

Slide 1

Ana Bartesaghi

Good morning everyone and welcome to the Grupo Supervielle Third Quarter 2022 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.

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 answer questions if you are connected from a phone line. Also, please make sure your first and last name appear in the zoom platform you are using. To ask a question by voice, please press the "raise your hand" button in the zoom platform, and "raise your hand" again to withdraw your question. You can also send 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 is Alejandro Stengel, First Vice-Chairman of the Board and CEO at Banco Supervielle. All will be available for the Q&A session.

Slide 2

As a reminder, today's call will contain forward-looking statements based on Management's current expectations and beliefs and subject to several risks and uncertainties. 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.

Patricio Supervielle, our Chairman and CEO will start the call discussing our key transformation initiatives and our path to profitability. Afterwards, Mariano Biglia, our CFO will take a deeper look at our performance and near-term perspectives. This will be followed by a Q&A session.

Patricio, please go ahead.

Slide 3

Patricio, Chairman and CEO

Thank you, Ana. Good morning, everyone. Thank you for joining us today.

Now, please turn to slide 3 of our earnings presentation.

We continue to execute on the key strategic pillars of our strategy designed to improve ROE while operating in an increasingly adverse macroeconomic environment, with loan demand at all-time lows.

Inflation hit its highest level in decades, climbing 22% in the third quarter, while interest rates hiked 23 percentage points.

In this context, we are moving ahead with the rightsizing of the business and the ongoing transformation of our branch network driving efficiencies while enhancing the customer experience.

Integrating our consumer finance customer base and back-office into Banco Supervielle is on track, and we expect to complete this process in the fourth quarter of the year. Along with seizing the majority of IUDU's operational efficiencies, we are offering this client segment a seamless omnichannel experience through which they can access the Bank's broad assortment of financial products and services.

We also gained traction in transforming our branch network, driving increased productivity. We entirely transferred our financial agent business, including 18 low-performing branches that serviced the government of the Province of San Luis, while continuing to serve our strong private client franchise in this region through a combination of five branches and virtual hubs. Seeking additional operating leverage, this month, we filed a request with the regulator to close another 14 branches reaching a total of 28. We expect to finalize the merger of these branches during the first quarter of next year.

We continue to prioritize customer acquisition and cross-sell to gain share of target client wallets and I will provide an update on this shortly.

Improving asset quality and funding are two other key pillars of our strategy where we are also advancing despite the challenging context.

While accelerating inflation and high market interest rates are weighing heavily on industry loan demand, our prudent approach to asset quality has allowed us to maintain stable low NPLs and net cost of risk dropping to a low of 2.8%.

Mariano will discuss our financial performance in greater detail shortly, but overall profitability remained mainly impacted by weak loan demand, regulatory minimum interest rates ruled by the Central Bank, and a lag in the repricing of AR\$ loans.

And while we reported a consolidated net loss for the quarter, our Bank subsidiary on a stand-alone basis, reported a 2.6% ROAE in real terms, improving sequentially.

We finalized the quarter with a Tier 1 capital ratio of 14.2%. Our capital base is inflation-hedged and offers enough liquidity to weather the current macro challenges as we wait for more favorable economic and market circumstances.

Slide 4

Now, please turn to page 4. We have established a clear path to profitability towards the close of 2Q23.

Let me review the structural drivers underlying our pathway.

First, the consumer finance business has been a dragging factor in our operations. Transferring IUDU's customers and back-office to the bank will be a major source of efficiency in a sector that has suffered the most from the economic crisis and worsening macro. With inflation expected to remain at high levels next year, this initiative will allow us to serve this segment more efficiently.

Second, 47 branches, including 14 in process, have been consolidated and rightsized. Moreover, headcount has been reduced by 23% from 2020 levels. This includes an 88% reduction in headcount at IDUU and 10% at the Bank.

Following the transfer of the financial agent business related to the province of San Luis we are keeping a solid relationship with the private sector in this province – both corporates and individuals – through a more efficient model.

These initiatives will allow us to drive profitability, achieving a positive ROE towards the end of the second quarter of 2023.

Beyond this, we remain focused on driving revenue growth.

We added 100,000 new retail customers year-on-year – up 7%. We are also encouraged by the growing number of digitally onboarded clients - up 2.7 times from September last year. Digital customers rose to 52% of total clients, up from 34% a year-ago.

Corporate and SME customers, in turn, posted a strong 11% year-on-year increase, with the addition of 3,300 new clients.

As market conditions begin to improve, we expect to deliver loan growth and customer acquisition with a more efficient structure, driving sustainable profitability.

With this, let me turn the call to Mariano. Please, go ahead.

Mariano Biglia

Slide 5

Thank you, Patricio, and good day everyone. Please turn to slide 5.

