

2Q25 Earnings Conference Call Transcript

Buenos Aires, August 14, 2025



Ana Bartesaghi – Chief Investor Relations Officer & Treasurer

Good morning, everyone, and welcome to Grupo Supervielle's Second Quarter 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, and Mariano Biglia, our Chief Financial Officer. Gustavo "Paco" Manriquez, Banco Supervielle's CEO; Diego Pizzulli, CEO of invertironline will also be available during the Q&A session.

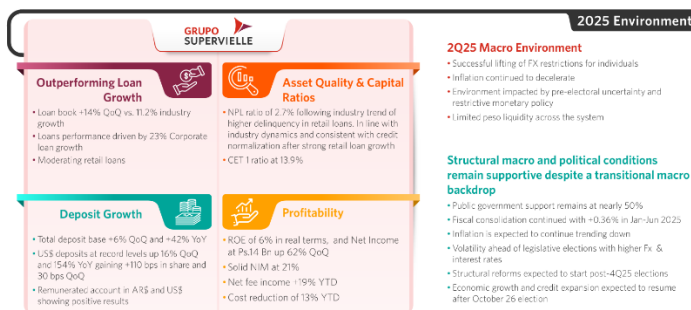
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This presentation contains certain forward-looking statements that reflect the current views and/or expectations of Grupo Supervielle and its management with respect to its performance, business and future events. We use words such as "believe," "anticipate," "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 legal or regulatory 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 changes or an inability to implement new technologies, (xii) changes in consumer spending and savings 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 undertakes 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.

2Q25 Highlights: Executing Amid a Transitional Macro Backdrop



Patricio Supervielle, Chairman & CEO

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

We executed well amid a still transitional macro backdrop. Loan growth outpaced the industry, led by strong performance in commercial lending. By contrast, we took a more cautious approach to retail origination in response to the slight deterioration in asset quality – in line with industry and historical levels. This follows the rapid retail expansion of prior quarters and return to credit normalization.

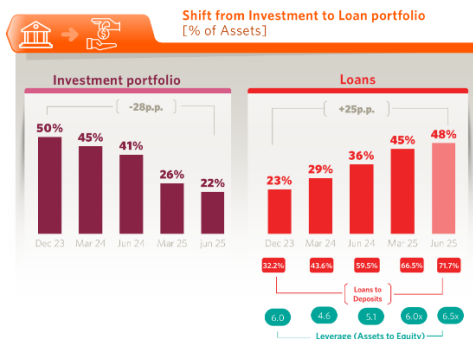
On funding, U.S. dollar balances reached record levels gaining 110 basis points in market share over the past twelve months, underscoring both our competitive position and client trust.

We maintained a solid capital position with a CET1 ratio of 13.9% and delivered a 6% ROE in real terms, further supported by disciplined cost management and improved NIM.

While the macro environment still presents some near-term headwinds in connection with the election-related uncertainty, tight peso liquidity and high real interest rates, the broader backdrop remains supportive, with public government support at nearly 50%, fiscal consolidation, ongoing deregulation, and inflation trending down. We expect economic growth and credit expansion to resume after the October 26 elections, supported by structural reforms anticipated to begin in the post-election period. These conditions, combined with our strategic execution and solid capital, position us to continue capturing opportunities as the credit cycle gains momentum.

Continued Shift to Private-sector Loans from Treasury Notes, with LDR and Leverage Well-below Historical Levels

GRUPO SUPERVIELLE



On slide 4, Our strategic transition toward a more credit-driven balance sheet is progressing, although at a slower pace in this election year and in line with monetary policy. Loans accounted for 48% of total assets, up 25 percentage points since December 2023, while we reduced our investment portfolio by 28 percentage points to 22% of assets.

This deliberate rebalancing supports private-sector credit growth in a moderating inflationary environment and positions us to benefit from the gradual recovery in economic activity.

Our loan-to-deposit ratio increased to nearly 72%, while leverage stood at 6.5 times, well-below historical levels, providing ample capacity to continue expanding our portfolio in a disciplined, profitable way.

Scaling Innovation: Early results across our four strategic initiatives

GRUPO SUPERVIELLE



On slide 5, I'm pleased to share that we are seeing tangible early results across the four key initiatives, which are central to how we engage clients, build loyalty, and drive cross-sell.

First, our Innovative Remunerated Account, that we are selectively offering in line with our cluster-based strategy, continues to deepen primary banking relationships and expand our deposit base. Payroll-linked balances increased sequentially by 27% in pesos and 18% in US\$ dollars, with new payroll accounts increasing by 53% year-to-date. Among SMEs, checking accounts increased 14% in pesos and 43% in dollars.

Second, Tienda Supervielle, our online store hosted on Mercado Libre and integrated into our app has surpassed half a million sessions since launch. This initiative, which complements our value proposition within the Meli platform, resulted in more than 175,000 customers transacting with over 400,000 registered credit cards. This is further evidence that we are embedding ourselves in our clients' daily lives and increasing engagement beyond traditional banking.

