

Banks - Argentina

2Q23 results should be taken with a grain of salt; strong '23 likely to revert next year

Price Objective Change

Rally has anticipated a positive outcome on elections

Argentine banks' stocks have outperformed c.99% in the last 12M (GGAL +120%), anticipating to a potential positive outcome on the next presidential elections. Argentine banks' equities have performed close to Argentine interest rates yielding currently 97%.

A complex macro: mind the potential FX depreciation

Complex macro-outlook persists, reflecting weak credit demand due to high levels of interest rates and inflation. Argentine banks are likely to live with hyperinflation accounting longer than expected. Our economist expects the official Argentine peso to depreciate by 78% against the dollar by year-end (to ARPs493) and by 119% next year (to ARPs1,079). Importantly, market-friendly presidential candidates are proposing to immediately remove import and capital controls, although with the understanding of an important depreciation of the Argentine peso against the dollar.

Adjusting our POs to reflect our new estimates

We adjust our estimates to reflect stronger NII growth and financial results on higher rates. Under a positive presidential outcome, we expect positive real loan growth and lower losses in the net monetary position from expected lower rates. Nonetheless, expected earnings recovery would not be enough to improve ROEs above CoE levels. Our new POs (Exhibit 1) basically reflect our adjusted estimates (see page 5).

2Q23 preview: earnings benefiting from higher rates

We expect all the Argentine banks' NII + market related revenues to benefit from high interest rates. Strong earnings growth should translate into double-digit ROAE across the bank (GGAL and BMA reaching above 20%). Nonetheless, 2Q23 numbers should be taken with a grain of salt, given they are unlikely to repeat next year under lower rates.

Maintain our Underperform ratings on the Argentine banks

Despite a potential market-friendly outcome in the next presidential elections, we fail to see the bank's fundamentals to change in the near-term. On a relatively basis, we find other LatAm banks in the region trading below book value and with higher ROAEs. We maintain our Underperform ratings on the Argentine banks under our coverage (see Exhibit 1).

03 August 2023

Equity
Latin America
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Ernesto Gabilondo >>
Research Analyst
Merrill Lynch (Mexico)
+52 55 5201 3428
ernesto.gabilondo@bofa.com

Mario Pierry
Research Analyst
BofAS
+1 646 743 0047
mario.pierry@bofa.com

Antonio Ruetter >>
Research Analyst
Merrill Lynch (Brazil)
+55 11 2188 4225
antonio.ruetter@bofa.com

Flavio Yoshida >>
Research Analyst
Merrill Lynch (Brazil)
+55 11 2188 4588
flavio.yoshida@bofa.com

Exhibit 1: Revised Ratings and POs

Rolling over POs

Bank	Rating	PO	
		Old	New
BMA (ARPS)	Underperform	311	368
BMA (US\$)	Underperform	9	10
GGAL (ARPS)	Underperform	156	183
GGAL (US\$)	Underperform	43	50
SUPV (ARPS)	Underperform	49	57
SUPV (US\$)	Underperform	0.7	0.8

Source: BofA Global Research estimates

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Timestamp: 03 August 2023 06:00AM EDT

CDS: Credit Default Swap

NII: Net interest income

NI: Net Income

NIM: Net interest margin (%)

CoR: provisions charges / average loans

ROAE: Return on Average Equity

SUPV: Supervielle

GGAL: Grupo Financiero Galicia

BMA: Banco Macro

12M: 12 months

Exhibit 3: 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	285%	-15%	-16%	19%	8%	-16%	22%	-2%	5%	14%	66%	-14%
Loan Balance	1%	4%	7%	-7%	5%	8%	-10%	5%	10%	-5%	3%	6%
Fee income	35%	3%	3%	6%	5%	5%	22%	3%	3%	18%	20%	4%
Market related revenues	-35%	-11%	-41%	47%	-39%	-58%	85%	-12%	-31%	73%	-34%	-22%
FX gains	146%	0%	-4%	81%	-45%	-38%	0%	0%	0%	88%	-20%	-23%
Opex	2%	-2%	2%	2%	-2%	2%	-5%	-2%	-1%	0%	0%	-1%
Prov. charges	75%	-1%	-38%	62%	2%	12%	-15%	-4%	11%	-36%	-1%	-6%
Net monetary position	75%	-1%	-38%	41%	-1%	-38%	33%	-1%	-38%	0%	0%	0%
Recurring NI	-1111%	-45%	11%	78%	-36%	11%	-130%	-27%	45%	-516%	-40%	11%
Recurring EPS	-1111%	-45%	11%	78%	-36%	11%	-130%	-27%	45%	-516%	-40%	11%
NIM	36.0%	35.8%	27.9%	24.2%	26.1%	20.8%	16.8%	15.3%	14.7%	19.3%	31.1%	24.6%
NIM with securities	49.9%	50.1%	35.7%	19.5%	23.2%	19.7%	22.5%	19.9%	17.6%	26.5%	36.3%	29.4%
Prov/avg loans	3.6%	3.0%	3.1%	1.8%	1.8%	1.9%	4.0%	4.0%	4.1%	3.1%	3.1%	2.8%
NPLs / loans	3.2%	3.3%	3.2%	1.5%	1.6%	1.5%	3.1%	3.1%	3.0%	2.8%	2.8%	2.7%
LLR/ NPL	152%	146%	138%	129%	128%	130%	150%	152%	146%	144.0%	142.0%	138.1%
Loans/ Deposits	74%	72%	73%	55%	56%	58%	43%	43%	44%	57.0%	57.0%	58.4%
Equity/ Assets	20%	19%	19%	25%	26%	26%	15%	14%	14%	19.9%	19.7%	19.6%
Rec. ROAE	15%	8%	8%	15%	9%	9%	8%	5%	7%	13%	7%	8%
Rec. NI	141,258	77,660	85,928	118,234	76,233	84,577	11,220	8,203	11,925	90,237	54,032	60,810
Rec. EPS	118.36	65.07	72.00	185.03	119.30	132.36	24.57	17.96	26.11			

