

Slide 1

Ana Bartesaghi

Good morning, everyone and welcome to the Grupo Supervielle First 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 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, and press "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 are Alejandro Stengel, First Vice-Chairman of the Board and Bank CEO and Sergio Mazzitello, our Chief Technology Officer. 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.

Slide 3

As a reminder, 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, 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.

Patricio Supervielle, our Chairman and CEO will start the call discussing our key highlights for the quarter. Afterwards, Patricio Mariano Biglia, our CFO will take a deeper look at our performance and near-term perspectives. Sergio Mazzitello, our Chief Technology Officer will then provide an overview of our digital transformation strategy.

Patricio, please go ahead.

Patricio, Chairman and CEO

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

Now, please turn to slide 4 of our earnings presentation.

While we saw continued growth in economic activity driven by a statistic carry-over following the rebound last year, market conditions remain challenging with accelerated inflation, industry loans at historical lows while Central Bank regulations continue to weigh on NIM. At the same time, the government's recent agreement with the IMF was a positive development, that requires political consensus to implement it.

Our bottom line remained negatively impacted by severance and personnel charges in connection with headcount reductions to capture operating efficiencies at the Bank and at IUDÚ. Excluding these charges, we would have reported a net gain of 446 million pesos and an Adjusted ROAE of 2.9% compared to break-even profitability in the fourth quarter. Other factors putting pressure on profitability include seasonally low credit demand, which is at historic lows, as well as regulatory floors on interest rates on time deposits. And while the banking business reported positive ROAE, results at IUDÚ were affected by higher inflation and loan loss provisions, together with a deep personnel reduction. Mariano will discuss this in more detail shortly.

On the expense front, the efficiency ratio improved 250 basis points sequentially although it remains highly impacted by a low revenue base.

We also maintain an adequate capital base with a TIER 1 ratio of 13.8% at quarter-end – up 110 basis points sequentially, while liquidity remains strong allowing us to navigate the current environment and implement our strategic transformation, supporting long-term sustainability. As a reminder, our capital base remains hedged against inflation through real estate investments, mortgages, and sovereign bonds.

The digital and operational transformation that we have been undertaking is core to our goal of delivering long-term value creation. This explains lower profitability in the short term as we incur in higher costs including right-sizing operations, capturing efficiencies, cross selling and acquiring customers. We are encouraged with the sustained progress on this front. Let me share a few highlights:

For example, total digitalized clients were up 54% year-on-year as we continue to see increased digital adoption across personal loans, time deposits, and insurance sales, while asset management retail customers doubled during the period also showing higher engagement.

This quarter we also launched the first end-to-end digital onboarding in the market for Entrepreneurs and SMEs and continue to add new features across the platform each quarter.

As usual, we have included in the exhibits of our earnings presentation the progress we are making on our key digital and operational KPIs across the Company.

We are pleased to have Sergio Mazzitello, our Chief Technology Officer, joining us on today's call. He will share his views on the initiatives he has been leading on our digital transformation. As you may recall, Sergio joined our company towards the end of 2019. Before joining Supervielle, he was Chief Information Officer at Naranja, a Grupo Galicia subsidiary.

Before turning the call to Mariano, let me provide an update on our status as financial agent of the province of San Luis. As a reminder, in early 2017 the government of the province terminated this financial agency agreement and retained us to continue providing these services until now. On May 5th, we were notified by the government that they designated state-owned Banco Nación as financial agent for the province. At quarter-end, the share of Payroll Loans made to the Province of San Luis employees amounted to 2.6% of our Bank's total loan portfolio, while deposits made by the government of the province were only 0.7% of the Bank's deposit base. We have been operating in San Luis for the past 25 years and have built a strong franchise in the private sector business which we plan to continue serving. More information on this can be found in our earnings report.

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

Slide 5

Mariano Biglia, CFO

Thank you, Patricio. Please turn to slide 5.

Several effects impacted our loan book this quarter resulting in a sequential contraction of nearly 11%.

At the Bank, we saw seasonally weak loan demand in Factoring where we have a higher market share, and a drop in loans to SMEs at subsidized rates. Accelerated inflation also eroded consumer's purchasing power, while corporate clients held strong cash positions.

At IUDÚ, we tightened credit standards in a more challenging environment resulting in a sharp reduction in loan origination.

Slide 6

Now, moving on to funding on slide 6.

