

Banks - Argentina

2023 earnings peak is unlikely to repeat, while recession risk looms

Price Objective Change

Earnings to peak in 2023, but unlikely to repeat in 2024

We think the Argentine's banks will produce strong earnings in 2023 due to abnormally high financial results, as banks have been able to reduce the Leliq's exposure, while invested them in other remunerated government securities. Despite negative real loan growth, the Argentine banks had been able to obtain significant gains in dual-bonds linked to dollar and inflation, other government securities, and FX gains. Indeed, we believe strong earnings should help to strengthen the Argentine banks' balance sheets and to eventually provide new lending opportunities into the country. Having said that, we see abnormally high financial gains unlikely to repeat in 2024, negatively impacting earnings and ROEs. Also, the Argentine economy is still expected to decline 3.5% in 2024 (second worst economic recession in the country after 2020), while there are still important threats related to the high level of inflation and rates.

Still doubts to reach a market-oriented economy

We continue to see a complex macro-outlook in 2024, in which banks should start to reduce the excess liquidity and provide again lending during the 2H24 within a context of deep recession, and still high inflation and interest rates. We need to see a large and credible upfront fiscal adjustment, actions to rebuild reserves and to correct relative prices, in order to see a more market-oriented economy. Our economist expects the peso to depreciate by 172% in '24 (from ARP\$808) and by 105% in 2025 (to ArPs4,500).

Adjusting our POs to reflect higher financial results

We have increased our NI to reflect stronger NII growth and financial results supported by securities gains. We expect positive real loan growth and lower losses in the net monetary position from expected lower rates in 2H24. Nonetheless, expected earnings recovery would not be enough to improve ROEs above CoE levels. Our new POs (refer to Exhibit 1) basically reflect our new estimates and a higher depreciation of the Argentine peso, with ADRs converted at ARS\$800 per dollar (vs. ArPs2,200 expected by our economists).

Maintain our Underperform rating on the Argentine banks

After 2023 peak on earnings (driven by high financial results), we continue to see a challenging outlook for the banks in the near-term. Indeed, we expect softer earnings and ROAEs in 2024, while to start recovering until 2025. As such, we prefer to be in a wait-and-see mode, and see if the economy is able to be fixed, reflecting lower inflation and interest rates, and if the country is able to move to a dollarized economy, contributing to a lower country risk. On a relatively basis, we find other LatAm banks in the region trading below book value and with higher ROEs (ie. ABC, Banco do Brasil, BCI).

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Refer to important disclosures on page 23 to 25. Analyst Certification on page 21. Price Objective Basis/Risk on page 20.

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Exhibit 1: Ratings and POs

Increasing our POs

Bank	Rating	PO	
		Old	New
BMA (ARPS)	Underperform	829	1,620
BMA (USS)	Underperform	10	20
GGAL (ARPS)	Underperform	543	1,075
GGAL (USS)	Underperform	7.0	13.0
SUPV (ARPS)	Underperform	210	337
SUPV (USS)	Underperform	1.3	2.1

Source: BofA Global Research estimates

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Leliq: Overnight rate in Argentina
B&S: Balance Sheets
CDS: Credit Default Swap
CET1: Common Equity Tier 1 ratio
A/Q: Asset Quality
NII: Net interest income
NIM: Net interest margin (%)
CoR: provisions charges / average loans
ROAE: Return on Average Equity
SUPV: Supervielle
GGAL: Grupo Financiero Galicia
BMA: Banco Macro

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Strong '23 closing, but banks unlikely to repeat abnormally high financial gains.

A complex macro-outlook to persist, reflecting weak credit demand due to high levels of interest rates and inflation. We expect positive real loan growth and lower losses in the net monetary position from expected lower rates in 2H24. Nonetheless, expected earnings recovery would not be enough to improve ROEs above CoE levels.

Exhibit 2: Argentine Banks – Key earnings trends

Expected ROEs to remain well below the cost of equity, in light of Argentina's high-country risk

YoY growth	Galicia			Macro			Supervielle			Sector Average		
	23E	24E	25E	23E	24E	25E	23E	24E	25E	23E	24E	25E
NII	274%	-5%	9%	-10%	6%	8%	39%	-9%	8%	101%	-3%	8%
Loan Balance	-19%	5%	10%	-10%	6%	8%	-32%	7%	10%	-20%	6%	9%
Fee income	15%	5%	5%	4%	3%	3%	16%	2%	6%	12%	4%	5%
Market related revenues	-64%	-31%	-51%	253%	-40%	-16%	31%	-14%	-41%	73%	-29%	-36%
FX gains	502%	-23%	-91%	415%	-60%	-34%	0%	0%	0%	305%	-27%	-42%
Opex	4%	2%	2%	0%	2%	2%	-4%	2%	2%	0%	2%	2%
Prov. charges	78%	-7%	-31%	70%	-9%	20%	-27%	-2%	22%	40%	-6%	4%
Net monetary position	78%	-7%	-31%	80%	-23%	-31%	90%	-14%	-31%	82%	-14%	-31%
Recurring NI	115%	-32%	49%	234%	-58%	62%	-497%	-34%	37%	174%	-45%	56%
Recurring EPS	115%	-32%	49%	234%	-58%	62%	-497%	-34%	37%	174%	-45%	56%
NIM	19.8%	19.5%	20.0%	16.4%	19.8%	20.5%	26.7%	24.3%	24.2%	26.0%	43.1%	40.4%
NIM with securities	24.2%	22.6%	21.4%	40.1%	26.6%	26.1%	32.4%	29.1%	26.8%	33.3%	45.0%	40.9%
Prov/avg loans	4.8%	4.7%	5.0%	1.9%	1.8%	2.0%	4.8%	5.6%	6.2%	6.5%	6.0%	5.5%
NPLs / loans	3.1%	3.4%	3.5%	1.4%	1.5%	1.6%	1.7%	1.9%	2.3%	2.3%	2.4%	2.5%
LLR/ NPL	211%	198%	155%	127%	125%	129%	170%	155%	113%	169%	159%	133%
Loans/ Deposits	57%	56%	58%	59%	62%	63%	29%	29%	30%	48%	49%	50%
Equity/ Assets	21%	21%	22%	31%	32%	33%	15%	15%	15%	22%	22%	23%
Rec. ROAE	18%	11%	15%	27%	10%	15%	17%	10%	13%	21%	10%	14%
Rec. NI	341,888	233,720	348,331	455,519	189,265	307,255	53,973	35,460	48,698	283,793	152,815	234,761
Rec. EPS	286.47	195.83	291.86	712.86	296.19	480.84	118.18	77.64	106.63			

Source: BofA Global Research estimates

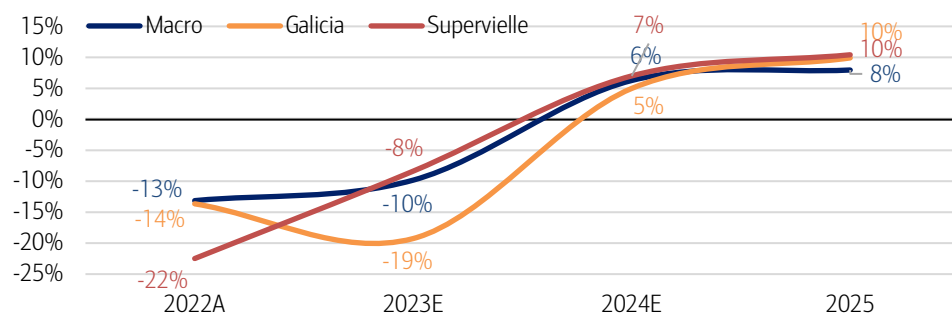
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Real loan growth to be more evident in '25

Still high inflation levels above 200% and interest rates of 118% will continue to pressure loan growth in 2023. We expect 2024-2025 to be complex years. As such, we expect positive real loan growth to be more evident in 2025. Nonetheless, we believe potential lending recovery could be delayed if a complex macro-outlook persists after the presidential election, reflecting high inflation and rates, and an important depreciation of the Argentine peso against the dollar.