Source: BofA Global Research estimates

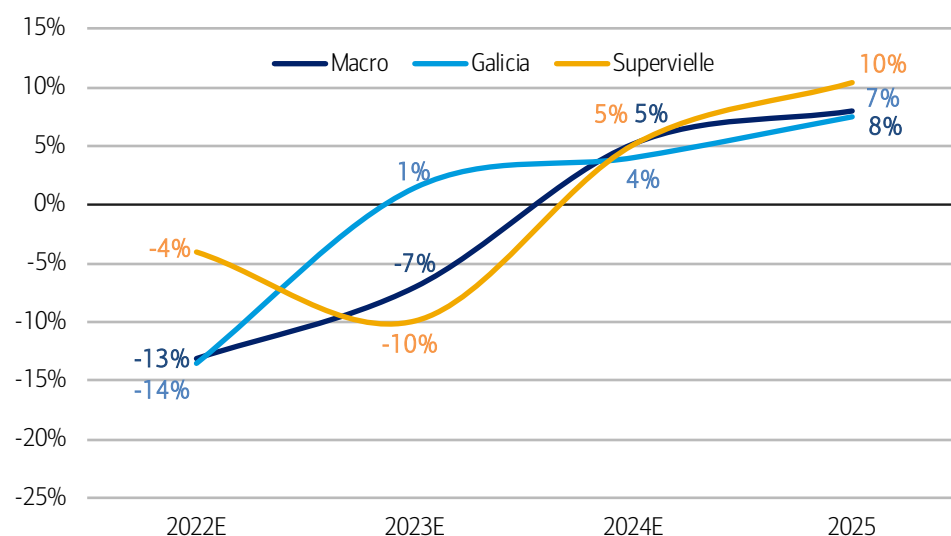
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Real loan growth to be more evident in '25

Still high inflation levels above 120% and interest rates of 97% will continue to pressure loan growth. Even by assuming a positive outcome on the next presidential elections, 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 a still relevant gap between the official FX and blue-chip.

Exhibit 3: Argentine banks: Loan growth, YoY

Expect real loan growth to be evident in 2025



Source: Company data and BofA Global Research estimates

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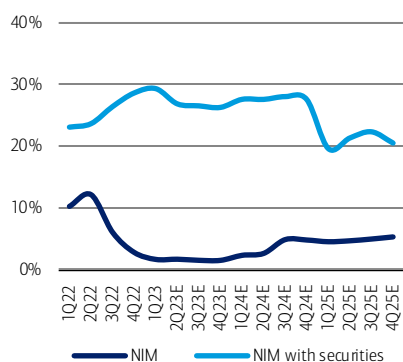
NIMs pressure next year on lower rates

Argentine banks' NIMs should continue to benefit in 2023 from the excess liquidity by investing on securities yielding high rates (interest rates are at 97%). Nonetheless, NIMs on loans have been affected because of deposit floors 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.

Importantly, most of the Argentine banks have invested on traditional government securities, although we detect Banco Macro has invested on more complex instruments, which have created high volatility in the financial results. Indeed, BMA has a dual-bond position that pays the maximum between inflation and the Argentine peso depreciation, and a bond linked to the Argentine peso depreciation. After the presidential election, we expect a further depreciation of the Argentine peso, which will benefit for a short-term period Banco Macro's financial results.

Exhibit 4: GGAL: NIM and Adj. NIM

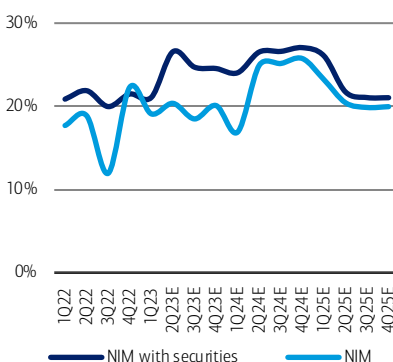
NIM benefiting on higher rates, but trending down in 2024-2025



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

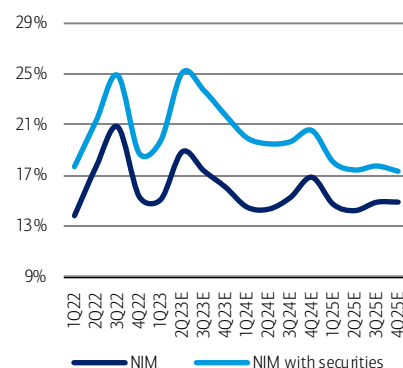
NIMs with securities trending down in 2024-2025



Source: Company data & BofA Global Research BofA GLOBAL RESEARCH

Exhibit 6: SUPV: NIM and Adj. NIM

NIMs with securities trending down in 2024-2025



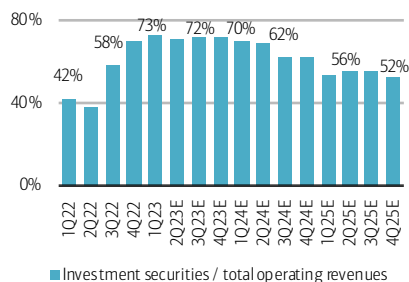
Source: Company data & BofA Global Research
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Expect lower securities yields in 2H24

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

Exhibit 7: GGAL – Income securities / op. revenues

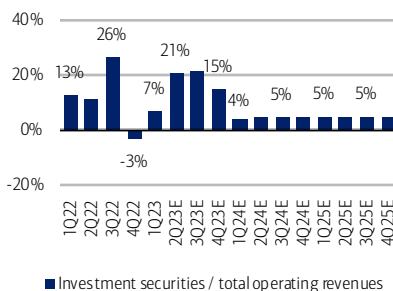
Relatively higher in 23, but starting to decline in 2024



Source: Company data & BofA Global Research
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Exhibit 8: BMA – Income securities y op. revenues

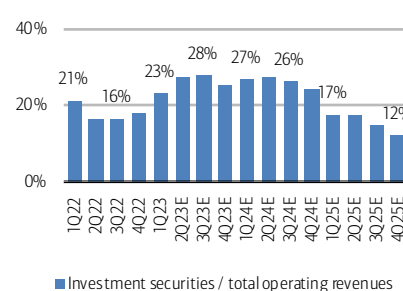
Not so representative to total op. revenues, as part is allocated on NIMs



Source: Company data & BofA Global Research
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Exhibit 9: SUPV – Income securities / op. revenues

