

# BBAR Earnings Call Transcript

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**Quarter: 3**

Operator: Good morning, everyone, and welcome to BBVA Argentina's Third Quarter 2025 Results Conference Call. Today with us are Mr. Diego Cesarini, Head of Asset and Liability Management and Investor Relations; Mrs. Belen Fourcade, Investor Relations Manager; and Mrs. Carmen Arroyo, CFO, who will be available for the Q&A session. This presentation and the third Q '25 earnings release are available on BBVA's Investor Relations website, [ir.bbva.com.ar](http://ir.bbva.com.ar), and will also be available for download in the chat. First of all, let me point out that some of the statements made during this conference call may be forward-looking statements within the meaning of the safe harbor provisions found in Section 27A of the Securities Act of 1933 under U.S. federal securities law. These forward-looking statements are subject to risks and uncertainties that could cause results to differ materially from those expressed in the forward-looking statements. Additional information concerning these factors is contained in BBVA Argentina's annual report on Form 20-F for the fiscal year 2024 filed with the U.S. Securities and Exchange Commission. [Operator Instructions] I will now turn the call over to Mrs. Belen Fourcade. Please go ahead.

María Belén Fourcade: Good morning, and thank you all for joining us today. In the third quarter of 2025, BBVA Argentina has managed to sustain its growth strategy, demonstrating the strength of its fundamentals and the effectiveness of its management. We maintained a focus on operational efficiency through careful administration of our fees and strict control of expenses, which allowed us to navigate the volatile context in which interest rate levels have doubled. The period was marked by high political uncertainty, which resulted in strong movements in financial variables. The Central Bank implemented a more restrictive monetary policy with increases in reserve requirements, a new daily compliance scheme for them and changes in the instruments used to regulate the money supply, which led to a sharp rise in the level and volatility of interest rates. The electoral results in the province of Buenos Aires at the beginning of September added further doubts about the continuity of the government's economic policy. Deposit rates increased from levels of 30% at the beginning of July, reaching peaks of 70% during September. Furthermore, demand for exchange rate hedging increased, resulting in some dollarization of deposits while loan growth slowed down. Nevertheless, credit to the private sector of the system achieved a real-term increase of 7% during the quarter. Although this scenario was quickly reversed after the outcome of the national elections in October heavily supported the ruling party, the results of the financial system were not exempt from the impact of what happened during the quarter. On the one hand, the high level of rates affected the continued deterioration of the system's delinquency. And in addition, it had a negative impact on intermediation margins given the faster speed at which liabilities are renegotiated compared to assets despite the short duration of the latter. In this scenario, we are leveraged on active pricing, careful portfolio management and strict control of expenses, which has allowed us to navigate a context of higher provisions and delinquency while still driving growth in activity. The aforementioned negative impact on margins was mitigated by the high percentage of floating rate sovereign debt in the securities portfolio. In this context, the bank's total loans to the private sector grew by 6.7%, and the consolidated market share was 11.39%. Regarding deposits, a real-term increase of 10.2% was also achieved so that the market share rose 44 basis points and reached the double-digit figure for the first time, up to 10.09%. As for asset quality, the NPL ratio of BBVA Argentina on private loans reached 3.28% as of September of 2025, a figure that