Exhibit 3: Argentine banks: Loan growth, YoY

Expect real loan growth to be more evident in 2H24 and 2025



Source: Company data and BofA Global Research estimates

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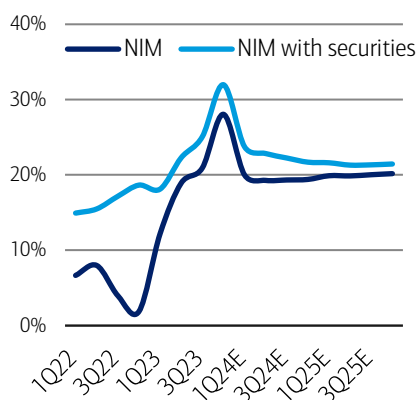
NIMs pressure next year on lower rates

Argentine banks' NIMs should continue to benefit in 2023 from the excess liquidity by investing on securities yielding high rates (interest rates are at 100%). Importantly, banks had been shifting their Leliqs' position to pasas, dual bonds linked to dollars and inflation, and other government securities. Furthermore, we expect all Argentine banks to have finished reducing their exposure to Leliqs in 4Q23. Having said that, we continue to believe banks will start to reduce excess liquidity and allocate them into loans. We continue to see this to become more tangible in the 2H24.

Importantly, NIMs on loans have been affected because of deposit floors, subsidies, and high inflation resulting in negative real loan growth. As such, 2024 and 2025 should be complex years, expecting normalized inflation and lower rates. Within this context, lower inflation and reducing excess liquidity should benefit NIMs on loans, although NIMs on securities should be trending down on lower rates.

Exhibit 4: GGAL: NIM and Adj. NIM

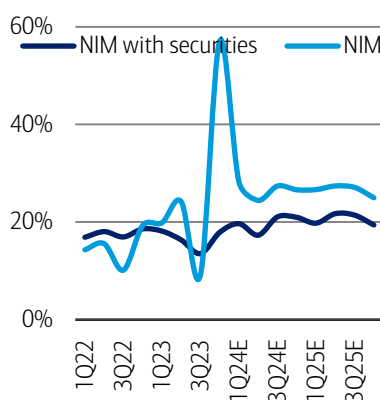
NIM benefiting on strong financial results, but trending down in '24-25



Source: Company data & BofA Global Research
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Exhibit 5: BMA: NIM and Adj. NIM

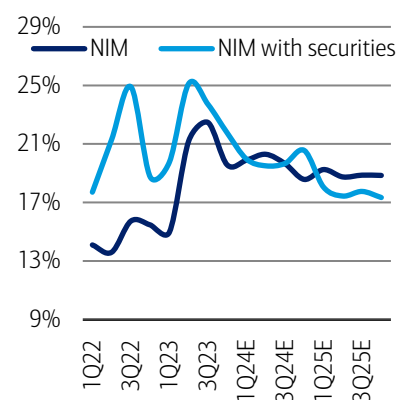
NIMs with securities trending down in 2024-2025



Source: Company data & BofA Global Research
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Exhibit 6: SUPV: NIM and Adj. NIM

NIMs with securities trending down in 2024-2025



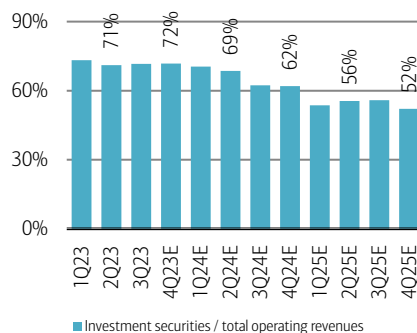
Source: Company data & BofA Global Research
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Expect lower securities yields in 2H24

Securities to total operating revenues to be less representative in 2024 on lower rates.

Exhibit 7: GGAL – Income securities / op. revenues

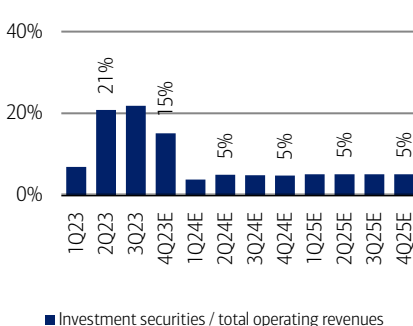
Relatively higher in 23, but starting to decline in 2024



Source: Company data & BofA Global Research BofA GLOBAL RESEARCH

Exhibit 8: BMA – Income securities y op. revenues

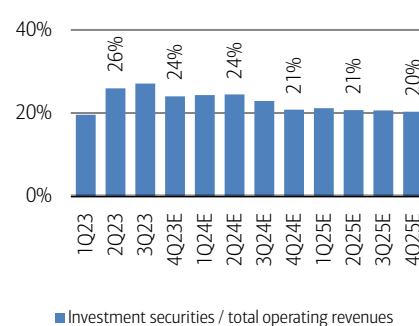
Not so representative to total op. revenues, as part is allocated on NIMs



Source: Company data & BofA Global Research BofA GLOBAL RESEARCH

Exhibit 9: SUPV – Income securities / op. revenues

Still trending-up in 2023, but starting to decline in 2H24



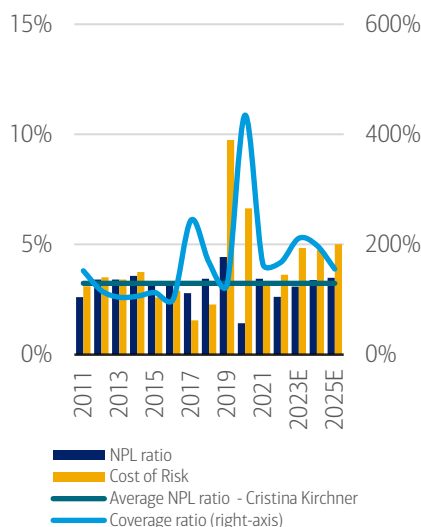
Source: Company data & BofA Global Research BofA GLOBAL RESEARCH

Weaker A/Q likely to show-up in '25

Within the scenario of lower rates and inflation in 2H24 and the gradual reduction of securities, we expect the Argentine banks to start lending again. Nonetheless, an accelerated loan book should be followed by weaker asset quality, which is expected to be more notable in 2025.

Exhibit 10: GGAL – NPL ratio, CoR and coverage ratio

NPL and CoR expected to be above Kirchner period in 2025

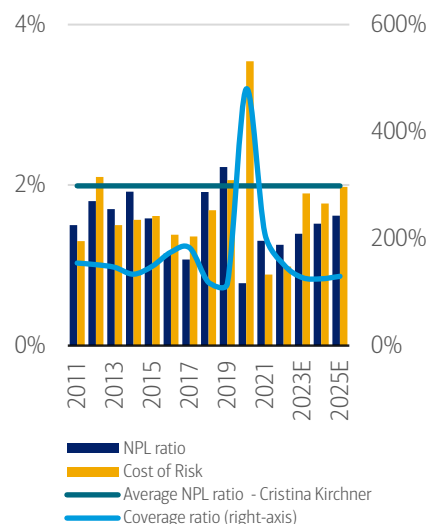


Source: Company data & BofA Global Research

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Exhibit 11: BMA – NPL ratio, CoR and coverage ratio

Expect CoR above Kirchner period in 2025

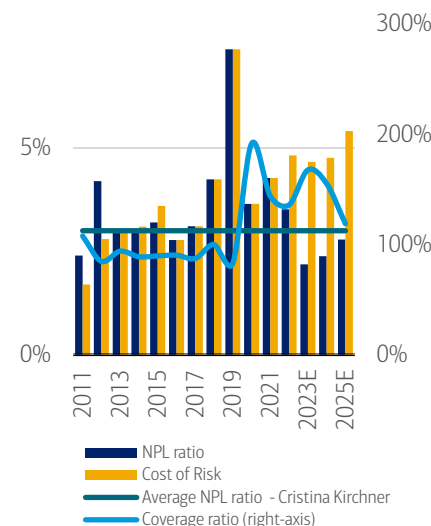


Source: Company data & BofA Global Research

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Exhibit 12: SUPV – NPL ratio, CoR and coverage ratio

Expect cost of risk above Kirchner period in the next years



Source: Company data & BofA Global Research

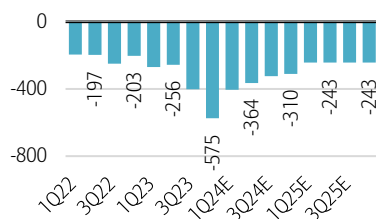
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Monetary losses should decline in 2025

We expect lower losses in the net monetary position due to expected lower inflation rates in '24 and '25. Nonetheless, an important FX gap between the official and the blue-chip makes more complex a normalization on interest rates.