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



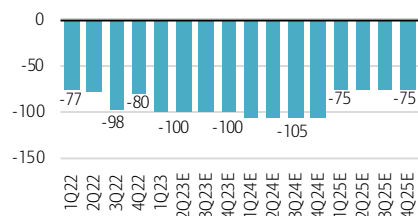
Source: Company data & BofA Global Research
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Monetary losses should decline in 2025

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 10: GGAL: Net monetary position

Losses to decline in 2025

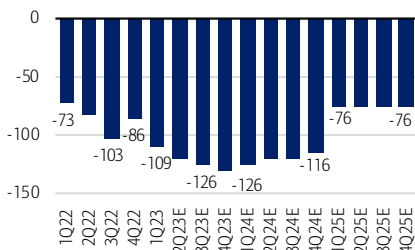


Source: Company data & BofA Global Research

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Exhibit 11: BMA: Net monetary position

Losses to decline in 2025

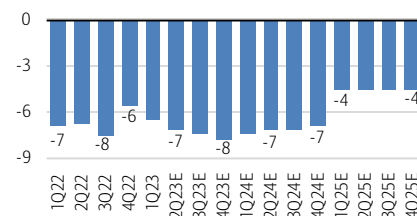


Source: Company data & BofA Global Research

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Exhibit 12: SUPV: Net monetary position

Losses to decline in 2025



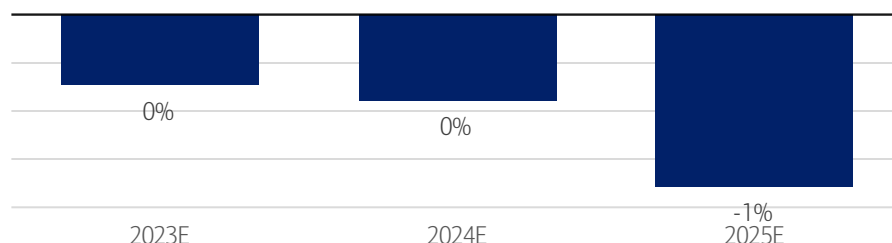
Source: Company data & BofA Global Research

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'24-25 opex growth in-line with inflation

Exhibit 13: Argentine banks – Non-interest expense, YoY growth

Expect opex growth in-line with inflation in '23 supported by early retirements (GGAL and Macro) and no longer severance payments at SUPV implemented in '20-'22



Source: Company data and BofA Global Research estimates

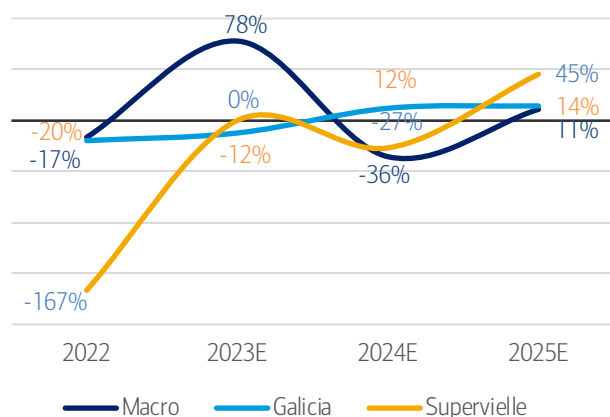
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Profitability on a roller coaster

We expect Argentine banks to post earnings growth in 2023, mainly supported by better revenue generation benefiting from higher rates. 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 14: Argentine banks – Net Income, YoY growth

Earnings to decline next year, while to recover in 2025

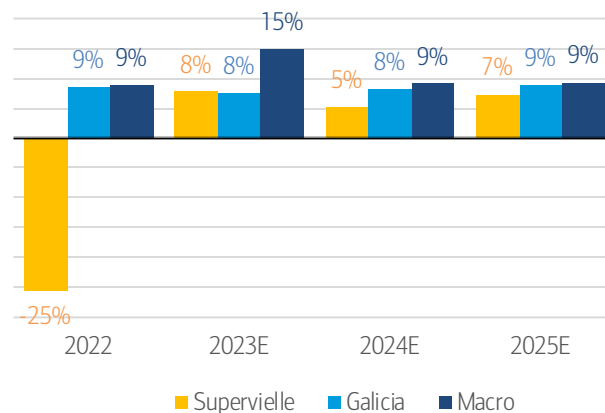


Source: Company data and BofA Global Research estimates

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Exhibit 15: Argentine banks: ROAE

ROAE well below cost of equity (CoE)



Source: Company data and BofA Global Research estimates

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Revised earnings estimates

Exhibit 17: Galicia – revised earnings estimates

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

	2023E			2024E			2025E		
(ArPs\$mn)	Old	New	Change	Old	New	Change	Old	New	Change
Net income	54,934	141,258	157%	61,522	77,660	26%	70,300	85,928	22%
ROAE	8%	15%	+737 bps	8%	8%	-56 bps	9%	8%	-75 bps

Source: BofA Global Research estimates

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Exhibit 18: Banco Macro – revised earnings estimates

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

	2023E			2024E			2025E		
(ArPs\$mn)	Old	New	Change	Old	New	Change	Old	New	Change
Net income	50,398	50,398	135%	56,182	76,233	36%	70,023	84,577	21%
ROAE	8%	15%	666 bps	9%	9%	4 bps	10%	9%	-100bps

Source: BofA Global Research estimates

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Exhibit 19: Supervielle – revised earnings estimates

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

	2023E			2024E			2025E		
(ArPs\$mn)	Old	New	Change	Old	New	Change	Old	New	Change
Net income	4,301	11,220	+161%	5,675	8,203	45%	10,052	11,925	19%
ROAE	4%	8%	+399bps	5%	5%	+61 bps	8%	7%	-52bps

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 higher rates,. Our new POs assume a US Treasury of 3.5%, and ADRs at FX of ArPs365 per dollar.

We expect ROAE levels for the Argentine banks to reach c.8-9% in 2025, which are well below our cost of equity expectations of 22.7%, due to a high-country risk embedded in a challenging macro-outlook. Our estimates assume an Argentina risk spread of 9% (considering 10Y CDS of 900bp vs. currently above 7,158bp and EMBI at 2,302bp) and a perpetuity growth of 4% (in-line with other banks in the region).