We reported a net loss of 560 million pesos, a reduction from the 2.1 billion peso loss in the second quarter.

The main line items and drivers contributing to this sequential improvement included:

- First, a 7% increase in net financial income – equivalent to 1.7 billion pesos - mainly reflecting higher market rates;
- Second, a decline of 11% in personnel expenses – or 1.3 billion pesos – as increases in wages were not enough to anticipate accelerated inflation in the quarter reducing salaries in real terms. Efficiencies from headcount reductions, as Patricio discussed, also contributed to lower costs; and
- Third, a 34% drop in loan loss provisions – equal to 1.2 billion pesos – that mainly reflected healthy asset quality.

These benefits were partially offset by a sequential increase in income tax of 1.6 billion pesos, reflecting a higher taxable income base at subsidiaries and higher inflation negatively impacting IUDU's tax loss carry forward.

Slide 6

Turning to slide 6, total loans for the quarter increased below inflation, reflecting the impact of accelerated inflation and the consequent weak credit demand across segments.

Our overall loan performance was in line with the industry trend when excluding the financial agent business that served the government of the Province of San Luis.

Notably, total loans at IUDU contracted 16% sequentially as we continued to slow down origination in an increasingly inflationary context, resulting in nearly a percentage point sequential decline in the weighting of consumer loans over our total book.

Slide 7

Moving on to funding on slide 7, total Argentine peso deposits in real terms declined in the high teens sequentially, as we managed liquidity reducing institutional funding. In addition, core deposits were seasonally lower while also impacted by the transfer of the financial agent business in the Province of San Luis.

Average AR\$ deposits were down nearly 9% QoQ, while average AR\$ core deposits were down 3.8%.

Year-on-year, we gained market share in sight deposits, reflecting our sustained focus on strengthening our low-cost funding base – a key pillar of our strategy.

Slide 8

As shown on slide 8, Net Financial Income increased over 7% QoQ to AR\$24.6 billion.

In turn, total Net Interest Margin was up 320 basis points sequentially to 22%

NIM expansion was mainly driven by higher rates and lower volumes of Leliqs.

This more than offset a 920 basis point increase in AR\$ cost of funds driven by regulatory minimum interest rates ruled by the Central Bank, and a lag in the repricing of AR\$ loans combined with a low single digit decline in average volume from weak credit demand.

Slide 9

Moving on to page 9, our focus on protecting asset quality by increasingly atomizing exposure and reducing our risk appetite, allowed us to report a total NPL ratio of 3.7%, sequentially stable.

Total net loan loss provisions were down 52% quarter-on-quarter, with a net cost of risk dropping to a low of 2.8%.

In addition to healthy asset quality, lower cost of risk reflects a release in provisions following the transfer of loans granted under the financial agency agreement with the province of San Luis. We also contracted a new credit-related insurance policy which contributed to reducing provisions for our senior citizens loan book. In a context of accelerated inflation, we also lowered loan origination at IUDU and began to transfer customers and loans to the Bank.

The Total Coverage ratio stood at nearly 142%, stable against the restated ratio for 2Q22 when considering the adoption of ECL accounting at IUDU. I will explain this in more detail shortly.

Finally, at the bank the NPL ratio stood at 2.7%, while IUDU consumer loans posted a 190 basis points decline in the NPL ratio down to 15.4% driven by a reduction in its non-performing loan portfolio of around in the high twenties.

Slide 10

Now please turn to slide 10.

Together with transferring IUDU customers and loans to the Bank, this quarter we also adopted the IFRS 9 impairment model at IUDU, which requires loan loss reserves to be recognized based on expected loss models for financial instruments.

As a result, IUDU loans have the same loan loss reserve when they migrate to the Bank and do not produce loan loss provisions related to a change in an accounting standard.

ECL accounting was adopted retrospectively to January 1, 2021, to the IUDU loan book, allocating results to the quarter where the loans were produced, thus allowing the comparison of results and balances at different dates with the same accounting standard.

As a result, reported figures and ratios for all quarters of 2021, full-year 2021 and the first and second quarters of this year have been restated.

Under the ECL model, loan loss reserves increased by \$3 billion while the coverage ratio rose 34 percentage points to 142%.

Shareholders' equity decreased by \$3 billion. Importantly, Tier 1 capital was not affected as under IFRS 9, loan loss reserves which exceed minimum Central Bank reserves, are added back to Tier 1 capital.

The restated net loss for the first half of 2022 improved over by \$460 million compared to the reported net loss before adopting IFRS 9 at IUDU. Slightly higher loan loss provisions were more than offset by a lower inflation adjustment loss as higher loan loss reserves at the beginning of the year reduced the net monetary position.

Slide 11

Now turning to page 11, the efficiency ratio improved to just over 73% this quarter, down 180 bps year on year and 8 percentage points sequentially.

