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Ana Bartesaghi

Good morning, everyone and welcome to the Grupo Supervielle Fourth Quarter and Year-end 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.

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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 the key highlights for the quarter and progress on our transformation initiatives. 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.

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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.

2022 was a transformational year for the Company in which I am pleased to report that we achieved substantial advances in executing on our key strategic pillars, progressing on our return to profitability and building the Bank of the Future.

With yearly inflation peaking at 95%, the highest point since 1991, pressuring costs and margins, we made significant headway to boost productivity throughout the year by rationalizing our operations while further enhancing the customer experience.

Let me take you through how we accomplished this.

First, by completing the integration of our consumer finance client base and back-office into Banco Supervielle and full merging IUDU into the Bank, on schedule, we are capturing a major source of efficiency in a sector that has suffered greatly from the challenging macro environment. With this, a total of 14 billion pesos in loans and nearly 200,000 clients were transferred to the bank, while we reduced headcount at IUDU by 96%. In turn, those customers now enjoy access to an extensive array of financial products and services through a seamless omnichannel experience. In line with our current focus on prioritizing cross selling and engagement among our current customer base over acquisition, we recently terminated our agreement with Dorinka, which operates the Chango+ retail chain.

Second, we made significant progress in rightsizing and transforming our branch network as we pursue our vision of becoming the bank of the future. To this end, we reduced a total of 27 branches during the year, including 18 that serviced government employees in the province of San Luis and the closure of 9 branches that were already approved by the regulator. We expect to receive authorization to close another 20 branches during the first half this year. Today we operate a modern and more efficient network, with greater self-service space and virtual hubs that allow us to expand our reach and productivity, while offering a convenient banking experience.

These two initiatives resulted in a 21% reduction in headcount which we expect will contribute significantly to drive higher operating leverage this year.

At the same time, we continued to expand our customer base and drive cross-selling opportunities to increase our share of wallet of target customers. I will provide more color on this front shortly.

Mariano will review our financial performance in more detail shortly, but while we are taking the necessary steps to optimize operations and remain on track to achieve profitability by the close of 2Q23, overall weak industry loan demand, together with one-time IUDU rationalization charges resulted in a net loss of nearly 800 million pesos for the quarter. Excluding these one-time impacts, we delivered an Adjusted Pre-Tax Profit of nearly 150 million pesos in the quarter, with NIM at almost 22% and NPLs at 3.7%.

We closed the year with a Tier 1 capital ratio of 13%, as anticipated. As a reminder, our capital base is safeguarded against inflation and has sufficient liquidity to withstand the present macroeconomic challenges.

As we look to the coming year, it is expected to be another challenging one on the macro front. For us, we will continue to advance on executing on our key strategic pillars, and are prioritizing customer engagement, monetization, and cross-selling opportunities, over customer acquisition, to gain further share of wallet and profitability among our current customers. We also remain focused on protecting asset quality and improving funding while our lower cost structure is anticipated to drive higher operating leverage and significantly improve the financial performance in 2023. Thus, we remain on track to achieve profitability towards the close of 2Q23 and positive inflation-adjusted ROE this year, assuming a macro environment in line with current market consensus.

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Now, please turn to page 4.

Our efforts to enhance the customer experience, drive customer acquisition, digital adoption and funding among our retail customers have yielded great results.

We expanded our Retail client base by 92,000 customers, or nearly 7% year-on-year.

This good performance reflects our success in digitalization, with digital retail customers now accounting for more than half of our total customers, up from 38% a year-ago. The ease of use of our App, evidenced by our high ratings, 4.0 in the PlayStore and 4.6 in the AppStore are contributing factors to this growth and we are proud of these high scores.

We are also delighted to see increased customer engagement and cross selling, with the penetration of digital and automatic personal loans increasing by 11 percentage points year-on-year to 34%. Similarly, the total number of insurance policies sold rose 15% in the year, while the share of car insurance policies sold through our digital channels reached 50%.

Our personal finance management platform also continues to gain traction as we add new products and making money market investments available 24/7. Assets under management increased nearly 140% year-on-year with the number of retail customers in our PFM up by 59%, contributing to improve customer principality.