Exhibit 20: 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	9.0%		Argentina risk spread	9.0%		Argentina risk spread	9.0%	
Equity risk premium	5.7%		Equity risk premium	5.7%		Equity risk premium	5.7%	
Inflation differential	4.5%		Inflation differential	4.5%		Inflation differential	4.5%	
Sustainable ROE	9%		Sustainable ROE	8%		Sustainable ROE	8%	
Sustainable growth rate	4%		Sustainable growth rate	4%		Sustainable growth rate	4%	
COE (%)	22.7%		COE (%)	22.7%		COE (%)	23.8%	
Implied target P/BV [(ROE-g)/(COE-g)]	0.3		Implied target P/BV [(ROE-g)/(COE-g)]	0.2		Implied target P/BV [(ROE-g)/(COE-g)]	0.2	
Discount	0%		Discount	0%		Discount	0%	
Implied target P/BV after discount	0.3		Implied target P/BV after discount	0.2		Implied target P/BV after discount	0.2	
2023E BV per share	12744		2023E BV per share	8165		2023E BV per share	329.7	
PO			PO			PO		
	ADR	local		ADR	local		ADR	local
Implied 2023 price target (Ps)	10	368	Implied 2023 price target (Ps)	5.0	183	Implied 2023 price target (Ps)	0.8	57
Upside potential	-47%	-66%	Upside potential	-34%	-53%	Upside potential	-74%	-84%

Source: BofA Global Research estimates

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2Q23 preview

Galicia

Report date: 22 Aug (A)

Conference call: 23 Aug

We expect Galicia to post a net income ArPs50.7bn, doubling QoQ, mainly explained significant NII growth boosted by the income from securities. 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 modestly asset quality deterioration, although lower provision charges QoQ, reflecting a CoR of 3.1% of average gross loans (vs. 4.1% in 1Q23). On the other hand, we see modestly higher opex growth due to personal expenses adjusted with inflation. We expect an ROAE of 21.4% in 2Q23, improving from 9.7% in 1Q23.

Exhibit 21: Galicia – 2Q23 preview

Strong earnings growth supported by investment securities

ArP\$ mn	2Q/22	1Q/23	2Q/23E	YoY	QoQ
Net interest income	88,038	140,580	193,389	120%	38%
Fee income	41,786	47,021	48,431	16%	3%
Income from securities	83,055	68,471	68,471	-18%	0%
Fx gains	3,877	15,094	15,094	289%	0%
Insurance	4,440	4,982	4,883	10%	-2%
Non-interest expense	80,596	79,555	81,146	1%	2%
Provision for loan losses	21,842	18,645	14,911	-32%	-20%
Results from net monetary position	-95,709	-131,085	-143,456	50%	9%
Other income	-8,465	-11,446	-11,446	35%	0%
Net income - reported	11,037	22,437	50,733	360%	126%
EPS - reported	9.25	18.80	42.51	360%	126%
Gross loans	2,236,840	1,885,000	1,909,426	-15%	1%
Total assets	4,783,854	4,703,308	4,784,183	0%	2%
Deposits	3,006,264	2,292,087	2,315,008	-23%	1%
Equity	864,546	940,642	956,376	11%	2%
ROAE - reported	5.0%	9.7%	21.4%	1639 bps	1174 bps
NIM	13.0%	24.1%	41.3%	2832 bps	1722 bps
Efficiency ratio	36%	29%	25%	-1187 bps	-424 bps
Effective tax rate	23%	36%	36%	1266 bps	0 bps
Cost of Risk	4.3%	4.1%	3.1%	-112 bps	-100 bps
NPLs/ Gross loans	2.6%	3.1%	3.2%	63 bps	10 bps
LLR/ NPLs	172%	176%	152%	-1940 bps	-2375 bps

Source: Company data and BofA Global Research estimates

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Macro

Report date: 23 Aug (A)

Conference call: 24 Aug

We expect Banco Macro to post a recurring net income of ArPs43.7bn, more than tripling QoQ, supported by stronger YoY income from securities. Loan growth should continue to contract, due to weak credit demand related to the high inflation and rates, Fx depreciation and the political uncertainty. Revenue should be driven by strong YoY income from securities, offsetting positive real core revenue generation (NII and fees), mainly driven by the re-pricing on assets. In terms of asset quality, we expect modestly higher NPLs, while provision charges trending-down, reflecting cost of risk of 1.8% of average gross loans (vs. 1.9% in 1Q23). Meanwhile, non-interest expenses should grow QoQ to adjust 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 21.9% for the quarter, improving from 6.2% in 1Q23.

Exhibit 22: Macro – 2Q23 preview

Earnings highly boosted, as NII should significantly benefit from gains on investments securities

ArP\$ mn	2Q/22	1Q/23	2Q/23E	YoY	QoQ
Net interest income	115,855	120,887	149,683	29%	24%
Fee income	25,727	27,271	26,999	5%	-1%
Income from securities	15,917	11,382	35,000	120%	208%
Fx gains	11,597	45,394	37,000	219%	-18%
Non-interest expense	53,068	49,527	52,994	0%	7%
Provision for loan losses	1,665	4,306	4,012	141%	-7%
Results from net monetary position	-82,344	-109,406	-119,731	45%	9%
Non-operating income (expense)	-18,619	-22,700	-18,000	-3%	-21%
Net income - reported	8,941	12,085	43,677	388%	261%
EPS - reported	13.99	18.91	68.35	388%	261%
Gross loans	976,080	900,866	904,782	-7%	0%
Total assets	2,887,778	3,008,033	3,141,114	9%	4%
Deposits	1,800,828	1,464,338	1,552,198	-14%	6%
Equity	712,062	783,162	814,339	14%	4%
ROAE - reported	5.0%	6.2%	21.9%	1684 bps	1566 bps
NIM	21.9%	21.1%	26.6%	469 bps	550 bps
Efficiency ratio	34%	31%	25%	-866 bps	-601 bps
Effective tax rate	33%	36%	19%	-1433 bps	-1729 bps
Cost of Risk	0.7%	1.9%	1.8%	109 bps	-10 bps
NPLs/ Gross loans	1.2%	1.4%	1.5%	24 bps	8 bps
LLR/ NPLs	160%	145%	140%	-2031 bps	-577 bps