remains below the system average. BBVA is renowned for presenting delinquency ratios consistently below the sector average, which reflects the quality of its credit risk management and its prudent approach to portfolio origination. Regarding the liquidity ratio, the bank remains at a comfortable level, which at the end of the quarter reached 44.3% of deposits. The capital ratio stood at 16.7%, decreasing 170 basis points compared to the previous quarter, mainly explained by the temporary impact of the sovereign debt valuation, yet it continues at ample levels that allow us to sustain our growth strategy. Moving to Slide 2, 3 and 4. I will now comment on the bank's third quarter 2025 financial results. BBVA Argentina's inflation adjusted net income in the third quarter of 2025 was ARS 38.1 billion, decreasing 39.7% quarter-over-quarter. This implied a quarterly ROE of 4.7% and a quarterly ROA of 0.7%. The decrease in quarterly operating results was mainly explained by lower operating income, mainly due to: one, a deterioration in loan loss allowances; two, lower net interest income; and three, a drop in the line of net income from measurement of financial instruments at fair value through P&L.; These were positively offset by substantially better net fee income, operating expenses and other operating income, including nonrecurring concepts. As previously mentioned, it should be noted that the quarter was marked by an increase in average interest rates in a context of volatility, regulatory changes of minimum reserve requirements and uncertainty raised by the electoral period, which cleared up after the results, reversing several of the negative impacts. Net income from the net monetary position was 5.7% lower quarter-over-quarter, explained by a stable quarterly inflation. Turning into the P&L; lines in Slide 3. Net interest income was ARS 585.5 billion, decreasing 6.6% quarter-over-quarter. In the third quarter of 2025, interest income increased less than interest expenses in monetary terms, driven by the sudden increase in interest rates. While income from loans increased 19%, income from the government securities increased 66.6% given the high percentage of TAMAR floating rate bonds in the portfolio, which rapidly captured changes in market rates. Expenses increased mainly due to higher deposit costs, in particular, due to time deposits. Loan loss allowances increased 37.1%, explained by the deterioration of nonperforming loans, in particular, on the retail book, which implied higher provisioning as well as the publicly known deterioration of NPLs, both for BBVA and for the system. The effect of loan loss allowances can be observed in the evolution of the cost of risk, which reached 6.63% in the third quarter of 2025. Net fee income as of the third quarter of 2025 totaled ARS 137.1 billion, increasing 37.5% quarter-over-quarter, thanks to continued alignment in pricing strategies, both in fee income and expenses. During the third quarter of 2025, total operating expenses were ARS 494.6 billion, decreasing 3.4% quarter-over-quarter. Several improvements are observed in administrative expenses, mainly due to proactive efficiency measures in: one, software; two, outsourced administrative expenses; three, advertising; and four, armored transportation. In the case of software, the decrease is due to a reestimation of expense provisions. For advertising and armored transportation, diverse actions have been taken in the aim of improving efficiency. Both the efficiency ratio as well as the fee to expenses ratio evidence the stability and improvements that are taking place on these lines of the income statement, and we expect them to improve even further for 2026. Private sector loans as of the third quarter of 2025 totaled ARS 12.8 trillion, increasing 6.7% in real terms quarter-over-quarter. Growth was mainly driven by an increase in loans in foreign currency, boosted by commercial lending, mainly prefinancing and financing of exports and other loans, which include investment project loans and a position in correspondent banks. On the peso portfolio, credit cards and pledge loans stood out. The latter was partially affected by an accounting reclassification done by the subsidiary companies from the other loans lines to the pledge loan line. In the case of consumer loans, prudence policies taken in a context of higher deterioration of nonperforming loans were noticeable in this line with 0% growth. Overdrafts fell 12.1%, driven by the rapid increase in interest rates mentioned previously. After years of commercial segment growth over retail, the sudden increase in interest rates took a toll on commercial loan demand, which tends to be more sensitive to changes in interest rate movements, making the commercial loan book slightly fall versus retail in the portfolio mix. BBVA Argentina's consolidated market share of private sector loans reached 11.39% as of the third quarter of 2025, improving from 10.58% a year ago. Regarding asset quality, BBVA Argentina's nonperforming loan ratio on private loans reached 3.28% in September 2025, a figure that remains below the system average. This was due to an increase in the nonperforming retail portfolio, reflecting a deterioration in nonperforming credit card and consumer loans, which aligns with the overall systemic trend.

