

4Q24 and Year-End 2024 Earnings Conference Call Transcript

Buenos Aires, March 11, 2025



Ana Bartesaghi, Treasurer & IRO

Good morning, everyone, and welcome to Grupo Supervielle's Fourth Quarter and Year-End 2024 earnings call. I'm Ana Bartesaghi, Treasurer, and IRO. Today's conference call is being recorded. As a reminder, all participants will be in listen-only mode. To ask questions during the Q&A session, ensure your first and last name appear on the Zoom platform. Questions can be asked by voice or through the Q&A box.

Speaking today will be Patricio Supervielle, our Chairman and CEO, Gustavo "Paco" Manriquez, Banco Supervielle's CEO; Diego Pizzulli, CEO of invertironline; and Mariano Biglia, our Chief Financial Officer. All will be available during the Q&A session.



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This presentation contains certain forward-looking statements that reflect the current views and/or expectations of Grupo Supervielle and its management with respect to its performance, business and future events. We use words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast," "guideline," "seek," "future," "should" and other similar expressions to identify forward-looking statements, but they are not the only way we identify such statements. Such statements are subject to a number of risks, uncertainties and assumptions. We caution you that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in this release. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) changes in general economic, financial, business, political, legal, social or other conditions in Argentina or elsewhere in Latin America or changes in either developed or emerging markets, (ii) changes in regional, national and international business and economic conditions, including inflation, (iii) changes in interest rates and the cost of deposits, which may, among other things, affect margins, (iv) unanticipated increases in financing or other costs or the inability to obtain additional debt or equity financing on attractive terms, which may limit our ability to fund existing operations and to finance new activities, (v) changes in government regulation, including tax and banking regulations, (vi) changes in the policies of Argentine authorities, (vii) adverse regulatory or regulatory dispute proceedings, (viii) competition in banking and financial services, (ix) changes in the financial condition, creditworthiness or solvency of the customers, debtors or counterparties of Grupo Supervielle, (x) increase in the allowance for loan losses, (xi) technological change or an inability to implement new technologies, (xii) changes in consumer spending and saving habits, (xiii) the ability to implement our business strategy and (xiv) fluctuations in the exchange rate of the Peso. The matters discussed herein may also be affected by risks and uncertainties described from time to time in Grupo Supervielle's filings with the U.S. Securities and Exchange Commission (SEC) and Comisión Nacional de Valores (CNV). Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this document. Grupo Supervielle is under no obligation and expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Unless otherwise indicated, all financial information of our company included in this presentation is stated in terms of the measuring unit current at the end of the reporting period.

Before we begin, I'd like to remind you that today's call may include forward-looking statements, which are based on Management's current expectations and beliefs and subject to risks and uncertainties. For more details, refer to the forward-looking statement section in our earnings release and recent SEC filings.

Patricio, please go ahead.



Patricio Supervielle, Chairman & CEO

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

As we enter 2025, we look back on 2024 as a year of significant transformation, not just for Supervielle, but for Argentina's financial system as a whole. Last year marked an inflection point for banks, as we were able to return to our core purpose: financing growth and creating value for the communities we serve.

At Supervielle, we anticipated this shift early on, took decisive action and continued to make the right long-term investments to drive sustainable value. With a clear focus on profitable growth, we prioritized completing the digital transformation started in 2020, while expanding our loan book and strengthening our deposit base as conditions improved. This approach enabled us to gain market share across key segments while maintaining strong asset quality and solid capital ratios.

4Q Highlights: Foundation Set for Sustainable, Profitable Growth in a Transition Year for Argentine Banks



In the fourth quarter, driven by an improving macro environment, we saw continued momentum:

- Our loan book expanded 27% quarter-over-quarter and 107% YoY, more than doubling the 50% industry growth, gaining 90 basis points of market share. Higher-margin retail loans increased to 48% of our total portfolio, up from 44% in the prior quarter and from 40% a year ago.
- Our deposit base grew 7% sequentially, with U.S. dollar deposits reaching record levels up 178% year-over-year and gaining 80 basis points during the year.
- We continued to operate from a position of strength, with the non-performing loan ratio increasing slightly to 1.3% but still within historical low levels. A CET1 ratio of 16.1% positions us well to continue to drive growth.
- Net interest margin stood at 25% adjusting to current inflation and interest rate levels, with annual profitability reaching a ROE of 15.7% in line with our target for the year, as we successfully executed on our strategic roadmap.