Source: Company data and BofA Global Research estimates

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Supervielle

Report date: 23 Aug (A)

Conference call: 24 Aug

We expect Supervielle's earnings to post ArPs4.4bn, improving when compared to a loss of -ArPs3.8bn in 2Q22 and to +ARPs690mn generated in 1Q23, 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. Fees should sequentially improve supported by greater broker commissions and asset management fees. On the other hand, we expect lower NPLs, supported by payments on former credit restructurings and the sale of some loans. Nonetheless, we expect modestly higher provision charges, reflecting a cost of risk of 4.6% of average gross loans (vs. 4.4% in 1Q23). With lower NPLs, we expect reserve coverage ratio to increase to 144% from 116% in 1Q23. 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 23: Supervielle – 2Q23 preview

Expect earnings boosted by government securities

ArP\$ mn	2Q/22	1Q/23	2Q/23E	YoY	QoQ
Net interest income	32,806	30,276	34,593	5%	14%
Fee income	7,471	7,680	7,910	6%	3%
Income from securities	6,699	9,324	11,423	71%	23%
Fx gains	1,052	639	639	-39%	0%
Insurance	1,772	2,030	1,827	3%	-10%
Non-interest expense	41,859	38,030	39,932	-5%	5%
Provision for loan losses	6,023	3,648	3,338	-45%	-9%
Non-operating income	178	319	319	79%	0%
Net monetary position	-6,777	-6,498	-7,111	5%	9%
Net Income	-3,769	690	4,431	-218%	542%
EPS - reported	-8.25	1.51	9.70	-218%	542%
Gross loans + Leasing	424,733	301,297	283,219	-33%	-6%
Total assets	1,166,050	942,077	1,020,527	-12%	8%
Deposits	917,112	713,719	785,091	-14%	10%
Equity	144,197	140,064	144,495	0%	3%
ROAE - reported	-10.2%	2.0%	12.5%	2270 bps	1049 bps
NIM	17.7%	15.1%	18.9%	119 bps	377 bps
Efficiency ratio	85.9%	77.1%	71.6%	-1424 bps	-550 bps
Effective tax rate	19.5%	67.0%	30.0%	1054 bps	-3701 bps
Cost of Risk	5.7%	4.4%	4.6%	-112 bps	20 bps
NPLs/ Gross loans	4.3%	4.1%	3.1%	-122 bps	-100 bps
LLR/ NPLs	142.0%	115.9%	144.0%	196 bps	2805 bps

Source: Company data and BofA Global Research estimates

BofA GLOBAL RESEARCH

Models

Banco Macro

Exhibit 24: 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)			
					22/21	23/22	24/23	25/24
Net interest income	460,059	547,066	591,873	496,163	20%	19%	8%	-16%
<i>Net interest margin</i>	21.0%	24.2%	26.1%	20.8%				
Commissions and fees	102,445	108,348	113,730	119,735	4%	6%	5%	5%
Income from securities	72,351	106,382	64,898	27,005	23%	47%	-39%	-58%
Fx gains	93,833	169,394	93,500	58,000	588%	81%	-45%	-38%
Operating revenue	562,503	655,414	705,603	615,898	17%	17%	8%	-13%
Noninterest expense	198,960	203,788	199,316	203,499	2%	2%	-2%	2%
<i>Efficiency ratio</i>	35%	31%	28%	33%				
Op inc bfr provs and taxes	363,543	451,627	506,287	412,399	27%	24%	12%	-19%
Provision for loan losses	9,881	16,013	16,323	18,361	37%	62%	2%	12%
<i>Provisions/ Avg. gross loans</i>	1.0%	1.8%	1.8%	1.9%				
Results from monetary position	-344,410	-485,912	-483,340	-302,088	81%	41%	-1%	-38%
Non-operating income (expense)	-81,262	-76,700	-56,000	-56,000				
Earnings before taxes	272,399	358,914	433,964	338,038	34%	32%	21%	-22%
Income tax (net)	29,313	30,471	32,706	36,287	501%	4%	7%	11%
<i>Effective tax rate</i>	31%	20%	30%	30%				
Minority interest	11	72	82	92	0%	0%	0%	0%
Net income - reported	66,462	118,234	76,233	84,577	-17%	78%	-36%	11%
EPS -- reported	104.01	185.03	119.30	132.36	-17%	78%	-36%	11%
BV per share - reported	1,208.28	1,274.35	1,356.65	1,465.15	10%	5%	6%	8%
ROAE - reported	9.0%	14.9%	9.1%	9.4%				
ROAA - reported	2.2%	3.7%	2.3%	2.4%				
Dividends per share	30.81	117.37	37.01	23.86		281%	-68%	-36%
Avg. shares outstanding (Millions)	639	639	639	639	0%	0%	0%	0%

Source: Company data and BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 25: Banco Macro – Balance Sheet

Expect real loan growth more tangible until 2025

ArPs\$mn	2022	2023E	2024E	2025E	Growth rates (YoY)			
					22/21	23/22	24/23	25/24
ASSETS								
Cash and securities	1,806,105	1,783,606	1,856,027	1,931,389	25%	-1%	4%	4%
Gross loans	933,924	868,138	912,947	985,592	-13%	-7%	5%	8%
Loan loss reserves	17,739	16,787	18,398	18,876	-39%	-5%	10%	3%
Total interest earning assets	2,345,459	2,255,411	2,355,620	2,487,112	18%	-4%	4%	6%
Other receivables	87,311	105,199	109,471	113,916	-15%	20%	4%	4%
Other assets	19,270	458,546	496,861	558,181	-40%	2280%	8%	12%
Total assets	2,828,870	3,198,701	3,356,909	3,570,202	8%	13%	5%	6%
LIABILITIES								
Total deposits	1,951,880	1,580,914	1,625,333	1,703,254	13%	-19%	3%	5%
Interbank loans, repos, other	116,467	115,927	120,635	125,533	-13%	0%	4%	4%
Total interest-bearing liabilities	2,072,439	1,701,032	1,750,329	1,833,325	11%	-18%	3%	5%
Other liabilities	305,205	683,210	739,528	800,489	-15%	124%	8%	8%
Total liabilities	2,373,552	2,380,051	2,485,496	2,629,276	7%	0%	4%	6%
SHAREHOLDERS EQUITY								
Equity	772,091	814,312	866,898	936,228	10%	5%	6%	8%