Total Argentine peso deposits increased nearly 3% sequentially as we exercised liquidity management increasing institutional funding as well as the balance of Central Bank securities at quarter-end benefiting from higher spreads.

Total liquidity levels were strong, both in pesos and dollars, with the loan to deposit ratio at 49%.

In turn, core peso deposits posted a 4% seasonal decline, but increased over 8% year-on-year.

Slide 7

Turning to slide 7, Total Net Interest Margin increased 90 basis points sequentially to just over 19% in the quarter.

A couple of factors contributed to this improved sequential performance:

First, the yield of AR\$ loans increased 230 basis points as we repriced our loan book and lowered subsidized loan volumes.

Second, the increase in the spread on Central Bank securities reflecting monetary policy rate hikes in the quarter, and

Lastly, higher inflation also drove higher AR\$ NIM.

These were partially offset by a 70 basis points increase in AR\$ cost of funds, reflecting rises in minimum interest rates ruled by the Central Bank.

Slide 8

Moving on to Asset Quality on slide 8.

Our total NPL ratio remained stable at 4.3% sequentially with Coverage at 107%.

The Bank's NPL ratio remained steady at 2.6% in line with pre-pandemic and prerecession levels, with cost of risk at 3.1% and coverage of 145%.

By contrast, IUDÚ posted a 70 basis points sequential deterioration in the NPL ratio reaching 20.4% reflecting the impact of inflation on consumer's disposable income. Note that these high NPL ratio levels reflect mainly the aging of delinquent loans that were deferred during the pandemic through regulatory easing. During the second quarter we expect to write-off delinquent loans of customers who did not resume payments after the expiration of the 12- month grace periods ruled by the Central Bank.

Slide 9

Now, moving on to capitalization on slide 9.

The Tier 1 capital ratio increased 110 basis points sequentially to 13.8% at quarter-end, mainly explained by the inflation adjustment of capital, while risk weighted assets increased below inflation.

Slide 10

On slide 10 we share our views on the main drivers of our business for the full year.

As we navigate a more challenging environment with accelerated inflation, we now anticipate loan growth to slow down and remain in line with inflation in 2022 vis a vis our expectation slight growth

in real terms on our previous earnings call. However, growth in real terms would be lower if annual inflation were to accelerate above 65%.

In addition, given FX restrictions and interest rate floors on time deposits we now expect deposits to grow in line with inflation.

Our views on asset quality remain unchanged from our prior call, with Loan loss provisions expected to grow above 2021 levels reflecting loan growth while cost of risk is anticipated to remain at similar levels of last year. Likewise, the total NPLs ratio is expected to remain stable at 2021 levels.

We also continue to expect NIM to increase slightly above 2021 levels, with the margin increasing in real terms. Several factors are expected to contribute to this performance:

First, a sustained improvement in the funding mix observed since the close of last year, a key pillar of our strategic plan,

Second, margin should also benefit from the impact of higher inflation on inflation-adjusted assets, including government bonds and mortgages,

And lastly, the continued net positive effect from the increase in interest rates passed by the Central Bank. As a reminder, more detail on Central Bank regulations can be found in our earnings report.

Our perspective for Fees is also unchanged from last quarter, with Fee income from individuals anticipated to grow in line with inflation, while insurance income is likely to increase in real terms as premiums recover from the lower levels of the past two years.

Similarly, we also maintain our views on operating expenses. Mainly, increasing above inflation reflecting the combination of incremental costs from the implementation of our digital transformation strategy, continued headcount efficiencies, and customer acquisition costs. During 2022, we plan to invest approximately 5.1 and 1.2 billion pesos, in connection with digital and network transformation initiatives, respectively.

Finally, views on capital and liquidity for 2022 are also unchanged, with the Tier 1 ratio anticipated at adequate levels ranging between 12 and 13%. As a reminder, 100% of our capital remains hedged against inflation.

Slide 11

Now, let me turn the call to Sergio Mazzitello, our Chief Technology Officer.

Slide 12

Sergio Mazzitello, CTO

Thank you, Mariano. Good day everyone. Now please turn to slide 12.

As you may know at the bank we continue with our full-agile at scale transformation process.

It means a customer centric focus and technology as an enabler of our business. So that's why we think in technology with purpose. The transformation is complex and includes much more than what we can see on the surface. Mainly it is a cultural transformation, a new way of doing things, involving processes, risks, people, technology, data, innovation, etc.

