

GGAL Earnings Call Transcript

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Quarter: 3

Operator: Good morning, ladies and gentlemen, and welcome to Grupo Financiero Galicia Third Quarter 2025 Earnings Call. This conference is being recorded, and the replay will be available at the company's website at gfgsa.com. [Operator Instructions] Some of the statements made during this conference call will be forward-looking statements within the meaning of the safe harbor provision of the U.S. federal securities law and are subject to risks, uncertainties that could actual results would differ materially from those expressed. Investors should be aware of events related to the macroeconomic scenario, the financial industry and other factors that could cause results to differ materially from those expressed in the respective forward-looking statements. Now I will turn the conference over to Mr. Pablo Firvida, Head of Investor Relations; and Gonzalo Fernandez Covaro, CFO. Please Mr. Firvida, you may begin your conference.

Pablo Firvida: Thank you. Good morning, and welcome to this conference call. According to the monthly indicator for economic activity, MI, the Argentine economy recorded a 5% year-over-year increase during September. In year-to-date terms, the economic expansion reached 5.2%. During the third quarter of 2025, the primary surplus reached 0.5% of GDP and an overall surplus of 0.1% of GDP was reported. This result was explained by revenues increasing by 32.8% year-over-year, whereas primary spending rose 30.6%. During the first 10 months of 2025, the primary balance stood at 1.4%, while the financial balance amounted to 0.5% of GDP. The national consumer price index accumulated a 6% increase during the third quarter of 2025 and 24.8% year-to-date increase as of October. After 4 consecutive months below the 2% mark, headline inflation was 2.1% in September and 2.3% in October, accumulating 31.3% in the last 12 months, the lowest level since July 2018. The third quarter was marked by high volatility in the months leading up to the midterm elections. The exchange rate came under pressure at times nearing the upper limit of the floating band which prompted the Central Bank to step in with foreign exchange sales. Nonetheless, the exchange rate averaged ARS 1,400 per dollar in September 2025, a 15.6% devaluation compared to June 2025. Meanwhile, peso-denominated interest rates saw sharp swings, reflecting increased uncertainty and liquidity shift. In fact, the average rate on peso-denominated private sector time deposits for up to 59 days, averaged 48.7% in September 2025, up 16.5 percentage points from June 2025 levels. Private sector deposits in pesos averaged ARS 94.1 trillion in September, increasing by 5.6% during the quarter and 53% in the last 12 months. Time deposits in pesos rose 13.1% during the quarter and 76.3% in the year. Peso-denominated transactional deposits decreased 2.4% during the third quarter, but increased 31.5% in year-over-year terms. Private sector dollar-denominated deposits amounted to \$32.6 billion in September 2025, increasing 7.2% during the quarter and rising 38.9% in the last 12 months. Peso-denominated loans to the private sector averaged ARS 79.3 trillion in September, showing a 9.7% quarterly increase and a 105.4% year-over-year. Private sector dollar-denominated loans amounted to \$18.3 billion, recording a 15.8% quarterly growth and 153.4% annual increase. Turning now to Grupo Financiero Galicia. Net loss for the quarter amounted to ARS 87.7 billion, due to losses from Banco Galicia for ARS 104 billion, from Naranja X for ARS 6 billion and from Galicia Seguros for ARS 12 billion, partially offset by the profits from Galicia Asset Management for ARS 25 billion. This loss represented a minus 0.8% annualized return on average assets and a minus 4.7% return on average shareholders' equity, while accumulated annualized figures for the fiscal year reached 0.9%

