

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

You should carefully consider the risks described below with all of the other information included in this annual report before deciding to invest in our Class B shares or our ADSs. If any of the following risks actually occurs, it may materially harm our business and our financial condition and results of operations. As a result, the market price of our Class B shares, our ADSs could decline and you could lose part or all of your investment.

Investors should carefully read this annual report in its entirety. They should also take into account and evaluate, among other things, their own financial circumstances, their investment goals, and the following risk factors.

Information provided by the Central Bank of Argentina and/or the INDEC and the information included in this section has been prepared in accordance with a methodology that may not necessarily follow the methodology used for the preparation of our consolidated financial statements (e.g. it has not been adjusted for inflation), as a result of the aforementioned may not be comparable.

Risks relating to Argentina

The Argentine economy remains vulnerable and a significant decline could adversely affect our financial condition.

Presidential and congressional elections in Argentina took place on October 25, 2015, and a runoff election (*ballotage*) between the two leading presidential candidates was held on November 22, 2015, which resulted in Mr. Mauricio Macri being elected President of Argentina. The Macri administration assumed office on December 10, 2015, and announced several significant economic and policy reforms, including:

- ***Agreement with holdout creditors.*** The Macri administration has settled the substantial majority of outstanding claims brought by holdout creditors and has issued sovereign bonds in the international financial markets. Argentina's ability to obtain financing from international markets is limited, which may impair its ability to implement reforms and foster economic growth.
- ***Foreign exchange reforms.*** The Macri administration eliminated a significant portion of foreign exchange restrictions, including currency controls that were imposed by the previous administration. With the aim of providing more flexibility to the foreign exchange system and promoting competition, allowing the entrance of new participants to the system, the free-floating exchange market (the "Exchange Market") was created by virtue of Decree No. 27/2018 published on January 11, 2018. Furthermore, on August 8, 2016, the Central Bank introduced material changes to the foreign exchange regime and established a new framework by means of Communication "A" 6037 and Communication "A" 6244, which significantly eased the access to the Exchange Market. In addition, on December 26, 2017, by virtue of Communication "A" 6401, the Central Bank replaced the reporting regimes set forth by Communications "A" 3602 and "A" 4237 with a unified regime applicable for information as of December 31, 2017. The unified reporting regime involves an annual mandatory statement filing for every person whose total flow of funds or balance of assets and liabilities is or exceeds U.S.\$1 million during the previous calendar year. Moreover, by virtue of Communication "A" 6443, which came into effect as of March 1, 2018, any company from any sector, which usually operates through the Exchange Market can act as an exchange agency merely by registering in the exchange operators' registry. See "*Significant devaluation of the Peso against the U.S. dollar may adversely affect the Argentine economy*" and Item 10.D "*Exchange Controls.*"
- ***Foreign trade reforms.*** The Macri administration reduced the export duties applicable to several agricultural products and eliminated the export duties applicable to most exports of industrial and mining products. On January 2, 2017, the Argentine government enacted a further reduction of the export duties rate set for soybean and soybean products, setting a monthly 0.5% cut on the export duties rate beginning on January 2018 and until December 2019. In addition, importers were offered short-term debt securities issued by the Argentine government to repay outstanding commercial debt for the import of goods. Notwithstanding this and as part of the reform package aimed at reducing the fiscal deficit, the Argentine Executive Branch published Decree No. 793/2018, which established a 12% duty on all exported consumption products included in the Mercosur Common Nomenclature (*Nomenclatura Común del Mercosur*) (the "NCM" per its initials in Spanish) which will remain in effect until December 31, 2020. Decree No. 793/2018 caps the rate for export duties on most products at Ps.4.00/U.S.\$1.00 based on the taxable base or free on-board value, depending on the product. However, the exchange rate cap for certain products (mainly manufactured goods) is Ps.3.00/U.S.\$1.00 of the taxable base or free on-board value, depending on the product. As an additional measure, Decree No. 793/2018 reduced export duties on soybean by-products to 18%, 16% or 11%, depending on type of by the product.

