Moody's LOCAL | Argentina

INFORME DE CALIFICACIÓN

March, 15 2024

Summary Review Report

Banco Industrial S.A.

CURRENT RATINGS (*)

Local currency (LC) bank deposits	AA.ar/EST
Foreing currency (FC) bank deposits	AA.ar/ EST
Short-term LC bank deposits	ML A-1.ar
Short-term FC bank deposits	ML A-1.ar

PREVIOUS RATINGS (*)

Local currency (LC) bank deposits	AA-.ar/EST
Foreing currency (FC) bank deposits	A-.ar/EST
Short-term LC bank deposits	ML A-1.ar
Short-term FC bank deposits	ML A-2.ar

(*) Calificaciones de Riesgo asignadas por Moody's Local AR Agente de Calificación de Riesgo S.A., Registro No. 3 de la Comisión Nacional de Valores.

Para mayor detalle sobre las calificaciones asignadas ver la sección Información complementaria, al final de este reporte.

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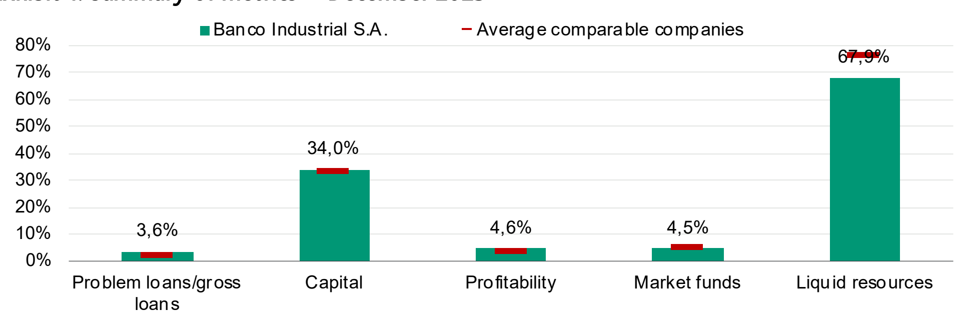
Key Metrics

	2023	2022	2021	2020
Reported *(ARS million in constant currency as of December 31, 2023)*				
Assets	763.620	585.274	603.284	617.709
Liabilities	617.626	448.240	477.512	503.577
Equity	145.994	137.033	125.773	114.132
Total loans	101.690	122.961	196.267	190.097
Total deposits	506.930	397.375	422.736	448.214
Income for the period	34.856	23.342	11.640	35.911
Bad debt expense	20.813	2.982	4.227	6.959
Ratios				
Problem loans/gross loans	3,6%	2,5%	2,1%	3,0%
Provision for loan losses/problem loans	353,5%	239,5%	275,2%	260,0%
Capital	34,0%	23,2%	16,5%	18,7%
Profitability	4,6%	4,0%	1,9%	5,8%
ROAA	5,2%	3,9%	1,9%	6,3%
ROE	24,6%	17,8%	9,7%	37,3%
Funding structure	4,5%	3,8%	5,1%	3,5%
Liquid resources	67,9%	57,7%	42,6%	49,1%

Note: Information as of fiscal year ending, and quarterly information. based on local generally accepted accounting principles (GAAP) and Basel II; in constant currency as of the cut-off date. A detailed calculation of this metric can be found in Appendix I: Technical glossary

Exhibit 1: Summary of metrics – December 2023



Note: Includes entities rated at the AA.ar level, available as of the date of this report
Source: Moody's Local Argentina based on the entity's financial statements and information form the Central Bank of Argentina (BCRA)

Summary

Moody's Local AR ("Moody's Local Argentina") upgrades the long-term local currency deposit rating of Banco Industrial S.A. ("BIND") to AA.ar from AA-.ar, and affirms the short-term local currency deposit rating at ML A-1.ar. At the same time, it upgrades the long-term foreign currency deposit rating to AA.ar from AA-.ar and the short-term foreign currency deposit rating to ML A-1.ar from ML A-2.ar. The outlook for the long-term ratings remains stable.

The upgrade in the ratings reflects the consolidation of BIND's growth in the transactional market through its strong focus on technological innovation. This focus has enabled it to achieve cost efficiency and report solid credit metrics. As of December 2023, the bank had an inflation-adjusted return on capital of 24.6%, with an average of 17.4% for 2021-2023, indicating its strong profitability. In terms of solvency, BIND reported robust levels of capitalization, measured as tangible common equity over risk-weighted assets (RWA), with metrics that rose to 34% as of December 31, 2023 (24.6% on average for 2021-2023) above its comparable peers.