Today I want to focus on the technology strategy we've been following these years and its results, and how this strategy leverages the agile at scale business and the creation of value for our clients.

Slide 13

Now please turn to slide 13.

We've have taken many IT decisions based on the objective of accelerating our time to market or time to value.

We have more than 50 squads working in multidisciplinary teams, and also 6 centers of excellence.

To accelerate this, a key success factor is the empowerment and autonomy we have given to all the Supervielle's teams.

Our strategy of microservices, apis, continuous integration and cloud migration are the enablers for our operating model.

Currently we have more than 340 apis that were developed in the last year and a half, but better than that, we have the teams and the talent to continue with this.

The data lake that allows us to become a data-driven organization, under a 360° customer view and supported by advanced analytics and artificial intelligence models applied to the commercial strategy. Today we have more than 19 machine learning models implemented.

For example, the best offer for each of them, the next product to buy, or to implement campaigns to retain our clients when we detect any probabilities of attrition.

But all of these couldn't be possible without the digital channel availability. That's why we also focus on our operational and technology continuity program getting more than 99.9% of availability in our digital channels.

We are executing our journey to the cloud, implementing a continuous migration of solutions under a multi-cloud strategy, with the aim of achieving greater agility and flexibility, but also reducing operating costs. This is not a lift and shift of applications, this is a path of rearchitecting application to be cloud native, to really take advantage of this technology.

Our objective is to have 70% of our volume in cloud by mid of 2024.

And finally, I want to talk about talent and partners.

We have made contact with the best IT partners that have given us the best ideas, technology, and practices such as AWS, IBM, and Microsoft.

Digital talent is the key to our transformation process.

That is why we have approached a comprehensive talent plan, which goes along with the IT. And transformation strategy, re skilling our teams, and bringing people from the market when we think it is necessary.

Today we are one of the most attractive banks for digital talent, and we compete for resources with technology companies, which has given us a new challenge.

Today we have a digital bank within a traditional bank.

We can multiply the number of clients at a low operating cost, thanks to the different technological enablers and a team of people with a #humanbanking mindset.

Our app includes almost all the services we provide to individuals and companies but also can be considered a digital wallet that let our clients perform every day to day transactions such as, for example, to pay with a QR code at a merchant, with a simple and frictionless client experience.

Through our digital wallet that have more than 350.000 users or through HB or a self-service terminal, our clients (both individuals, SMEs or companies) can solve concerns through a video call making their day-to-day life easier.

All these features are enabling a bank with a national presence without the need of physical branches.

Our virtual hub is a reality.

Including many points of contact to assist our customers, for example virtual chat integrated to our channels, which facilitates interaction on frequent problems with an AI structure.

But also our virtual hub invited us to rethink our service model, making it possible today to access to one of our 50 account executives virtually with a video conference solution integrated to the app, the homebanking and the ATMs.

We are the only one offering this Argentina.

From the comfort of their home, business or anywhere with connectivity, our clients can make transfers, service payments, investments, check balances, among other operations and contact to an executive.

Having more than 233.000 interactions since the launch, it allowed us to reach more customers just a click away.

Next steps.

Going forward, we remain fully focused on deepening our transformation and addressing new challenges:

First, continuing to evolve our operating model seamlessly integrating different areas to further reduce time to market while keeping a holistic view of our customer base.

Second, promoting a data driven culture, making more dashboards available and strengthening online information on digital assets; that allow the product/process/service squads to take specific actions to improve the customer experience.

Third, encourage experimentation; delving into concepts and technologies (such as blockchain, asset tokenization, AI, conversational banking); generating small MVPs pursuing a culture of continuous learning.

Fourth, we will continue to consolidate our API bank strategy, integrating different partners through services and embedded finance. Deepen our flat channel architecture strategy, to achieve greater dynamism and independence when it comes to evolving products. Continue the path of evolution and design of cloud native solutions.

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

Q&A Session

Ana Bartesaghi

Thank you, Sergio. 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 Ernesto Gabilondo from Bank of America.

Ernesto Gabilondo

My question is on the political outlook. Can you share with us what are the latest political events or any potential regulation that could be impacting positively or negatively the banking sector? And also related to this, I know that it's still soon, but I would appreciate your thoughts on whom are you seeing as a potential presidential candidates.