Source: Company data and BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 26: Banco Macro – Financial Indicators

Expect sustainable ROAE of 9%

	2022	2023E	2024E	2025E
Income Statement				
NIM	17.7%	19.5%	23.2%	19.7%
NIM with securities	21.0%	24.2%	26.1%	20.8%
Fees/ Core revenues	14%	12%	13%	17%
Fees/ Noninterest expense	51%	53%	57%	59%
Efficiency ratio	31.3%	26.8%	25.9%	31.7%
Effective tax rate	31%	20%	30%	30%
Dividend pay-out ratio	30%	113%	20%	20%
Profitability				
ROAE - reported	9.0%	14.9%	9.1%	9.4%
ROAA - reported	2.2%	3.7%	2.3%	2.4%
Balance Sheet				
Loans/ Total assets	30%	27%	27%	28%
Cash & Securities/ Total assets	12%	12%	12%	12%
Loans/ Deposits	48%	55%	56%	58%
Equity/ Assets	25%	25%	26%	26%
Asset Quality				
NPL/ Gross loans	1.3%	1.5%	1.6%	1.5%
LLR/ NPL - coverage to NPL	151%	129%	128%	130%
Cost of Risk	1.0%	1.8%	1.8%	1.9%
Capital				
Tier 1 ratio	36.6%	29.7%	23.1%	21.5%

Source: Company data and BofA Global Research estimates

BofA GLOBAL RESEARCH

Galicia

Exhibit 27: Galicia – Income Statement

Expect an ROAE of at 8% in 2025

ArPs\$mn	2022	2023E	2024E	2025E	Growth rates (YoY)			
					22/21	23/22	24/23	25/24
Net interest income	184,112	709,304	605,526	509,944	-29%	285%	-15%	-16%
<i>Net interest margin</i>	6.6%	36.0%	35.8%	27.9%				
Commissions and fees	143,277	193,772	200,481	206,467	5%	35%	3%	3%
Income from securities	418,855	273,882	242,590	142,150	84%	-35%	-11%	-41%
Fx gains	24,514	60,375	60,375	58,000	0%	146%	0%	-4%
Insurance	16,666	19,870	20,176	20,667	-4%	19%	2%	2%
Operating revenue	787,424	1,257,204	1,129,149	937,227	21%	60%	-10%	-17%
Noninterest expense	339,776	345,561	337,504	345,113	35%	2%	-2%	2%
<i>Efficiency ratio</i>	43%	27%	30%	37%				
Op inc bfr provs and taxes	447,648	911,644	791,645	592,114	12%	104%	-13%	-25%
Provision for loan losses	63,108	62,503	53,053	57,970	22%	-1%	-15%	9%
<i>Provisions/ Avg. gross loans</i>	3.8%	3.6%	3.0%	3.1%				
Results from net monetary position	-331,975	-582,196	-579,115	-361,947	80%	75%	-1%	-38%
Non-operating income (expense)	-43,066	-46,127	-40,000	-40,000	-6%	7%	-13%	0%
Earnings before taxes	9,499	220,817	119,477	132,198	-92%	2225%	-46%	11%
Income tax (net)	23,477	79,560	41,817	46,269	-42%	239%	-47%	11%
<i>Effective tax rate</i>	247%	36%	35%	35%				
Net income - reported	-13,978	141,258	77,660	85,928	-118%	-1111%	-45%	11%
EPS -- reported	-11.71	118.36	65.07	72.00	-122%	-1111%	-45%	11%
BV per share	769.31	816.50	851.98	907.71	28%	6%	4%	7%
ROAE - reported	-1.5%	14.9%	7.8%	8.2%				
ROAA - recurring	861.6%	861.6%	828.4%	871.7%				
Dividends per share	12.57	71.22	29.59	16.27	152%	467%	-58%	-45%

Source: Company data and BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 28: Galicia – Balance Sheet

Expect loan growth to really start showing up in 2025

ArPs\$mn	2022	2023E	2024E	2025E	Growth rates (YoY)			
					22/21	23/22	24/23	25/24
ASSETS								
Cash and securities	1,868,131	734,844	795,419	860,987	34%	-61%	8%	8%
Gross loans	1,714,561	1,738,950	1,808,213	1,943,117	-27%	1%	4%	7%
Loan loss reserves	88,270	85,209	87,698	86,469	-33%	-3%	3%	-1%
Total interest earning assets	2,820,070	1,738,055	1,811,778	1,955,435	-3%	-38%	4%	8%
Other receivables	1,048,843	2,040,743	2,208,966	2,391,055	0%	95%	8%	8%
Other assets	557,416	522,292	591,430	625,408	100%	-6%	13%	6%
Total assets	5,100,681	4,951,621	5,316,329	5,734,098	3%	-3%	7%	8%
LIABILITIES								
Total deposits	3,227,497	2,361,540	2,506,330	2,659,999	6%	-27%	6%	6%
Interbank loans	56,411	43,561	45,330	47,170	-19%	-23%	4%	4%
Subordinated notes	68,416	54,120	56,317	58,604	-11%	-21%	4%	4%
Total interest bearing liabilities	3,352,324	2,459,220	2,607,977	2,765,773	5%	-27%	6%	6%
Other liabilities	830,206	1,517,937	1,691,542	1,885,003	-3%	83%	11%	11%
Total liabilities	4,182,530	3,977,157	4,299,520	4,650,776	4%	-5%	8%	8%
SHAREHOLDERS EQUITY								
Equity	918,151	974,464	1,016,809	1,083,323	3%	6%	4%	7%

Source: Company data and BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 29: Galicia – Financial Indicators

Expect an ROAE of 8% in 2025

	2022	2023E	2024E	2025E
Income Statement				
NIM (reported)	6.6%	36.0%	35.8%	27.9%
NIM with securities	21.5%	49.9%	50.1%	35.7%
Fees/ Core revenues	18.2%	15.4%	17.8%	22.0%