Commercial nonperforming loans, however, showed very good performance, remaining in 0.10%. As we can see on Slide 6, as of the third quarter of 2025, total gross loans and other financing over deposits ratio was 85%, below the 88% recorded in the second quarter of 2025 and above the 65% in the third quarter of 2024. Participation of total loans over assets is 57% versus 58% in the second quarter of 2025 and 43% in the third quarter of 2024, evidencing a slightly higher exposure to the public sector, driven by the changes in reserve requirement regulation concerning reserves in kind and also in line with the lower origination of loans as a consequence of prudential actions in a high NPL environment. On the funding side, as of the third quarter of 2025, total deposits reached ARS 15.4 trillion, increasing 11.2% quarter-over-quarter. The bank's consolidated market share of private deposits as of the third quarter of 2025 reached 10.09%. Private nonfinancial sector deposits in pesos totaled ARS 9.8 trillion, an increase of 7% quarter-over-quarter. This was explained by an increase in time deposits and in interest-bearing checking accounts. This effect was partially offset by a drop in investment accounts. Private nonfinancial sector deposits in foreign currency expressed in pesos increased by 16.6% quarter-over-quarter. This is mainly due to an increase in time deposits, mainly investments from mutual funds, followed by an 8.3% increase in savings accounts. As of the third quarter of 2025, capital ratio reached 16.7%. The drop was due to an increase by 7.4% in risk-weighted assets, which was higher than the 2.9% decrease in common equity Tier 1 capital, the latter affected by the fall in the valuation of public securities mentioned previously. This explains 2/3 of the quarterly decrease in the capital ratio. Public sector exposure, excluding Central Bank totaled ARS 3.6 trillion, implying a 16.4% exposure above the 15.88% recorded on the second quarter of 2025. The quarter-over-quarter increase is mainly due to a higher position in securities at amortized cost related to the higher requirements [indiscernible] correspond to TAMAR bonds. For the quarter, liquidity ratio reached 44.3%, lower than the 48.7% in the prior quarter. In local currency, the ratio decreased 779 basis points to [ 37.6%, ] explained by the lower valuation of public securities, affecting the overall drop in the total currency liquidity. Liquidity in foreign currency increased 152 basis points to 57%. In line with our commitment to generating value for our shareholders, the bank continued with the payment of dividends corresponding to a 2024 financial year -- having successfully completed the installments 3 to 6 as of the date of this report. In summary, despite the challenges of the environment, BBVA Argentina has demonstrated notable resilience and effective management during the third quarter of 2025. The positive growth in credit, delinquency levels below the system average and the strength in liquidity and capital ratios are a testament to the quality of our risk management and prudent approach. We reiterate our firm commitment to continue driving activity, maintaining operational efficiency and generating sustained value for our shareholders. This concludes our prepared remarks. We will now take your questions. Operator, please open the line for questions.

Operator: [Operator Instructions] Our first question comes from Brian Flores with Citi.

Brian Flores: Apologies. I was having technical issues. I have 2 questions. The first one, kind of a mandatory one on the guidance. Just wanted to check if you are reiterating the real loan growth at 45% to 50% year-over-year with deposits at 25% in real terms. I think the last time we discussed the ROE range you provided was real ROE of 10% to 15% and expectations of the Tier 1 ratio between 16% and 16.5%. Just wanted to check if all of these items are maintained given obviously a hectic third quarter. My second question is on basically loan growth. You showed market share gains, very strong loan growth. But just given the economic stagnation of the third quarter, how much of this growth would you consider genuine versus merely refinancing from existing clients that were struggling with liquidity. Just wanted to understand how we should think about loan growth going forward.

Carmen Arroyo: Everyone. Okay. Brian, regarding your questions, regarding guidance, we are okay with this 45% to 50% in real terms loan growth. In terms of deposit, we see something more than what you said. So something similar to 30%, 35% could be okay for us. ROE, we are thinking of high single digits. And in terms of capital ratio, finishing the year near the 17%, around 17%. So that would be the changes -- in fact, there's no change in our guidance. We are maintaining a similar view for the whole year. So that's one issue. Then regarding loans and what you asked about refinancing and if the growth is genuine or not. So we believe the growth is fully genuine. You have to consider that part of the loan growth is related to U.S. dollar loans. And then if you take a look to personal loans, you will see that we are very flat. So we didn't grow in that line. So of course, the situation in the retail side regarding

personal loans and credit cards is delicate due to NPL growth, and that's why we've been more prudent on the growth there. And our growth comes from, as I said, U.S. dollar and very linked to companies, of course.

Brian Flores: Thank you, Carmen. I think the last time we spoke was maybe 3 weeks ago in one event we hosted. You mentioned the sustainable ROE of the bank is around mid-double digits at least. So just wanted to think if maybe 2026 is a transition year towards this level.

Carmen Arroyo: Okay. So I was talking about the end of 2025. Maybe I misunderstood your question. Related to 2026, yes, we maintain the mid to -- yes, mid- to low teens, I could say. So 2026 will be better than this year, maybe not at a sustainable pace. But yes, so the trend should go upwards. So yes, we can maintain this mid to -- yes, low to mid-teens here.

Operator: Our next question comes from Tito Labarta with Goldman Sachs.

Daer Labarta: Two questions also. Just any update on just the daily reserve requirements and what the government is thinking on maybe reducing that and just to allow for better liquidity and your ability to grow? And how do you see that continuing to impact NIM maybe in 4Q and then maybe for 2026, just high-level thoughts on how the NIM can evolve? And then second question, as you mentioned, the retail NPLs, right, have been rising, just given some of the short-term uncertainty. How are you thinking about asset quality from here? Do you think that reverses quickly? Do you think -- how long of a prolonged credit cycle would it be? Just to think about asset quality and then your ability to grow the retail loan book?