Beyond the numbers, 2024 was about laying the groundwork for long-term sustainable growth. The second half of the year, in particular, clearly demonstrated the impact of our transformation efforts:

- We successfully implemented a major digitalization strategy, which has fundamentally enhanced our operating model. We are now a more agile, tech-driven institution, ready to scale.
- Invertironline (IOL) further solidified our position as Argentina's leading digital retail brokerage platform, well positioned to contribute significantly to our fee income and profitability as Diego Pizzulli, will discuss shortly.
- This was also a year of leadership and organizational readiness, with our two key business led by two exceptional CEOs that report directly to me. Paco Manriquez, appointed CEO of Banco Supervielle last October, has swiftly redefined our commercial strategy to position the bank for 2025 and beyond, while Diego Pizzulli continues to drive IOL invertironline's expansion. I am very pleased to have these two outstanding leaders as partners, working together to take Grupo Supervielle to the next level of profitability and growth.

As we move forward, our strategic focus remains clear—we are committed to consolidating profitability, driving sustainable growth and strengthening our culture as a key enabler of our success. By building on our solid foundation, executing with discipline, and capitalizing on new opportunities, we are well-positioned to enhance shareholder value while expanding our role in Argentina's evolving financial landscape. Profitability, growth, and culture—these three pillars define our vision and will continue guiding us into the future. With confidence in our strategy, we approach 2025 with optimism.

Looking Ahead: 2025 & Beyond

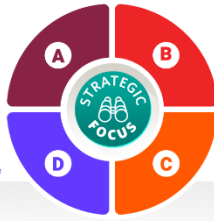
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SUPERVIELLE

Strategic Growth Priorities

- Building competitive value propositions
- Strong focus on funding and payroll plans to become the primary bank for our customers
- Reinforcing leadership in pensioner banking
- Sustained focus on dynamic industries & value chains to drive long-term growth

IOL's Increasing Contribution

- Argentina's leading retail digital brokerage platform
- To play a larger role in driving overall profitability



Capital Allocation Strategy Driving Balance Sheet Growth

- Pent-up demand supports strategic initiatives to drive strong loan growth
- Room to drive further leverage
- Mix shift to retail (50-60% of total loans from 48% at year-end)

Differentiated Model Driving Higher Profitability

- Industry leading NIMs (Net Interest Margins)
- Stronger ROE, enabling sustainable capital generation

Now, let me discuss some of the specifics of our strategy.

Our strategic growth priorities are centered on developing value propositions that can compete effectively with fintechs and that are not easily replicable by incumbent banks. A strong focus on funding and payroll loans is key to becoming the principal bank for more of our customers. Pensioner banking has been a historically strong segment for Supervielle and we are committed to reinforcing our leadership position in this segment.

At the same time, we continue to expand our presence in dynamic industries and value chains such as oil & gas, and mining, where Argentina's resource wealth presents significant long-term growth opportunities.

Pent-up demand is fueling credit expansion and creating a unique opportunity to accelerate loan growth. To capture this demand, we are shifting our portfolio mix toward higher-margin retail lending, optimizing capital efficiency and profitability. As a result, retail loans are expected to reach 50-60% of total loans, up from 40% at year-end 2023. Our capital allocation strategy is focused on driving balance sheet growth while maintaining strong risk management discipline.

Our differentiated business model is designed to drive higher profitability and long-term value creation. With industry-leading Net Interest Margins and a stronger Return on Equity, as we optimize capital efficiency, expand fee-based income, and continue to streamline costs and headcount, we are well-positioned to generate sustainable capital, supporting continued growth and reinforcing our competitive advantage in Argentina's evolving financial landscape.

Lastly, Invertironline is in the strongest position to play an even larger role in our profitability, as we expand the product offering, further integrate it into our banking ecosystem, and capture the nascent and growing opportunity in Argentina's financial markets by offering a broad range of financial services tailored to the retail, wealth and SMBs segments.

I am excited about the opportunities ahead and confident that Supervielle is positioned to play a leading role in Argentina's economic recovery.

With that, let me now turn it over to Paco who will provide an overview of key initiatives being undertaken at Banco Supervielle and views ahead.

Banco Supervielle 4Q24: Strategic Roadmap and Milestones



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Paco Manriquez, Banco Supervielle CEO

Thank you, Patricio, and good day to all.

Since joining Banco Supervielle in October, my priority has been to sharpen our strategic focus, accelerating growth and positioning the bank for long-term sustainable profitability.

Given Argentina's evolving macroeconomic environment of lower inflation, declining nominal interest rates, and a surge in dollar deposits, we revitalized our commercial approach to capitalize on these positive dynamics and position ourselves for 2025, which we expect to be a year of real economic acceleration.

Our streamlined structure now enables faster decision-making and greater operational efficiency, ensuring that we can swiftly adapt to market opportunities and better serve our customers. At the same time, we are conducting a comprehensive risk assessment, and in the near term, all customers are expected to have some credit offer, enhancing principality, cross-sell opportunities, and growth.