BIND maintains a strong focus on innovation, with a team specifically oriented towards digital banking. This has allowed it to serve as a banking services provider for several local leading fintechs and various digital wallets. The bank was a pioneer in the launch of open APIs, with the ability to perform a variety of operations (DEBIN, transfer issuance, Debines, Echeqs, account movement queries, and CBU and CVU ownership validation). BIND launched APIBanco, a platform designed to integrate clients and services and optimize the offering of digital loans for SMEs. These developments enabled the bank to increase its participation in the transactional segment, where it already held leading positions in the business of factoring and discounting commercial documents. Furthermore, APIBanco revenues have grown in real terms in recent years and have generated greater diversification in the bank's income sources (4.5% of total operating income as of the end of 2023).

In terms of funding, around 50.1% of BIND's deposits are concentrated in the top 10 depositors as of December 2023. The client with the highest volume is Industrial Asset Management (15.87% of deposits as of December 2023), the asset manager of BIND group, which among other funds manages Mercado Fondo. This partially mitigates the concentration in funding given the atomization and granularity of these funds which have around 13.6 million investors.

The ratings also consider that BIND has an adequate asset quality, with a delinquency ratio of 3.6% as of December 2023, slightly above the average of its peers. Similarly, the bank has a conservative management of its riskiest assets and maintains high levels of provisions: 353.5% of its problem loans. The level of capital reported by the bank is, in our opinion, sufficient to support situations of moderate stress and potential increases in credit losses derived from the weak macroeconomic scenario, as the real-terms contraction of the loan portfolio reduces the needs for capital allocation.

We consider that the exposure to instruments of the public sector links the bank, as well as the rest of the banking entities in Argentina, to the risk of refinancing public debt and changes in the conditions of monetary policy.

On March 11, 2024, the BCRA lowered the rate of remunerated liabilities to 80% from 100%, and at the same time, issued Communication "A" 7978, which eliminated the minimum fixed term rate. According to Moody's Local Argentina, while there will be a decrease in interest income from PASES, the deregulation of the minimum fixed term rate will allow the generation of a positive spread. Likewise, we expect that the free passive rate will increase competition among banks for deposit funding.

The foreign currency ratings assigned by Moody's Local Argentina contemplate the risk of transfer and convertibility reflected in potential regulatory restrictions. The upgrade in BIND's foreign currency ratings reflects our consideration that this risk has currently decreased due to the cessation of the validity of Resolution "A" 7030 issued by the Central Bank in 2020 that restricted entities' access to the Single and Free Exchange Market (MULC) to face their foreign currency debt.

Issuer profile

BIND, a private bank funded domestically, offers financial services to businesses, corporations, and individuals. It leads in areas like commercial document discounting, factoring, retail financial services, and capital markets.The bank is part of the BIND Group, which also includes a fund manager, a company dedicated to the leasing business, an insurance broker, and a Mutual Guarantee Society (SGR), aiming to be a reference in innovation and services for the financial system through the development of digital technology.

The bank initially focused on the corporate banking segment and then ventured into retail banking by addressing the needs and expectations of each client, to whom it offers a wide variety of productsBIND is a pioneer in the use of factoring and check discounting as a financing tool for SMEs. On the other hand, the bank has developed a comprehensive offer of specialized services in corporate banking, foreign trade, capital markets, and exchange markets to support companies in channeling their investments. They have a specialized management team in the personal loan segment and payment of benefits to retirees and pensioners.

In recent years, the bank has made significant investments in technology and innovation and has developed products for transactional and digital banking, being pioneers at the national level in offering open APIs, and in managing liquid funds from various leading fintechs in the local market. In 2018, BIND partnered with Mercado Pago to launch a structured fund, managed by Industrial Asset Management. This has become the main low-risk investment tool with total availability of digital money in Argentina.

BIND shows a concentration of credits above other rated banks, which has been on an upward trend in recent quarters. As a mitigating factor, the concentration is mainly due to contributions made to Mutual Guarantee Societies (SGRs) and the holding of Negotiable Obligations, with lower credit risk than other corporate loans.

Credit strengths

» Significant focus and leadership in innovation and technology.

» Cost efficiency leveraged on technology

» Adequate portfolio quality, with moderate levels of delinquency and high coverage of the overdue portfolio.

» Solid capitalization, providing greater resilience to cope with potential losses in stress situations

Credit challenges

» Concentration of its loan portfolio, mitigated by holding private bonds that are less risky than other corporate loans and the contributions to SGR[1]

Concentration in deposits above the average of other comparable rated banks, mitigated by the fact that its highest volume client has an adequate diversification.