Our goals for the year in terms of our retail customer base include gaining additional share of wallet while prioritizing profitable products. We also seek to increase profitability among existing customers through higher engagement and cross-sell.

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As shown on the first chart of page 5, during the year we expanded our SME and Corporate customer base by 13%, increasing our market share by 25 basis points to 5.31% measured by the number of customers. This was achieved even as we reduced the branch network, which together with improved NPS across all segments serving SMEs and Corporates, further validates that customers are embracing our digital offering. Rationalization of the branch network is allowing us to optimize operations.

Our efforts to capture share of wallet are also paying off as we increased cross selling. Going forward, insurance is a significant growth opportunity. The number of insurance policies sold was up 50% year-on-year with Entrepreneurs and SME customers increasing their penetration by 40%. Bear in mind that penetration today stands at only 7%.

We also expanded our share in payroll services by 15 basis points to 2.6% and in foreign trade by over 70 basis points to nearly 4%.

In terms of funding, our emphasis on transactionality has enabled us to increase our market share in sight deposits by 18 basis points to nearly 2%. Specially, the percentage of customers using transactional products, rose to nearly 59% by year-end up from close to 52% in December of 2021.

During the current year we plan to continue working towards gaining share of wallet and driving cross selling opportunities among current corporate and SME customers with the goal of becoming their principal bank further contributing to expanding sustainable funding.

In sum, we focused on those areas which we can control and have positioned us stronger for the current year. With this, let me turn the call to Mariano. Please, go ahead.

Mariano Biglia

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Thank you, Patricio, and good day everyone. Please turn to slide 6.

Results for the quarter were impacted by one-time items in connection with the merger of IUDU as Patricio mentioned earlier.

When looking at our results on a sequential basis, we reported a net loss of nearly 800 million pesos in the quarter, compared to a net loss of 660 million pesos in the third quarter. The main factors behind this sequential performance include:

- First, net financial income declined 7% – or 2 billion pesos –reflecting the full impact on cost of funds from the increase in market rates in the prior quarter together with a lower return on inflation adjusted instruments. Recall that this quarter compares against a strong third quarter which benefited from higher market rates on our investment portfolio versus a weaker second quarter.
- Second, Loan Loss Provisions increased 23% by 600 million, with asset quality across all segments in line with 3Q22 levels, except for consumer finance which suffers more from deteriorating macro conditions. Since late February we are no longer originating new consumer finance credit card loans at Chango +.
- Third, a 4% increase in personnel expenses – or 500 million pesos – reflecting additional one-time severance charges at the Bank and IUDU from the headcount reduction; and
- Fourth, a 9% increase in administrative expenses – or 900 million pesos – as cost savings achieved in the quarter were more than offset by the impairment of IUDU’s goodwill and fixed assets.

On December 14 of last year, we announced our intention to merge IUDU with the Bank. Although this decision needs to be approved by IUDU’s shareholders meeting to be held this coming April, we have already successfully transferred all of IUDU’s loan portfolio and clients to the Bank. We also shut down IUDU’s retail savings accounts digital app and are now offering clients an account through the Bank. By completing this process, as per IFRS we derecognized and wrote-off IUDU’s non-financial assets that were linked with IUDU’s cash flows. Total write-offs of non-financial assets and accelerated amortization of remaining fixed-assets accounted for 2 billion pesos which produced a loss in the fourth quarter of 2022. On top of that, we recorded an impairment of IUDU’s goodwill totaling 732 million pesos.

At the same time, the merger of IUDU into the Bank will allow the Bank to use tax-loss carryforwards originated by IUDU which couldn’t be used by this company on a stand-alone basis. By recognizing these tax assets, we recorded a tax gain of **3.1** billion pesos in the fourth quarter.

In sum, when excluding one-time charges totaling more than 5 billion pesos this quarter, which includes nearly 2.8 billion pesos from the impairment of IUDU’s assets following the merger and 2.3 billion in severance costs to capture operating efficiencies across the business, we delivered an adjusted pre-tax profit of nearly 150 million pesos.

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Turning to slide 7, our loan portfolio grew below inflation as increasingly higher nominal interest rates following the rise in inflation dampened overall credit demand across all business segments. Overall loan growth was fairly in line with the industry trend sequentially.