Diego Cesarini: This is Diego. Thanks for the question. I will take the first one. Regarding reserve requirements, Central Bank has already made some changes. The third quarter was very difficult because they -- not only they raised reserve requirements 2 or 3 times, but they also had us to comply it on a daily basis. So that made us a little inefficient. They have already changed this from the 1st of December, we -- even if we have to comply with those requirements on a daily basis, we need to comply just 75% of the total requirement that the Central Bank makes us to comply. So this is a huge change for us. This will reduce this inefficiency to 0. And besides, they also reduce the percentage of requirement on our site deposits. So that has a direct impact on profitability because this is money that was allocated at 0 rate at Central Bank. And now well, we can have -- we can comply that with bonds. So this makes an important change for us and for banks in general. We expect Central Bank in the coming months, of course, to reduce the level of requirements. This monetary policy that has been very restrictive in the -- since May or June, we think that with time, they will relax this. And of course, that will provide us with more liquidity to fund growth we are expecting for next year.

Carmen Arroyo: Okay. And I'll take the question related to NPLs and what we see. So NPLs, as you know, so we have ended September with 3.28%. The system was above that, near 4%. So we are doing better than the system. Of course, the environment has been very complex in this quarter with inflation going down in a very quick way and interest rates still very high in real terms. So this is affected, of course. What we see is that we will see a fourth quarter, which will be also complicated in that sense. So maybe we see something higher. So NPL is higher than this quarter, not pretty much. And then 2026 needs to be a much better year. So in terms of NPL and in cost of risk, something similar. We see cost of risk that has been 6.63% by the -- so this 9 months. We see something higher, but not really dramatic, so by the end of the 2025 and then a decrease in 2026.

Daer Labarta: Great. That's helpful. Just one follow-up on as the reserve requirements get relaxed, I mean, rates, I think, have come down from the peak as well. How do you see the evolution of NIM, right? Because we saw some NIM pressure in the quarter. Do you think that already begins to reverse in 4Q? Just to think about the net interest margin evolution from here?

Diego Cesarini: Okay. NIMs, when you take out the third quarter, which is very special, of course, NIMs have been really stable through the year. And I think that, that will be the main conclusion. Third quarter, of course, was special because rates went from 30% to almost 70% on a given day. So having liabilities from 1 day to 40, 50 days, that really impacts much quicker than our asset repricing. Which, by the way, our assets are also short term in general terms. We -- just as an example, 60% of our bond portfolio was adjusted by interest rates. So it reflected this rise almost immediately and in a way that help us with the NIM through this quarter. We didn't fall as much as many competitors. So for fourth quarter, of course, the opposite trend, we should expect that. We should see higher NIMs. And for next

year, we are not really thinking that NIMs should go down that quickly. With this demand of loan that is, of course, will remain high, we hope it will remain high and liquidity, which is not as much. It's not scarce, but it's not that high. We think that banks and us especially have a pricing power with our customers. So we are not expecting NIMs next year to fall that much.

Operator: Our next question comes from Carlos Gomez-Lopez with HSBC.

Carlos Gomez-Lopez: Two questions. One, as you mentioned, the asset quality is still going to deteriorate into the fourth quarter. So essentially, my question is the damage from the high interest rates, when do you think that will be gone? We will see it through? And have you seen already demand started to come or it's still too early? And second, what is the optimal level of capital that you want to achieve now that you have come down all the way from 33% to, I believe, 16.7% now. Where would you like to stabilize the capital level?

Carmen Arroyo: Thank you, Carlos. So related to the demand on credits, what we see is that the retail side is going to come back slowly maybe. We need to see how long does it take to go through this NPL high ratios. So maybe in the retail side, we will see, yes, a slow move. But in commercial, what we see is that U.S. dollar needs to -- we are already having high demand on U.S. dollar credits for companies and also pesos. So what we see is a different -- so we have a different view between retail and commercial. So we believe this 45% to 50% loans growth will come through companies and mostly dollar-based. So that's the first question.