Stand-alone factor analysis

Financial profile

Asset risk

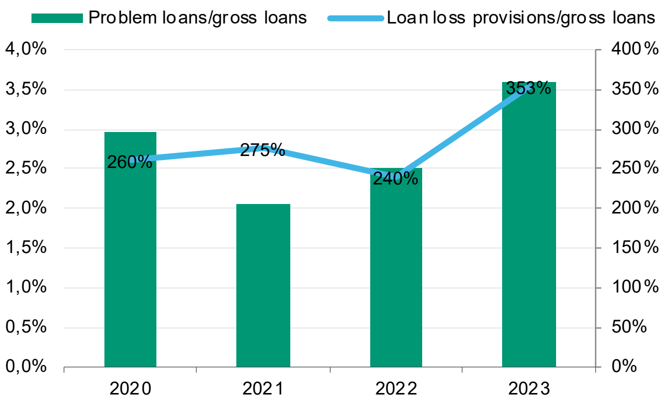
BIND's loan portfolio reached ARS 101.6 billion in December 2023, reflecting a real contraction of 17% compared to 2022, below the system-wide occurrence (31%), in a context marked by restrictive monetary conditions reflected by multiple increases in the reference interest rate to mitigate high inflation levels. Despite the drop in loans, the bank's total assets increased by 30% compared to 2022, and exposure to instruments with shorter maturity and higher liquidity issued by the BCRA increased, mainly pass-through operations, and national treasury instruments.

BIND's NPLs indicator, measured as a portfolio overdue more than 90 days over total loans, reached 3.6% in December 2023, higher than the average reported by the bank in 2021-2023 (2.7%). The granularity of their client portfolio is moderate, with the top 10 loans

[1] SGR are the specific type of Financial Guarantor in Argentina

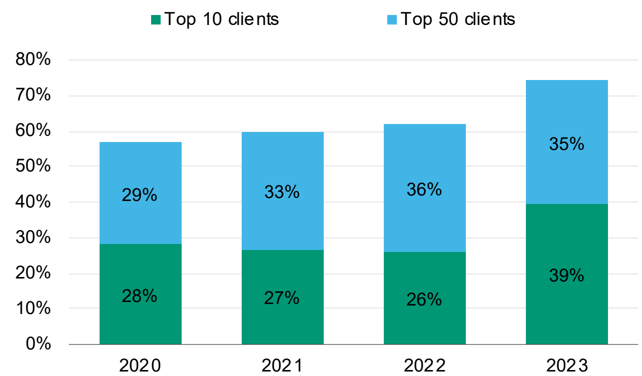
accounting for 39.4% of the total. The bank has a conservative management approach to its riskiest assets, evidenced by a provisioning index of 353.5% of its delinquent portfolio in 2023 (289.4% on average for 2021-2023) and 15.2% on loans to the non-financial private sector. Due to its relative low penetration of the credit portfolio on its balance sheet and its current ample coverage levels, the credit risk is considered low.

Exhibit 2: NPLs and reserve coverage



Source: Moody's Local Argentina based on the entity's financial statements

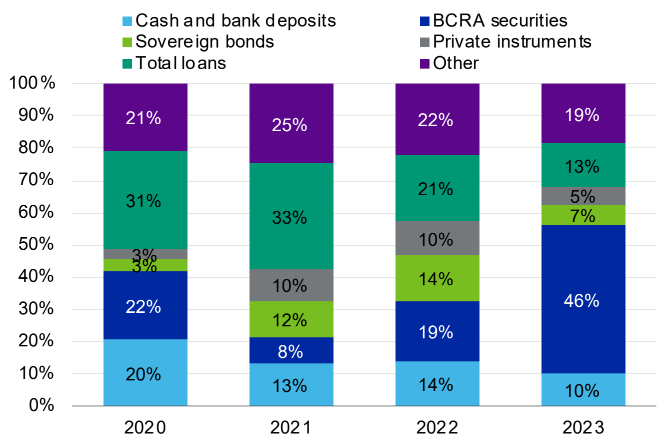
Exhibit 3: Granularity of the loan portfolio



Source: Moody's Local Argentina based on the entity's financial statements

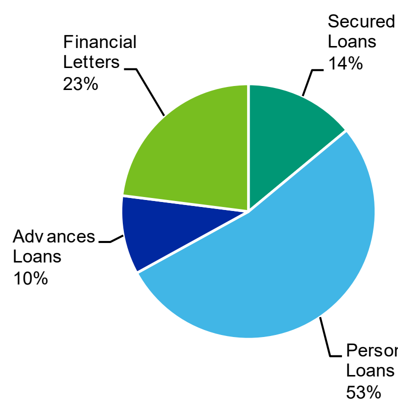
Given the transactional nature of BIND's operations, the financing portfolio has a low penetration on total assets (13.3%) and is divided into 83.5% in commercial loans, where the entity has leadership in the "factoring" business, and 16.5% in retail financing, where personal loans and advances are most relevant (Exhibit 5). In contrast, there is an increase in asset exposure to BCRA and sovereign government titles, which reached 46% and 6% of total assets in December 2023, respectively.