Third, our GenAI-powered WhatsApp channel was recently enhanced with new transactional features, including; credit card purchase authorizations, transportation card reloads, and mobile top-ups, turning WhatsApp into a daily banking companion. Adoption is growing rapidly. In July alone, the channel registered over 150,000 interactions, posting exponential growth since launch, reinforcing its role as a scalable, convenient service touchpoint.

And fourth, new synergies between the Bank and IOL, our leading online retail brokerage, are delivering solid results, leveraging IOL's 1.7 million customers to showcase banking products, while preserving IOL's core identity as an investment platform. In just 4 weeks since launch, over 4,700 IOL clients placed USD 28 million in dollar time deposits at the Bank, with nearly one-third for terms over 180 days. With only 3% of IOL's clients currently banking with us, we are launching a targeted cross-sell strategy, with a compelling suite of products aimed at deepening relationships and expanding our retail footprint. Lastly, since adding the IOL button to our mobile app just two months ago, we've seen a

clear increase in investment activity among Bank customers.

These early outcomes give us confidence that our strategy can drive engagement, diversify revenues, and capture growth opportunities as Argentina embarks on a renewed expansion cycle.

With that, I'll turn the call over to Mariano Biglia, who will walk you through our financial performance and perspectives for the year.

Mariano Biglia, CFO

Thank you, Patricio, and good day to all.

Let's turn to slide 6. Net income was 13.6 billion pesos in the second quarter, up 62% sequentially with ROAE at 6%, driven by higher net financial income and lower inflation adjustment.

Client net financial income was up 10%, supported by wider spreads on higher loan volumes, while Market-related net financial income benefited from gains in our treasury portfolio, growing 15% quarter-on-quarter. Inflation adjustment decreased 34%, reflecting the lower impact in the net monetary position from declining inflation versus the prior quarter.

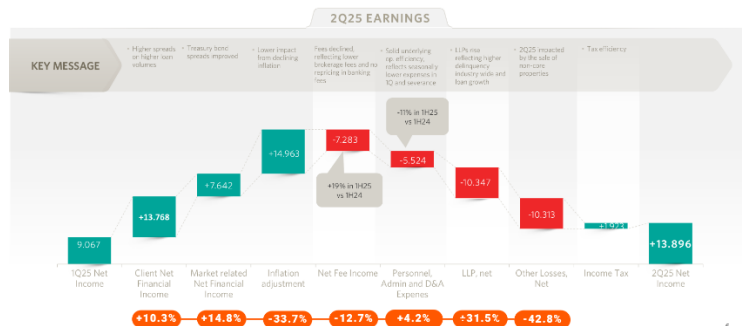
By contrast, net fee income was down 13%, as banking fees were not adjusted in the quarter, though repricing is underway in the third quarter. A lower contribution from our brokerage business since the lifting of FX restrictions in line with the industry trend also impacted fee income. Expenses were up 4%, as costs were seasonally lower in the prior quarter.

Year-to-date, net fee income was up 19% while expenses declined 11% as we continue to simplify our structure and reduce fixed costs.

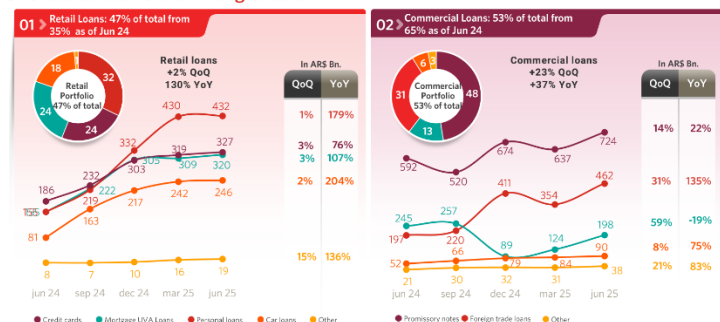
Loan loss provisions rose 32%, reflecting loan growth and higher risk-weighting from retail lending. Other losses increased 40% mainly from the sale of non-core properties, while income tax benefited from a higher level of tax efficiency.

Moving next to Slide 7.

2Q25 Net Income Up 62% QoQ to AR\$13.9 billion with ROAE at 6%; NFI Growth & Structural Cost Savings, Partially Offset Higher LLPs and Lower Fees



Commercial Lending Outpaces Retail as Personal Loan Origination Slows in 2Q Under Stricter Underwriting Criteria



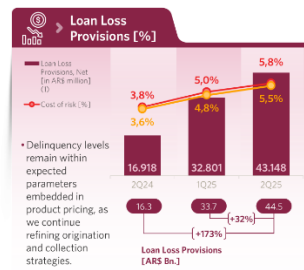
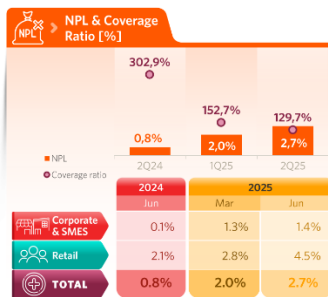
Total loans increased 14% sequentially and 71% year-on-year in real terms.