This sequential improvement was mainly driven by a 6% increase in revenues, as the prior quarter had been negatively impacted by a sharp drop in the prices of our government security holdings. Expenses, in turn, declined nearly 5% in the period.

Moreover, when excluding severance and early retirement charges in both quarters resulting from the implementation of our transformation and efficiency programs at the Bank and IUDU, the efficiency ratio would have declined to 67.8% this quarter from 75.8% in the second quarter this year.

This improvement in efficiency reflects a 12% sequential drop in comparable personnel expenses driven by a 7% decline in headcount, together with the benefit from union salary increases that lagged inflation and contributed to lower costs in real terms. This is the opposite effect we experienced in the second quarter when salary increases anticipated inflation, increasing costs in real terms.

This was partially offset by increased administrative expenses related to customer acquisition costs and the ongoing execution of projects supporting our digital transformation. As I noted earlier, starting this quarter costs also include a new life insurance policy contracted by the Bank to cover risk within the senior citizens' segment, which contributes to lower loan loss provisions for this segment.

Slide 12

On slide 12 we share our views on the main drivers of our business for the full year and introduce our perspectives for 2023.

- In terms of Deposits, we now expect to end 2022 with levels below inflation; before, we were expecting to grow in line with inflation. During 2023, we expect to see a pick-up in deposit growth – expanding above inflation – as we continue to grow our customer base and gain additional share in checking accounts.
- Finally, the Tier 1 ratio is expected to remain at adequate levels ranging between 12.5% and 13.5% by year-end 2022 and 2023. This is a 50 bps increase in both the high- and low-end of the range. Recall that 100% of our capital remains hedged against inflation.

Beyond this, 2022 expectations for all other metrics remain unchanged from our prior quarter views. And let me do a quick recap on that and elaborate on our views for next year:

- Starting with loans, in this challenging context, we continue to expect our loan book to grow below inflation in 2022. For 2023, we see loans growing in line with inflation. Note that for 2023 market consensus calls for annual inflation of 96% as per the Central Bank survey published this month.
- With respect to asset quality, we continue to anticipate cost of risk for the year at similar levels to those reported year-to-date, with the NPL ratio relatively unchanged as loan growth has slowed versus last year. Maintaining our focus on asset quality, we also expect loan loss provisions and net cost of risk for 2023 to remain stable.
- NIM for 2022 and 2023 is expected to remain in line with the level reported for the first 9-months of the year. We also expect net financial income to increase in real terms in 2023.
- Our views regarding Fee income remain unchanged with the bulk of bank fees from individuals are anticipated to reprice in line with inflation, while insurance income is expected to increase in real terms as premiums recover from the shortfall of 2020 and 2021.
- We also maintain our expectations for Operating expenses, with costs increasing slightly above inflation, reflecting additional costs from the implementation of our digital transformation strategy, continued headcount efficiencies, and customer acquisition costs. In addition, IT investments related to our digital transformation are expected to grow below inflation.

Slide 13

Before opening for Q&A, please turn to slide 13 to take a deeper look at our cost-cutting initiatives driving improved operating efficiency.

As shown on this slide, in 2023, we expect to achieve savings totaling 5.3 billion pesos derived from the main cost reduction initiatives under implementation over the past two years. This includes anticipated savings of:

- 3.7 billion pesos from the transfer of the IUDU loan book and client base to the bank, which also includes the reduction in headcount during 2022;
- 1 billion pesos, reflecting headcount reduction at the bank over the past two years, including the closure of 28 bank branches that being merged are anticipated to result in savings of 1 billion pesos; and
- 0.6 billion pesos from the transfer of the financial agent operations with the province of San Luis.

Note figures are stated in pesos based on purchasing power as of December 2022.

Now we are ready to open the floor for questions. Ana, please go ahead.

Q&A Session

Ana Bartesaghi

Thank you, Mariano. 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.

The first question comes from Rodrigo Nistor with Latin Securities. Please go ahead, Rodrigo.

Rodrigo Nistor

Hi, thank you for taking my question. I have a concise yet hard to answer question. So what would it take for Grupo Supervielle to turn around its operation? What's in your hands? And what depends on more favorable macro conditions? Thank you.

Mariano Biglia

Yes. Hello, Rodrigo. Thank you for your question. Let me answer regarding for us to turn around our profit for next year. As Patricio discussed during the presentation, we have a profitability based on the first cost savings initiatives, which is part of what we can handle. And in fact, we have been deploying these initiatives during 2022, the main being the transfer of an integration of IUDU customers and operations with the bank, which allow us to have cost savings of AR\$3.7 billion stated in 2022 currency.