Exhibit 4: Composition of total assets



Source: Moody's Local Argentina based on the entity's financial statements

Exhibit 5: Loans breakdown– dic'23



Source: Moody's Local Argentina based on the entity's financial statements

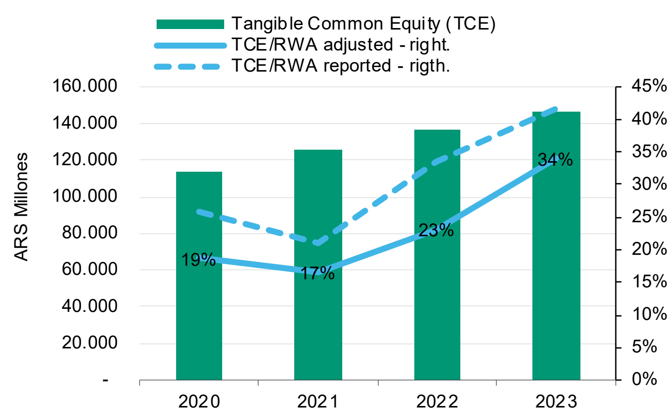
Capitalization

As of December 2023, private banks' capitalization, or Eligible Capital (TCE) over Risk-Weighted Assets (RWA), hits the pick in the last decade of 32.4%. This is primarily due to profit generation resilience in difficult operational conditions, dividend payment restrictions, and a real decrease in loans. For BIND, this measure climbed to 30.4%, surpassing its integration requirement by 3.6 times. This capitalization is supported by BIND's robust profit-making ability, rooted in a transaction-oriented approach emphasizing digital innovation in its productsBIND's capitalization level has consistently strengthened over the last few years in a context of positive profits, despite dividend distributions made to its shareholders. The bank's tangible common equity over risk-weighted assets (APR) adjusted was on average 24.6% for 2021-2023, and 34% as of December 31, 2023, while the unadjusted indicator rises to

41.6% at the end of 2023 (Exibit 6). The difference between the adjusted and unadjusted indicator is explained by exposure to BCRA liquidity Letters and Notes and to sovereign government securities, which we include in the adjusted capital indicator of Moody's Local Argentina.

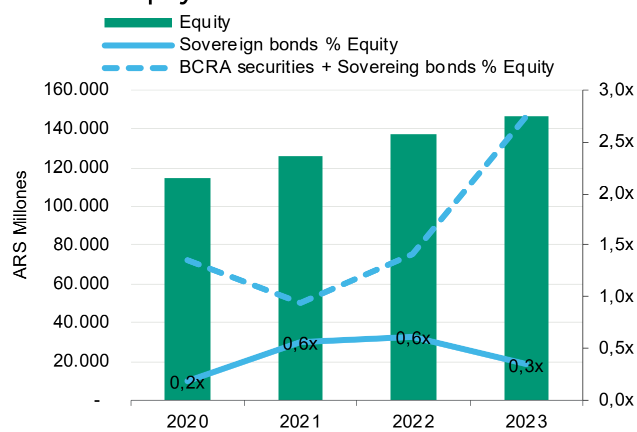
The level of capital reported by the bank is, in our opinion, ample, and could support moderate stress situations and potential increases in credit losses derived from the weak economic scenario, as the limited increase in the loan portfolio reduces the needs for capital allocation. BIND's equity to total assets ratio rises to 19.1% in December 2023, higher than reported by comparable banks in the same period (16.3%), and its exposure to Treasury securities and BCRA's Letters, Notes, and Passes rose to 0.3x and 2.4x the net worth, respectively.

Exibit 6: Tangible Common Equity vs RWA



Note: Values in constant currency from the last financial statement
Source: Moody's Local Argentina based on the entity's financial statements

Exibit 7: Equity



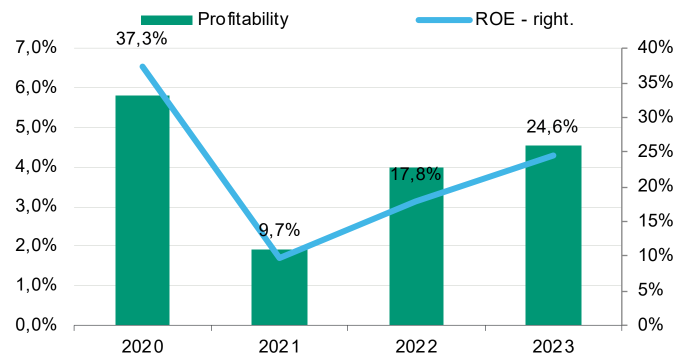
Note: BCRA includes repos with BCRA
Source: Moody's Local Argentina based on the entity's financial statements

Profitability

The bank's return on assets indicator as of December 31, 2023, is 5.2%, above the average reported by its comparable peers, and its ROE,24.6%. The fundamentals explaining its performance are improvements in real terms in its results from placements, mainly repos with the BCRA and instruments issued by the national treasury, which compensate for a complex operational context in the generation of a financing portfolio.