Exhibit 29: Galicia – Financial Indicators

Expect an ROAE of 8% in 2025

	2022	2023E	2024E	2025E
Fees/ Noninterest expense	42.2%	56.1%	59.4%	59.8%
Efficiency ratio	43.2%	27.5%	29.9%	36.8%
Effective tax rate	247.1%	36.0%	35.0%	35.0%
Dividend pay-out ratio	19.2%	n.a.	25.0%	25.0%
Profitability				
ROAE - reported	-1.5%	14.9%	7.8%	8.2%
ROAA - reported	-0.3%	2.8%	1.5%	1.6%
Balance Sheet				
Loans/ Total assets	34%	35%	34%	34%
Cash & Securities/ Total assets	13%	13%	13%	13%
Loans/ Deposits	53%	74%	72%	73%
Equity/ Assets	18%	20%	19%	19%
Asset Quality				
NPL/ Gross loans	2.7%	3.2%	3.3%	3.2%
LLR/ NPL - coverage to NPL	190.5%	152.5%	146.4%	138.5%
Cost of Risk	3.8%	3.6%	3.0%	3.1%
Capital				
Tier 1 ratio	23.7%	19.0%	17.7%	17.5%

Source: Company data and BofA Global Research estimates

BofA GLOBAL RESEARCH

Supervielle

Exhibit 30: 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	22/21	Growth rates		
						23/22	24/23	25/24
Net interest income	106,393	129,967	127,442	133,438	-16%	22%	-2%	5%
<i>Net interest margin</i>	13.5%	16.8%	15.3%	14.7%				
Commissions and fees	23,878	29,116	29,998	31,016	-30%	22%	3%	3%
Income from securities	23,827	44,117	38,871	26,740	-22%	85%	-12%	-31%
Fx gains	3,339	2,554	2,554	2,554	0%	0%	0%	0%
Insurance	5,510	7,752	7,858	8,342	-17%	41%	1%	6%
Operating revenue	162,948	213,506	206,723	202,091	-19%	31%	-3%	-2%
Noninterest expense	165,404	157,102	153,286	152,165	6%	-5%	-2%	-1%
<i>Efficiency ratio</i>	104%	74%	75%	76%				
Op inc bfr provs and taxes	-2,456	56,405	53,437	49,925	-106%	-2397%	-5%	-7%
Provision for loan losses	16,361	13,982	13,390	14,917	-41%	-15%	-4%	11%
<i>Provisions/ Avg. gross loans</i>	5.4%	4.0%	4.0%	4.1%				
Results from net monetary position	-21,662	-28,859	-28,706	-17,941	-3%	33%	-1%	-38%
Other income	-587	1,277	1,277	1,277	-135%	-317%	0%	0%
Earnings before taxes	-41,066	14,840	12,618	18,344	787%	-136%	-15%	45%
Income tax (net)	-3,942	3,621	4,416	6,420	-403%	-192%	22%	45%
<i>Effective tax rate</i>	10%	24%	35%	35%				
Minority interest	-2	-1	-1	-2	466%	-37%	22%	22%
Net income - reported	-37,122	11,220	8,203	11,925	526%	-130%	-27%	45%
EPS -- reported	-81.28	24.57	17.96	26.11	526%	-130%	-27%	45%
EPADR -- reported	0.50	-0.03	-0.13	-0.51				
BV per share	306.29	329.73	342.77	365.29	-8%	8%	4%	7%
ROAE - reported	-25.5%	7.7%	5.3%	7.4%				
Shares outstanding (Millions)	457	457	457	457				

Source: Company data and BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 31: Supervielle – Balance Sheet

Real loan growth to be more evident until 2025

ArPsmn	2022	2023E	2024E	2025E	22/21	Growth rates		
						23/22	24/23	25/24
ASSETS								
Cash and securities	522,427	508,899	553,333	601,649	8%	-3%	9%	9%
Gross loans	366,769	330,347	347,164	383,185	-4%	-10%	5%	10%
Loan loss reserves	15,624	15,379	16,348	16,823	-36%	-2%	6%	3%
Total interest earning assets	873,571	823,867	884,149	968,011	4%	-6%	7%	9%
Other assets	177,314	213,513	227,595	240,575	-42%	20%	7%	6%
Total assets	1,050,885	1,037,379	1,111,744	1,208,587	-8%	-1%	7%	9%
LIABILITIES								
Total deposits	824,990	776,769	815,361	864,022	21%	-6%	5%	6%
Total interest-bearing liabilities	824,990	776,769	815,361	864,022	21%	-6%	5%	6%
Other liabilities	85,894	109,903	139,711	177,605	-72%	28%	27%	27%
Total liabilities	910,884	886,672	955,073	1,041,627	-8%	-3%	8%	9%
SHAREHOLDERS EQUITY								
Equity	140,002	150,707	156,671	166,960	-8%	8%	4%	7%

Source: Company data and BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 32: Supervielle – Financial Indicators

Expect sustainable ROAE of 7%

	2022	2023E	2024E	2025E
Income Statement				
NIM (reported)	13.5%	16.8%	15.3%	14.7%
NIM with securities	16.5%	22.5%	19.9%	17.6%
Fees/ Core revenues	15%	14%	15%	15%
Fees/ Noninterest expense	14%	19%	20%	20%
Efficiency ratio	104%	74%	75%	76%
Effective tax rate	10%	24%	35%	35%
Profitability				
ROE reported	-25.5%	7.7%	5.3%	7.4%
ROA reported	-3.4%	1.1%	0.8%	1.0%
Balance Sheet				
Loans/ Total assets	35%	32%	31%	32%
Securities/ Total assets	7%	7%	7%	7%
Loans/ Deposits	44%	43%	43%	44%
Equity/ Assets	13.3%	14.5%	14.1%	13.8%
Asset Quality				
NPL/ Gross loans	3.5%	3.1%	3.1%	3.0%
LLR/ NPL - coverage to NPL	136%	150%	152%	146%
Cost of Risk	5.4%	4.0%	4.0%	4.1%
Capital				
Tier 1 ratio	12.3%	8.4%	8.3%	8.0%

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 1395.4	C-3-7
BMA	BMA US	Banco Macro	US\$ 24.48	C-3-7
GGABF	GGAL AR	Grupo Galicia	ArP 898.8	C-3-7
GGAL	GGAL US	Grupo Galicia	US\$ 15.81	C-3-7
SUPV	SUPV US	Supervielle	US\$ 2.95	C-3-7
XAZFF	SUPV AR	Supervielle	ArP 333.15	C-3-7

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

Our price objective of ArPs368/share (US\$10/ADS converted at 365 FX rate) is derived from the Gordon Growth Model, assuming a COE of 22.7% (reflecting a US risk-free rate of 3.5%, Argentina country risk of 900bp (vs. EMBI at 2,302bp) , inflation differential of 450bp and beta of 1.0x), 4% growth in perpetuity and a sustainable ROE of 10%.