And then just a second question on IUDÚ and the Consumer Finance segment, considering the higher rates and the high inflation, when do you think IUDÚ could start to show positive numbers?

Patricio Supervielle

Okay. I will try to answer the first question and maybe I'll then ask Alejandro to complement. But after the agreement with letter of intention of the IMF with the government, which is a positive step, it's becoming clearer that in the government, there are 2 factions. And so this is giving, I think, some concern in terms of the swift implementation of the IMF agreement will take place and particularly, for instance, when you have a scenario of higher inflation. So this is straining a little bit in the --this is straining the policy implementation.

Medium term, I think, personally, this is my personal view, I think, it's positive to have or, let's say, for next election, a clear division of the -- of views, whereby you have on one side, a view of, let's continue dragging the feet, dragging the structural reforms and not implementing structural reforms, which is unfortunately something that has happened in the last decades in Argentina or in the other side, another view, which is, let's tackle the inflation, let's reduce the size of the government, let's reduce the taxes. I think this is going to become clearer. And the tensions in the government, in my opinion, will help this clear division of views next year for the electorate. So I don't know if you want to complement.

Alejandro Stengel

This is Alejandro. I think Patricio sort of summarized this tension we see, but the general trend is that we think that there will be an effort from the current administration, and we see it the President's backing to the Finance Minister, Mr. Guzmán, in trying to be as close as possible to the IMF targets.

Your second question was about potential presidential candidates. And basically, the opposition basically is talking about several candidacies, and we think it's still a bit early to determine which of these will actually make it to the finishing line. We've seen declarations by Patricia Bullrich, and to some degree, Mr. Horacio Rodríguez Larreta; and within the opposition coalition, Governor Morales.

On the side of the official party of the incumbent, we've seen declarations from the current President, Mr. Fernandez and also some insinuation on Cristina Fernandez de Kirchner as well as some ideas around the governor of Buenos Aires, Axel Kicillof and other alternatives. Frankly, it's very early to say to be able to determine which of these will be presidential candidates. And as you know, elections will take place on October 2023. And we hope that by that time -- before that time, the political candidates will be clearer.

The third question was on IUDÚ.

Patricio Supervielle

The third question -- yes, concerning IUDÚ, we are going through a higher inflation scenario. And that -- and this is reflected in the consensus expected inflation in -- from different sectors, and this is a negative for the industry and particularly negative for the consumer finance because it affects the capacity of individuals to take loans affecting their disposable income and also tenors are not high because of nominal rates.

So this is in combination with stricter underwriting standards that we implemented in 2021 and continue to implement in 2022. This makes more challenging to find customers taking, let's say, new customers taking credit cards in the IUDÚ business. And this is one side.

The other thing is that we have in 2022 implemented in the first quarter, a very deep reduction in personnel, around 25% of all personnel has been -- basically, there was a severance of about 25% of personnel. And we will continue this capture efficiencies during the rest of the year. And in this sense, in order to have a much, much more efficient franchise.

So looking forward, the scenario is challenging, and we are trying to make sure that this franchise turns profitable. So in one way or the other, we will take measures in order to make it profitable by 2023.

Ana Bartesaghi

The next question comes from Carlos Gomez-Lopez from HSBC.

Carlos Gomez-Lopez

First of all, thank you, as always, for the quality of your financial presentation and the detail in your numbers. I noticed that you have included even all the reserve requirements and all the obligations to lend to the particular sectors. That's very detailed and very useful.

My question is again about profitability. Obviously, higher -- as you mentioned, higher inflation makes it more difficult to run the business. We have seen that the result has been worse with a higher inflation this quarter. But from what you're describing and what the market expects, we could see higher inflation going into the rest of the year. Should we, therefore, expect that because of the inflation adjustment, your reported number will continue to be negative and perhaps larger negative than it is today?

And my question is in the future, if the situation continues for another couple of years, are the shareholders of Supervielle willing to, if necessarily, recapitalize the bank, if it needed capital to maintain the capital until we wait for better times?

Patricio Supervielle

Okay. I will ask Mariano to answer the question. But first, let me give my view. First of all, yes, it's true we're not happy with the profitability, but since we decided in 2020, and this was implemented already in 2021 to take a hit on short-term profits because of the implementation of this transformation of the franchise and also the transformation of the network and the capturing of efficiencies in 2021.