As shown on the chart to the right, the loan composition remains fairly unchanged sequentially.

Note that starting next quarter IUDU loans will be included within our Personal & Business Retail Segment.

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Moving on to funding on slide 8, total Argentine peso deposits increased below inflation but outperforming the industry average.

Core Deposits posted a seasonal sequential increase but declined against year-end 2021 levels in a highly inflationary context.

Noteworthy, our focus on strengthening our low-cost funding base continues to yield positive results, as evidenced by the nearly 20 basis point year-on-year increase in market share in corporate sight deposits.

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Turning to slide 9, Net Financial Income for the quarter remained unchanged year-on-year and was down nearly 7% sequentially to AR\$27 billion.

In turn, Net Interest Margin for the quarter was relatively stable sequentially at 21.6%, while Full-Year Net Interest Margin was up 230 basis points to 19.8%.

Net Interest Margin for both the quarter and the year was mainly driven by interest rate hikes throughout the year following higher inflation levels.

In terms of volumes, Interest Earnings Assets for the year declined nearly 6% with a lower share of loans reflecting overall weak demand, partially offsetting a higher weight of the investment portfolio.

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Moving on to page 10, reflecting our focus on asset quality, the total NPL ratio remained sequentially stable at 3.7%.

An improvement in NPL ratios in commercial loans offset an 80 basis points increase in NPLs ratios in individual loans at the bank. The latter mainly reflected a slight uptick in delinquency in open market.

We have been progressively tightening credit standards in this segment and remain attentive to protect asset quality.

Net loan loss provisions increased 23% sequentially reflecting increases in the consumer finance portfolio, with net cost of risk up 240 basis points to 5.2%.

Compared with 4Q21, loan loss provisions were down nearly 25% with stable cost of risk.

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Now turning to page 11, efficiency was significantly impacted by one-time charges resulting from the merge of IUDU and our initiatives to right size and gain operating leverage as we advance on our path to regain profitability.

As shown on the right side of the slide, we reduced headcount by 21% during the year, mainly at IUDU, as well as the Bank and IOL.

As a result, while expenses for the quarter were up in the high-single digits, wages declined both year-on-year and sequentially.

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Now moving on to Capitalization. As shown on slide 12, we closed the year with a Tier 1 ratio of 13% in the middle of our expected range of 12.5% and 13.5% for 2022.

On a sequential basis, our Tier 1 ratio contracted 120 basis points, mainly reflecting:

- Impairment or accelerated amortization of IUDU's non-financial assets related to the merge of IUDU, with an impact of -40 bps
- Increased deductions by tax loss-carryforwards recognized from the merge of IUDU which reduced net loss for the quarter but were deducted from Tier 1 capital. Deductions also increased from higher investments in digital transformation initiatives, which were executed as planned.
- During the quarter we also continued executing our share buyback program. To-date we completed 86% of the program, investing Ar\$1.7 billion equivalent to 3% of the capital stock of the Company at an average price of AR\$ 125
- Lastly, an increase in RWA more than offset by inflation adjustment of capital.

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Before opening for Q&A, please turn to slide 13 to review our perspectives for 2023, which include returning to profitability by the close of 2Q23 and reaching positive inflation adjusted ROE for full year 2023.

- Let me start with the bigger macro picture first. With the market consensus for annual inflation increasing to nearly 100% from prior estimates of 96% and GDP expected to remain flat compared to 0.9% growth before - as per the Central Bank survey published this month - we have adjusted our views on **loan** and **deposit** growth.
- We now expect our loan book to grow in line or slightly below inflation, while before we expected to see growth in line with inflation.

- In terms of deposits, we now expect peso deposits to increase in line with inflation, while earlier we were seeing a pick-up in deposit growth – expanding above inflation.