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 ArPs368/share (US\$10/ADS converted at 365 FX rate) is derived from the Gordon Growth Model, assuming a COE of 22.7% (reflecting a US risk-free rate of 3.5%, Argentina country risk of 900bp (vs. EMBI at 2,302bp) , inflation differential of 450bp and beta of 1.0x), 4% growth in perpetuity and a sustainable ROE of 10%.

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 ArPs183/share (US\$5.01/ADS converted at 365 FX rate) is derived from the Gordon Growth Model, assuming a COE of 22.7% (reflecting a US risk-free rate of 3.5%, Argentina country risk of 900bp (vs. EMBI at 2,302bps), inflation differential of 450bp and beta of 1.0x), 4% growth in perpetuity, and a sustainable ROE of 8%.

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: stronger lending dynamics, better asset quality, and lower inflation levels

Grupo Financiero Galicia (GGAL)

Our price objective of ArPs183/share (US\$5.01/ADS converted at 365 FX rate) is derived from the Gordon Growth Model, assuming a COE of 22.7% (reflecting a US risk-free rate of 3.5%, Argentina country risk of 900bp (vs. EMBI at 2,302bps), inflation differential of 450bp and beta of 1.0x), 4% growth in perpetuity, and a sustainable ROE of 8%.

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: stronger lending dynamics, better asset quality, and lower inflation levels

Supervielle (SUPV)

Our price objective of ArPs57/share (US\$0.8/ADS converted at 365 FX rate) is derived from the Gordon Growth Model, assuming a COE of 23.8% (reflecting a US risk-free rate of 3.5%, Argentina country risk of 900bp (vs. EMBI at 2,302bps), inflation differential of 450bp and beta of 1.2x), 4% growth in perpetuity, and a sustainable ROE of 8%.

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) aggressive repurchase program of ArPs2.0bn or 10% of the capital stock within the next 250 days, 2) higher-than-expected securities gains in the next years, 3) faster recovery in macro conditions leading to lower-than-expected NPLs and provision charges, and 4) becoming a potential for consolidation.

Supervielle (XAZFF)

Our price objective of ArPs57/share (US\$0.8/ADS converted at 365 FX rate) is derived from the Gordon Growth Model, assuming a COE of 23.8% (reflecting a US risk-free rate of 3.5%, Argentina country risk of 900bp (vs. EMBI at 2,302bps), inflation differential of 450bp and beta of 1.2x), 4% growth in perpetuity, and a sustainable ROE of 8%.

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) aggressive repurchase program of ArPs2.0bn or 10% of the capital stock within the next 250 days, 2) higher-than-expected securities gains in the next years, 3) faster recovery in macro conditions leading to lower-than-expected NPLs and provision charges, and 4) becoming a potential for consolidation.

Analyst Certification

We, Ernesto Gabilondo, Antonio Ruetten and Flavio Yoshida, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Latin America - Financials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	ABC Brasil	XBABF	ABC4 BZ	Flavio Yoshida
	B3	XIMAF	B3SA3 BZ	Mario Pierry
	B3	BOLSY	BOLSY US	Mario Pierry
	Banco do Brasil	XBBAF	BBAS3 BZ	Mario Pierry
	Banco do Brasil	BDORY	BDORY US	Mario Pierry
	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
	ClearSale	XZUOF	CLSA3 BZ	Flavio Yoshida
	Credicorp Ltd	BAP	BAP US	Ernesto Gabilondo
	Gentera	CMPRF	GENTERA* 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
	PagSeguro Digital Ltd	PAGS	PAGS US	Mario Pierry
	Porto Seguro	PSGUF	PSSA3 BZ	Mario Pierry
	Regional	RGNLF	RA MM	Ernesto Gabilondo
	XP Inc.	XP	XP US	Mario Pierry
NEUTRAL				
	Bajio	BBAJF	BBAJ100 MM	Ernesto Gabilondo
	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
	Cielo	CIOXF	CIEL3 BZ	Mario Pierry
	Cielo	CIOXY	CIOXY US	Mario Pierry
	Itau Unibanco	ITUBF	ITUB4 BZ	Mario Pierry
	Itau Unibanco	ITUB	ITUB US	Mario Pierry
	Nubank	NU	NU US	Mario Pierry
	Qualitas	QUCOF	Q* MM	Ernesto Gabilondo
	StoneCo	STNE	STNE 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
	Banco Santander Chile	BSAC	BSAC US	Ernesto Gabilondo
	Banco Santander Chile	XLDTF	BSAN CI	Ernesto Gabilondo
	GFinbur	GPFOF	GFINBURO MM	Ernesto Gabilondo
	Grupo Financiero Galicia	GGAL	GGAL US	Ernesto Gabilondo
	Grupo Financiero Galicia	GGABF	GGAL AR	Ernesto Gabilondo
	Santander Brasil	XCBDF	SANB11 BZ	Mario Pierry
	Santander Brasil	BSBR	BSBR US	Mario Pierry
	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

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Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	98	50.52%	Buy	81	82.65%
Hold	45	23.20%	Hold	33	73.33%
Sell	51	26.29%	Sell	37	72.55%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1877	53.28%	Buy	1040	55.41%
Hold	815	23.13%	Hold	464	56.93%
Sell	831	23.59%	Sell	385	46.33%

^{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%

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