All this is continuing in 2022, and we expect that the results will take place. We will obtain all the rewards of all these efforts in terms of short-term profits in 2023. You might say that it's possible that in 2023, loans will start to grow. So there will be also a consumption of capital in 2023. So we believe that the 2 things combined, in 2023, we might have a reduction of Tier 1 capital to 12%. And that will allow us still to continue competing and growing with this Tier 1 capital. So we believe that all of the measures we are taking, in order to execute a much more efficient franchise in the next 2 years. This is what you see.

Mariano, do you want to compliment on 2022 on your views?

Mariano Biglia

Yes, sure. Yes, as you said, inflation is never good for the business as it reduces purchasing power of individuals and their disposable income. So it's a headwind both for loan growth and -- but also on the cost side, particularly personnel costs increased with inflation. So how are we tackling this, well, first it's important to highlight that we are hedged against inflation. So the loss that we have on the net monetary position, first it's offset through different means by the adjustment of inflation of nonmonetary assets, mainly real estate, but also the bonds and mortgages that are adjusted by inflation through UVAs.

So also as interest rates are increased by the Central Bank, we are taking profits of higher margin and higher spreads through liquidity management. And then as Patricio said, we showed negative results this quarter. But if we did that, the nonrecurring cost, it will be positive. So these nonrecurring costs referred to efficiencies we are making in our headcount where we reduced 7% at the bank level and almost 9% for the whole Group headcount, that's including IUDÚ where we made a major

efficiency of 25% reduction in the last 12 months. So that will allow us to work with a lighter structure going forward. And also, we're incurring costs in acquiring customers. In this context, when you acquire customers, you not only have the typical acquisition cost of latent benefits or cash backs or marketing expenses, particularly in this environment of high inflation and caps on interest rates in this product. So as we work on this front, we acquire more clients and start to cross-sell them and start having also deposits that will allow us to increase our margins and have positive results through higher NIM and the lighter structure.

Ana Bartesaghi

Our next questions come from Yuri Fernandes at JP Morgan.

Yuri Fernandes

I have one here regarding the margin. It's actually a follow-up, I guess you were already discussing. What is the outlook for rates you see? Everybody knows like really this has been increasing every month, almost. So where do you see LELIQ? And how that benefits your business? What should we expect? Because I see loan growth being somewhat like luster. And I guess it makes sense, right, decreasing in real terms while your deposits are growing. And most of the bank's liquidity has been allocated to government-securities. So my question is, what is the level for LELIQ?

And how can LELIQ help your margins for this year?

And also on margins, the second question here is regarding the products. I recall there were several mandatory lending rate caps, and we start to see some flexibilization and you discussed this in the release, how that can help you to improve this profitability in the second half in 2023?

Mariano Biglia

Yes, Yuri. Well, regarding LELIQs, as inflation increased during the first quarter, the Central Bank started to increase rates that have been flat for almost all 2021. The Central Bank has started to increase rates and the last increase -- last week or very recently, so they are going to catch up with inflation. So that at some point, that can benefit us because we also have an increasing cost of funding, so that will benefit on the liability management side.

Also right now, there's a difference between the interest rate at 1 day and at 30 days. So that allows us to increase the spreads. And at some point, offset, as you said, the decrease in the loan growth in the first quarter, first there's some seasonality where the fourth quarter drove higher growth volume that decreased in the first quarter of the following year. But also, we decreased the loans at subsidized rates. So that's why decreasing volumes but increasing net interest margin.

We believe, although we now estimate a higher inflation than originally expected, now we expect inflation around 65%. And although that's very high, we expect monthly inflation starts slowing down. So in that context, probably the Central Bank will have this last interest rate hike to be the last of the year. If that's the scenario, of course, we cannot assure that. But if that's the scenario, although we might not see interest rate decreases, we will see also increases.

So in a more stable interest rate environment, we should be able to increase our loan portfolio also with decreasing inflation.

Patricio Supervielle

Let me complement what Mariano said with a couple of things. First, one of our strong pillars is the cost of funding. And we are focusing with all the technological transformation we have expanded and providing cash management services to corporations. And with a lot of impact in terms of the transactionality companies have in the bank, and with this, we started to see last year a huge impact in terms of collections and payments made by corporations, our clients in our bank. And so we start to see, and we are focusing on our share of checking accounts at our franchise, which we saw that in the last quarter of 2021, we've already started to increase our share. And the focus in 2022 will continue on this focus, and we believe that it's going to help us to achieve a better cost of funding and therefore, help in our financial margins.