During the fourth quarter we moved swiftly on quick wins, leveraging our existing customer base to drive immediate results while laying the groundwork for future growth:

- In turn, our customer base expanded by 3.6%, reflecting improved acquisition and engagement.
- The loan portfolio increased 27% quarter-over-quarter, doubling industry growth year-on-year
- A key milestone was the record level of personal loan origination – up 54% sequentially - underscoring our ability to meet rising credit demand.

Lastly, we maintained a disciplined approach to cost reduction, lowering headcount by 2.4% in the quarter. These results underscore our ability to drive profitable growth while maintaining operational efficiency, ensuring a strong foundation for 2025 and beyond.

Strategic Focus: Profitable Growth via Targeted Segments and Products



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Turning to slide 6, at Banco Supervielle, we are taking bold steps to deepen our customer focus concentrating on the most profitable segments and products where we can rapidly differentiate and win. Notably, profitability is our main KPI.

Starting with our Customer-Centric & Technology-Enabled Strategy. On this front, we are sharpening our credit and service capabilities, streamlining service models, and leveraging technology to be faster and more disruptive. Rather than acting as a universal player, we are focusing on the most profitable segments where we can truly compete head-to-head and win.

We are experienced financial industry leaders executing swift, strategic moves that set us apart and reinforce our leadership in key segments.

Next, we are implementing a Cluster-Based Strategy and segmenting our customers and marketing strategy. We provide highly tailored, differentiated value propositions aimed at incentivizing deposits and bundled solutions that enhance customer retention. This approach creates unique competitive advantages that are difficult to replicate. Let me briefly touch on two such segments:

- In Payroll & Corporate Solutions, we are rolling out a "shared-benefits" model, designed to attract both companies and their employees. Our end-to-end payroll account offering aims to drive customer acquisition and deepen relationships with corporates, making Supervielle the preferred banking partner for payroll solutions.

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- In the SMEs segment, we are enhancing credit options and cash management solutions.

Through Strategic Partnerships, with leading Argentine companies, we are reinforcing our presence in key industries and products.

We are also prioritizing targeted corporate segments where we can create differentiated value and long-term relationships. Our focus is on high-growth industries such as Oil & Gas, Mining, and other export-driven sectors while executing disciplined capital allocation and strengthening our position as the principal bank for these companies. Reflecting this commitment, a dedicated team from Banco Supervielle recently participated in the PDAC 2025 convention in Toronto, the world's leading mining industry event, which was also attended by Argentine government officials and provincial leaders. This aligns with our strategy to deepen relationships in key sectors that drive the country's economic growth.

The province of Mendoza remains a strategic market for Banco Supervielle, where we have a longstanding leadership position and deep-rooted customer relationships. We are committed to strengthening our presence in the province, further solidifying our role as the leading financial institution in the region.

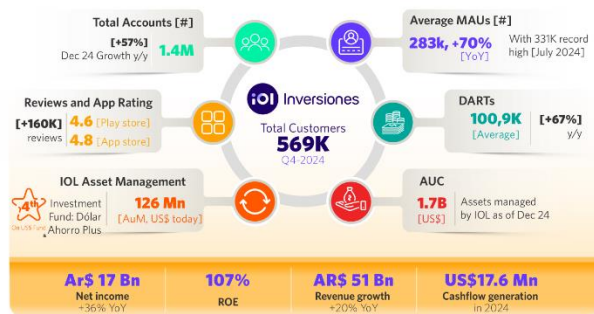
- We are also pursuing a selective expansion in public sector banking, complementing our corporate banking strategy by providing tailored financial solutions to government institutions and state-linked organizations.

- Lastly, we are boosting engagement and cross-selling with IOL Customers, offering them a comprehensive suite of investment, banking, and fintech solutions, capturing high-value customers and broadening our reach. Currently, 97% of IOL customers do not bank with us, presenting a significant opportunity to capture high-value clients and broaden our reach.

- In sum, 2024 was a year of transformation, and 2025 will be a year of acceleration. By executing with speed, focusing on high-value segments, and driving synergies across our ecosystem, we are building a stronger, more sustainable profitable Banco Supervielle, well-positioned for long-term success.

Let me now turn the call to Diego Pizzulli, CEO of IOL invertironline who will review 2024 performance, key strategic initiatives and expectations for 2025.

Building Momentum: IOL's 2024 Digital Brokerage Milestones



Diego Pizzulli, CEO of IOL

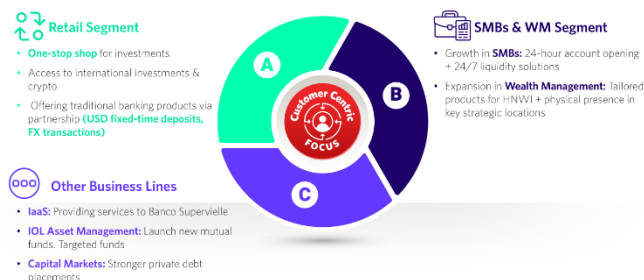
Thank you, Paco. and good day to everyone. Similar to what you have heard throughout today's presentations, 2024 was also a year of strong momentum for IOL. We continued to expand our customer base, increase transaction volumes, and solidify our position as Argentina's leading retail digital brokerage platform. We closed December with 1.4 million accounts, up 57% year-on-year with average monthly active users for the full year increasing 70% to over 280,000. Transaction activity remained robust, with daily average revenue transactions up 67% year-on-year to over 100 thousand. This good performance drove total transactions to 26 million in 2024 up from 15 million in 2023, reinforcing IOL as the go-to platform for retail investors.