Beyond these two changes, our 2023 expectations for all other metrics remain unchanged from our prior quarter views. Let me do a quick recap on that:

- With respect to asset quality, we anticipate loan loss provisions and net cost of risk for 2023 to remain stable versus last year, with the NPL ratio increasing in the first quarter but relatively unchanged by year-end. We have observed higher delinquency in retail customers system-wide since year-end which has continued into January and February. While this could result in higher NPL ratios in the coming quarters, at the moment we maintain our view that we will close the year with NPL ratios in line with year-end 2022 levels.
- NIM is expected to remain at 2022 levels.
- Our views regarding Fee income call for the bulk of bank fees from individuals anticipated to reprice in line with inflation, while insurance income is expected to increase in real terms as premiums recover from the shortfall during 2020 through 2022.
- Operating expenses are expected to increase significantly below inflation reflecting the rightsizing initiatives implemented and operating leverage we have built into the Company over the past couple of years. Overall, during 2023 we expect to achieve total cost savings of 5.3 billion pesos – in purchasing power of December 2022 – reflecting initiatives introduced over the past two years. This mainly includes expected savings of 3.7 billion pesos from the merger of IUDU into the bank and 1 billion pesos from the rightsizing of our branch network.
- In terms of IT investments related to our digital transformation these costs are expected to grow below inflation.
- Lastly, we expect to close the year with a Tier 1 ratio at adequate levels ranging between 12.5% and 13.5% by year-end 2023. Recall that 100% of our capital remains hedged against inflation.

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 Ernesto Gabilondo with Bank of America. Please go ahead, Ernesto.

Ernesto Gabilondo

My first question will be on how you see the potential normalization of the Argentine economy. How fast do you think we can see the normalization? And how would you compare it against the Macri's administration, considering that today Argentina phases, higher inflation, higher interest rates, and a lower level of reserves.

Patricio Supervielle

I will try to answer this question. Today, this normalization has to take into consideration, as you mentioned, that in Argentina, we are suffering the highest inflation since 1991 as well as there is a much stricter foreign exchange control than we went through in 2015. If you look on the international side also, the fact that there are nominal interest rates, much higher to have for many years. This is more challenging for a country such as Argentina. The war in Ukraine as well as the spike in world inflation, commodity prices that are high, but unfortunately, with the drought, it's more complicated for Argentina. So this is quite a challenging scenario. So regarding the changes we expect, first of all, we believe that there is more political consensus to apply a shock therapy rather than a gradual approach. That means that it is to be expected that the changes will include not only measures and signals on the monetary and fiscal front, but also, for instance, on labor reforms, which are absolutely necessary. Having said that, you have to expect probably that to exit the foreign exchange control will take time and that part, we guess with the team, that's going to be quite gradual. With the deregulation and liberalization of foreign exchange control, then the regulatory changes will come in, synchronized with all the changes in the business outlook, the normalization of fiscal policies and so on. So it's going to be synchronized. It's not going to be sudden. I hope I answered your question.

Ernesto Gabilondo

Yes, perfect. And just a second question related to your market-related revenues position, just wondering how you would position Supervielle's balance sheet this year, considering that inflation and rates will continue at a high level. So should we continue to see strong market-related revenues? And again will you position them in LELIQ, in FX, in dual bonds. So anything you can share on that will be very helpful.

Alejandro Stengel

Yes. As Mariano pointed out, what we see in terms of guidance, is that deposits will grow in line with inflation. Loans will probably a little bit below inflation. In that context, we see, therefore, that the portion of government bonds, but particularly Central Bank notes, will continue to be a significant part of our balance sheet. We also think that we are in a good position to face this situation given the cost reductions that we've made. So the impact of a hit that inflation will have on our cost base will be far much better than what we had in our cost base during 2022. So in a very difficult context, we plan as a result to hit somewhere in the mid-range of the 12.5% to 13.5% capitalization, around 13% of capital, which is where we stand right now. I don't know if I addressed your question, Ernesto or not, please let me know.

Ana Bartesaghi

Our second question comes from Carlos Gómez-López with HSBC.

Carlos Gómez-López

Thank you very much for the presentation. My question is also about the prospects for the future. But when I look back at the last two years of results, probably because of the very high inflation, you have had two years of losses at the comprehensive income level. Now you are gearing for a possible change. At some point; we know that demand will come back. Your capital ratio is adequate, but one has the feeling that you would be doing better if you had more capital in the bank. Would you consider perhaps doing some preemptive recapitalization to prevent any possible problem in the future and to be in a better position to be ready to grow when the demand comes back. Would you consider injecting more capital in the bank at this point?