Exhibit 13: GGAL: Net monetary position

Losses to decline in 2025

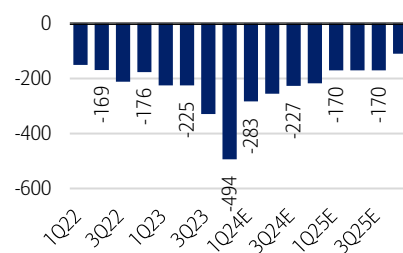


Source: Company data & BofA Global Research

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Exhibit 14: BMA: Net monetary position

Losses to decline in 2025

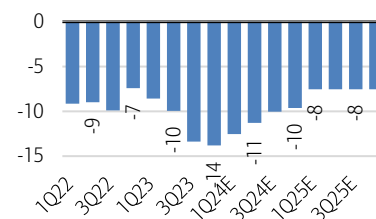


Source: Company data & BofA Global Research

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Exhibit 15: SUPV: Net monetary position

Losses to decline in 2025



Source: Company data & BofA Global Research

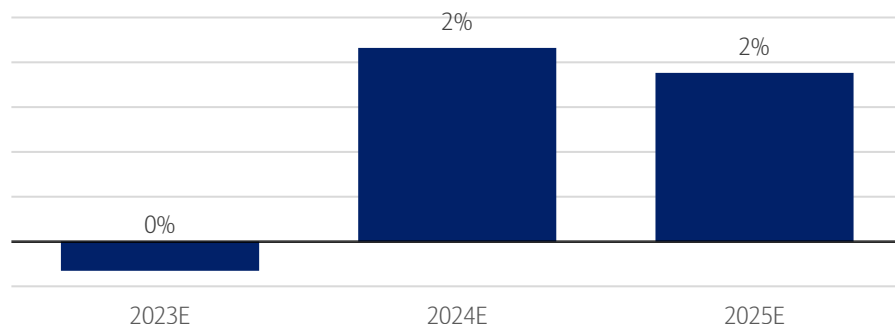
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'24-25 opex growth in-line with inflation

After high inflation and salary increased in 2023, we expect Argentine banks' opex growth to behave between in-line and 2% above inflation. This is expected to be supported by early retirements in GGAL and Macro, while no longer severance payments at SUPV implemented in the last years.

Exhibit 16: Argentine banks – Non-interest expense, YoY growth

Expect opex growth in-line / 2% above inflation in '24-'25



Source: Company data & BofA Global Research

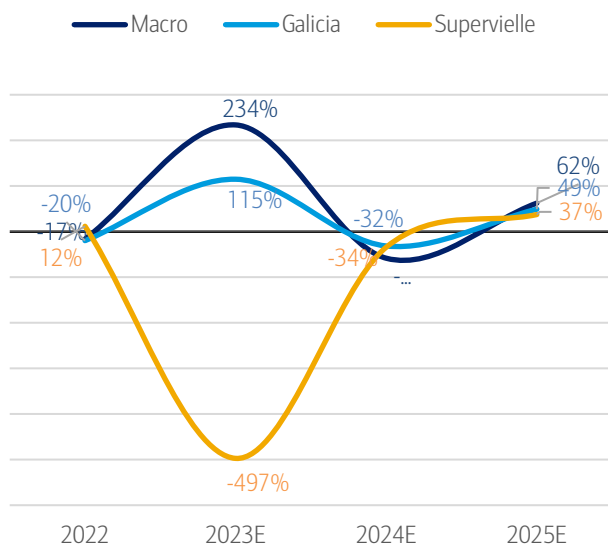
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Profitability on a roller coaster

We expect Argentine banks to post earnings growth in 2023, mainly supported by abnormally high securities gains, which are unlikely to repeat (in our view). In a positive presidential outcome, we expect better NII on loans on positive real loan growth, and lower losses in the net monetary position from expected lower rates. Nonetheless, we see earnings declining in 2024 on lower rates, while to rebound until 2025, maintaining ROAE levels well below cost of equity.

Exhibit 17: Argentine banks – Net Income, YoY growth

Earnings to decline next year, while to recover in 2025

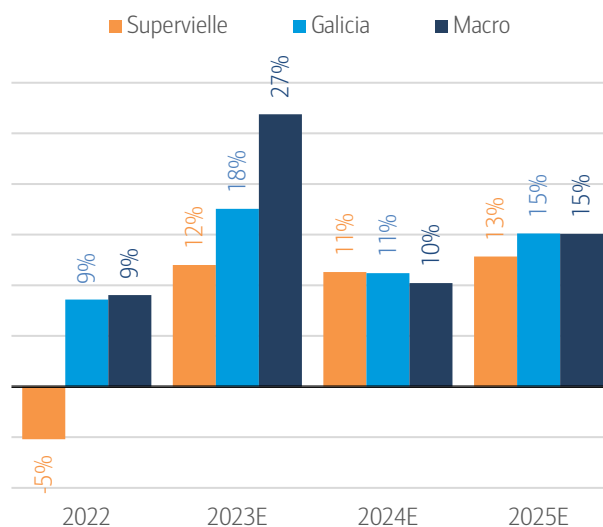


Source: Company data & BofA Global Research

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Exhibit 18: Argentine banks: ROAE

ROAE well below cost of equity (CoE)



Source: Company data & BofA Global Research

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Revised earnings estimates

Exhibit 19: Galicia – revised earnings estimates

Significantly increasing our estimates in '23-25 mainly to reflect higher gains from investment securities

(ArPs\$mn)	2023E			2024E			2025E		
	Old	New	Change	Old	New	Change	Old	New	Change
Net income	191,753	341,888	78%	134,992	233,720	73%	191,003	348,331	82%
ROAE	15.8%	17.5%	180 bps	10.7%	11.2%	50 bps	13.8%	15.1%	140 bps

Source: BofA Global Research estimates

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Exhibit 20: Banco Macro – revised earnings estimates

Increasing our estimates in '23-25 mainly to reflect higher gains from investment securities

(ArPs\$mn)	2023E			2024E			2025E		
	Old	New	Change	Old	New	Change	Old	New	Change
Net income	143,459	455,519	218%	111,526	189,265	70%	156,313	307,255	97%
ROAE	14.3%	26.9%	1260 bps	10.8%	10.2%	-60 bps	13.7%	15.1%	130 bps

Source: BofA Global Research estimates

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Exhibit 21: Supervielle – revised earnings estimates

Increasing our estimates in '23-25 mainly to reflect higher gains from investment securities

(ArPs\$mn)	2023E			2024E			2025E		
	Old	New	Change	Old	New	Change	Old	New	Change
Net income	23,544	53,973	129%	24,613	35,460	44%	30,913	48,698	58%
ROAE	12.0%	17.2%	520 bps	11.3%	10.1%	-120 bps	12.8%	12.6%	-20 bps

Source: BofA Global Research estimates

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New POs

Our new POs basically reflect our new estimates, adjusted them to reflect higher NII and gains on securities across all banks benefiting from securities gains. Furthermore, we are increasing our PO for Macro to ARS\$1,620 (from ARS\$829 before)—USD\$20 for the ADR (from USD\$10 before), for Galicia to ARS\$1,075 (from ARS\$543 before)—USD\$13 for the ADR (from USD\$7 before), and for Supervielle to ARS\$337 (from ARS\$210 before)—USD\$2.1 for the ADR (from USD\$1.3 before), basically to incorporate higher earnings estimates, the roll-over to year-end 2024 and assume a US Treasury of 3.5%, and ADRs at FX of ArPs800 per dollar (vs. ArPs1,629 expected by our economists for next year)

We expect ROAE levels for the Argentine banks to reach c.15% in 2025, which are well below our cost of equity expectations of 24.2%, due to a high-country risk embedded in a challenging macro-outlook. Our estimates assume an Argentina risk spread of 10% (considering 10Y CDS of 1,000bp vs. currently at 2,836bp and EMBI at 1,945bp) and a perpetuity growth of 4% (in-line with other banks in the region).