Growth in retail loans moderated to 2% sequentially, after several quarters of strong expansion as we tightened underwriting policies in response to early signs of industry-wide asset quality deterioration. Other retail products, including credit cards, mortgages, and car loans, continued to expand modestly. Year-on-year, retail loans were up 130% accounting for 47% of our total loan book.

Commercial lending was up 23% Quarter on Quarter, led by strong growth in foreign trade loans, promissory notes, and overdrafts as corporate activity accelerated, with commercial now representing 53% of our portfolio.

This rebalancing toward commercial lending reflects our disciplined credit stance, while retail remains an integral part of our strategy for the long-term.

NPL Ratio at 2.7%, Consistent with Industry & Historical Levels, Reflecting Credit Normalization after Strong Growth in Retail Loans in Previous Quarters



Note: NPL ratio includes off-balance sheet guarantees granted to customers.

1) LLP, net: Includes loan loss provisions net of recovered charged-off loans and reversed allowances.

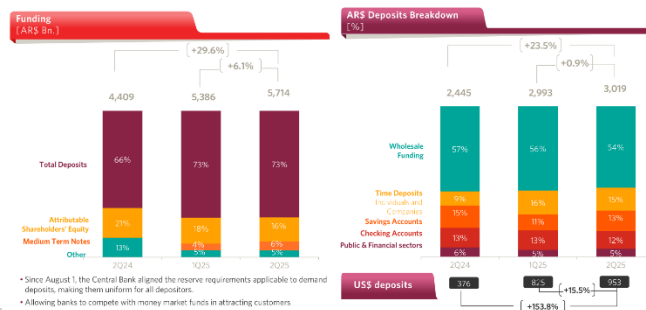
Turning to slide 8, our NPL ratio was 2.7%, in line with both historical and industry levels.

Retail delinquency was 4.5%, reflecting credit normalization following the 130% Year on Year growth in retail loans and the impact of a lower inflationary environment on repayment dynamics. The NPL ratio was a low 1.4% for Corporate and SME loans. Coverage is prudent at 130%, and we continue to fine-tune origination and collection strategies to preserve portfolio health.

Provisions rose 32% sequentially to 44.5 billion pesos, lifting net cost of risk by 70 basis points to 5.5%. This was mainly due to higher provisioning needs in retail loans under our forward-looking credit models.

Importantly, delinquency levels remain fully within the assumptions embedded in our pricing, and we are adjusting origination where appropriate while continuing to fund demand in segments with the strongest risk-adjusted returns.

Total Funding +30% YoY, Driven by Deposits and Growing Contribution from Corporate Notes which Reached 6% of total funding



• Since August 1, the Central Bank aligned the reserve requirements applicable to demand deposits, making them uniform for all depositors.
• Allowing banks to compete with money market funds in attracting customers.

Turning to slide 9, total funding increased 30% year-on-year and 6% sequentially, supported by strong dollar deposit inflows and a growing contribution from corporate notes, which now account for 6% of total funding.

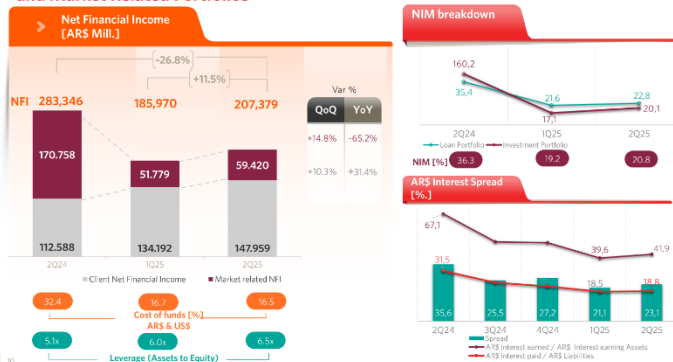
Peso deposits were up 24% year-on-year and up 1% sequentially.

U.S. dollar deposits were up 154% year-on-year and 16% sequentially, setting another record high at 953 million dollars as we deepen transactional relationships with our clients. The positive trend continued into July with US dollar deposits exceeding 1.1 billion.

This solid funding base positions us to continue expanding loans while maintaining a prudent liquidity profile.

The recent increase in the minimum cash requirements for money market funds, unifying reserve requirements on demand deposits across all depositors, allows us to pay the same interest rate to a corporate checking account as to a money market fund, allowing banks to compete with money market funds in attracting customers and thus improve the deposit mix.