The other thing is concerning the senior citizens. Senior citizens are our largest individuals in terms of segments and senior citizens, they are typically depositors of savings accounts and time deposits. Time deposits, they have a floor because of regulation. And this is very punitive for our franchise because this time deposit floors don't allow us to reduce the cost of funding.

When you have a scenario when there is no loan demand, typically the bank would pay less, particularly for very minor and atomized time deposits, which is what we typically would do, and we've been doing in prior years. So as long as this continues, this will continue to affect the cost of funding for this particular franchise. But we believe that at a certain point in time, this regulation will disappear, and it will make it more sustainable for us and provide more scope for a wider financial margins.

Yuri Fernandes

Just a follow-up, loan growth, what is the -- I guess, that Mariano's message was that margins should slightly improve, right, like keep this slightly improving the margins. I guess that was the message. So just checking loan growth, so we can assume like maybe NII growing slightly above volumes or something like that, right? I guess that would be a base case.

Mariano Biglia

Yes, correct. Yes, inflation, as I said, is a headwind for loan growth, that's why we expected -- in prior quarter we expected to grow above inflation. Now we have seen a growth of the peso portfolio in line with inflation because at 65% inflation, the loan demand will be -- we believe will be definitely weaker. So we expect as demand starts to recover very slightly with this inflation level to recover the downturn, we had in the first quarter, but it will probably be in line with inflation, not growing in real terms.

Ana Bartesaghi

Our next questions come from Rodrigo Nistor from AR Partners.

Rodrigo Nistor

So you're undergoing a restructuring process, reshaping your consumer finance business, and investing in technology assuming to be ready for a brighter future. So what kind of Argentina do you have in mind when you invest? What should Argentina look like, so your current strategy is successful?

And then a follow-up related to my previous question. So how do you maximize profitability or maybe reduce the overall negative impact of this nonrecurrent expenses where your transformation matures?

Alejandro Stengel

Rodrigo, I love your question. Let's start from the current situation of Argentina. I'm sure you're aware that the level of loans to GDP is very small. It's around 9%, when you would typically find many of our neighbors at, at least 50% and in the case of Chile, even beyond that, up to close to 90%. So the starting point is from a very low level of loans to GDP, which gives you an idea of the huge potential we have.

Historically, we've been closer to levels in recent history, up to 25% of loans to GDP.

I'm always referring to loans to the private sector. So the first thing you consider when you look at the Argentine financial system is that it's extremely transactional and very, very small. And it has a huge potential to grow and to be a great dynamic force in the growth of the Argentine economy.

So with this in mind, and with this perspective in mind, is that we've been undergoing significant investments, as you've mentioned, and we've tried to focus on a couple of key dimensions. The first is to improve the customer experience and make sure that our customers, both on individuals and SMEs, have the best possible experience in our digital transformation.

The second is that we've increased our capability of customer acquisition with all our onboarding initiatives, digital onboarding initiatives. And this is allowing us to scale quickly on what we call our digital plans and also significantly increasing the potential of serving them in areas where we don't have a physical network. And through innovation, also, as Sergio pointed out earlier, reducing our time to market, while at the same time, we made considerable investments in our network to increase the possibility of self-service and cross-selling. And all this is leading to increasing efficiencies, which when times get better, will allow us to capture all these in very positive long-term value creation.

Ana Bartesaghi

Our next questions come from Juan Recalde at Scotiabank.

Juan Recalde

I have 2 questions. One is a follow-up on loan growth. So I see that you are expecting loan growth around 65%, so in line with inflation for 2022. And that would imply an acceleration in loan growth.

So my question is, what segments do you expect to lead this loan growth acceleration? Is it going to be corporate loans, IUDÚ, or the retail portfolio at the bank? So that's the first one in terms of loan growth per segment.

And the second one is related to the FX or the exchange rate. So in terms of the blue chip, how do you -- I know this is hard to forecast. Yes, I know it's hard. If it was easy, it will be a different story. But how do you see the blue chip evolving in the next -- over the next year or even up to -- yes, over the next 12 months or even before into 2023 before the elections? Do you think that the government can do something to keep the blue chip effects at close to AR\$ 200?