Exhibit 22: Argentine Banks - GGM

PO derived from GGM model

Banco Macro			Galicia			Supervielle		
Beta	1.00		Beta	1.00		Beta	1.20	
US Treasury - 10 yr	3.5%		US Treasury - 10 yr	3.5%		US Treasury - 10 yr	3.5%	
Argentina risk spread	10.0%		Argentina risk spread	10.0%		Argentina risk spread	10.0%	
Equity risk premium	5.7%		Equity risk premium	5.7%		Equity risk premium	5.7%	
Inflation differential	5.0%		Inflation differential	5.0%		Inflation differential	5.0%	
Sustainable ROE	15%		Sustainable ROE	16%		Sustainable ROE	13%	
Sustainable growth rate	4%		Sustainable growth rate	4%		Sustainable growth rate	4%	
COE (%)	24.2%		COE (%)	24.2%		COE (%)	25.3%	
Implied target P/BV [(ROE-g)/(COE-g)]	0.5		Implied target P/BV [(ROE-g)/(COE-g)]	0.6		Implied target P/BV [(ROE-g)/(COE-g)]	0.4	
Discount	0%		Discount	0%		Discount	0%	
Implied target P/BV after discount	0.5		Implied target P/BV after discount	0.6		Implied target P/BV after discount	0.4	
2024E BV per share	2,975.5		2024E BV per share	1,809.6		2024E BV per share	798.5	
PO			PO			PO		
	ADR	local		ADR	local		ADR	local
Implied 2024 price target (Ps)	20	1,620	Implied 2024 price target (Ps)	13.0	1,075	Implied 2024 price target (Ps)	2.1	337
Upside potential	-45%	-60%	Upside potential	-41%	-57%	Upside potential	-52%	-66%
Implied 2024E P/E	9.3x	5.5x	Implied 2024E P/E	1.6x	5.5x	Implied 2024E P/E	16.4x	35.8x
2024E dividend	1.0	142.6	2024E dividend	0.5	72	2024E dividend	0.1	24
Dividend yield	3%	3%	Dividend yield	2%	3%	Dividend yield	2%	2%
ADR			ADR			ADR		
PO upside potential + dividend yield			PO upside potential + dividend yield			PO upside potential + dividend yield		
Upside potential	-42%	-57%	Upside potential	-38%	-54%	Upside potential	-50%	-64%

Source: Bloomberg as of February 26 and BofA Global Research estimates

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4Q23 preview

Macro

Report date: 28 February (A)

Conference call: 29 February

We expect Banco Macro to post a recurring net income of ArPs293.8bn, a historical record high for a quarter, supported by the positive valuation in the prices of dual-bonds linked to inflation and dollar-linked. Loan growth should continue to contract, due to weak credit demand related to the high inflation and rates, and the Fx depreciation. Revenue should be driven by sequentially on income from securities, offsetting relatively stable real fees growth, mainly driven by the re-pricing on assets. In terms of asset quality, we expect stable NPLs, while modestly lower provision charges, reflecting cost of risk of 1.6% of average gross loans (same as in 2Q23). Meanwhile, non-interest expenses should grow YoY due to the adjustment in personnel costs with inflation. Finally, we expect a wider loss in the results from the net monetary position, considering higher inflation levels when compared to the previous quarter. We expect an ROAE of 70.4% for the quarter, significantly increasing from 3.0% in 3Q23. Furthermore, we expect 2023 ROAE at 27%. Importantly, strong securities gains are unlikely to repeat, expecting an ROAE of 10% in 2024.

Exhibit 23: Macro – 4Q23 review

Abnormally high financial results supported by government securities and Fx gains

ArP\$ mn	4Q/22	3Q/23	4Q/23E	YoY	QoQ
Net interest income	258,643	171,616	204,999	-21%	19%
Fee income	52,795	54,049	54,103	2%	0%
Income from securities	-9,887	-55,160	450,000	-4651%	-916%
Fx gains	94,657	362,564	380,000	301%	5%
Non-interest expense	102,500	113,383	115,651	13%	2%
Provision for loan losses	7,836	7,407	6,960	-11%	-6%
Results from net monetary position	-176,246	-328,819	-493,762	180%	50%
Non-operating income (expense)	-43,636	-54,492	-53,000	21%	-3%
Net income - reported	51,372	11,397	293,768	472%	2478%
EPS - reported	80.39	17.84	459.73	472%	2478%
Gross loans	1,917,535	1,859,266	1,729,117	-10%	-7%
Total assets	6,467,305	5,647,256	5,812,329	-10%	3%
Deposits	4,007,604	3,059,702	2,937,314	-27%	-4%
Equity	1,585,259	1,534,408	1,803,176	14%	18%
ROAE - reported	13.1%	3.0%	70.4%	5727 bps	6743 bps
NIM	18.6%	13.5%	17.9%	-71 bps	436 bps
Efficiency ratio	34%	66%	16%	-1768 bps	-5019 bps
Effective tax rate	22%	61%	30%	790 bps	-3051 bps
Cost of Risk	1.6%	1.6%	1.6%	-9 bps	-1 bps
NPLs/ Gross loans	1.3%	1.4%	1.4%	14 bps	0 bps
LLR/ NPLs	151%	134%	127%	-2460 bps	-718 bps

Source: Company data and BofA Global Research estimates

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Galicia

Report date: 4 March(B)

Conference call: 5 March

We expect Galicia to post a net income ArPs94bn, implying an acceleration QoQ and reporting a new record high net income for a quarter boosted by the gains from income from securities and Fx gains. We continue to see negative real loan growth affected by high inflation in Argentina and lower credit demand on foreign credits. Revenues should be driven by income from securities boosted by higher rates, while NII related to loans should continue to suffer from lower credit demand and higher funding costs. Meanwhile, we expect relatively stable asset quality and provision charges, reflecting a CoR of 6.4% of average gross loans (vs. 5.4% 3Q23). On the other hand, we see higher opex growth due to personal expenses adjusted with inflation. We expect an ROAE of 19% in 4Q23, improving from 17.6% in 3Q23.

Exhibit 24: Galicia – 4Q23 preview

Strong YoY earnings growth supported by gains on trading securities and FX gains

ArP\$ mn	4Q/22	3Q/23	4Q/23E	YoY	QoQ
Net interest income	43,921	444,220	611,586	1292%	38%
Fee income	110,879	122,797	135,077	22%	10%
Income from securities	399,959	88,132	85,708	-79%	-3%
Fx gains	24,640	93,555	180,000	631%	92%
Insurance	10,569	6,664	3,332	-68%	-50%
Non-interest expense	181,829	169,742	186,716	3%	10%
Provision for loan losses	53,921	41,463	54,916	2%	32%
Results from net monetary position	-202,901	-401,955	-574,585	183%	43%
Other income	-55,360	-27,607	-27,607	-50%	0%
Net income - reported	68,935	82,564	94,228	37%	14%
EPS - reported	57.76	69.18	78.95	37%	14%
Gross loans	4,101,874	3,577,991	3,311,954	-19%	-7%
Total assets	10,472,774	9,542,791	9,730,396	-7%	2%
Deposits	6,626,732	5,832,569	5,861,732	-12%	0%
Equity	1,885,161	1,917,245	2,011,473	7%	5%
ROAE - reported	14.9%	17.6%	19.2%	428 bps	158 bps
NIM	1.8%	20.9%	28.0%	2620 bps	713 bps
Efficiency ratio	31%	22%	18%	-1244 bps	-409 bps
Effective tax rate	28%	28%	45%	1712 bps	1740 bps
Cost of Risk	5.3%	5.4%	6.4%	105 bps	100 bps
NPLs/ Gross loans	2.6%	3.1%	3.1%	45 bps	0 bps
LLR/ NPLs	167%	141%	211%	4358 bps	7044 bps

Source: Company data and BofA Global Research estimates

BofA GLOBAL RESEARCH

Supervielle

Report date: 6 March (A)

Conference call: 7 March

We expect Supervielle's earnings to post ArPs25.3bn, almost doubling when compared to a gain of ArPs14.4bn in 3Q23, benefiting on securities' gains on higher rates. We continue to see significantly negative real loan growth, affected by the high inflation, lending seasonality and stricter lending in consumer loans. Meanwhile, NII including securities should post strong growth, benefiting from investments on higher rates and the re-pricing of loans. Fees should continue to be supported by greater broker commissions and asset management fees. On the other hand, we expect stable NPLs, but higher provision charges, reflecting a cost of risk of 6.4% of average gross loans (vs. 4.4% in 3Q23). Furthermore, we expect reserve coverage ratio to be at 170% 4Q23. Finally, we see operating expenses to reflect the company's cost control strategy of lower personnel costs, reducing branches, and lower marketing expenses (higher QoQ on salary increases related to inflation).

Exhibit 25: Supervielle – 4Q23 preview

Expect earnings boosted by government securities

ArP\$ mn	4Q/22	3Q/23	4Q/23E	YoY	QoQ
Net interest income	66,769	99,077	133,546	100%	35%
Fee income	14,774	18,860	19,049	29%	1%
Income from securities	14,841	17,041	25,000	68%	47%
Fx gains	1,568	-69	2,500	59%	-3740%
Insurance	3,312	3,346	3,446	4%	3%
Non-interest expense	88,875	77,173	89,521	1%	16%
Provision for loan losses	10,043	6,624	8,826	-12%	33%
Non-operating income	-5,892	-1,071	700	-112%	-165%
Net monetary position	-11,515	-30,211	-45,366	294%	50%
Net Income	-2,453	14,455	25,277	-1130%	75%
EPS - reported	-5.37	31.62	55.31	-1131%	75%
EPS - before extra	-5.37	31.62	55.31	-1131%	75%
Gross loans + Leasing	753,050	584,123	514,029	-32%	-12%
Total assets	2,157,680	1,967,086	2,305,133	7%	17%
Deposits	1,693,871	1,475,737	1,770,884	5%	20%
Equity	287,224	314,751	340,014	18%	8%
ROAE - reported	-3.4%	22.6%	30.9%	3424 bps	831 bps
NIM	12.3%	31.2%	38.4%	2609 bps	724 bps
Efficiency ratio	89.1%	55.8%	49.4%	-3970 bps	-634 bps
Effective tax rate	83.7%	37.6%	37.6%	-4608 bps	0 bps
Cost of Risk	5.3%	4.4%	6.4%	117 bps	200 bps
NPLs/ Gross loans	3.5%	1.7%	1.7%	-183 bps	0 bps
LLR/ NPLs	135.9%	182.8%	170.3%	3437 bps	-1255 bps

Source: Company data and BofA Global Research estimates

BofA GLOBAL RESEARCH

LatAm banks comps sheet

All the Argentine banks are trading at '24 P/E above 12.0x despite expected earnings contraction, while are trading at '24 P/BV above 1.2x, despite the high CoE for the country.

