



Latin America Equity Research: Argentina

Financials – Banks

21 October 2026

Grupo Financiero Galicia S.A.

BYMA: **GGAL** Buenos Aires Currency: **ARS**

What ROE is the market pricing in?

Mario Cesar Bogado, CPA, MFin

MCB Advisor · Posadas, Misiones, Argentina · mcbadvisor.com

ROE versus cost of equity drives bank value

A bank creates value only when its sustainable return on equity (ROE) exceeds the return shareholders require (Ke): above Ke it is worth more than book (P/BV > 1,0x), below Ke less. Reading the second formula backwards turns the price into an expectation: given Ke and g, it shows which long-term ROE investors are paying for.

$$\text{Justified P/BV} = (\text{ROE} - g) / (\text{Ke} - g)$$

$$\text{Implied ROE} = g + \text{P/BV} \times (\text{Ke} - g)$$

Cost of equity: 12,1% real in USD

Component	Value	Source
Risk-free rate (UST 10Y)	5,09%	Fed H.15, 16-Oct-26
Beta × ERP (0,95 × 4,23%)	4,02%	GGAL 5Y adj. beta; Damodaran ERP Jan-26
Country risk premium	5,62%	EMBI Argentina, 365-day avg
Ke, nominal USD	14,7%	
US expected inflation	2,35%	UST 10Y breakeven, H.15
Ke, real USD	12,1%	(1,147 / 1,0235) – 1

ROE: history versus what the market pays for

Real ROE (IAS 29 statements)	ROE	Justified P/BV
Median 2019–2025 (2024 adjusted)	15,9%	1,42x
Market-implied (at 1,01x)	12,2%	1,01x
Full cycle 2019–2025, ex HSBC gain — base case	12,5%	1,05x
Full cycle 2019–2025, as reported	15,0%	1,31x

Real ROE on average equity attributable to owners: 2019 21,4% · 2020 15,9% · 2021 11,5% · 2022 8,6% · 2023 17,2% · 2024 30,9% (17,1% ex gain) · 2025 2,5% · LTM Jun-26 1,3%. 2024 includes an ARS 724.525m bargain-purchase gain on the HSBC Argentina acquisition (2024 statements, p.57). Full-cycle ROE = Σ net income / Σ average equity, all restated to Jun-26 pesos. Ke 12,1% and g 2,95% real in all rows.

Ke (real)	Implied ROE
10,0%	10,0%
12,1%	12,2%
14,0%	14,1%

At ~1,0x book the implied ROE is almost equal to Ke: the market pays for a bank that just earns its cost of equity over the cycle.

Conclusion

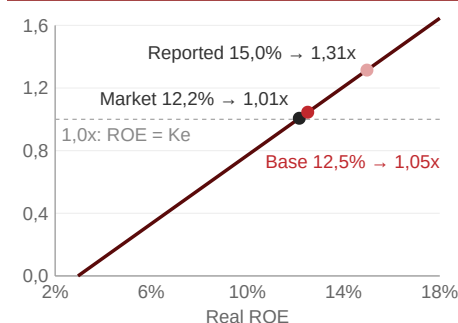
At 1,01x book the market prices in a real ROE of 12,2%, close to GGAL's full-cycle 2019–25 ROE excluding the HSBC gain (12,5%, justified P/BV 1,05x, ≈ ARS 5.984,6). Fairly priced, with 3,8% upside. Not cheap on current earnings: LTM ROE is 1,3% as loan-loss charges rose, so the price assumes a recovery. Taking the reported cycle (15,0%) the justified P/BV is 1,31x (≈ ARS 7.526,5).

Technical Note

ROE vs Ke

Price BYMA, 20-Oct-26 (ARS)	5.765,0
Market cap (ARS bn)	9.260,1
Market P/BV (x)	1,01
Equity attrib., Jun-26 (ARS bn)*	9.197,6
Shares outstanding (m)	1.606,3
Book value / share, Jun-26 (ARS)	5.726,1

Justified P/BV vs ROE



Model inputs (real, USD)

Ke	12,1%
Long-term growth (g)	2,95%
Base-case ROE (normalized)	12,5%
Justified P/BV (x)	1,05x
Market-implied ROE	12,2%

Context, Jun-26

ROE, last 12 months	1,3%
ROE, 1H26 annualized	7,2%
Loan-loss charge / NII, 1H26	52,6%
Loan-loss charge / NII, 1H25	42,3%

* Equity attributable to owners of the parent at 30-Jun-26, condensed consolidated statements p.5; 1.606,3m shares, no treasury shares (p.41). LTM = FY25 restated to Jun-26 pesos – 1H25 + 1H26. NII = net interest income (p.6). Equity is in June-26 pesos and the price in October-26 pesos, which slightly overstates P/BV.

Sources: GGAL consolidated financial statements 2019–2025 and 1H26 (CNV), Federal Reserve H.15, Damodaran, Rava (EMBI), BYMA; MCB Advisor estimates.

“In God we trust, all others must bring data.”

This note has been prepared by MCB Advisor for information purposes only. It is not investment advice or an offer to buy or sell any security. Estimates are as of the date shown and may change without notice. Past performance is not indicative of future results.