Our assets under custody reached 1.7 billion dollars – up 44% year-on-year, reflecting the strong adoption of our platform. A key highlight was the development of IOL Asset Management, where we successfully launched a U.S. dollar-denominated mutual fund, reaching \$126 million in AUM in just four months—now ranking as the fourth largest fund in its asset class in the country, including bank-managed funds. Our commitment to user experience remained a priority, reflected in over 160,000 app reviews and improved ratings of 4.6 stars on Google Play and 4.8 on the App Store. Notably, IOL was the most downloaded and active investment brokerage app in Argentina, reinforcing our market leadership in this segment.

From a financial perspective, IOL contributed 15% of Grupo Supervielle's net income, and 20% of total fee income, reinforcing its growing strategic relevance. We delivered 17 billion pesos in net income, up 36% year-on-year, with a ROE of 107%, while revenues increased 20% to 51 billion pesos. Additionally, our strong financial position was underscored by cash flow generation of nearly 18 million dollars, demonstrating the sustainability of our expansion strategy. Lastly, during 2024, we successfully scaled our crypto business, capitalizing on the November bull run and seeing over 22,000 active monthly crypto clients at peak levels. We also expanded our corporate debt placement business among our clients by five-fold executing 33 corporate bond issuances—up significantly from just seven in 2023. This positions IOL as a key player in Argentina's evolving capital markets landscape.

In sum, 2024 was a milestone year for IOL. By continuing to innovate, expand our product offering, and deepen our integration within Grupo Supervielle, we are confident in our ability to drive further growth and reinforce our leadership in Argentina's investment ecosystem.

IOL's 2025 Outlook: Stable Macro Fueling Capital Markets Driving Higher Volumes and Broader Participation



Early indications for 2025, are positive with a more stable macroeconomic environment, lower interest rates and a controlled FX spread. This is expected to lead to a deepening capital market, attracting more investors and businesses looking for financing through debt and equity issuances — a true flywheel effect.

To capitalize on this, our focus will be on three key areas:

First, Strengthening Retail & Investment Offerings. We are enhancing our "one-stop-shop" investment platform, making it easier for retail investors to access all asset classes in a single place. With greater freedom in capital mobility, we expect renewed interest in direct investments in U.S. assets, replicating patterns from past stable periods. We are also developing crypto-related investment solutions, including decentralized yield-generating products, to meet increasing demand.

Additionally, through our partnership with Banco Supervielle, we will offer traditional banking products including time deposits and FX trading, integrating IOL deeper into the broader financial ecosystem.

Second, expanding SMB and Wealth Management Solutions. We are scaling our SMB business by offering 24-hour account opening and 24/7 liquidity management. We also plan to expand our newly established Wealth Management business through personalized products and advisory services tailored to affluent individuals, including having a physical presence in key strategic locations leveraging Supervielle's branch network.

And finally, scaling Investment-as-a-Service, Asset Management & Capital Markets. As Argentina's capital markets evolve, we see opportunities to enhance our offerings. Through Investment-as-a-Service, we provide Banco Supervielle with brokerage infrastructure, supporting its investment platform. In asset management, we will launch a new income-focused mutual fund, complementing our successful dollar-denominated Fund, to provide investors with more long-term options. Finally, we will continue to expand our role in capital markets, scaling our corporate debt placement business. As more companies seek capital market financing, our goal is to be the leading digital retail platform facilitating these transactions.

Wrapping up, we are entering a new exciting phase of growth for IOL, where our focus is not only on scaling retail brokerage but also on deepening institutional offerings, expanding our products, and integrating further into Argentina's financial system.

These results underscore our ability to drive profitable growth while maintaining operational efficiency, ensuring a strong foundation for 2025 and beyond.

With this, let me turn the call to Mariano who will go over our perspectives for 2025. Please go ahead.

Mariano Biglia, CFO

Thank you, Diego and good day, everyone.