Exhibit 26: LatAm banks comps sheet

Despite the high CoE for the country, we see the Argentine banks already trading above book value

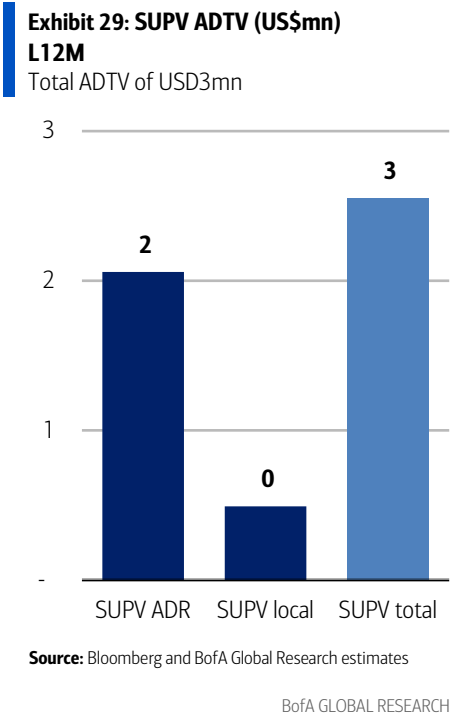
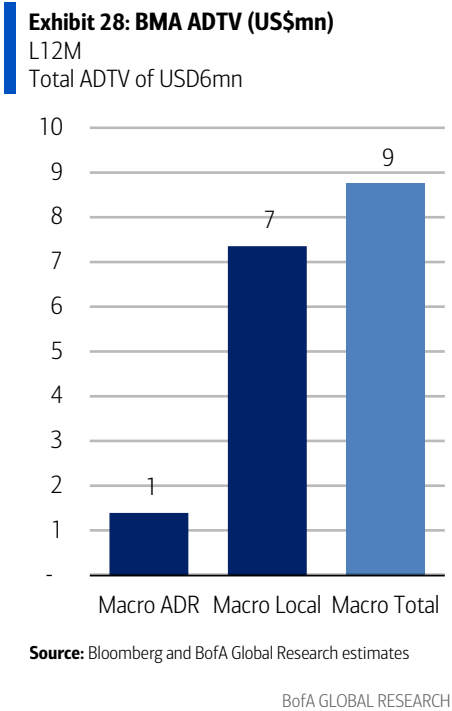
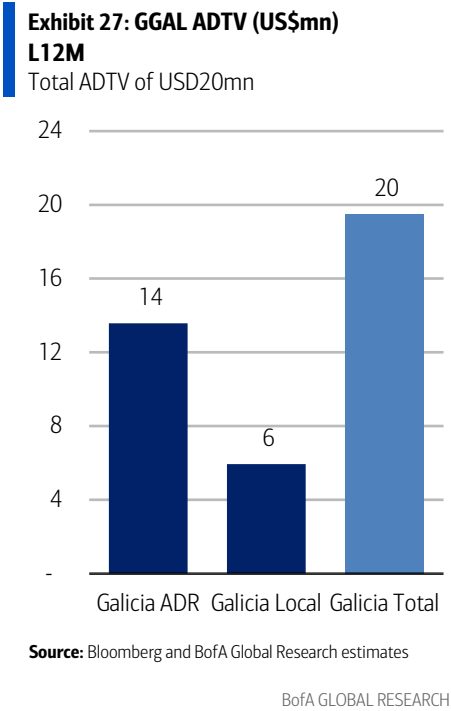
	Crncy	Price	Mkt Cap	P/E (x)			EPS Growth (%)			P/B (x)*			ROAE (%)*			Div. Yield (%)		
Company	(Local)	(Local)	(US\$m)	23E	24E	25E	23E	24E	25E	23E	24E	25E	23E	24E	25E	23E	24E	25E
Argentina Banks			7,911	7.5	12.8	8.6	174	-41	50	1.4	1.3	1.2	20.5	10.5	14.3	1.8	3.0	1.7
Galicia	ARS	2,476.0	4,341	8.6	12.6	8.5	115	-32	49	1.5	1.4	1.2	17.5	11.2	15.1	2.4	2.9	2.0
Macro	ARS	4,037.0	3,069	5.7	13.6	8.4	234	-58	62	1.4	1.4	1.2	26.9	10.2	15.1	2.9	3.5	1.5
Supervielle	ARS	952.7	501	8.1	12.3	8.9	n.a.	-34	37	1.3	1.2	1.1	17.2	10.1	12.6	0.0	2.5	1.6
Brazil Banks			148,361	8.1	6.8	5.8	-2	19	15	1.1	1.0	0.9	14.5	15.7	16.3	6.6	7.4	7.2
ABC Brasil	BRL	24.5	1,169	6.4	6.0	5.5	6	6	9	0.9	0.9	0.8	15.3	14.7	14.8	5.3	7.5	8.1
Banco do Brasil	BRL	57.9	33,400	4.7	4.4	4.2	11	7	3	1.0	0.9	0.8	21.1	20.8	19.0	7.8	10.2	9.3
Banrisul	BRL	15.2	1,244	7.7	5.6	5.0	3	37	14	0.6	0.6	0.6	8.4	11.0	11.7	6.5	7.1	8.1
Bradesco	BRL	13.8	28,060	9.0	8.2	6.0	-21	10	37	0.9	0.9	0.8	10.3	11.1	14.4	7.7	6.1	5.0
Itau Unibanco	BRL	34.4	63,064	9.5	8.3	7.6	16	13	10	1.9	1.7	1.5	20.8	21.4	21.2	6.4	7.2	5.3
Santander Brasil	BRL	28.4	21,423	11.4	8.0	6.7	-27	42	19	1.2	1.2	1.1	11.1	14.9	16.4	5.8	6.1	7.3
Digital banks			53,425	40.9	21.1	14.0	na	101	49	4.8	3.7	3.0	11.3	17.2	20.9	0.0	0.0	0.5
nter	BRL	26.4	2,335	30.7	13.9	9.5	na	121	46	1.4	1.3	1.1	4.7	9.6	12.6	0.0	0.0	1.1
Nubank	USD	10.7	51,091	51.0	28.2	18.5	na	81	53	8.1	6.1	4.8	17.8	24.8	29.1	0.0	0.0	0.0
Banco Pan	BRL	8.7	2,229	15.9	13.6	9.1	na	16	50	1.4	1.3	1.2	8.9	9.8	13.6	2.4	2.9	4.4
Mexico Banks			59,544	9.1	8.1	7.5	20	11	9	1.8	1.7	1.6	20.6	20.8	20.3	4.6	5.0	5.3
Bajio	MXN	66.5	4,639	7.1	7.4	7.7	37	-4	-5	1.9	1.7	1.6	28.3	24.5	21.2	8.1	8.4	6.8
Banorte	MXN	178.8	30,212	9.8	8.9	8.1	15	10	10	2.1	1.9	1.7	21.6	22.1	22.2	7.3	6.6	7.3
Regional	MXN	164.5	3,162	9.5	8.3	7.2	14	15	15	2.2	2.2	2.2	19.3	20.8	20.7	3.1	4.8	3.1
Gentera	MXN	25.3	2,351	8.5	7.1	6.0	8	19	19	1.6	1.4	1.2	19.1	20.4	21.0	4.6	4.7	5.6
Inbursa	MXN	53.6	19,180	10.6	9.1	8.5	27	17	6	1.5	1.5	1.3	14.8	16.3	16.5	0.0	0.5	3.9
Chile Banks			25,187	10.5	9.6	8.3	-25	7	16	1.5	1.4	1.3	16.1	15.2	16.7	6.8	5.3	5.2
Banco de Chile	USD	21.9	11,077	7.8	9.9	9.3	-15	-21	6	1.9	1.7	1.6	24.2	18.1	19.2	8.9	8.1	5.9
Santander Chile	USD	19.0	8,946	15.8	10.7	8.7	-41	48	23	1.8	1.7	1.6	11.5	16.2	18.6	6.2	3.7	5.5
Peru Banks			17,053	11.3	9.7	7.4	-11	16	33	1.5	1.3	1.2	13.7	14.5	16.9	4.2	3.3	3.9
Credicorp	USD	647.6	13,562	10.6	9.0	7.9	4	17	15	1.6	1.4	1.3	15.8	16.6	17.1	4.6	3.8	4.4
IFS	USD	114.9	3,491	11.9	10.3	6.8	-25	15	51	1.3	1.2	1.1	11.6	12.3	16.7	3.9	2.8	3.4