and 4.7%, respectively. The quarter includes extraordinary restructuring expenses associated with the merger with HSBC for ARS 105.3 billion net of income tax. The quarter ROE without the extraordinary expenses would have been 1%, and the 9 months ROE 6.9%. The result from Banco Galicia included ARS 101.1 billion of extraordinary expenses, and in addition, were negatively affected by the increase in the cost of risk associated with the growth of the loan book and the increase in the nonperforming loans in the retail segment, particularly in personal loans and credit card financing. Together with a decrease of financial margin associated to an environment of high interest rates and regulatory increase of reserve requirements. It is also worth noting that most of the comparisons will be made against the second quarter of this fiscal year as figures for the third quarter of 2024 do not include information about the acquired business of the former HSBC Argentina. Net operating income decreased 23% and net interest income decreased 10%. Net results from financial instruments were down 89%, and loan loss provisions increased 26%, which were partially offset by a 9% growth of net fee income and a 12% increase profit from gold and FX quotation differences. Average interest earning assets reached ARS 22.7 trillion, 8% higher than in the previous quarter, primarily due to the increase of the average portfolio of loans in, 5% in pesos and 27% in dollars. In the same period, its yield decreased 259 basis points, reaching 30.1%. Interest-bearing liabilities increased 27% from June 2025, amounting to ARS 19.9 trillion, primarily due to the increase of time deposits in pesos and of saving accounts in foreign currency. During this period, its cost increased 88 basis points to 16.5%. Net interest income decreased 10% when compared to the second quarter because of a 35% increase in interest expenses due to a 36% higher interest rate on time deposits, partially offset by a 7% increase of interest income, mainly due to a 12% higher interest on loans and other financing to the private sector. Net fee income increased 9% from the previous quarter due to a 6% higher income from credit card fees and up 19% from fees on deposits. Net income from financial instruments decreased 89% due to an 88% lower result from government securities. Gains from FX quotation differences were 12% higher from the year ago quarter, including the results from foreign currency trading following the lifting of exchange restrictions. Other operating income increased 11% in the quarter, mainly due to the 45% increase in other income, primarily corresponding to credits recovered. Provision for loan losses increased 26% due to the growth of the financing portfolio and to an increase in delinquency that is limited to personal loans and credit card financing to individuals in pesos. Personnel expenses were 83% higher than in the second quarter due to the voluntary retirement program recorded in connection with the restructuring plan following the acquisition of HSBC's business in Argentina. Administrative expenses were 11% lower than in the previous quarter due to a 32% decrease of expenses for maintenance and repairment of goods and IT, and to 14% decrease of higher administrative services. Other operating expenses increased 5% due to a 7% higher turnover tax. Results from the net monetary position decreased 9% from the second quarter following the declining evolution of inflation. The income tax charge was positive as the pretax net income was a loss. Demand financing to the private sector reached ARS 20.4 trillion at the end of the quarter, up 14% in the last 3 months, with peso financing increasing by 5% and dollar-denominated financing growing 35%. Net exposure to the public sector was 3% down in the previous -- comparing with the previous quarter, primarily due to a 38% decrease in government securities in pesos measured at fair value through OCI, offset by an increase in government securities in pesos at amortized cost. Deposits reached ARS 22.9 trillion, 8% higher than the quarter before, mainly due to a 26% increase in dollar-denominated deposits, mainly time deposits that were up 72%. The bank's estimated market share of loans to the private sector was 14.8%, 30 basis points higher than at the end of the previous quarter and the market share of deposits from the private sector was 16.4%, 40 basis points higher than in the second quarter of 2025. The bank's liquid assets represented 94.5% transactional deposits and 59.2% of total deposits compared to 94.3% and 65.2%, respectively, from a quarter before. As regards to asset quality, the ratio of nonperforming loans to total financing ended the quarter at 5.8%, recording a 140 basis points deterioration as compared to the 4.4% of the second quarter. And as I mentioned before, the deterioration is limited to the personal loans and credit card financing portfolios. At the same time, the coverage with allowances reached 105%, down 16.4 percentage points from the 117.9% recorded a quarter ago. As of September 2025, the bank's total regulatory capital ratio reached 22.1%, decreasing 160 basis points from the end of the second quarter, while the Tier 1 ratio was 21.8%, down 140 basis

points during the same period. In summary, the third quarter was marked by high political effects and monetary volatility and negatively affected margins and asset quality. And in addition, the results were affected by very high onetime expense due to the restructuring of the merged banks. Despite this, Grupo Financiero Galicia was saving to keep liquidity and solvency metrics healthy levels, and we expect an improvement in profitability during the fourth quarter and next year. And now Gonzalo Fernandez Covaro will make some additional remarks.