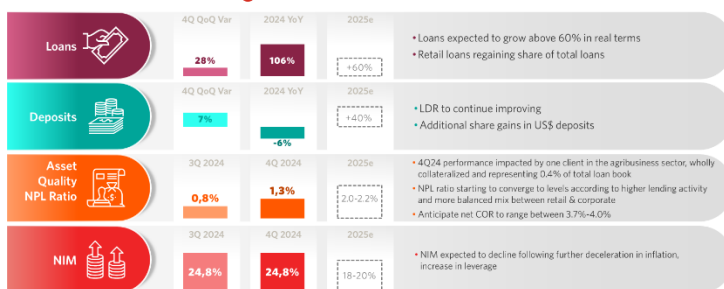
Now turning to slide 7 to review our perspectives for 2025, which assume annual inflation in the neighborhood of 25% and GDP growth of at least 5%.

- Loans, more than doubled year-on year with peso loans accounting for 75% of this growth and 25% by US\$ denominated loans. For this year, we expect loans to grow above 60% in real terms, with retail loans continuing to gain share of total loans rising to approximately 50% of total.

Turning to deposits, we saw 7% sequential growth last quarter. However, deposits declined 6% year-on-year, reflecting the sharp drop in industry peso deposits in the first quarter of 2024, which was only partially fully offset by the recovery that followed. For 2025, we anticipate deposits to continue expanding by approximately 40% in the year with the loan-to-deposit ratio continuing to improve. We expect to continue to gain share in US dollar deposits.

- On asset quality, the NPL ratio stood at a low of 1.3% in 4Q24, even despite the impact from single client in the agribusiness sector, which was wholly collateralized and represented just 0.4% of our total loan book. Looking ahead to 2025, we expect the NPL ratio to gradually converge toward normalized levels – in the range of 2 to 2.20% - reflecting the anticipated increase in lending activity and a more balanced mix between retail and corporate loans. In line with this trend, we anticipate our cost of risk to range between 3.7% and 4.0%, maintaining a prudent approach to risk

2025 Perspectives: Accelerating Growth While Strengthening the Foundation for Long-Term Value Creation



Macro assumptions as of February 2025 (Central Bank Market Expectations Survey): Inflation of 23%, FX exp at \$200 and GDP of +5% in 2025.

management while supporting portfolio growth.

- With respect to NIM, we delivered a NIM of 24.8% in 4Q24 - in line with the prior quarter level – even despite lower inflation and a higher share of U.S. dollar loans in the quarter. For 2025, we expect the NIM to adjust downwards to the range of 18-20%, reflecting the impact of further lower inflation and an increase in leverage. While we see some pressure on spreads, we expect that an increase in volumes and leverage will contribute to support financial margin.

Now, please turn to slide 8.

- Next, we expect net fee income to grow above 10% - supported by multiple revenue drivers. Bank net fees are anticipated to increase, driven by higher fee income and lower fee expenses. Brokerage fees, in turn, are expected to continue expanding as we further leverage our retail customer base and introduce new business lines. Asset management fee income growth is expected to track the expansion of assets under management. Lastly, we see further upside in our insurance business, benefiting from higher customer penetration.

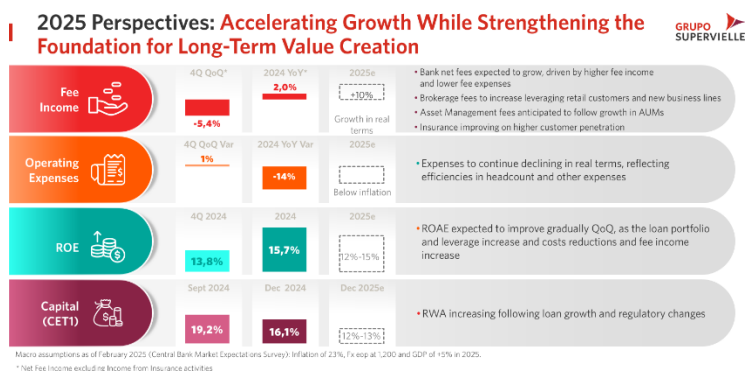
- Next, operating expenses increased 1% sequentially in the fourth quarter including a 7% reduction in personnel costs and a 15% increase in other costs related to advertising initiatives. Year-on-year operating expenses declined 14%. For 2025 we expect expenses to continue declining in real terms, reflecting ongoing efficiencies across headcount and other cost-saving initiatives.

- In terms of profitability, In the fourth quarter of 2024, we delivered ROE of 13.8%, bringing the full-year figure to 15.7%, in line with our expectations. For 2025, we expect ROE to improve progressively each quarter supported by loan portfolio expansion and increased leverage anticipating a full year ROE ranging between 12% and 15%

- Lastly, we expect strong Tier 1 Capital to range between 12% to 13% at year-end, with RWA increasing following loan growth and regulatory changes.

Before opening the floor for Q&A, please note that additional details on our quarterly and full-year 2024 performance can be found on the appendix of our earnings presentation.

With that, we're ready to take your 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. To ask a question 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.