Source: Bloomberg as of February 26 and BofA Global Research estimates

BofA GLOBAL RESEARCH

Average Daily Traded Volume

Galicia is the bank with the highest ADTV across the Argentine banks



Models

Banco Macro

Exhibit 30: Banco Macro – Income Statement

Expect earnings significantly expanding in 2023, but declining in 2024 on lower rates, while recovering in 2025

ArPs\$mn	2022	2023E	2024E	2025E	Growth rates (YoY)		
					23/22	24/23	25/24
Net interest income	944,575	846,438	901,418	971,638	-10%	6%	8%
<i>Net interest margin</i>	17.6%	16.4%	19.8%	20.5%			
Commissions and fees	210,336	218,222	225,150	231,067	4%	3%	3%
Income from securities	148,549	524,736	314,048	264,992	253%	-40%	-16%
Fx gains	192,655	991,449	400,000	265,000	415%	-60%	-34%
Operating revenue	1,154,911	1,064,660	1,126,567	1,202,705	-8%	6%	7%
Noninterest expense	408,498	406,801	415,534	422,011	0%	2%	2%
<i>Efficiency ratio</i>	35%	38%	37%	35%			
Op inc bfr provs and taxes	746,413	657,859	711,033	780,694	-12%	8%	10%
Provision for loan losses	20,288	34,543	31,539	37,765	70%	-9%	20%
<i>Provisions/ Avg. gross loans</i>	1.0%	1.9%	1.8%	2.0%			
Results from monetary position	-707,130	-1,271,884	-982,084	-679,904	80%	-23%	-31%
Non-operating income (expense)	-166,845	-214,708	-120,000	-120,000			
Earnings before taxes	559,280	408,609	559,494	622,929	-27%	37%	11%
Income tax (net)	60,184	197,229	102,010	165,556	228%	-48%	62%
<i>Effective tax rate</i>	31%	30%	35%	35%			
Minority interest	22	161	182	205	0%	0%	0%
Net income - reported	136,458	455,519	189,265	307,255	234%	-58%	62%
EPS -- reported	213.55	712.86	296.19	480.84	234%	-58%	62%
BV per share - reported	2,480.84	2,821.87	2,975.49	3,397.09	14%	5%	14%
ROAE - reported	9.0%	26.9%	10.2%	15.1%			
ROAA - reported	2.2%	7.4%	3.2%	4.9%			
Dividends per share	30.81	117.37	142.57	59.24	281%	21%	-58%
Avg. shares outstanding (Millions)	639	639	639	639	0%	0%	0%

Source: Company data and BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 31: Banco Macro – Balance Sheet

Expect real loan growth more tangible until 2025

ArPs\$mn	2022	2023E	2024E	2025E	Growth rates (YoY)		
					23/22	24/23	25/24
ASSETS							
Cash	3,708,296	885,991	1,104,533	1,320,082	-76%	25%	20%
Securities	2,934,588	1,936,115	1,795,303	1,664,732	-34%	-7%	-7%
Gross loans	1,917,535	1,729,117	1,837,424	1,983,631	-10%	6%	8%
Loan loss reserves	36,424	30,515	34,721	41,452	-16%	14%	19%
Total interest earning assets	5,589,407	4,520,708	4,702,538	4,926,993	-19%	4%	5%
Other receivables	179,264	287,611	299,289	311,441	60%	4%	4%
Other assets	22,415	1,004,011	1,031,698	1,291,843	4379%	3%	25%
Total assets	8,725,675	5,812,329	6,033,525	6,530,278	-33%	4%	8%
LIABILITIES							
Total deposits	4,007,604	2,937,314	2,981,314	3,124,242	-27%	1%	5%
Interbank loans, repos, other	230,728	230,701	240,068	249,816	0%	4%	4%
Total interest-bearing liabilities	4,246,734	3,176,402	3,230,801	3,383,860	-25%	2%	5%
Other liabilities	635,050	832,497	901,122	975,403	31%	8%	8%
Total liabilities	4,873,382	4,000,512	4,122,504	4,349,462	-18%	3%	6%
SHAREHOLDERS EQUITY							
Equity	1,585,259	1,803,176	1,901,337	2,170,740	14%	5%	14%

Source: Company data and BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 32: Banco Macro – Financial Indicators

Expect ROAE trending-up to 15%, although still below cost of equity

	2022	2023E	2024E	2025E
Income Statement				
NIM	17.6%	16.4%	19.8%	20.5%
NIM with securities	14.8%	40.1%	26.6%	26.1%
Fees/ Core revenues	14%	8%	12%	13%
Fees/ Noninterest expense	51%	54%	54%	55%
Efficiency ratio	31.3%	25.6%	28.8%	28.8%
Effective tax rate	31%	30%	35%	35%
Dividend pay-out ratio	30%	55%	20%	20%
Profitability				
ROAE - reported	9.0%	26.9%	10.2%	15.1%
ROAA - reported	2.2%	7.4%	3.2%	4.9%
Balance Sheet				
Loans/ Total assets	30%	30%	30%	30%
Cash & Securities/ Total assets	12%	15%	18%	20%
Loans/ Deposits	48%	59%	62%	63%
Equity/ Assets	25%	31%	32%	33%
Asset Quality				
NPL/ Gross loans	1.3%	1.4%	1.5%	1.6%
LLR/ NPL - coverage to NPL	151%	127%	125%	129%
Cost of Risk	1.0%	1.9%	1.8%	2.0%
Capital				
Tier 1 ratio	36.6%	50.8%	41.2%	41.1%

Source: Company data and BofA Global Research estimates

BofA GLOBAL RESEARCH

Galicia

Exhibit 33: Galicia – Income Statement

Expect earnings to decelerate 2024, as strong financial results in 2023 are unlikely to repeat

ArPs\$mn	2022	2023E	2024E	2025E	'Growth rates (YoY)		
					23/22	24/23	25/24
Net interest income	467,917	1,748,159	1,655,463	1,811,651	274%	-5%	9%
<i>Net interest margin</i>	5.1%	19.8%	19.5%	20.0%			
Commissions and fees	419,320	482,486	506,903	532,284	15%	5%	5%
Income from securities	1,064,511	386,387	265,276	129,954	-64%	-31%	-51%
Fx gains	62,258	374,485	290,000	25,000	502%	-23%	-91%
Insurance	42,356	30,113	19,442	21,725	-29%	-35%	12%
Operating revenue	2,056,363	3,021,631	2,737,085	2,520,614	47%	-9%	-8%
Noninterest expense	663,391	687,574	701,281	718,055	4%	2%	2%
<i>Efficiency ratio</i>	32%	23%	26%	28%			
Op inc bfr provs and taxes	1,392,972	2,334,056	2,035,804	1,802,559	68%	-13%	-11%
Provision for loan losses	160,346	179,224	160,765	182,840	12%	-10%	14%
<i>Provisions/ Avg. gross loans</i>	3.6%	4.8%	4.7%	5.0%			
Results from net monetary position	-843,711	-1,501,502	-1,402,840	-971,197	78%	-7%	-31%
Non-operating income (expense)	-170,046	-125,319	-112,629	-112,629	-26%	-10%	0%
Earnings before taxes	218,870	528,011	359,569	535,893	141%	-32%	49%
Income tax (net)	59,666	186,123	125,849	187,563	212%	-32%	49%
<i>Effective tax rate</i>	27%	35%	35%	35%			
Net income - reported	159,203	341,888	233,720	348,331	115%	-32%	49%
EPS -- reported	133.40	286.47	195.83	291.86	115%	-32%	49%
BV per share	1,579.56	1,685.40	1,809.61	2,052.52	7%	7%	13%
ROAE - reported	8.6%	17.5%	11.2%	15.1%			
ROAA - reported	1.5%	3.4%	2.3%	3.2%			
Dividends per share	12.57	71.22	71.62	48.96	467%	1%	-32%

Source: Company data and BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 34: Galicia – Balance Sheet