NIM Expanded 160 bps QoQ to 21% Driven by Spread increases both in Client and Market Related Portfolios

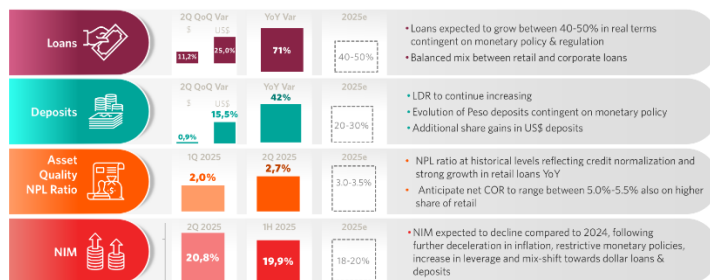


On slide 10, Net Interest Margin expanded 160 basis points sequentially to 20.8%, supported by strong spreads in both client and market-related portfolios.

Total Net Financial Income expanded 12% from the first quarter as Client-related Net Financial Income increased 10% on higher spreads and loan growth, while Market-related Net Financial Income rose 15%, driven by better investment returns as treasury bond yields stabilized after last quarter's sharp correction ahead of the IMF agreement in April.

As shown on the right-hand charts, loan portfolio margins improved to 22.8% and investment portfolio margins to 20.1%. The peso-interest spread also widened 200 basis points to 23.1%, supporting the overall NIM recovery.

Revised 2025 Perspectives in an Election Year; Transition Period Now Anticipated to Extend into 2026



Macro assumptions as of July 2025 (Central Bank Market Expectations Survey): Inflation of 27%, FX peg at 1:405 and GDP of 5.0% in 2025.

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Turning to slide 11. Reflecting the election year and a longer transition period towards a more loan-centric balance sheet into 2026, we are updating our 2025 perspectives.

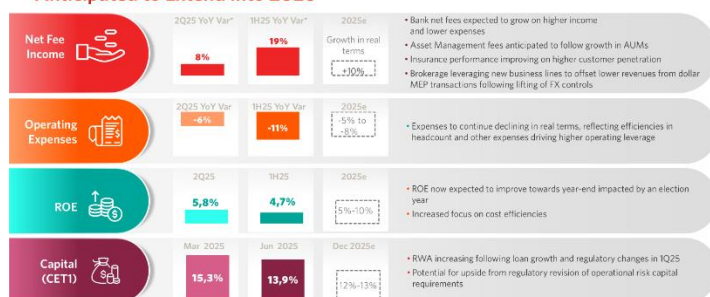
We now expect real loan growth between 40% and 50%, contingent on monetary policy and regulatory developments, and a more balanced mix between retail and corporate loans.

On deposits, we anticipate growth of 20% to 30%, with continued improvements in the loan-to-deposit ratio. Peso deposit growth will depend on monetary policy, while we see further share gains in U.S. dollar deposit balances.

In terms of asset quality, we expect the NPL ratio to stabilize at historical levels between 3.0% and 3.5%, with Net cost of risk at the 5.0% to 5.5% range, reflecting ongoing credit normalization and the higher share of retail loans.

Finally, NIM is expected to trend between 18% and 20%, slightly below 2024 levels, as inflation continues to decline, leverage increases and following restrictive monetary policy.

Revised 2025 Perspectives in an Election Year; Transition Period Now Anticipated to Extend into 2026



Macro assumptions as of July 2025 (Central Bank Market Expectations Survey): Inflation of 27%, FX peg at 1:405 and GDP of 5.0% in 2025.

* Net Fee Income excluding income from Insurance activities

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Turning to slide 12, we maintain expectations of net fee income growing 10% in real terms this year, driven by higher bank fees, asset management growth and improved insurance penetration. In Brokerage, we expect to leverage new business lines to offset lower revenues of dollar MEP transactions following the lifting of FX controls.

On expenses, our focus remains on driving sustained efficiencies in headcount and other costs contributing to a contraction in expenses of between 5 to 8% driving stronger operating leverage.

With this, we now expect ROE to improve toward year-end to a range of 5% to 10% below our original full-year guidance as transition towards a more leveraged balance sheet is longer than expected due to a tighter monetary policy and higher volatility ahead of legislative elections. This revised outlook reflects margin stabilization, stronger fee contributions in the second half, and the full impact of our cost-efficiency initiatives, while factoring in the dynamics of an election year.

Lastly, we now anticipate the CET1 ratio to close the year between 12% and 13%. There is potential for upside if regulators approve Basel III operational risk treatment for Group 2 banks in line with systemic banks, in which case our CET1 ratio would have been approximately 16.7% as of June 30, 2025.

Overall, these targets reflect our disciplined and confident approach to balancing growth, profitability, and capital strength as we navigate an election year and a still-evolving macro environment.

Additional details on our quarterly performance are available in the appendix of our earnings presentation. We are 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 questions and answers 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. One moment while we poll for questions. The first question comes from Ernesto Gabilondo with Bank of America. Please go ahead, Ernesto.

Ernesto Gabilondo

Good morning, Ana. Thank you. Hi. Good morning, Patricio, Paco, and Mariano, and good morning to all your team, and thanks for the opportunity to ask questions. My first question will be on asset quality and cost of risk. When looking to the NPL ratio, it remains still below historical peaks, but in terms of the cost of risk, it appears to be a little bit high, so just wondering if the peak already happened in the second quarter, and how should be the trend for next year?