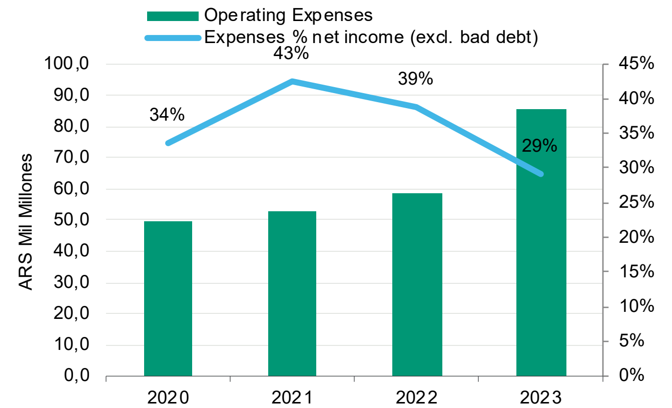
The entity's efficiency, measured as the share of operating expenses over net operating income, is, on average, in line with its comparable peers. Operating expenses comprise 29% of net operating income, a significant improvement compared to what was reported in the last three years (Exibit 9).

Exibit 8: Profitability and ROE



Note: The indicators from 2020 includes inflation adjustments.
Source: Moody's Local Argentina based on the entity's financial statements

Exibit 9: Efficiency levels

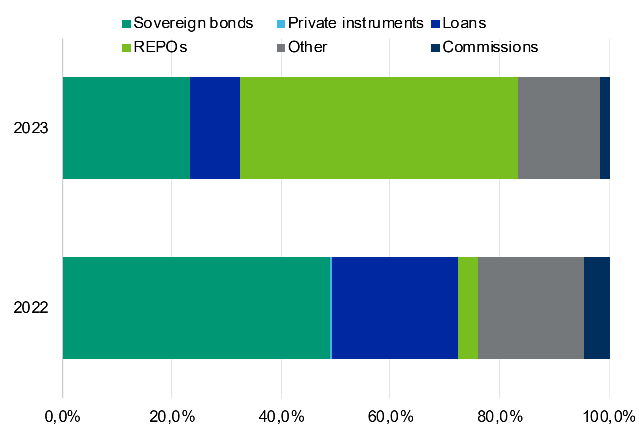


Note: Including salaries + administrative expenses
Source: Moody's Local Argentina based on the entity's financial statements

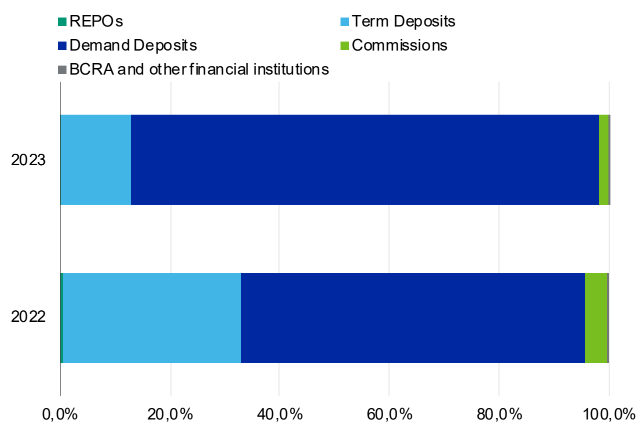
As of December 2023, the bank's accrued income is mainly backed by income from repos and government securities followed by loans. Repos represent 50.83% of total income, while public securities and loans account for 23.27% and 9.02% respectively, compared to values of 4%, 49%, and 23% at the end of 2022 (Exibit 10).

Income from results and interest on repos increased by 2859% compared to 2022, and public securities did so by 5%. On the expenditure side, the entity has an institutional deposit base that obliges it to remunerate its sight balances, these explain 85% of financial outflows and increase by 237% compared to 2022.Outflows for term deposits represent 13% of financial outflows, and show a reduction of3% relative to 2022.

