7.8 billion in real terms in 2021, ARS7.2 billion in 2022 and AR\$4.5 billion in 2023. So I'm just asking how you are going to treat those numbers? Are they going to be capitalized or you're going to -- or are you going to see this directly on expenses? Like how should we think about the impact for your P&L from the investment plan?

Patricio Supervielle

Okay. Again, we lost you again, but got the bulk of your question. Mariano, do you want to answer this?

Mariano Biglia

Yes. Let me tell you if that's another part of your question that we couldn't be able to hear. But you asked on investment and what will be the treatment of that investment. That number includes also severance costs not only investment in the traditional accounting standards. So all -- everything related to severance will be expensed in the quarter, it is incurred and not being capitalized.

And then on the other hand, we have between 50% and 60% of those investments that are related to new developments. Those are capitalized. We amortized according to the accounting standards in five years. And then also, there was a minor part of -- within all those investments that relates to improvements in branches where we are changing the service model that Alejandro mentioned. So those investments have to do with physical assets and products.

Yuri Fernandes – *J.P. Morgan*

Thank you, guys. And good luck with the digital strategy.

Mariano Biglia

Thank you.

Ana Bartesaghi

Thank you, Yuri. We have -- we received a question in our Q&A from Santiago Petri with Templeton. I would read so the audience hear this and then we answer. What expectations do you have on the upcoming mid-term elections? Would the results contribute to more rational economic policies? Do you have any expectation about the potential IMF agreement?

Patricio Supervielle

Alejandro will answer this question.

Alejandro Stengel

Right now, up to today, Santiago, what most polls show and most analysts are saying is that what seems likely is basically an election that will favor the incumbents, the current incumbents. There is some speculation that because of an issue around a legal process conducted against the President that this -- the way that this pans out into the public will have an impact on his image, and therefore, impact the elections. But right now, the mainstream thought is that we will be seeing what would be a victory of the incumbents over the official party that would be somewhere around between 5% to 10% difference between those that come from the opposition.

Having said this, we think that there will be -- after the elections, there will be a process in which the government will have to conduct some form of adjustment, and we foresee an agreement with the IMF, probably not a terribly stringent and severe IMF agreement, but something in the lines of allowing a gradual alignment of fiscal policy to the traditional IMF use. And obviously, some policies addressing the difficulty we have with the exchange rates and the multiple exchange rates that we are operating into that. And we believe that this could come basically in the first quarter of next year. Having said this, there have been some rumors that, that agreement could come before, but we so far have no confirmation that this will happen.

I hope I have addressed your question, Santiago.

Ana Bartesaghi

Okay. One moment, if we have any more questions. So this is the end of the Q&A session. So ladies and gentlemen, we have reached the end of today's question and answer session. Thank you for joining us today. We appreciate your interest in our company. And we look forward to meeting more of you over the coming months and providing financial and business updates next quarter. In the interim, we remain available to answer any questions that you may have. Thank you, and stay safe and healthy. You may disconnect now.