Patricio Supervielle

Thank you, Ernesto. Yes, it's true. The NPL ratio in the last two quarters increased from 2% to 2.7%, which is a meaningful increase. But as you said, it remains well below historical standards. And we believe it's part of an industry-wide trend with credit normalization, following very low historical NPLs. We believe that at this stage, the economy, what's happening is also not creating jobs. Employment is stable, but it's not creating jobs. And there is also a behavioral change related to a new pattern because before, there was inflation. And with inflation, customers would take a loan and they would expect that the instalments in real terms, they would dilute and this is no longer happening. So there is a learning curve for customers. And so, but we still think that overall, the credit portfolio is healthy. And we basically, we are continually adapting underwriting standards more stringent. And this is dynamic, of course, in order to make sure that our portfolio remains healthy. And by the way, also recall that we, on the retail side, we mostly work with clusters that are cashflow-based. That is payroll accounts where we pay the salaries and we collect the loans or senior citizens who have a historical good performance in terms of loans or car loans.

Paco Manríquez

Yes, I would like to add two things. As Patricio mentioned, the customers suffered a big change in their behavior because they knew how to work with inflation in the past. And now, they need to understand how this scheme without inflation is. So this is a big change in their behavior. Also, in terms of management, I took several measures, actions in order to make changes in the scores and also in the credit policy. I have a weekly meeting, one hour and a half, in order to observe all the trends and all the sales and all the vintage in order to keep down the grade ratio. So, we are looking at several measures and we are observing them on a weekly basis.

Ernesto Gabilondo

So, thank you very much. And then just on cost of risk, because that explains the NPL ratio, but then on cost of risk, how should we think about it? You mentioned it could be between 5% to 5.5%. I think it was above 6% in this quarter. So, again, just wanted to confirm if it has picked for you and how should we be evolving for next year? Should it be stable, deteriorating, or improving after all these policy metrics that you are implementing?

Mariano Biglia

Yes. Hi, Ernesto. Let me take that part of your question. Yes, effectively, we expect the cost of risk to be in a peak at this 4.5% net cost of risk for the quarter. So, we expect it to range between 5% and 5.5% for the year. It should be stable within that range also into 2026. As Patricio mentioned, this is also a normalization of the rate portfolio, particularly the retail segment, and then changes will be more dependent on the mix of retail versus corporate, but we don't expect to go higher in this range.

Ernesto Gabilondo

Perfect. Thank you, Mariano. And then just my second question, it will be on your ROE expectations, but for next year, as you mentioned, for this year, it could be around 5% to 10%, but just wondering what should be the level that the ROE could be getting into next year? Just an idea of where it can go again?

Mariano Biglia

Sure. Yes, as you said, we expect ROE to range between 5% to 10% this year as the monetary policy is still very restrictive and there is some volatility ahead of the October elections, but we expect the monetary policy to stabilize and interest rates go down again after the October elections, which are by the end of October. So, maybe the upside in the ROE and the resuming loan growth in high growth rates will be only for the end of this year. So, we will see the benefits entering into 2026, where we expect to have an increase in ROE. It could be 15% for a year, but increasing quarter to quarter. So, it's still too early to tell how we are going to be in the fourth quarter of 2026, but we could be over that average for the year of 50%, maybe levels between 15% and 20%.

Ernesto Gabilondo

Now, perfect. Super helpful. Thank you very much.

Ana Bartesaghi

So, our next question comes from Brian Flores with Citi. Hello. Good morning, Brian. Please go ahead.

Brian Flores

Hi, Tim. Good morning. Thank you for the opportunity. I have a question on growth because you revised your guidance downwards, and I wanted to ask you if this has more to do with what is happening with organic funding, which is deposits, right? You also revised downwards, or do you think it has to do more with capital, or your Tier 1 ratio? Because as you saw, and as we have seen, you perhaps have one of the lowest Tier 1 ratios in the system. Of course, you mentioned there could be some regular tailwinds. So, just if you could explain a bit on what changed your risk appetite, and also on that front, on the Basel III implementation that could happen for your segment, if you have a timeline as to when could you have this impact, if there's any provision here?

Patricio Supervielle

Well, let me start. Maybe I will be complemented by my team. But basically, we are going through, at this stage, a macroeconomic transition, of course, with the fiscal anchor and also foreign exchange anchor. And this inflation process will continue up to next year. And at this stage, the monetary policy is very restrictive. While we believe that there will be a relaxation, as I think Mariano mentioned, after elections, this is, of course, having an impact this year in terms of growth. Because there is scarcity of funding in the system with basically with pesos particularly, not with dollars, but with pesos. However, we believe that there is going to be an upside following elections, in the sense that with the reform agenda of President Milei, there will be a new, a much better business confidence, more investments, and therefore more credit demand.