Expect real loan to show-up in 2H24 and 2025

ArPs\$mn	2022	2023E	2024E	2025E	Growth rates (YoY)		
					23/22	24/23	25/24
ASSETS							
Cash	1,384,586	1,448,449	1,844,526	2,258,870	5%	27%	22%
Securities	4,605,136	3,939,834	3,762,885	3,593,883	-14%	-4%	-4%
Gross loans	4,101,874	3,311,954	3,476,913	3,821,455	-19%	5%	10%
Loan loss reserves	179,916	215,277	232,953	206,359	20%	8%	-11%
Total interest earning assets	9,911,680	8,484,960	8,851,371	9,467,850	-14%	4%	7%
Other assets	561,094	1,245,436	1,519,444	1,785,728	122%	22%	18%
Total assets	5,867,638	5,790,562	6,607,930	7,659,695	-1%	14%	16%
LIABILITIES							
Total deposits	6,626,732	5,861,732	6,160,136	6,537,826	-12%	5%	6%
Interbank loans	208,219	117,119	121,875	126,823	-44%	4%	4%
Subordinated notes	140,472	135,547	141,051	146,778	-4%	4%	4%
Total interest-bearing liabilities	6,975,422	6,114,399	6,423,062	6,811,428	-12%	5%	6%
Other liabilities	1,612,191	1,604,524	1,788,032	1,992,528	0%	11%	11%
Total liabilities	8,587,613	7,718,923	8,211,094	8,803,956	-10%	6%	7%
SHAREHOLDERS EQUITY							
Equity	1,885,161	2,011,473	2,159,721	2,449,622	7%	7%	13%

Source: Company data and BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 35: Galicia – Financial Indicators

Expect an ROAE of ~15% in 2025

	2022	2023E	2024E	2025E
Income Statement				
NIM (reported)	5.1%	19.8%	19.5%	20.0%

Exhibit 35: Galicia – Financial Indicators

Expect an ROAE of ~15% in 2025

	2022	2023E	2024E	2025E
NIM with securities	16.6%	24.2%	22.6%	21.4%
Fees/ Core revenues	20.4%	16.0%	18.5%	21.1%
Fees/ Noninterest expense	63.2%	70.2%	72.3%	74.1%
Efficiency ratio	32.3%	22.8%	25.6%	28.5%
Effective tax rate	27.3%	35.2%	35.0%	35.0%
Dividend pay-out ratio	7.6%	44.6%	25.0%	25.0%
Profitability				
ROAE - reported	8.6%	17.5%	11.2%	15.1%
ROAA - reported	1.5%	3.4%	2.3%	3.2%
Balance Sheet				
Loans/ Total assets	39%	34%	34%	34%
Cash & Securities/ Total assets	13%	15%	18%	20%
Loans/ Deposits	62%	57%	56%	58%
Equity/ Assets	18%	21%	21%	22%
Asset Quality				
NPL/ Gross loans	2.6%	3.1%	3.4%	3.5%
LLR/ NPL - coverage to NPL	167.5%	211.0%	198.2%	155.2%
Cost of Risk	3.6%	4.8%	4.7%	5.0%
Capital				
Tier 1 ratio	23.7%	25.8%	25.0%	25.8%

Source: Company data and BofA Global Research estimates

BofA GLOBAL RESEARCH

Supervielle

Exhibit 36: Supervielle – Income Statement

Expect strong earnings growth in '23, although to decline in '24 on lower rates, while to rebound again in 2025

ArPsmn (except EPS and BV per share)	2022	2023E	2024E	2025E	Growth rates		
					23/22	24/23	25/24
Net interest income	270,389	374,938	341,031	367,938	39%	-9%	8%
<i>Net interest margin</i>	13.1%	26.7%	24.3%	24.2%			
Commissions and fees	60,685	70,223	71,889	76,390	16%	2%	6%
Income from securities	60,556	79,096	67,670	40,256	31%	-14%	-41%
Fx gains	8,486	5,145	10,000	10,000	0%	0%	0%
Insurance	14,003	14,101	14,024	14,671	1%	-1%	5%
Operating revenue	414,119	543,503	504,614	509,255	31%	-7%	1%
Noninterest expense	339,600	325,307	332,929	338,570	-4%	2%	2%
<i>Efficiency ratio</i>	84%	60%	67%	68%			
Op inc bfr provs and taxes	74,518	218,196	171,686	170,685	193%	-21%	-1%
Provision for loan losses	41,580	30,217	29,599	35,974	-27%	-2%	22%
<i>Provisions/ Avg. gross loans</i>	6.0%	4.8%	5.6%	6.2%			
Results from net monetary position	-55,053	-104,383	-90,232	-62,468	90%	-14%	-31%
Other income	-1,493	2,909	2,800	2,800	-295%	-4%	0%
Earnings before taxes	-23,607	86,505	54,654	75,042	-466%	-37%	37%
Income tax (net)	-10,019	32,495	19,129	26,265	-424%	-41%	37%
<i>Effective tax rate</i>	42%	38%	35%	35%			
Minority interest	-4	37	65	79			
Net income - reported	-13,584	53,973	35,460	48,698	-497%	-34%	37%
EPS -- reported	-29.74	118.18	77.64	106.63	-497%	-34%	37%
EPADR -- reported	0.50	-0.03	-0.32	-1.05			
BV per share	628.88	744.47	798.47	889.57	18%	7%	11%
ROAE - reported	-6.2%	17.2%	10.1%	12.6%			
ROAA - reported	-0.8%	2.4%	1.5%	1.8%			
Shares outstanding (Millions)	457	457	457	457			

Source: Company data and BofA Global Research estimates

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Exhibit 37: Supervielle – Balance Sheet

Expect real loan growth to start showing-up in 2H24 and 2025

ArPsmn	2022	2023E	2024E	2025E	Growth rates		
					23/22	24/23	25/24
ASSETS							
Cash	149,732	222,983	255,596	296,711	49%	15%	16%
Securities	1,374,509	697,547	734,823	765,585	-49%	5%	4%
Gross loans	753,050	514,029	550,021	607,317	-32%	7%	10%
Loan loss reserves	39,708	14,799	16,126	15,766	-63%	9%	-2%
Total interest earning assets	2,237,583	1,419,760	1,524,315	1,653,847	-37%	7%	8%
Other assets	673,148	1,399,402	1,527,168	1,730,870	108%	9%	13%
Total assets	2,157,680	2,305,133	2,501,461	2,777,400	7%	9%	11%
LIABILITIES							
Total deposits	1,664,187	1,770,884	1,889,923	2,057,361	6%	7%	9%
Total interest-bearing liabilities	1,664,187	1,770,884	1,889,923	2,057,361	6%	7%	9%
Other liabilities	206,041	193,983	246,596	313,479	-6%	27%	27%
Total liabilities	1,870,228	1,964,867	2,136,519	2,370,841	5%	9%	11%
SHAREHOLDERS EQUITY							
Equity	287,452	340,266	364,942	406,559	18%	7%	11%

Source: Company data and BofA Global Research estimates

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Exhibit 38: Supervielle – Financial Indicators

Expect an ROAE of 13% in 2025

	2022	2023E	2024E	2025E
Income Statement				

Exhibit 38: Supervielle – Financial Indicators

Expect an ROAE of 13% in 2025

	2022	2023E	2024E	2025E
NIM (reported)	13.1%	26.7%	24.3%	24.2%
NIM with securities	16.1%	32.4%	29.1%	26.8%
Fees/ Core revenues	15%	13%	14%	15%
Fees/ Noninterest expense	18%	22%	22%	23%
Efficiency ratio	84%	60%	67%	68%
Effective tax rate	42%	38%	35%	35%
Profitability				
ROE reported	-6.2%	17.2%	10.1%	12.6%
ROA reported	-0.8%	2.4%	1.5%	1.8%
Balance Sheet				
Loans/ Total assets	35%	18%	18%	18%
Securities/ Total assets	7%	8%	8%	9%
Loans/ Deposits	45%	29%	29%	30%
Equity/ Assets	13.3%	14.8%	14.6%	14.6%
Asset Quality				
NPL/ Gross loans	3.5%	1.7%	1.9%	2.3%
LLR/ NPL - coverage to NPL	136%	170%	155%	113%
Cost of Risk	6.0%	4.8%	5.6%	6.2%
Capital				
Tier 1 ratio	12.3%	18.6%	18.6%	17.9%

Source: Company data and BofA Global Research estimates

BofA GLOBAL RESEARCH

Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
BCVMF	BMA AR	Banco Macro	ArP 3959.55	C-3-7
BMA	BMA US	Banco Macro	US\$ 36.42	C-3-7
GGABF	GGAL AR	Grupo Galicia	ArP 2368.85	C-3-7
GGAL	GGAL US	Grupo Galicia	US\$ 21.61	C-3-7
SUPV	SUPV US	Supervielle	US\$ 4.19	C-3-7
XAZFF	SUPV AR	Supervielle	ArP 916.15	C-3-7

Price objective basis & risk**Banco Macro (BCVMF)**

Our price objective of ArPs1,620/share (US\$20/ADS converted at 800 FX rate) is derived from the Gordon Growth Model, assuming a COE of 24.2% (reflecting a US risk-free rate of 3.5%, Argentina country risk of 1,000bp (vs. EMBI at 1,945bp), inflation differential of 500bp and beta of 1.0x), 4% growth in perpetuity and a sustainable ROE of 15%.