Gonzalo Covaro: Hi, everyone. Well, continue with what we see for the future. I mean regarding how we see the rest of the year, October continued with low margins due to the high interest rate that we saw in the third quarter. But we are already seeing a vast improvement in margins in November. We are already really seeing margins at the same level than second quarter and the first half of the year in August -- in November, and we expect the same for December. Portfolio performance still needs some time to get back on track, so we still see a deterioration in the fourth quarter at a lower trend than before, but still some. So overall, bank will be better, will improve returns, mainly due to the margin improvement. But Naranja X, we have some headwinds in terms of portfolio performance up. With this mix, we are seeing the ROE for the full year 2025, around 4%, the reported one. And if we exclude the nonrecurring integration costs that we mainly booked in the third quarter we should be around 6%. Talking about 2026, we're expecting an ROE in the low teens range, I would say, between 11% and 12%. Of course, a lot of moving targets for next year. We will be updating this guidance in further quarters. But this is our best case scenario to be around 11% to 12%. Margins, we'll see improving them in the first months of the year, together, what we are seeing in November, December, then some kind of light reduction as a consequence of the rate reduction, but not really high, the reduction. So we'll still see healthy margins next year, I would say, in the levels of the second quarter. NPLs, we expect a peak on NPLs in March of next year, but then improving as a good portfolio that we are originating is gaining weight in our mix and that we will end the year with NPLs better than the run rate that we are having now. And regarding costs, we are also seeing a reduction in year-over-year in cost because of all the restructuring we have done. And you saw the restructuring costs we booked in the third quarter and that generated 1,000 heads reduction in the group quarter-over-quarter. And that's -- if we add up all the year, we have a headcount reduction of 2,000 heads for the year. So that is, of course, generating reductions -- cost reduction for next year. We are seeing already fourth quarter of next year, our projection shows, our fourth quarter of next year ROE run rate already at 15% level. So that put us with a solid base to start '27 and deliver ROEs above 15% is the target ROE that we are aiming for the longer future. So with that, I mean, we are also open for any questions you may have.

Operator: [Operator Instructions] Our first question comes from Daniel Vaz from Safra.

Daniel Vaz: I'm looking at your capital ratio of '21 at the group level, and it was down 120 bps from the second quarter. I'm just wondering if you said that your cohorts -- new cohorts of origination are getting better, so you expect a peak in NPL in March. So -- but still your ROE is super low compared to your targets, right? So how do you expect that capital would be ranging in this scenario, what's your bottom of capital that you would like to work as a risk-taking level for the group or for the controller, which is this bottom that you would like to limit your capital? And if you need at some point to reduce your origination and how you're dealing with the new originations compared to your beginning of the year? Because at the beginning of the year, the longer duration, I think it hurt your margins, mainly your cost of risk. But when we compare to other players, other fintechs, their duration is faster to adjust. So both these 2 questions here blend into each other. So first, capital and how is your origination compared to your duration in the beginning of the year going right now?

Gonzalo Covaro: Regarding capital, our capital also was impacted by the reserve in OCI, the other comprehensive income with the bonds that are valuated at hold to collect and sale that you have a reserve in equity that moves between the accrued income in the bonds and the market -- mark-to-market. But as you know, in the third quarter, there was a big reduction in bond prices. So that we had a ARS 160 billion negative reserve in equity due to those bonds that affects, of course, the equity ratio. On October, we -- our Tier 1 ratio in October is already at 24.5% in the -- talking about the bank. And that's, of course, because now this OCI reserve is slightly positive. So it has an improvement of ARS 160 billion in 1 month because as you know, after the elections, the rally that all the bonds have. So really, with these levels of capital, we are comfortable. We -- I would say that our minimum

appetite to operate is 13.5%, 13%, 13.5%, but we don't expect to get close to that in the near future. We believe that with the projection we have, we have enough capital until the -- at least until the end of 2027. So -- and without any limitation for growth. So I would say that's -- of course, that's something that we monitor and we will be updating regularly. But with this -- now that the reserves of the bonds are stabilized, we don't see really the need for capital or any restriction in the growth of our loan book, at least the whole next year and 2027. Regarding the second question, I think I didn't get it very well.

Pablo Firvida: Origination of loans and maturity of the loans.

Gonzalo Covaro: I mean, we continue to originate, I mean, both commercial and consumer lending. We have put some slowdown in the consumer lending due to the portfolio quality, as you have seen. First mortgages will reduce significantly the origination of mortgages. In that case, not because of quality, but because of -- there is not any securitization market. And as you know, we cannot be putting 30-year lending without any securitization market where we can offload those loans. But we continue -- in the consumer sector, we continue lending personal loans that may have a duration of 2 years, 2.5 years. And now we are also increasing car loans or auto loans that same duration. Talking about commercial financing, we are still originating a very short duration. Slightly, we start to increase duration because the demand was not there. Now with after elections, with Argentina stabilizing and with a lot of growth potential in the country, we are expecting to see more projects for our clients to finance longer terms, but that's not yet happening, but we are expecting that next year, the duration in the commercial lending should be getting longer than what we have today.

Operator: Our next question comes from Ernesto Gabilondo from Bank of America.

Ernesto María Gabilondo Márquez: My first one is on your loan growth expectations. What should we think for next year? If you can give us some color on the expectations per segment? And also, I believe there have been some announcements on private investments in Argentina. Have you quantified an amount? Or can you give us like some direction or color in which regions and sectors are you perceiving these new private investments? And how would you be willing to participate through corporate loans, as you mentioned, SME loans? That will be very helpful. Then my second question is on asset quality. I believe -- I'm just double checking, you mentioned NPL ratio could be peaking by March next year. And if that is correct, if you can provide any potential range? And if you are seeing the same trend on the cost of risk, if you're expecting cost of risk also to peak by March next year? And how should we think overall for the cost of risk next year?