Patricio Supervielle

I understand your question relates to our capacity of growing with our capital levels. We believe that, first of all, all the changes we've been conducting over the past couple of years, in particular last year, this transformation allow us to make a significant headway in reducing on the cost side. The 21% reduction in headcount, the 27 branches that were either transferred or closed and merged. We are also expecting an additional 20 branches to close by the first half of this year. All this is a major swing in cost and is a way of capital creation. On the revenue side, we believe that it depends on loan demand, and loan demand will come when the consumer confidence improves.

We don't believe this will happen this year. We believe that it might happen maybe by the second half of 2024. It's also going to be a difficult year 2024. But we believe that to answer your question that when demand picks up, we have sufficient capital to compete and to provide to our customers, because we are working at the bank in a transformation that is going along all the strategic pillars. So not only working on costs, also improving the cost of funding, working on efficiency, working on maintaining the credit quality, working in digital adoption. All this will allow us, we expect to be able to compete with our capital and grow, when things arise, when there is a change in expectation. I hope I answered your question.

Carlos Gómez-López

You have answered my question. But again the fact is that the capital ratios are adequate, but we know that when Argentina turns around, demand is not for 10% growth, it's for 100% growth. And at that point, you will need the capital. And also the fact that you don't have a lot of fixed assets right now is also affecting the way that the result is coming out with inflation. Again I'm just suggesting that perhaps recapitalizing the back in anticipation of that demand coming through might be something that you might want to consider. But it's very clear.

Ana Bartesaghi

We have a question in the Q&A box. I will read it. It comes from Alejandra Aranda with Itaú.

Alejandra Aranda

I would like to get more clarity in terms of what costs and Capex were recurring and what was nonrecurring in 2022 to understand how you will get to a positive return on average equity in 2023.

Mariano Biglia

Regarding cost and Capex that were recurrent and nonrecurrent last year, we incurred in severance costs in 2022 for a total amount of AR\$7.5 billion. That's in a year where we reduced to 21% the headcount, more than 90% of IUDÚ business unit is something nonrecurrent. Of course severance costs will not drop to 0 in 2023, but they will be significantly lower, both because the restructuring at IUDU has already been made, but also at the bank, we expect to lower severance costs. So there is an important savings opportunity on that front. And also in the IUDU business unit, where we look at the whole segment of IUDU Financial Services, in 2022, IUDU had losses of AR\$8 billion before taxes or AR\$4.9 billion net of taxes. So again this segment, which has already been reduced in share of our loan book and of course all the operational costs have been dramatically reduced with the merge to the Bank, while keeping the customers. This is still a segment that will be challenged next year so maybe losses will not drop to 0, but again there will be a very important opportunity of reducing those costs. I would say that one of the major shifts of avoiding nonrecurrent costs that were nonrecurrent in 2022, but they weren't incurred last year, and we won't have to incur in 2023. And that's allowing us to return to a positive ROE. Together with all the other initiatives on the revenue side and other cost savings initiatives at the Bank, with these 2 items, I think we can give some color on how to get to the positive ROE.

Alejandra Aranda

Should we expect any additional costs or increased provisioning due to IUDU? What is your expectation of cost of risk and NPL during 2023?

Mariano Biglia

Regarding IUDU Digital Bank, has already been merged with the bank although certain formal processes remain, the operational side where we have the bulk of the cost savings has already taken place. So now these customers are within the Bank's retail segment. We've also stopped the origination at the retail stores since the end of February, but keep the customers that we transferred from IUDU to the Bank active offering the full array of services with the Bank. In that context, we will reduce dramatically the cost of this operation mentioned before. On the cost of risk side, this is a segment that clearly suffered more than others in 2022, will also be challenged in 2023 but it has a lower weight in our balance sheet than it used to have. Now it's around 6% of our loan portfolio. Second, by stopping the new origination of customers that started typically with their credit card and then after a certain period, we would cross-sell with personal loans or insurance. So we have in this particular context an over

repayment. So by stopping originating, the clients where we know they are in behavior and they are great quality, we expect to make those customers profitably faster and reduce the impact in the cost of risk. That's why also in the overall picture of the growth, we expect cost of risk and NPL to be stable during the year compared with 2022.

Ana Bartesaghi

I think we arrived at the end of the call; this ends 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 couple of 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. Have a good day.