Downside risks are: 1) execution risk, as the bank transitions from a high inflation and high interest rate environment, and 2) asset quality deterioration. Upside risks are: 1) stronger loan growth, 2) improved asset quality, and 3) lower inflation levels.

Banco Macro (BMA)

Our price objective of ArPs1,620/share (US\$20/ADS converted at 800 FX rate) is derived from the Gordon Growth Model, assuming a COE of 24.2% (reflecting a US risk-free rate of 3.5%, Argentina country risk of 1,000bp (vs. EMBI at 1,945bp), inflation differential of 500bp and beta of 1.0x), 4% growth in perpetuity and a sustainable ROE of 15%.

Downside risks are: 1) execution risk, as the bank transitions from a high inflation and high interest rate environment, and 2) asset quality deterioration. Upside risks are: 1) stronger loan growth, 2) improved asset quality, and 3) lower inflation levels.

Grupo Financiero Galicia (GGABF)

Our price objective of ArPs1,075/share (US\$13/ADS converted at 800 FX rate) is derived from the Gordon Growth Model, assuming a COE of 24.2% (reflecting a US risk-free rate of 3.5%, Argentina country risk of 1,000bp (vs. EMBI at 1,945bp), inflation differential of 450bp and beta of 1.0x), 4% growth in perpetuity, and a sustainable ROE of 15%.

Downside risks are high inflation and gradual economic recovery reduces earnings visibility and could lead to asset quality deterioration, especially due to the bank's outsized exposure in credit cards.

Upside risks are stronger lending dynamics, better asset quality, and lower inflation levels

Grupo Financiero Galicia (GGAL)

Our price objective of ArPs1,075/share (US\$13/ADS converted at 800 FX rate) is derived from the Gordon Growth Model, assuming a COE of 24.2% (reflecting a US risk-free rate of 3.5%, Argentina country risk of 1,000bp (vs. EMBI at 1,945bp), inflation differential of 450bp and beta of 1.0x), 4% growth in perpetuity, and a sustainable ROE of 15%.

Downside risks are high inflation and gradual economic recovery reduces earnings visibility and could lead to asset quality deterioration, especially due to the bank's outsized exposure in credit cards.

Upside risks are stronger lending dynamics, better asset quality, and lower inflation levels

Supervielle (SUPV)

Our price objective of ArPs337/share (US\$2.1/ADS converted at 800 FX rate) is derived from the Gordon Growth Model, assuming a COE of 25.3% (reflecting a US risk-free rate of 3.5%, Argentina country risk of 1,000bp (vs. EMBI at 1,945bp), inflation differential of 450bp and beta of 1.2x), 4% growth in perpetuity, and a sustainable ROE of 13%.

Downside risks to our PO are 1) weaker economic activity/higher inflation and sharper deterioration in asset quality, 2) inability to reprice the loan book, 3) implementation of unorthodox economic policies, and 4) unstable political conditions in Argentina.

Upside risks to our PO are: 1) higher-than-expected securities gains, 2) faster recovery in macro conditions leading to lower-than-expected NPLs and provision charges, and 3) becoming a potential for consolidation.

Supervielle (XAZFF)

Our price objective of ArPs337/share (US\$2.1/ADS converted at 800 FX rate) is derived from the Gordon Growth Model, assuming a COE of 25.3% (reflecting a US risk-free rate of 3.5%, Argentina country risk of 1,000bp (vs. EMBI at 1,945bp), inflation differential of 450bp and beta of 1.2x), 4% growth in perpetuity, and a sustainable ROE of 13%.

Downside risks to our PO are 1) weaker economic activity/higher inflation and sharper deterioration in asset quality, 2) inability to reprice the loan book, 3) implementation of unorthodox economic policies, and 4) unstable political conditions in Argentina.

Upside risks to our PO are: 1) higher-than-expected securities gains, 2) faster recovery in macro conditions leading to lower-than-expected NPLs and provision charges, and 3) becoming a potential for consolidation.

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Latin America - Financials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	B3	XIMAF	B3SA3 BZ	Mario Pierry
	B3	BOLSY	BOLSY US	Mario Pierry
	Bajio	BBAJF	BBAJ00 MM	Ernesto Gabilondo
	Banco do Brasil	XBBAF	BBAS3 BZ	Mario Pierry
	Banco do Brasil	BDORY	BDORY US	Mario Pierry
	Banco Santander Chile	BSAC	BSAC US	Ernesto Gabilondo
	Banco Santander Chile	XLDTF	BSAN CI	Ernesto Gabilondo
	Banorte	GBOOF	GFNORTEO MM	Mario Pierry
	Banorte	GBOOY	GBOOY US	Mario Pierry
	Bci	BZCIF	BCI CI	Ernesto Gabilondo
	BTG Pactual	XNXCF	BPAC11 BZ	Flavio Yoshida
	Caixa Seguridade	XDXUF	CXSE3 BZ	Mario Pierry
	Credicorp Ltd	BAP	BAP US	Ernesto Gabilondo
	Genera	CMPRF	GENER* MM	Ernesto Gabilondo
	Grupo BMV	BOMXF	BOLSAA MM	Ernesto Gabilondo
	IFS	IFS	IFS US	Ernesto Gabilondo
	Inter	XBZIF	INBR32 BZ	Mario Pierry
	Inter	INTR	INTR US	Mario Pierry
	Itau Unibanco	ITUBF	ITUB4 BZ	Mario Pierry
	Itau Unibanco	ITUB	ITUB US	Mario Pierry
	PagSeguro Digital Ltd	PAGS	PAGS US	Mario Pierry
	Regional	RGNLF	RA MM	Ernesto Gabilondo
	StoneCo	STNE	STNE US	Mario Pierry
	XP Inc.	XP	XP US	Mario Pierry
NEUTRAL				
	ABC Brasil	XBABF	ABCB4 BZ	Flavio Yoshida
	Banco Pan	XQSFF	BPAN4 BZ	Flavio Yoshida
	Banrisul	XGRBF	BRSR6 BZ	Flavio Yoshida
	BB Seguridade	XBDPF	BBSE3 BZ	Mario Pierry
	BB Seguridade	BBSEY	BBSEY US	Mario Pierry
	Bradesco	BRDPF	BBDC4 BZ	Mario Pierry
	Bradesco -A	BBD	BBD US	Mario Pierry
	Nubank	NU	NU US	Mario Pierry
	Porto Seguro	PSGUF	PSSA3 BZ	Mario Pierry
	Santander Brasil	XCBDP	SANB11 BZ	Mario Pierry
	Santander Brasil	BSBR	BSBR US	Mario Pierry
UNDERPERFORM				
	Banco Chile-ADR	BCH	BCH US	Ernesto Gabilondo
	Banco de Chile	XHNDF	CHILE CI	Ernesto Gabilondo
	Banco Macro	BMA	BMA US	Ernesto Gabilondo
	Banco Macro	BCVMF	BMA AR	Ernesto Gabilondo
	GFinbur	GPFOF	GFINBURO MM	Ernesto Gabilondo
	Grupo Financiero Galicia	GGAL	GGAL US	Ernesto Gabilondo
	Grupo Financiero Galicia	GGABF	GGAL AR	Ernesto Gabilondo
	Qualitas	QUCOF	Q* MM	Ernesto Gabilondo
	Supervielle	SUPV	SUPV US	Ernesto Gabilondo
	Supervielle	XAZFF	SUPV AR	Ernesto Gabilondo
RSTR				
	Bancolombia	CIB	CIB US	Ernesto Gabilondo
	Bancolombia	XAFFF	PFBCOLO CB	Ernesto Gabilondo
	Cielo	CIOXF	CIEL3 BZ	Mario Pierry
	Cielo	CIOXY	CIOXY US	Mario Pierry

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Banks Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	100	49.75%	Buy	84	84.00%
Hold	54	26.87%	Hold	41	75.93%
Sell	47	23.38%	Sell	35	74.47%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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