Diego Cesarini: Carlos, this is Diego. Regarding capital level and where we feel comfortable. As Carmen said before, we are thinking that 2025 will finish with a ratio of around 17%, probably a little higher. And for the coming years, when -- first of all, we have a management level, which is the minimum level that we feel comfortable that is around -- it's a little below 13%. Having said that, when we forecast for the 4, 5 next years and every year, we are forecasting that Argentina financial system will grow in real terms and that BBVA will keep growing in market share. And considering all that, we are not forecasting that we will reach that level of 13% or 12.75%. So we have some possibilities, of course, of issuing at any given moment, subordinated debt. We do not have at this moment a Tier 2 instrument in our book. So we really are not seeing concerns regarding capital for the coming years.

Carlos Gomez-Lopez: And this is a bit technical, but actually, when I was looking at risk-weighted assets, there seems to have been something changing in the formula from second quarter to third quarter. Your capital consumption seems to be much higher than what the loan growth seems to justify. Was there a regulatory change that we overlooked?

Diego Cesarini: No. What -- if you are mentioning our decrease in the third quarter, it's mainly because the valuation of our public sector debt [indiscernible] a lot because at the end of the third quarter was the worst moment for Argentinian assets. Bonds were at the worst moment. Next month, in October, our capital ratio will be much higher than in the third quarter.

Carlos Gomez-Lopez: Okay. So this was temporary and in October it should go back up. And going back to the loan demand that we mentioned before. So we have this high NPLs that have to be absorbed digested. So the problem right now is lack of demand in terms of customers or lack of willingness on the part of banks to lend until that NPL situation is solved.

Carmen Arroyo: I would say it's both. Yes. So in retail, of course, yes, commercial -- so as I mentioned, commercial is another story, and we are okay with that. So -- but in retail, I guess it's both. So these high interest rates are doing part of the situation. But yes, it's lack of demand and also more restrictive lending policies. So yes, both.

Operator: Our next question comes from Pedro Ofenhagenen with Latin Securities.

Pedro Ofenhagenen: I wanted to ask what risk or pressure points do you identify in this new credit expansion after the electoral result and for 2026? And if there are any specific segments you are -- where you anticipate greater sensitivity maybe?

Carmen Arroyo: Sorry, Pedro, I'm not sure if I got your question right. Can you please repeat?

Pedro Ofenhagenen: Yes. No, looking at credit growth for 2026, if the -- what risk or pressures do you see if NPLs liquidity or what are you looking at for credit growth?

Carmen Arroyo: No, we don't see an issue related to capital or liquidity. So that's for sure. Then of course, as I mentioned before, we need to be cautious on the retail side in NPLs looking at the -- so we need to see where it ends, this high NPLs, what we think is that we will see the worst part by the end of

this year, maybe beginning of the next year. And from then on, it should go back to more normal levels. So that's in the retail side. In the commercial side, we don't see anything. So there is demand. So we believe with the reforms and if everything goes in the direction that the government is announcing, what we believe is that there will be more willingness from the companies to go long to make investments, and we will have the opportunity to fund those in pesos and in dollars. So no restrictions in terms of capital and liquidity, I would say it's the most important message to give.

Operator: Next question from Mateus Raffaelli with Itau BBA.

Mateus Raffaelli: So I'd like to ask about coverage ratios and cost of risk because we've been seeing coverage trending downward covering 99% as NPLs continue to rise in the short-term outlook, at least for continued increase in NPLs, but the bank is still growing significantly portfolios. So how should we think about coverage ratio levels in this particular scenario of high growth and high NPLs? And I know coverage is an output of the models, but it would be nice to hear if maybe this is the core level for coverage ratios and should improve or maybe still comfortable with these levels considering the portfolio growth mix, more commercial retail. And also if you could give us an outlook for retail NPLs, maybe it stabilizes going into the second half of next year or maybe early in that...

Carmen Arroyo: Okay, Mateus, thank you for your question. So first of all, maybe it's good to notice that coverage ratio were really, really high because of the lack of NPLs in the past years. So we were at a very good level of this ratio. And now, of course, in a more complex environment, it's normal that you see a reduced coverage ratio. Then these levels, we are comfortable in this 98% to 100% levels for 2025. We believe we are not going to decrease much more for this year. And then 2026, we are already projecting higher levels. So it should be the minimum levels we are forecasting to see.

Operator: The Q&A session is now concluded. I would like to turn the floor back to BBVA's team for closing remarks.

María Belén Fourcade: Okay. Thank you all for joining the call. And if you have any further questions, please do not hesitate to contact us. Have a good day, and goodbye.

Operator: This concludes today's presentation. You may disconnect, and have a nice day.