Exibit 10: Income Breakdown



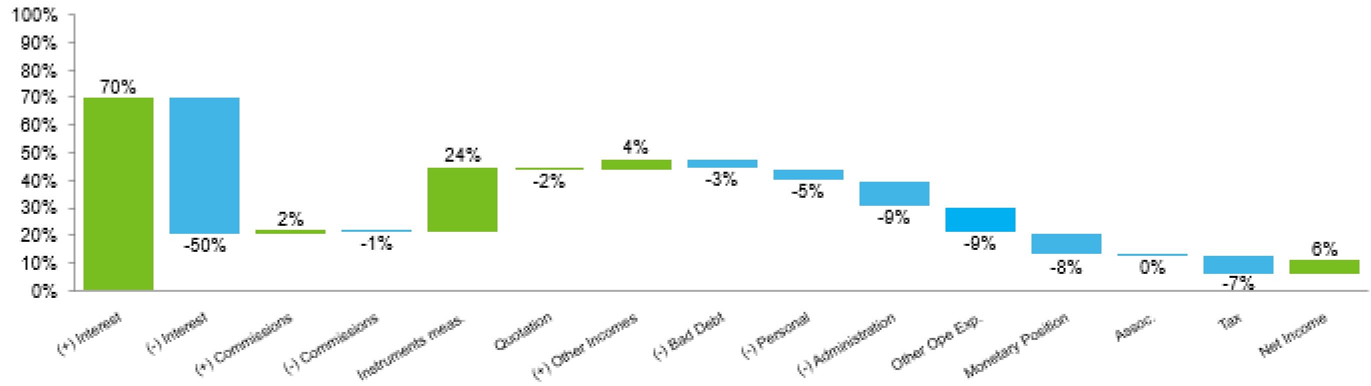
Exibit 11: Expenses breakdown



Source: Moody's Local Argentina based on the entity's financial statements
Source: Moody's Local Argentina based on the entity's financial statements
Note: This considers interests and results from fair value measurement with changes in outcomes.

The cost of risk, explained by the effect of uncollectibility charges on income generation, is in line with the average of the last three years. As of December 2023, the indicator absorbs 3% of the generated income (above the 1% presented at the end of 2022).

Exibit 13: Income and expenses as a % of total income – dec'23



Source: Moody's Local Argentina based on the entity's financial statements

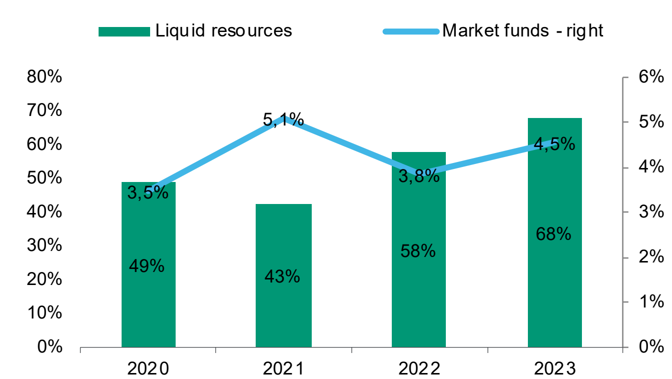
Liquidity

Funding structure and liquid resources

BIND's assets are mainly funded by deposits from the non-financial private sector. The entity presents a financing structure below the average of its comparables, reaching 4.5% in December 2023. As of December 31, 2023, deposits represented 66.4% of its assets (82.1% of its liabilities).

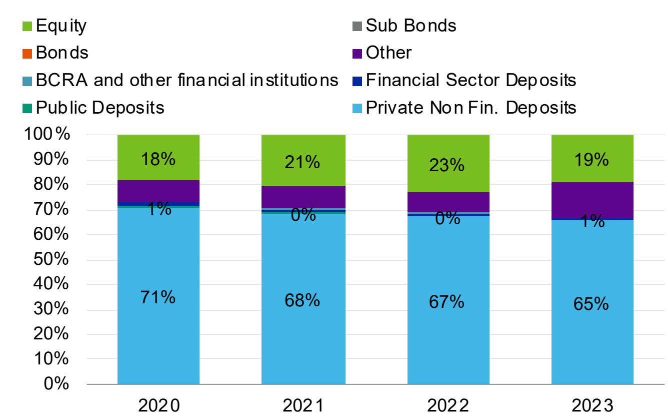
Due to the nature of its liabilities, BIND's liquidity is historically high, and its deposits are placed in repos (45.7% of its tangible assets) as a counterparty to its institutional deposits, and in public and private securities (6.5% and 5.4%, respectively). As of December 2023, the entity's liquidity, measured in relation to its tangible assets, shows values above its 2020-2023 average (56.1%), standing at 67.9%.