Gonzalo Covaro: Thank you for the question. I mean talking about, yes, the color of next year, we see -- I mean, growing lending in 25%, more or less in real terms. I mean we want to continue gaining market share. So of course, this number will be adjusting according how the market grow. We see market growing around 20%, 22% in real terms, of course. We -- in terms of sectors, yes, we are growing -- I mean, I think that the commercial lending will be capturing a lot of attention. I mean, as you said, there are a lot of projects and investments in the country that we have a lot of customers already starting to talk about it. We also want to continue growing the consumer lending with, of course, the new origination tools and the models adjusted in order to book better credits. But we will start a bit slower in the first month, start continue a bit slower as we are having this month and then restart the full growth as we see that the quality is improving. Talking about commercial lending, yes, we are seeing a lot of the investment mainly in the oil and gas sector. As you know, Vaca Muerta continues with a lot of attention in the mining segment -- I mean, sector, sorry, copper, lithium, a lot of focus there also. We are very -- also very present in the agri business. And this year, the agri business is going to have a very good harvest. And we are anticipating good investments for next year also in this sector that we will be also joining there. And we are also starting to see M&A; starting to move, local M&A;, companies, some privatizations that may come close that we don't have yet the names, but we're starting to hear rumors that some may not be huge privatization, but yes, smaller companies that can come to the market. And of course, the idea for us is to be close to our customers there. Some of those projects are going to be too big for the local financial market to finance because when we talk about oil and gas, the amounts are huge. But we will always be there to participate with smaller tickets or to be there in transactions that local balance sheets can afford. So again, we are very close to our commercial customers. And really, we see a sentiment on appetite for Argentina, on appetite for investing. And that's where we are seeing that our next year, we are going to be growing faster than the

market, and that will help also to improve the returns year-over-year. Talking about NPLs, yes, we are expecting our peak on NPLs around March next year. We are seeing that the peak would be around 7%, 6%, 7% -- and the cost of risk, yes, again, same thing. We are seeing also peaking next year in March for the bank, I'm talking, and we'll see more or less cost of risk between 9% and 10% the peak. Then going down those -- both ratios to end the year at lower numbers that is what we -- that we expect. I mean we are already seeing the new harvest of consumer lending at much better behavior than the old ones. We still need the time to digest the older portfolio and see the results that will come after, I would say, second, third and fourth quarter of next year.

Ernesto María Gabilondo Márquez: Super helpful, Gonzalo. Just another question in terms of this potential growth that you can see for the loan book next year. Another competitor just mentioned the possibility to tap the markets next year. Is this something that you are also exploring?

Pablo Firvida: Bonds or equity?

Ernesto María Gabilondo Márquez: In bonds.

Gonzalo Covaro: Equity. I mean, the financing or equity?

Ernesto María Gabilondo Márquez: Yes, debt financing.

Gonzalo Covaro: I mean, yes, of course, it's something that we have always in our alternatives need to see how -- the windows are starting to open. Really, we don't -- we are not seeing now the need. But of course, that's something that we are always evaluating. And we need to see, of course, the equation, the profitability equation of the cost that the market could offer at some point. But yes, mainly considering larger tickets or the projects that they may come, yes, definitely, it's an alternative that we consider very seriously.

Operator: Our next question comes from Brian Flores from Citi.

Brian Flores: I just wanted the first question to be a clarification on the ROE trend because you mentioned the peaks of NPLs and asset quality, as you mentioned, cost of risk by March, right, of 2026. So you mentioned 11% to 12% in terms of real ROE for 2026 with reaching the 15% in the fourth quarter. So would that mean we should see a mid- to high single digit in the first half? Just thinking about the speed of the recovery, right? Apparently, it seems to be a very gradual recovery. Just wanted to check on that trend, Gonzalo. And then my second question is perhaps a follow-up on Ernesto because I think we're all thinking about external funding, right? But you have perhaps one of the best franchises in Argentina. meaning that deposits are very, very relevant. So I just wanted to understand if the visible funding cost advantage that you have demonstrated in previous quarters should continue? Or do you think the -- I would say, the funding cost war should, I would say, increase or deepen in 2026?