And in our case, what I think we are doing is laying the groundwork for the loan recovery by what we have done in the past three months, we launched on a cluster-based strategy of remunerating accounts for payroll accounts as well as SMEs. And this is showing a very strong effect, driving principality with those clusters. And it is, of course, increasing the funding. So we're very happy with the results. We will continue. And by the way, we are about to launch in the next few weeks a joint marketing campaign between Banco Supervielle and InvertirOnline in order to make sure that we propose this value proposition, even a stronger value proposition than the one we have today, to InvertirOnline clients in order to attract funding.

So looking forward, we believe that we are handling, we are tackling the funding issue. Concerning the capital issue that you mentioned, we don't feel constrained with capital at this stage. Of course, that if conditions arise in the sense that there is a very strong loan demand next year and the market conditions are there, then it might be possible that we tap the market. We are looking into opportunities of tapping the market in equity as well as in debt.

Mariano Biglia

Yes, it's important to highlight that capital is not restricting the loan growth for this year. The loan growth that we are projecting is more related to the growth in deposit and structural funding, but also we are looking at other sources of funding, as Patricio said. And regarding you asked also about the base of fiat central bank regulation, of course, we cannot anticipate when or whether the central bank will change this regulation, but we are optimistic because we think it was not in the spirit of the regulation to be more punitive with the second group of banks, so if they fix it before year-end, that will be a significant increase in our Tier 1 ratio too.

Patricio Supervielle

We are optimistic on that.

Brian Flores

No, thank you, Mariano and Patricio, super helpful. Wanted to make a quick follow-up on InvertirOnline, because I think this was the first quarter where not only we saw a decrease, and I think this decrease, you mentioned it in the press release, has to do with the liberalization of the FX, that naturally hurts maybe some of the spreads, but I think what was catching our attention here is we saw a decrease in the active users in the platform. I know you have here in the team, maybe you can provide a better explanation as to what has happened, but is this an increase in competition, is this an increase on, I don't know, promotions by other teams? I wanted to understand why this decrease in active customers happened during the quarter. Thank you.

Diego Pizzulli

Yeah. Hi, Brian. So, we have two factors that influence our business in the first quarter and the second quarter also. The first one was we saw lower trading volumes by retail customers in the Argentinian stock market, mainly equities and Cedears. So that was a trend that started in February, was heading down until July when reversed. And the other one was the dollar mep and the lifting of the restriction in the FX market. So we don't see an issue in our value proposition regarding our competitors, we have a strong value

proposition, we are leading in the retail market, we are still leading and we are in a solid position there. So what we saw is some behavior of investors in Argentina, in Argentinian securities with a lateral market since January and something that reversed now in July.

And also, the thing you mentioned about the liberalization of restrictions in FX, of course, we are now competing with banks for that part of the business and affects because it was before only a business for brokers and now it's banks and other institutions. But we think it's moving forward and looking forward, we believe that it's a good. We are optimistic about the future on the transactions and the volumes operated because with inflation going down and the FX under control, both are preconditions to have a strong capital market, we are very well positioned to capitalize on that.

We think in this new environment that is through a transition, as we see it, to a more mature capital market, we can capitalize in our not only retail business, but also in our private banking, SMEs, and institutional business that probably in this environment we'll thrive and we believe we are very well positioned to capitalize on that.

Brian Flores

No, perfect, super clear, thank you.

Ana Bartesaghi

Thank you, Brian. So our next questions come from Carlos Gómez with HSBC. Hello, good morning, Carlos. Thank you for asking questions. Please go ahead.

Carlos Gómez-López

Hello, good morning, and thank you for holding the call. The first question is I would like to know how you are faring with the current volatility in interest rates that we are seeing in Argentina and the very high levels that we have seen recently. Is that, first, is it material? Is it going to affect the banking system in general? And how long do you think it will last?

And the second, going back to the capital, I just wanted to verify, the rules have not changed from the first to the second quarter, right? So the banks have not been able, the banks of your size have not been able to use Basel III. When was that implemented? My point is that the decline in 150 basis points or so in this quarter, that, I mean, that would have happened with or without the capital rules. Is that correct?

Mariano Biglia

I will start from the second question because it's shorter. It's correct. The change in operational risk capital requirements was implemented in the first quarter. So any change in the capital ratio from the first quarter to the second quarter is not related to that. We are only giving guidance on how the capital will be if that regulation equalizes the Group 2 to the Group 1 of systemic banks level. But it has already been implemented at the end of the first quarter.

Carlos Gómez-López

And again, that would be a 200 and -- from your description, 280 basis points uplift to your CET1 if you were able to apply Basel III. That's your own calculation, I would imagine, right?

Mariano Biglia

Correct. That's our own calculation.

Ana Bartesaghi

Just something in addition to this last question. Remember in this quarter, we had dividend payments. So that is included in what you mentioned in terms of CET1 declining from one quarter to the other one.

Carlos Gómez-López

Very clear. Thank you.

Ana Bartesaghi

Loan growth, but also we had a dividend payment. Remember, we as Grupo Supervielle, we only pay once normally in the second quarter.

Carlos Gómez-López

Okay, thank you so much.