Exibit 14: Liquid resources and market fund



Note: Concepts expressed as a percentage of tangible assets
Source: Moody's Local Argentina based on the entity's financial statements

Exibit 15: Composición del fondeo total

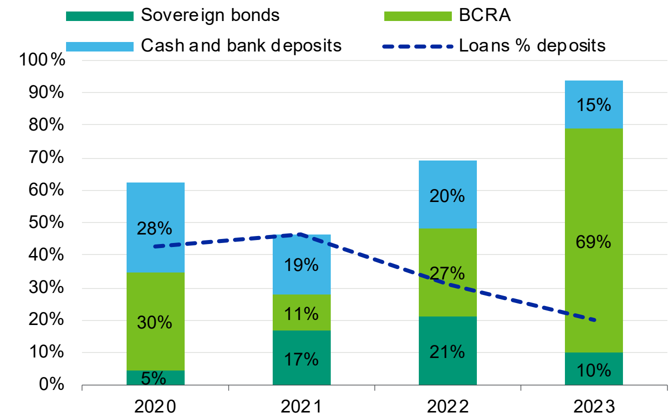


Note: Concepts expressed as a percentage of tangible assets
Source: Moody's Local Argentina based on the entity's financial statements

As of December 2023, the bank's 10 largest depositors accounted for 50.1% of total deposits, compared to 35.4% reported in December 2023, indicating a significant increase in the concentration of its main depositors. The coverage of BIND's deposits with liquid assets is adequate (Exibit 16), and is largely exposed to the BCRA and Argentine treasury bonds, while loans have fallen to represent 20% of them.

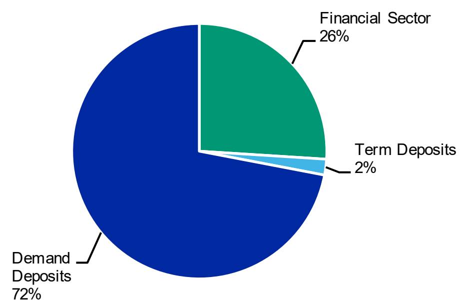
Of the deposits from the non-financial private sector, a portion consists of current accounts and savings accounts (Exibit 17) that reduce the cost of funding, and the rest is explained by remunerated accounts, given the corporate profile of the bank and the increase in the position of the FCI in the banking system. On the other hand, more than 245 thousand ANSES benefits are paid monthly between retirement benefits and social plans, accrediting the same in free savings accounts (Social Security accounts).

Figura 16: Liquidity and loans over deposits



Source: Moody's Local Argentina based on the entity's financial statements

Exibit 17: Deposits Breakdown – dec'23



Source: Moody's Local Argentina based on the entity's financial statements

Other considerations

Environmental, Social and Governance consideration (ESG)

BIND's exposure to environmental risks is low, consistent with our general assessment for the local banking sector. Banks, in general, face moderate social risks. The most relevant social risks for banks arise from the way they interact with their customers. Social risks are particularly high in the area of data security and customer privacy, which are partly mitigated by considerable investment in technology and the banks' long history of handling customers' confidential data. Fines and reputational damage due to misuse of products or other types of misconduct are other social risks. Social trends are also relevant in a number of areas, such as the shift in customer preferences towards digital banking services, as well as the increasing cost of information technology, concern about an aging population affecting the demand for financial services, or socially-driven political agendas that can translate into regulations affecting banks' revenue base.

Corporate governance is highly relevant to BIND, as it is to all participants in the banking industry. Governance risks are largely internal and continue to be a key factor requiring ongoing monitoring because some weakness in corporate governance could lead to a deterioration in a bank's credit quality, while governance strengths could benefit its credit profile. Currently, our opinion of BIND is that it does not present a greater concern in its form of corporate governance because its risk management framework is proportional to its risk appetite.