Gonzalo Covaro: No, thank you. So first question about ROE trend. I mean, yes, I mean, we see first quarter slower. I mean, I would say that the numbers you mentioned could be right. I mean, we see a recovery first quarter will still be -- I mean, margins, we are going to be already in the first quarter at good levels, but we will still have some kind of heavy burden of NPLs still the last month of that and then starting to recap in the third quarter. So I would say that, yes, lower ROE in the fourth quarter and then recapping the trend until the 15 in the fourth quarter and continue with that in 2027. But yes, your assumption is right in terms of ROE evolution. Remember that the group has also Naranja and the bank and Naranja also needs to improve that portfolio performance. That's why also we need a couple of months from next year in order to be able just to go above 2 digits in ROE. Talking about the funding, what's the other one? -- funding. I would say that, yes, that's why my question was -- I mean, our idea is -- my answer before to Ernesto was, yes, we are analyzing potential debt in the market, but we always look first at our deposit base. We see some possibilities for next year. In deposits, we see that we -- the market liquidity is coming back. With interest rate reduction, the market will be also more liquid. We see that there may be some changes in regulations for mutual funds that put some limitations for the banks to go to the market to place funds in the market. So they -- that liquidity should come back to banks. As you know, the money markets are a huge holders of funds from deposits from customers in Argentina. And they put part of their deposits in banks, but also they go to the market and place those funds in the market in Cauces. And next -- according to next year, they should be able to put more money of those in the bank, and that should also provide more liquidity to banks to lend. That will be another source of liquidity for banks. So -- we are aiming to increase our deposits to gain market share in

deposits. All our business lines have that mandate because we consider it the more stable funding and the cheaper one or the more the cost-efficient one. But of course, depending on the speed of the credit growth, we may need to go to the market. And we need to do it, we'll do it. But our first priority is deposit, and we really believe that deposit next year should start to grow better than this year. I wouldn't say same pace than lending, but better than this year.

Brian Flores: Perfect, Gonzalo. I think the last guidance you mentioned in the second quarter on deposit growth was around 35% in real terms. So I just wanted to check if you are revising this number. And also, I understand, as you mentioned, the deposit growth for 2026 is going to be lower than the portfolio.

Gonzalo Covaro: Yes. For this year, I mean, we are keeping, yes, those guidance for growth. For next year, we are seeing more like 20% in real terms deposits, 25% lending. But again, that's something -- I mean, a lot of moving targets for next year. So we will be updating those guidance because we'll see how -- we need to see how the country is changing. 1 month ago, we were with a lot of volatility. Now stabilizing interest rate reductions. So we need to see how everything comes together, but that's our -- so far, it's our assumption around 20% for next year.

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

Daer Labarta: A couple of questions also. I guess, just on the Naranja, you mentioned Gonzalo that needs to recover as well. Do you think NPLs peaked there also in 1Q? Or how do you see the evolution of asset quality in Naranja and then also your ability to resume growth at Naranja? And then second question, just on margins, do you think we saw some pressure this quarter, I mean, just given all the liquidity issues in the quarter. Do you think this is the bottom? Should that already begin to recover in 4Q? Or will that take a little bit longer until you start to get the loan growth and asset quality under control, just to think about the evolution of margin in the short term and I guess, thinking about 2026 as well.

Gonzalo Covaro: Yes. Talking about Naranja, I would say that we are seeing the same -- more or less same amount, same timing for the peaking. I mean, third March, April next year, same and they're also doing a lot of things. Their turnaround, I would say that the, but they have a shorter duration in lending. So they cure their portfolio faster than the bank. So yes, I would say March should be also the peak for them, and we are expecting also an improving on NPLs for Naranja for the rest of the year. Of course, as they go to lower segments, they have bigger swings on the bad, but then on the good at the same time. Talking about...

Pablo Firvida: NIMs.

Gonzalo Covaro: NIMs margins, yes. Margin, yes, we saw the bottom was October. I mean, I would say fourth quarter still has October, which is 1 month with a low margin. So in the quarter, you still -- in the next quarter, you still see 1/3 of the month, I would say, with a bad margin. I would say October was a bad margin because it was the worst month before the elections, the election month. But then November, really, we are seeing a quick, fast turnaround and fast improving in the margin. And December, I would say it will be 100% at the second quarter levels. So yes, to your question, the bottom was, I would say, October, third quarter and October. But November, December already recapping December already at the same or pre-volatility levels, I would say. So for next year, margins will be at good levels. Of course, then after the second half, slightly reduction because with the continued rate reduction. Today, what we are seeing is our cost of funding reducing significantly now and our lending start to reduce the interest rates at a slower pace because we have already booked longer-term lending at higher rates. So we will enjoy those higher margins first half of next year. And then we may see some slight reduction, but nothing significantly next year yet. So in a summary, yes, the bottom was third quarter and October.