Mariano Biglia

Yes. Yes, Juan, thank you for your questions. Regarding loan growth, we expect to see loan growth both in the commercial portfolio and the retail portfolio of the bank. In the commercial portfolio we saw first weak growth last year. So we expect that to start gradually recovering. Then we also -- as I mentioned earlier, we have some seasonality, particularly in the factoring portfolio on the short-term financing, where we typically grow more in the last quarter of the year.

Then in the retail segment, also the retail segment of the bank showed a decline in real terms in the last 2 years. So we also expect that to gradually recover. And then you mentioned IUDÚ, at IUDÚ, we are being cautious on the loan growth because we want to grow healthier instead of just growing volumes with the higher risk in this particular segment, inflation can significantly reduce the disposable income of individuals. So we are having tighter credit standards. So loan growth on that side will be lower than what we could expect last year.

Then regarding the blue chip rate, my view, as you said, that's very difficult to forecast. First, let me tell you about the official exchange rate because at the end of the day, you have the evaluation of the official exchange rate and the gap with the blue chip rate. The official exchange rate, we think that it will be lower than inflation. So we will see a valuation of the peso and although at a higher rate than last year, now we are seeing the valuation of around 4% monthly. But for the year, that will be lower than inflation.

And on top of that, you have the gap with the blue chip rate. That is hard to forecast. I believe the main component of that gap is the confidence in the government and the domestic currency. So based on the confidence we saw some moments of very, very low confidence where the gap went to 100%. It was reduced 70%. So we are seeing inflation devaluation, but the blue chip rate being steady. Whether it will keep shortening or widening that will depend on the confidence in the government and what will come forward in 2023.

Patricio Supervielle

Let me complement on that, a couple of things. Of course, if the noises in the government concerning the implementation of the IMF is being solved and then you see an implementation of the measures that were agreed with the IMF, this will improve confidence. On the other side, there is also what is happening today in world markets in terms of inflation and commodity prices. We've seen increase in commodity prices last year and that continued this year.

And the terms of exchange, that is the difference of price of exports, price of imports for Argentina's economy have improved. And according to recent publication by the World Bank in terms of

exchange, you have to go back to the second World War to see the same terms of exchange than today. With this focus of the World Bank, Argentina this year should increase its foreign exchange reserves around [10 billion] by the end of the year. So it will be able to achieve one of the commitments they had with the IMF. So I think this will help reduce a little bit, let's say, the tension in the market and maybe help with the blue chip. But of course, we cannot make any predictions.

Juan Recalde

That's helpful. And one follow-up, if I may. In terms of the bank branch rationalization, I see that the number of branches has been stable, but my understanding is that you intended to close some branches. So are there any updates related to the Central Bank authorization for -- in terms of branches' closures?

Patricio Supervielle

Alejandro, if you want to answer that and also talking about the plans we have?

Alejandro Stengel

Yes. What we are doing actually is a consolidation of branches. As you know, we started a process where the 2 networks that we had, one focused on senior citizens and the other one, the typical traditional branch, we brought these 2 branches together, and in that process, identified a series of branches that were relatively close within the relevant market area of each other. This led to the first stage of consolidation. And as you pointed out, we have a request to the Central Bank to consolidate 16 of our branches, which is standing for already some time.

Moving forward, we see similar opportunities in the second stage during this year, where we continue to observe that there are several branches that we could consolidate basically also leveraging a hub and spoke model that we think would be useful. This will be rolled out during this year and is always pending Central Bank approval.

Patricio Supervielle

In addition to that, there are also, as you know, because of the transfer of the business in San Luis, that we basically announced in this call, I mean, this transfer of business to Banco Nación that has been basically requested by the government of San Luis. This is giving us also an opportunity to -- in that particular province, to maintain all our private business franchise with clients, which is very strong, but all the small branches in the province that were linked to -- basically to maintaining the financial agent contract will probably, in the case of the negotiations to go forward and succeed with Banco Nación, we will transfer those.

So in other words, you will see, we expect that 2023 will be a very -- we have a much different franchise in terms of network of Grupo Supervielle and more efficient one.

Ana Bartesaghi

Thank you, Juan. Ladies and gentlemen, we have reached the end of today's Q&A session. Thank you for joining us today. Thank you for your questions. 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. Bye- bye, and have a good day.