The first question comes from Carlos Gomez from HSBC. Hello. Good morning, Carlos. How are you?

Carlos Gómez-López

Good morning. Thank you for taking my question, and congratulations on the results in 2024. So two questions from me. The first one refers to capital. You had the consumption of capital because of your loan growth throughout the year, but in particular, this fourth quarter, it was 300 basis points. And I noticed that 1.2% of the total capital is because of deferred tax assets. Could you explain in particular why that happened and what your tier -- I mean, you also mentioned that you expect the Tier 1 to be at 12%, 13%. Is that the level that you want to operate in ideally, or would you consider an even lower one?

And second, could you comment on how spreads are today? I mean, we have seen everybody grow a lot, but we have a sense that margins are declining, that competition has increased. Can you tell us how do you see the competitive environment going forward into 2025? Thank you.

Mariano Biglia

Thank you, Carlos, for your comments and your questions. Regarding the capital level and let me explain further on your questions regarding the tax assets, the 4Q, we recognized deferred tax assets, which is related to tax loss carry-forward, that came back from the IUDU operation back in 2022 when it was merged with the Bank. But in that time, following a prudent approach, we haven't recognized those assets. So now that we know that we will be able to use them, we recognize them in the balance sheet. That gives a gain in the income tax line item of the income statement. But at the same time, as a deferred tax asset, it's a deduction to the capital position. Remember, in the capital position, we have the common equity, but then we deduct certain items. The most important are all intangible assets and deferred tax assets. So that's why, during the quarter, part of the consumption of capital is related to these assets. So we recognize it again, but at the same time, then we deduct it. In 2025, it's important to highlight that as long as we produce results and we apply that tax asset, the deduction will be reduced and finally eliminated.

And then you asked also about the level of capital that we gave in our guidance. That's a level we feel comfortable with. Eventually, if loan growth continues to be solid, not only in 2025 but following in 2026, we could operate at the level of 12% or even below, maybe 11%. Also remember that this is, right now, the 16% and the guidance we gave is a Tier 1 ratio that is 100% CET1. But during the year, we will also add capital on a Tier 2 component by issuing a supporting equity that is also some of the options that we consider.

Carlos Gómez-López

When we talk about 12%, 13%, therefore, that is total capital or Tier 1?

Mariano Biglia

That is Tier 1. If we add Tier 2, total capital would be higher.

Carlos Gómez-López

Right. So to understand what you feel comfortable with, you would feel comfortable with an 11% of total capital or 11% of Tier 1?

Mariano Biglia

Of Tier 1.

Carlos Gómez-López

Of Tier 1, which means that, by the end of the year, you'll be close to your limit. So it's imaginable that if growth continues at this level, you will probably be looking to add capital sometime in 2026. Is that a reasonable assumption?

Mariano Biglia

Yes, sure. I think that's a reasonable assumption because we see what we project is a very solid loan growth for 2025 and continue to 2026. So it will be reasonable to think that although we are adding profits to capital, at some point, probably in 2026, we will want to add capital. Sure.

Carlos Gómez-López

Sure. Makes sense.

Patricio Supervielle

Carlos, let me add to the answer of Mariano. While we move in 2025, there is a gradual portfolio shift towards more retail loans proportion, rather than corporate. And that means that for instance, we expect that in the fourth quarter of 2025, the proportion will move towards 50% retail loans, 50% corporate loans in this area, maybe even higher in retail loans. And so that implies that, we expect that I'm annualizing the fourth quarter 2025 will give us capital creation to sustain growth in 2026. But of course, we need to understand the market dynamics at that moment and to see what decisions we want to make regarding capital and regarding Tier 2 capital also.

Carlos Gómez-López

Thank you. And about the spreads?

Mariano Biglia

Regarding spreads, as inflation goes down, we're seeing interest rates will also go down. Probably next decrease in interest rates will not be earlier than April, but during the remainder part of the year we think interest rate will continue to go down. And then that will add pressure to the spreads because at a lower interest rate level, of course, spreads tend to compress. But at the same time, we are growing our own portfolio with very modest spreads, and we are shifting a mix from -- it was a couple of quarters ago, 65% corporate and 35% individuals. Now it's closer to 50% each. And in 2025, we will continue to give a greater weight to the individual portfolio where we have larger spreads on -- mainly on personal loans and car loans. So those will be the moving pieces during 2025.

Carlos Gómez-López

So bottom line in terms of, let's say, corporate spreads, they should decline with interest rates.

Mariano Biglia

If you compare it to what we call the transfer rate, the difference between the funds that we get and the loans to corporate, I think spreads will be stable, but at a lower interest rate level. So the NIM, that's why we gave a guidance of 18% to 20%. The NIM for the whole balance sheet will be lower. But the spreads of corporate loan compared to the cost of funding or to the cost of -- the opportunity cost that would be to put that money into a treasury fund, for instance, will stay the same, but the complete NIM of the balance sheet will be lower because of lower interest rate environment.