Daer Labarta: Okay. No, that's helpful, Gonzalo. And just on the reserve requirements, I mean, they've been reducing a little bit. Do you think it's enough now that liquidity is less of an issue? Do you think that they need to reduce the reserve requirements further from here? Or how do you think about that and the impact on your liquidity?

Gonzalo Covaro: I would say so far, it's -- I mean, so far, in these months, it's okay. The Central Bank, as you know, made some changes in liquidity requirements like last week and that were better, mainly in the calculating the daily calculation, but also they reduced 3.5% the cash encashments that are 0

interest, so that will also give some improve EBITDA margins for banks going forward starting December. This is starting December 1. but they reduced -- so that's not significant for injecting liquidity to the market. But I would say that at some point next year, that may be revisited again by Central Bank because at some point next year, it could be needed. So it's something that I wouldn't say that is needed now or the next 3 months, the next quarter. But at some point, depending on how the market behaves, could be there is an opportunity for a revision on that side.

Operator: Our next question comes from Camila Azevedo from UBS.

Camila Villaça Azevedo: My question is a follow-up on Ernesto's question on asset quality. I would like to get a better view of the asset quality dynamics during this quarter, mainly between segments. And you said we should end the year with better NPLs than current levels. Could you please share more details on that? So it could be in general terms, what should we expect? And with this, with which coverage ratio would be comfortable going forward?

Pablo Firvida: Sorry, Camila, there was a noise in the middle of the conversation. We couldn't get the first part. Yes, the part of ratio, not the other part.

Camila Villaça Azevedo: Sorry. Sure. So I'll repeat the entire question. Like I would like to get a better view on the asset quality dynamics during this quarter and which levels should we expect for the end of the year? You said that we should expect better NPLs. So in general terms, at which levels? And did you get the coverage ratio part?

Pablo Firvida: Yes.

Camila Villaça Azevedo: Okay. So that's it.

Gonzalo Covaro: I mean when we talk about NPL better than the end of next year, not this year, right? I mean this year, we still -- as we said, that the peak will be March next year. So what we are seeing, and this is for the end of 2026, NPLs, I would say, in a range of 4.3%, give or take, more or less 4%, 4.3%, 4.5%. I mean that could be the range of NPLs by the end of '26.

Pablo Firvida: And the coverage?

Gonzalo Covaro: I didn't get that.

Pablo Firvida: And the coverage, the last number is 101.5%. Really, it comes from the model of expected losses, talking with the credit department, they say that the coverage is beginning to grow, and it's likely that at the end of next year would end up at 110%. But really it's...

Gonzalo Covaro: When you create -- we grow your book, you create a lot of upfront reserves and that increase your coverage, then you start using those, and that's where we are now. And that when it comes, now we want to stabilize the portfolio and that should start growing again. But now we are in the process of using the upfront reserves that were booked when the portfolio grew a lot. And now we are also accelerated the growth, so you don't have a lot of upfront books because of new loans and you are using what you booked before. It's kind of a mathematical thing. But we are comfortable with the level we have.

Operator: Our next question comes from Pedro Offenhenden from Latin Securities.

Pedro Offenhenden: I wanted to ask if there are any remaining integration costs from the HSBC acquisition that could impact results in the coming quarters?

Gonzalo Covaro: No. I mean, I would say the restructuring, nothing big. I mean we may have some small thing in the fourth quarter, but regarding systems that we are shutting down, but not restructuring cost, which is the big portion, we booked everything in the third quarter, not just the people that left in the quarter, but also what we plan that the ones start leaving until the end of the year. So everything is booked there. Something very small, not related to restructuring may happen in the fourth quarter related to system, but really small, nothing important.

Operator: Our next question comes from Carlos Lopez from HSBC.

Carlos Gomez-Lopez: First of all, congratulations on how brave you are because you are giving predictions for the ROE for the middle of the year and for the end of the year. And I hope that those forecasts are actually achieved. More concretely, I realize that we have gone through 3 conference calls, and I don't think anybody has told us what their economic assumptions are. What do you expect for inflation, interest rates and the currency for the end of next year? Maybe you have said it and I missed it, sorry for that. And second, in terms of liquidity, your LDR in pesos is around the 100% level and more partial it is because of Naranja. Is there an absolute level beyond which you would rather not

go and therefore, you might be able to -- you might be willing to restrict your loan growth until deposits catch up?