Financial statements, and operating and financial ratios

Banco industrial S.A.U

In ARS million (in constant currency as of December 31, 2023)	2023	2022	2021	2020
BALANCE SHEET[1]				
Cash and bank deposits	76.097	81.440	78.980	125.697
BCRA securities	351.077	108.400	48.205	133.917
Sovereign bonds	49.980	83.938	70.199	21.174
Total loans	101.690	122.961	196.267	190.097
Intangible assets	-	-	-	2
Total assets	763.620	585.274	603.284	617.709
Total deposits	506.930	397.375	422.736	448.214
Public sector	4.552	1.250	2.202	3.639
Financial sector	2.306	3.820	8.131	8.859
Non-financial private sector and foreign deposits	500.072	392.305	412.403	435.717
BCRA and other financial institutions	657	5.332	2.487	1.978
Notes[2]	-	-	-	-
Total liabilities	617.626	448.240	477.512	503.577
Equity	145.994	137.033	125.773	114.132
INCOME STATEMENT				
Net interest income	125.543	546	40.552	29.656
Net fee revenue	4.911	7.342	10.118	12.287
Bad debt expense	20.813	2.982	4.227	6.959
Net operating revenue	273.488	147.822	119.622	140.092
Employee benefits	28.106	25.327	23.298	21.422
Administrative expenses	57.702	33.311	29.371	28.030
Operating income	130.328	62.973	41.447	71.493
Pre-tax earnings	78.313	26.043	15.784	55.334
Net income	34.856	23.342	11.640	35.911
RATIOS				
Problem loans/gross loans	3,6%	2,5%	2,1%	3,0%
Provision for loan losses/problem loans	353,5%	239,5%	275,2%	260,0%
Loans/total assets	13,3%	21,0%	32,5%	30,8%
Concentrated funding[3]	39,4%	26,0%	26,8%	28,1%
(Government securities + BCRA)/total assets	52,5%	32,9%	19,6%	25,1%
Adjusted capital	34,0%	23,2%	16,5%	18,7%
Equity/total assets	19,1%	23,4%	20,8%	18,5%
Operating expense/net operating income[4]	29,2%	38,9%	42,5%	33,6%
Profitability	4,6%	4,0%	1,9%	5,8%
ROAA[1]	5,2%	3,9%	1,9%	6,3%
ROE[1]	24,6%	17,8%	9,7%	37,3%
Total deposits/liabilities	82,1%	88,7%	88,5%	89,0%
Deposits/tangible assets	66,4%	67,9%	70,1%	72,6%
Notes/tangible assets	-	-	-	-
Concentrated deposits[3]	50,1%	35,4%	23,1%	26,2%
Funding structure	4,5%	3,8%	5,1%	3,5%
Liquid resources/tangible assets	67,9%	57,7%	42,6%	49,1%
Liquid resources/total deposits	102,3%	85,0%	60,8%	67,7%
Total loans/deposits	20,1%	30,9%	46,4%	42,4%

[1] Annualized ratios; [2] does not include subordinated debt; [3] ten largest customers; [4] employee benefits + administrative expenses/net operating income (excluding bad debt expense)
Source: Moody's Local Argentina based on information from BCRA.

Appendix I

TECHNICAL GLOSSARY

Capital: (Tangible common equity - intangible assets)/risk-weighted assets

Profitability: Net income (after taxes)/tangible assets

Return on average assets (ROAA): Annualized profits/average total assets

Return on equity (ROE): Annualized profits/average equity

Financing structure: Debt owed to financial institutions + short-term loans + liabilities from negotiable securities + other financial liabilities at fair value + senior bonds + debt owed to related parties/(total assets - goodwill and other intangibles - insured assets)

Liquid resources: Cash deposits with the central bank + debt from financial institutions + total securities - unearned income - derivative assets/(total assets - goodwill and other intangibles - insured assets)

Net financial margin (NFM): Results from the difference between financial income and financial expenses over the average risk assets

CER: Reference Stabilization Coefficient

LIBOR (LIBO rate): London Interbank Offered Rate

NV: Nominal value

CNV: National Securities Commission

BCRA: Central Bank of the Argentine Republic

Nonperforming loans (NPL): Loans classified as Stage 3, 4, 5 and 6 according to BCRA standards

Volatility: Measures the standard deviation of daily stock prices

Spread: Differential between lending interest rate and deposit interest rate

LANGUAGE GLOSSARY

ROAA: Return on average assets

ROE: Return on equity

NPL: **Non-performing loans**

Additional Information

Detailed current ratings

Instrumento	Current		Previous	
	Rating	Outlook	Rating	Outlook
Local-currency deposit rating	AA.ar	Stable	AA-.ar	Stable
Foreign-currency deposit rating	AA.ar	Stable	A-.ar	Stable
Short-term local currency deposit rating	ML A-1.ar	---	ML A-1.ar	---
Short-term foreign currency deposit rating	ML A-1.ar	---	ML A-2.ar	---

Information considered for rating

- Latest audited annual balance sheet as of December 31, 2023, at https://www.argentina.gob.ar/cnv
- Shareholding structure, main shareholders, available at www.bcra.gov.ar

Ratings definitions

- **AA.ar:** Issuers or issues rated AA.ar demonstrate very strong creditworthiness relative to other domestic issuers
- **ML A-1.ar:** Issuers or issues rated ML A-1.ar have the strongest ability to repay short-term debt obligations relative to other domestic issuers.

Moody's Local Argentina appends the modifiers + and - to each generic rating classification from AA through CCC. The modifier + indicates that the obligation ranks in the higher end of its generic rating category; no modifier indicates a mid-range ranking; and the modifier - indicates a ranking in the lower end of that generic rating category.

Methodology

The methodology used was the Banks and Finance Companies Rating Methodology, *available at http://www.argentina.gob.ar/cnv*.

El presente informe no debe considerarse una publicidad, propaganda, difusión o recomendación para adquirir, vender o negociar los instrumentos objetos de calificación.

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