Carlos Gómez-López

Thank you.

Ana Bartesaghi

Thank you, Carlos. Our next question comes from Marlon Medina Robles with J.P. Morgan. Good morning, Marlon. How are you? Please go ahead.

Marlon Medina

Good morning, everyone. Thank you for the opportunity of asking questions. And my first question is related to profitability. So like considering this mix shift towards retail, like what would be a more normalized like ROE target for coming years? Should it be above those 15% you're targeting for this year?

And my second question is a follow-up on asset quality and we saw like the corporate case increased NPLs and drove like a large consumption of coverage, which of course, was high. But the question is like what would be a comfortable coverage level that you would be comfortable operating with considering the mix shift towards retail? Thank you.

Mariano Biglia

Hey. Thank you, Marlon, for your questions. Regarding your first questions of ROE, we have a target of 15% -- 12% to 15% for this year and the longer-term ROE should go closer to a 20% level. We should reach that target gradually, quarter-over-quarter, increasing profitability as we increase our loan portfolio because there's a very important mix in the source of revenue where we see a decrease in the income generated by government securities, and we build the loan portfolio to compensate for that decrease in revenues. So we can sustain our financial margin, and on top of that, we expect to grow at double-digit levels in net fee income, also which will be a very important part of our revenues, and also to decrease expenses. So all those components are the ones that will lead you gradually, as I said, to a 15% or 20% ROE in the longer-term.

And then regarding NPLs, as you said, we saw an increase this quarter that's related to a single customer on the agribusiness sector that is fully collateralized. And that also makes a consumption of the coverage of NPLs. But also, because at the end of 2024, as opposed to the end of 2023, the outlook for the economy for debtors is much better so that the components of the outlook in the expected loss models also reduces the need for coverage. So it didn't make sense to have like 200, almost 300 we had at a certain level of coverage, and now we are at 160. And as long as the NPL stabilizes, going to 2.2% by the end of the year, coverage should continue to be partially consumed, but we will always be, for sure, at a level of above 100%. So we are always applying the expected loss model, so we are always anticipating any losses that we foresee on the loan portfolio.

Marlon Medina

Very clear. Thank you.

Ana Bartesaghi

Great. Thank you, Marlon. I think we have another question from Pedro Offenhenden at Latin Securities. Good morning, Pedro. How are you?

Pedro Offenhenden

Hello, Ana. Hello, everyone. Thank you for the call. I have a couple of questions on securities. How do you see the weight of them evolving in 2025, and do you have any projections for the loan-to-asset ratio and security-to-asset ratio for the year?

Mariano Biglia

Yes. Well, first, in terms of volume and weight on the balance sheet, we think that it will decrease the weight on the balance sheet because, as I said before, we are migrating to a higher weight of our loan portfolio within our assets. That is shifting from securities to loans, but also increasing the leverage, so increasing both sides of the balance sheet. So in terms of volumes, the decrease in the securities portfolio will be mitigated somehow. It shouldn't be as large as the increase in the loan portfolio because part of that will be funded by new sources of funding. But of course, the weight of the securities in the balance sheet will decrease and the spreads will also decrease as they have been decreasing in the last quarters. And that's because on one side, we have the inflation adjusted bond portfolio which produces lower revenues with lower inflation and then also decreasing short-term interest rates on other treasury bonds. So the dynamics will be of a lower weight both on the balance sheet and in our total revenues.

Pedro Offenhenden

Thank you, Mariano. And do you have any ratio of security to asset in mind for this year?

Mariano Biglia

Well, our ratio should decrease. I will tell you our loan portfolio, which is now a loan to assets of almost 50%, should increase closer to 60%. And with that, the securities portfolio should decrease maybe to 20%.

Pedro Offenhenden

Perfect. Thank you very much.

Ana Bartesaghi

Thank you, Pedro. I think we have some questions in the Q&A box. Some come from Brian Flores, Citi. So I think one is repeated, but in your 2025 guidance, you mentioned a CET1 ratio of 12/13% by year-end. Does this incorporate the change in operating risk weights already?

Mariano Biglia

Yes, the answer is yes. We do consider the change in operating risk weighted assets. Remember that the Central Bank introduced changes to regulation in the requirement of capital for credit risk and operational risk. The changes in credit risk have already been implemented as of December 31, 2024. The changes for requirements of operational risk will be implemented as of the end of the first quarter 2025. So in our projections, they are incorporated.

Ana Bartesaghi

There is another one in terms of deposits. What should happen for deposits to match loan growth in our view?