Pablo Firvida: In terms of macroeconomic assumptions, we have -- I will tell you the last estimates from our Chief Economist for this year and next year, GDP growth, 4% for this year, 3.7% for next year, inflation ending this year, 30% next year, inflation, 18% and FX 14.10 at the end of this year and 16.10 -- next year, end of next year. And LDR in pesos, loan-to-deposit ratio.

Gonzalo Covaro: Yes. I mean we -- I mean, as you know, we're talking about first LDR, then we have our LPR, which is the liquidity coverage ratio that we have more than 180%, so very, very liquid there. In loan-to-deposit ratio, we are -- but we are at 99%, 100%, but we are comfort -- we are assuming that our deposits -- peso deposit will continue to grow. And what happened also in the third quarter and in October is a lot of high realization happening in the economy because of what was happening in the election, what was expected in the election. So we saw deposit in pesos to turn into dollars. Now we are starting to see some kind of reverse thing that some of the actors selling the dollars and going back to pesos because they need to operate and they are not expecting a devaluation in the near term at least. So we believe that we have other means to grow deposits or to go to the market. So really, we don't see that as -- even though we monitor that and we want to -- that's why we are putting a lot of focus in deposit growth, but we expect that could -- deposit growth could come with us, and that will help us to continue growing the peso lending. We don't see a constraint in the growth because of that so far.

Carlos Gomez-Lopez: You don't see that as a constraint?

Gonzalo Covaro: No.

Carlos Gomez-Lopez: Okay. And in terms of the dollarization, you're completely right. There has been dollarization both of loans and deposits. You and the other banks are mentioning demand for dollar loans. Should we expect, therefore, further dollarization of the banks on the asset side? And have you started to see or not yet a reduction in demand for dollars? Have you seen actual dollar sales back to pesos?

Gonzalo Covaro: I mean lending in dollars, yes. I mean, we see in the commercial lending high demand or higher, I would say, demand in dollar lending. So that is continuing, mainly what we are seeing these projects that we are talking about, we expect that to continue. So yes, we have grown a lot of our deposits in dollars starting the tax amnesty that [indiscernible]. And after that, we -- our share in deposits, dollar deposits is higher than our fair share. So we are taking advantage on that. And of course, with the limits, internal limits that we have to lend dollars, et cetera. And we can also go to the market and get dollar debt, which the market is there also. So yes, we expect to continue growing dollar lending, of course, at a moderate rate considering the liquidity limits that we have internally to our dollar deposits. Dollarization, of course, the demand for dollars, I mean, from our customer base talking about purchase of dollars after the election has gone down. But I mean, it was a very, very high level before the election, it has gone down to normal levels. In Argentina, you always have people buying dollars. But that -- it's something that can come back again if there is any noise or any political uncertainty. But so far, we expect this to be quiet in the next months and not really -- is now at, I would say, first month of the year levels, and we expect this to continue at this stage.

Carlos Gomez-Lopez: Can you give us an idea about the levels of your dollar purchases that you are seeing from your customers? I mean other banks have told us they went from 1 million -- \$5 million or \$6 million to \$30 million or so per week. Where are you and where are you relative to, let's say, the second quarter or the first quarter?

Gonzalo Covaro: Yes. I mean we used to have like \$50 million per day. We are now at, I would say, \$15 million, something like that. So lower levels -- lower levels. I mean, it's daily levels, but same level at the beginning of the year, I would say.

Carlos Gomez-Lopez: So that would be the level of the beginning of the year as well, the \$50 million.

Gonzalo Covaro: Yes, more or less, yes.

Operator: Our next question comes from Yuri Fernandes from JPMorgan.

Yuri Fernandes: A quick follow-up. Most of my questions have been already asked. But just on asset quality, and there were many questions about the peak and how you are seeing. But what makes you confident that first quarter will be the peak? Because we heard before, right? I think second quarter was

supposed to be the peak than third quarter. Now we're talking about the first quarter 2026. And I know it's hard, but what is the leading indicators you are looking for? Like why you think it should improve? Is asset like lower yields on loans moving lower? Is the economy improving? Is, I don't know, any kind of underwriting lessons that you learned in this last year? Just trying to understand what drives the confidence for improved asset quality. And just a second one on this topic. How your expected loss model should work on this? Should we start to see lower provisions now because you are calling for improvement ahead? Like -- or no, you still need to do some kind of incurred losses provisions. Help us to understand the difference between incurred losses and expected losses here for you.