Patricio Supervielle

So, regarding the first question, I think regarding the first question is, yes, it's basically this uplift in interest rates has been very significant and of course, it is affecting the monetary conditions of banks and liquidity crunch, very high real interest rates. I think they are harmful for the economy, but we believe that it's going to be transitory until elections and then they will relax, because basically they want to make sure that not only inflation goes, there is no pass-through from the devaluation to prices and so basically this is why they are extremely restrictive. I don't know if you want to add.

Mariano Biglia

Yes, I agree. This is a level of real interest rates that we have never seen, at least in recent years. So, we firmly believe it's temporary. It's not a level of rate that is sustainable in the long term, because it will have an impact not only the financial industry, but the overall economy. So, what we believe is that the central bank and the government is prioritizing the control of the volatility in the exchange rate and they prefer to have volatility in interest rates, but not in the exchange rate. It's more sensitive for inflation and for consumers ahead of the elections.

Remember, in three weeks we have elections in the province of Buenos Aires, that they are like a thermometer for the national elections. So, this level of interest rates will ease after September elections or at the latest after October elections. That's at least our view.

Carlos Gómez-López

And what is the rate that affects your clients, right? Because there have been all these changes in monetary policy. There is no set reference rate, if I understand correctly. What is the most used benchmark? Is it BADLAR? Is it a different market interest rate? And how has that evolved relative to what we see in terms of monetary policy?

Mariano Biglia

Yes, for instance, the TAMAR interest rate is now at 50% and the 1-day interest rate is at 67%. That's, of course, well above an inflation expected for the next 12 months of 20% to 25%. So, those are the rates that impact mainly in short-term loans because for the longer-term loans, we are expecting increase in the interest rates. So, they are not as affected as 1-day loans or 30-day loans. So, it affects mainly the corporate side of the portfolio.

Carlos Gómez-López

So, again, your corporate, when they borrow from you, most of the contracts are based on BADLAR or TAMAR or what rate?

Mariano Biglia

It's a market interest rate, but it's affected mainly by the TAMAR interest rate. It's not that they take long-term loans at variable rates. Some cases are like that, mainly for the ones who issue in the capital market for overdrafts or discounted documents. It's a market interest rate, but of course, it takes as a reference both the TAMAR and the 1-day interest rate because that's a funding for a very short term.

Carlos Gómez-López

And TAMAR was 32% or so before this volatility?

Mariano Biglia

Yes, correct.

Carlos Gómez-López

Thank you so much.

Ana Bartesaghi

Thank you, Carlos. Our next question comes from Pedro Offenhenden with Latin Securities. Good morning, Pedro.

Pedro Offenhenden

Good morning, hi, everyone, and thank you for the call. I have a question following Ernesto on NPLs. Didn't get if you think retail NPLs have already peaked on the second Q and if you see further pressure on SMEs, given the rate volatility?

Mariano Biglia

Yes, what we are seeing, Patricio explained the dynamics of the NPLs on the retail side. The system is now, last data published as of May, at 4.5% NPLs. So, we are in line with the system. We see a peak in the cost of risk. The NPLs could go a bit higher as we gave in our guidance for the overall NPLs combining retail and corporates. By the year-end, we expect it to range between 3% to 3.5%, whereas we are now at 2.7%. So, for NPLs, there will be a little room still to grow until year-end.

Pacom Manríquez

But yes, Pedro, if we maintain this level of rates, yes, we would see some pressure to SME, yes, of course. But that is a transition, it's a short period, but yes, we are seeing some pressure to SME in terms of working capital, but we are thinking, we hope that's a very short period. But if we maintain this kind of level of rate volatility, yes, we will see some pressure to SME segment. Also to the corporate, no, because the 1-day money is very, very high, okay?

Pedro Offenhenden

Okay. Thank you very much.

Ana Bartesaghi

Thank you. Maybe we will answer first some of the Q&A we have in the box and then, we have further questions on the audience. First one comes from Marcos Serú from Allaria. It's a very technical, maybe this for you, Mariano. I would like to know how much was the charge registered on the other expenses for the sale of the non-core properties?

Mariano Biglia

The net loss registered in that line item was ARS5 billion. So, of the total of that line item, that is the part that is related to the sale of non-core properties.

Ana Bartesaghi

Okay. And then another from Ernesto Gabilondo with BofA on the macro and political landscape, what would be the key dates to follow, for example, the election of the province of Buenos Aires?

Patricio Supervielle

Yes, of course, the election of the province of Buenos Aires is the first one in September to follow. And I think, from what I have read, it will be maybe difficult to understand the results because there will be overall on the province one result when favoring maybe La Libertad Avanza and maybe another result in a particular district of the conurbano where there will be another winner. Maybe, we don't know, but definitely what I think will be much more powerful is the October election, where definitely we are seeing that there is a continued support for the President policies, above 50%. So this will probably, if this is what we expect, a very strong support for the second term of the mandate after the October elections.