Mariano Biglia

I think in my view, we expect to see both loans and deposits growing at very solid numbers in 2025, but loans -- with loans having a much larger growth than deposits. For deposits to match the growth in loans, I think we will have to see the Central Bank expanding the monetary base, which is not the scenario that we are seeing. I mean, expanding significantly the monetary base to increase the amount of pesos that are in the financial system. And the other source of deposit growth will be the increase in foreign currency, basically dollar-denominated deposits. At some point, we think the Central Bank would remunerate new cash reserves in dollars and that should make a very strong incentive for individuals and companies to use their dollars and put them in the financial system. And that would be another source of growth.

Patricio Supervielle

Let me add to that that Paco is implementing a cluster-based value proposition for payroll accounts as well as SMEs that we expect that will improve our competitiveness in getting more funds to participate and to be able to fund all the loan growth. So we are quite optimistic on that also.

Ana Bartesaghi

Okay. There is another one for invertironline. So this is for Diego, invertironline continues advancing with very strong profitability numbers and return on equity. However, we see a decline in users in the last quarter. Could you elaborate on these dynamics and what do you expect for 2025?

Diego Pizzulli

Yes, sure. The first thing I want to highlight is that if you look at the average monthly active user for 2024 compared to 2023, it grew 70%. So the underlying trend is positive and it's growing fast. Third quarter had two effects that affected the monthly active users, that were the volatility we have throughout July, when the FX spread reached a big level of 50% and also something that happens in Argentina, is that you have the 13th salary that people get in the end of June and apply for July, and also it drove more activity. So those layers are the ones that make the comparison not very fair between fourth quarter and third quarter. But aside of that effect, if you look at fourth quarter average monthly active users, they were higher than first quarter and second quarter, and the underlying trend, as I said before, is 70% higher year-on-year against 2023. So very healthy, and aside from July, it was a growing trend.

Ana Bartesaghi

Before we take another question from Carlos with HSBC, there is a question here of when are we filing the financial statements? We are filing them today. So now, Carlos, I think you have a new question.

Carlos Gómez-López

Yes, if there is room for it. So a follow-up. You mentioned your economic assumptions, and you expect the currency to be at AR\$1,200 by the end of the year, so that we understand, you do not expect any deviation from the current 1% depreciation per month. If there was one, if there was, in connection with the IMF agreement, a change in the exchange rate, how would that affect the Bank? That would be my first question. And the second one, on the expenses, you expect to grow below inflation. Is that compatible with a loan growth of 60% in the year? One would imagine you have more activity, you have more promotions, and inevitably you would have higher expenses. Thank you.

Mariano Biglia

Yes. And Carlos, let me take first your first question regarding the exchange rate. As you said, we expect the government to continue at the devaluation, monthly devaluation rate of 1%. If in an agreement with the IMF or lifting of FX regulations, there was -- we saw an increase in the devaluation rate, at least on a one-time devaluation, we think it will not be very high because the government was always committed also to control inflation. And how would that impact? Well, probably the government at that moment will stop or suspend any decrease in interest rates. And if FX regulations are lifted, we strongly believe that we will see positive real interest rates. So interest rates will always be at a higher level of, let's say, three months following the expected inflation. But the impact in the balance sheet, as we are or can manage our positions in foreign currency to be balanced, we shouldn't see important one-time results. We could see an increase in the weight of dollar loans and deposits because when translated to pesos, they go to a higher number, but I don't see any other major impacts, also because our lending in U.S. dollars is to companies that generate dollars because they are exporters or they work with exporters. So we shouldn't also see any deterioration in the loan portfolio. And then, your second question, sorry, it was?

Carlos Gómez-López

On expenses, you expect them to grow below inflation.

Mariano Biglia

Yes, that's our plan because it's true that with higher activity on some items, you can increase your expenses. But let me explain it in two fronts. First, we are reducing headcount. Also last year, we reduced some branches, but now we have that savings during the whole year, and we also continue to reduce headcount at the bank level. That allows us to work more efficiently. We are not reducing commercial positions. In fact, we had some additions in commercial positions, for instance, for corporates. Also, during these times that credit penetration was so low, we didn't reduce the workforce for, for instance, for commercial positions or for credit underwriting. So, we don't need to hire new people. And remember, personnel expenses are 60% of our total expenses approximately. So, reducing headcount has a very important impact in our expenses adjusted by inflation. And then we also -- as we told in the first part of the presentation, we have a very focused strategy. So, we want to concentrate our efforts in the segments, in the products where we want to grow. And that allows us to focus also the efforts on the expense side and also on the fee expenses, not only the general expenses.

Paco Manriquez

Basically, Carlos, in order to deliver a better ROE, we found some opportunities in the expenses side so we can be more productive and efficient in order to deliver a very good ROE. So, we are working on that. That's why we increased, less than inflation, our expenses.

Carlos Gómez-López

Okay. Thank you so much.

Ana Bartesaghi

Thank you, Carlos. 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.