Gonzalo Covaro: I mean, I would say that, of course, when you make an expectation for the future on NPLs, there are 2 things that plays. One thing is what you can control and the other thing that you cannot control, which is the market and how the economy is doing for families and for people. Of course, what that -- what we always talk is about what we are doing and what we expect that will create a change. Then in the middle, you may have elections, you may have interest rate going up that you couldn't expect before, many things living in a country, in a developing country that, I mean, 1 month ago was in the border of hyperinflation if the elections were with a different scenario. And now we are all again drafting that -- but with a lot of volatility in the middle that you have a lot of interest rate going now and families being affected. That's why it's not that easy to predict what's going to happen. It's our best estimate with considering what we can control. As you know, people do estimates. So what we are doing is, of course, we changed the score of the customers we are lending to. Our score now it's a better score. It's a higher score. We are -- we cut a lot of the lower scores that we used to have. We reduced limits in some of the lending. we, of course, monitor the roles and we see the roles by vintage and by harvest. And we are seeing that new origination is behaving before than the old one. Then of course, you have in the middle credit cards, which is just that it's not new origination, credit cards, I'm talking about personal loans, the first thing. Now we're going to go to credit cards, it's old customers that starts to behave bad that you didn't do anything, but it just started to behave different because of adjustments they had in the family economy, et cetera. So in that sense, we are also seeing some slight improving in personal loans. I mean we are talking about -- we see personal loans improving, credit cards still having a heavy lifting, and that's why we still see this going on, on the third quarter -- on March. If it's February or April or May, I mean, this is again, I think what Carlo was saying, well, you are predicting ROE, you are a magician. We are doing our estimate today, I mean, with what we have. Of course, that we cannot guarantee that the ROE will be 11% is an estimation with the forecast we have as all banks does in the world. This is the same. This is with the tools that we have, we made those changes that we expect that they are going to reduce changes, again, going to better scores, cutting limits and monitoring that roles of the new lending is coming better than the old ones. Then we -- if there is something in March or February that happens that affects families' incomes again, well, we cannot predict that. But with the assumptions and the economy as is today, we expect this to happen.

Yuri Fernandes: No, no, super clear. I know it's hard. Good examples. I was just trying to understand the -- what has changed, right?

Gonzalo Covaro: We are talking also about the dynamics. Sorry, I didn't answer that one. The dynamic of the models, I mean the point is that when the new lending, you are booking new losses or new reserves for the new lending considering the behavior of the past lending. So you still won't see a lot of reduction in the I would say, the cost of risk in the same in the first month because even though you're originating or we are originating better quality, you still need to book reserves considering the past performance of your portfolio. You cannot say, well, this is -- these guys are better, so I will book a lower -- a better performance because you didn't see that in your book. So that's why at the beginning, you will take some time in have a reduction in the cost of risk because the new lending is also booked considering the behavior of the past lending. Then when you start proving that those lendings are -- or those customers are behaving better than the old ones, then you start reducing your cost of risk. But that's something that is gradual. It's not that quick. That's why we will see first quarter of next year still with higher provision.

Operator: Our next question comes from Santiago Petri from Franklin Templeton.

Santiago Petri: I understand you mentioned you're expecting return on equity by the mid-teens by 2027. I would like to know what loans to GDP assumption you are assuming for this achievement. And if this

return on equity is the sustainable steady state that you are aiming at or you are aiming at a higher return on equity? And what will be the steady state loan-to-GDP penetration in Argentina under this assumption?

Gonzalo Covaro: Mean what we are seeing is, I mean, loan to GDP today is around 10%, 11%, more or less. I mean, we are expecting in our projections, if everything goes right, that this can improve 2% per year. We -- our aim is to be a sustainable ROE between 15% and 20%, I would say. That's the aim. We expect, I mean, with everything going right with our assumptions to be around 15% by the end of next year. So starting at 15%, we -- I consider that by 2027, we could be in that range. Still, we don't know what Argentina will find by that time. But if everything continues to improve, loans to GDP continue to grow at least 2% per year, we believe that, that could be the range in 2027 and onwards, maybe 2027 still at mid-teens and 2028 already at higher teens. But our aim for the longer term with a country that is already stabilized with our changes in our operating model, we are also working in changing our operating model or how to serve our customers to reduce cost and compete with the fintechs, with Mercado Pago that we know that they have a much lower cost to serve. So with that already everything implemented, we -- our aiming is to be between 15% and 20%, I would say. And that should be after 2027.

Pablo Firvida: Okay. I think that was the last question right?

Operator: Right, Pablo.

Pablo Firvida: Okay. Well, so thank you, everybody, for attending this call. If you have any further questions, please do not hesitate to contact us. Good morning, good afternoon.

Gonzalo Covaro: Bye-bye.

Pablo Firvida: Bye-bye.

Operator: Grupo Financiero Galicia is now closed. We thank you for your participation, and wish you a very good day.