Then the transfer of the agreement with the Province of San Luis is another source of efficiencies as we are reducing 18 branches that existed only relating to this financial agent agreements. We are maintaining the branches in San Luis that operate with the private sector customers, both companies and individuals in the main locations and main cities of the province. So we are keeping - maintaining the presence in the province in a much more efficient way.

And then also there are cost reductions which have already been taking place at the bank level, also at invertironline with a bank decreasing the headcount in 10% over the last two years. So these initiatives are under our control and are being implemented and will allow us to have a very significant reduction in costs for next year.

Then on the revenue side, we've been working in our digital transformation strategy, which has allowed us to increase our customer base by 100,000 individual customers this year. Most of these customers are being onboarded digitally. So that is also a source of efficiency. And we will also see for next year, a growth in our loan portfolio in line with inflation as opposed to this year, where we've seen growth below inflation.

So those are the main initiatives that will allow us to increase profitability. And of course, then there are risks mainly related to the macroeconomic environment and the regulatory environment, which are not under our control. Those risks, that's the main one, I think, is the inflation, a more accelerated inflation than what we expect now is clearly punitive for our business and for our costs.

And then the regulation, which has been also very punitive in this context, with the main regulation affecting our margins and results being related to interest rate caps and flows. So that will be the main drivers. In our path to profitability, the main drivers are the ones that we can control. It's not only because we expect a better macro environment.

Rodrigo Nistor

That was really helpful. Thank you.

Ana Bartesaghi

Thank you, Rodrigo. We have a question in the Q&A box from Alejandra Aranda with Itaú. It's related to this one, but I think it has more color on IUDU. Hi, Patricio, I would like to have more color on the process of integration of IUDU. Could you tell us where we are, what's going to be carried on in the next quarters? And can you walk us through how we should think of efficiencies starting to show on the P&L to show positive return on equity on 2Q23? What are the other key implicit premises behind this, meaning inflation, union agreements, headcount, loan and deposit growth, exposure to government paper rates, GDP, etc.

Patricio Supervielle

Let me add to what Mariano said, with the acceleration of inflation in 2022. We made a shift in strategy, a very radical shift in strategy because we had two platforms, the digital platforms to capture clients. That was the idea. First, the platform, of course, of the main engine, Banco Supervielle, but the idea also was to have a platform at IUDU independent to attend the consumer finance operations. And we decided to have only one platform. So this we will operate with only one platform, and this is much more efficient.

With the macro outlook, which continues to have high inflation, although these consumer segments that we transferred to Banco Supervielle, we hope to basically to provide them with a much wider array of some financial services that they had originally at IUDU, and hopefully to through cross-selling get better results with an integration with - and commercial synergies with these clients.

Notwithstanding with high inflation and such high inflation, we decided also that origination standards at the bank are much stricter, because inflation is not going down. In fact, it's going up. So basically, we have much stricter origination standards at this point with the consumer finance sector. So we're reflecting a very low appetite to take risk at this time. I don't know if you want to add something.

Alejandro Stengel

Not very much, maybe related to what Alejandra was asking as to where we are or what part of the process of integration we are. We are actually moving quickly and moving the portfolio of loans and credit cards by batches. And we - I would say we are roughly around 100,000 clients that have already been transferred to the bank. And we expect to complete this process, if there are no delays by the middle of December, maybe a little bit earlier. So we're moving very well and as expected and on target in that process.

Patricio Supervielle

And also, I'd like to say that the contract with Dorinka is being continued by Banco Supervielle. That's another important part that I want to stress.

Ana Bartesaghi

I have one more from Alejandra Aranda as well. Thinking ahead, how do you imagine the Argentina system and consolidation taking place given the situation that some players are facing?

Patricio Supervielle

Well, I think that basically, we are in a - I think historically, the ratio of loans to the GDP has been in the lowest, at least in the last 20 years. So, according to past history, when there was a change in expectation. There was a very rapid or drastic change in the behavior of business actors and business community.

So this rapid and radical change will mean that there will be - will hopefully, with the change of - with the new government that starts to deregulate and tackle inflation, it will mean that there will be much more demand and normalization - much more demand of loans and normalization of the banking business. And this will be very positive for us.

We are well prepared - we've been preparing for that - with our digital transformation, with our driving further operating efficiencies with the consolidation of branches that we mentioned and the efficiencies we captured in personnel.

So we have a solid - we believe we have sufficient capital to attend growth in demand of loans, so I think that the consolidation - looking forward, there will be a consolidation, but this consolidation first will be in terms of growing of this demand of loans by individuals and corporations. So it would be what I would say, an organic consolidation. So we are very well placed to play in this consolidation.

Q&A

Ana Bartesaghi

Okay, ladies and gentlemen, we have reached the end of today's Q&A session. Thank you for joining us today. We appreciate your interest in our company. 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.