Ana Bartesaghi

Okay. We have another question from Fernando Zabaleta, I think with Banco Pichincha, isn't it? Hello, good morning, Fernando, thank you for asking questions, please go ahead.

Fernando Zabaleta

Good morning, everybody, and thank you for the call. My question goes in line with Ernesto's first question and his follow-up that you just commented, and it's in line with the NPL and the projections. You are still projecting a 40% to 50% increase in loans, we have seen the loans increasing during the year, but also Patricio mentioned before that it's been a challenge to create jobs for the government. My question goes in line with how difficult or how important, I think Ernesto just asked the same question, is the election that you have. Because the last election is in October, and how will it impact in your projections, and I think it was mentioned before too, how you guys are thinking on controlling the increase of the NPL and not to get to a ratio where it could be kind of difficult to manage. But it goes in line to that, it's just considering that the last election is in October and the country could be going different directions. How difficult would it be, or how it would change, or the different scenarios for you guys that you are managing or evaluating to meet those projections of 40% to 50% increase in loans? Thank you.

Patricio Supervielle

First of all, I think that personally I'm very optimistic, as I said, with the October elections in the sense that these are the important ones, but as I said, the September election in the province of Buenos Aires might be difficult to understand, but the October elections is

basically what will give the mandate will give the mandate for the second part of a government. And Milei has stated that in the second part of his government, he will concentrate in fiscal reform and labor reform. And I believe that also what would happen is that there will be an uplift or liberation of the foreign exchange market for corporations after the elections. So the business climate will improve. We expect this, and this will drive loan demand.

Mariano Biglia

Yes, and also remember that these projections are based on a macro scenario where we see inflation at 28%. Interest rate TAMAR that I mentioned before now jumped to 50% but we expected as low as 25% for year end. So that is a scenario consistent with a good result for the government that will foster loan growth.

Fernando Zabaleta

Thank you. Very clear.

Patricio Supervielle

Thanks.

Ana Bartesaghi

Thank you, Fernando. I think we have a follow up from Brian Flores with Citi. Brian?

Brian Flores

Yes, team. Thank you very much for the opportunity here. So just wondering on your NIM expectation, because I think you maintained at 18% to 20%, and we saw the contribution from commercial loans growing significantly quarter-over-quarter which obviously has to do with the conditions you are seeing in terms of asset quality on the retail side. So just could you elaborate a bit on what are you expecting in terms of contribution from retail versus corporates in that projection that you're making on NIM? Is this already including I would say a higher contribution, sorry, from commercial loans or is it 50-50? Just wondering here how's the composition by year end in your view?

Mariano Biglia

Yes, thank you for your question. What we expect is to have almost even a contribution. We expect the portfolio to maintain this 50% for each of the banking segments. We could see some change by the end of the year but for the contribution to the NIM it will be more or less a balance as we expect.

Brian Flores

Okay but just a quick follow-up here. So if we see, for example, I don't know, worsening conditions in retail, would you pivot and be a bit more aggressive on the commercial side or you will go along with the plan because penetration is still low?

Mariano Biglia

Yes, in that case, we would be more aggressive on the commercial side but also on the retail side we have longer duration loans. But even that in our base scenario, we expect to be adjusting our credit policies, but allowing the loan portfolio to grow in a healthy manner.

Brian Flores

No, thank you. Very clear, Mariano. Thank you.

Ana Bartesaghi

We have another question in the Q&A box. I think we have some five minutes to take it. So first one, as the Argentinian economy stabilizes, do you see international financial institutions interested in getting into the Argentine market? Any worries, concerns?

Patricio Supervielle

I think, yes. I would say that we've seen and we've heard and we know that there are new players coming into the market, neobanks, successful neobanks in Europe or big techs that are applying to become banks. So I think this is a very positive signal, first of all, for Argentina to, in terms of confidence in Milei's government and his agenda. I think so this is first, the first thing, but very positive.

And of course, in our case and our challenge is to continue strengthening our competitive position, to continue simplifying and digitizing

our operations to make it simpler and agile for customers. And I believe that what we have done in terms of remunerating accounts has been the first bank in the country to do this. We are anticipating what the fintechs will do when they start playing in the market. So this is something that we believe that will give us a good competitive position.

In addition, all these international players, they are looking to individuals. Some of them, maybe the bottom line of the pyramid, the under bank, some of them. The others, maybe another one might be on the premium side, but no one at this stage is really taking care of SMEs. So we believe in a balanced approach. We believe that the way looking forward for us to compete is to have a balanced approach and to provide good services with all the SMEs, particularly the value chains of dynamic industries and make sure that we get the cash management, making sure that we provide trade finance and leasing and so on. So this is going to be our anchor and as well as the payroll account. So we believe that in this sense, we will be able to compete effectively.

Ana Bartesaghi

Okay, ladies and gentlemen, we have reached the end of today's Q&A session. Thank you for joining us today. We appreciate your interest in our company. We look forward to meeting more of you over the coming months and providing financial and business updates next quarter. In the interim, we remain available to answer any questions that you may have.