- *Correction of monetary imbalances and changes in monetary policy.* The Central Bank aims to ensure that, in the period from October 2018 until June 2019, the monetary base will register a zero growth (based on a monthly average), through the Monetary Aggregates Regime (*Agregados Monetarios*) pursuant to the 2018 IMF Agreement (as defined herein below), which was approved by the Monetary Policy Committee of the Central Bank. This monetary goal would be achieved through the daily sales of LELIQS, which began on October 1, 2018. LELIQS are seven-day peso-denominated securities that can be purchased exclusively by banks. The Central Bank is expected to continue to perform daily operations of LELIQS until the zero percent goal is achieved. See “– *Fluctuations in the value of the Peso could adversely affect the Argentine economy,*” and “– *Negotiations with the IMF*” below.
- *Domestic capital markets.* On May 9, 2018, the Law No. 27,440 (the “Productive Financing Law”) was enacted. The Productive Financing Law seeks, among other things, to broaden the base of investors and companies that take part in the capital markets, promoting financing especially for micro, small and medium-sized companies (“MiPyMEs”), seeking to create a framework that eases access to financing for such companies. The Productive Financing Law also introduces new regulations to local markets, to the private banking activity, and include substantial changes to preemptive rights of stockholders and price measures applicable to the tender offer regime (See Item 10. “*Additional information–Tender offer regime.*”). Furthermore, the Productive Financing Law eliminates certain controversial sections of the previous Capital Markets Law No.26,831, as amended and supplemented (the “Capital Markets Law”) which gave the CNV the authority to intervene in the management of publicly traded companies, among others.
- *Corporate Criminal Liability Law (Ley de Responsabilidad Penal Empresaria):* On November 8, 2017, the Lower House of the Argentine Congress approved the Law No.27,401 (the “Corporate Criminal Liability Law”) providing for the criminal liability of corporate entities for criminal offences against public administration and transnational bribery committed by, among others, its attorneys-in-fact, directors, managers, employees, or representatives. According to the law, a company may be held liable if such offences were committed, directly or indirectly, in its name, behalf or interest, the company obtained or may have obtained a benefit therefrom, and the offence resulted from a company’s ineffective control. Companies found liable under this law may be subject to various sanctions, including, among others, fines ranging from two to five times of the undue benefit obtained, total or partial suspension of commercial activities, suspension to participate in bidding processes or activity linked to the National State, dissolution and liquidation of legal status, loss or suspension of benefits or government subsidies that they may have and the publication of the conviction sentence for two days, in a national newspaper.
- *Social security reform bill.* On December 19, 2017, the Argentine Congress passed the social security reform bill which, among other amendments, modified the adjustment formula in the retirement system with a view to supplying the necessary funds of ANSES to guarantee that retirees who earn the minimum pension receive 82% of the minimum salary. Social security payments shall be subject to an updated formula to be applied every year in March, June, September and December, 70% of the calculation will come from the CPI published by INDEC and 30% from the *Remuneración Imponible Promedio de los Trabajadores Estables* (“RIPE” per its initials in Spanish) variation, an indicator published by the Ministry of Labor which measures the evolution of public sector salaries. Moreover, instead of the biannual increase, a quarterly increase will be applied. After the passing of the draft bill, on December 20, 2017, Decree No. 1058 was published and, with the aim of avoiding divergence with the application of the previous formula, established a one-time compensatory bonus for retirees, pensioners and beneficiaries of the universal insurance per child (*asignación universal por hijo*).
- *Electricity and gas reforms.* The Argentine government has also declared a state of emergency with respect to the national electrical system, which remained in effect until December 31, 2017. Under this state of emergency, the Argentine government was permitted to take actions designed to guarantee the supply of electricity. In this context, subsidy policies were reexamined, and new electricity tariffs went into effect on February 1, 2016 with varying increases depending on geographical location and consumption levels. Following the tariff increases, preliminary injunctions requesting a suspension of tariff increases were filed by customers, politicians and non-governmental organizations that defend customers’ rights, which were granted by Argentine courts. The new gas tariff schedule was published on October, 2016 with an increase between 300% and 500%. On October 11, 2016, the Ministry of Energy and Mining (a) expanded the number of eligible beneficiaries of social tariffs to include retirees and pensioners that receive pensions equal to up to two minimum salaries, certain war veterans and medically dependent customers, and (b) decreed that institutions that perform activities of public interest would be entitled to residential rates. The year-on-year increase in the price of energy in the wholesale electricity market for end-users, which excludes transportation and distribution costs and accounts for approximately 45% of the tariff to end-users in the City of Buenos Aires, totaled 233% (from Ps.96/MWh to Ps.320/MWh on average), while the increase in the price of natural gas for end-users was 68% (from Ps.37/MMBtu to Ps.62/MMBtu on average). On March 10, 2017, a public hearing was held in order to discuss the increase in gas rates as of April 2017. On March 31, 2017, the new gas tariff for small and medium enterprises (“PyME”) scheme was published by the Macri administration with an increase of 30% in February and 18% in March. In addition, to further address the potential impact of the new tariff scheme during the 2018 winter peak season of natural gas consumption by retail customers, an optional program was implemented through Resolution No. 97/2018 issued by the Argentine Gas Regulator (*Ente Nacional Regulador del Gas*) under which consumers are able to finance the payment of up to 25% of natural gas monthly bills for the 2018 winter peak season.

- *Public Private Participation Law.* On November 16, 2016, the Public Private Participation Law was passed by Congress, and has been regulated by Decree No.118/2017. This new regime seeks to replace existing regulatory frameworks (Decreets Nos.1299/00 and 967/05) and supports the use of public price participation schemes for a large variety of purposes including the design, construction, extension, improvement, provision, exploitation and/or operation and financing of infrastructure development, provision of services or other activities, provision of services productive, investments, applied research, technological innovation and associated services. The Public Participation Law also includes protection mechanisms in favor of the private sector (contractors and lenders) in order to promote the development of these associative schemes.
- *Fiscal consensus.* In addition, on November 16, 2017, the Argentine government, the governors of the majority of Argentine provinces, including the Province of Buenos Aires, and the Head of Government of the City of Buenos Aires entered into an agreement pursuant to which some guidelines were established in order to harmonize the tax structures of the different provinces and the City of Buenos Aires. Among other commitments, the provinces and the City of Buenos Aires agreed to gradually reduce the tax rates applicable to stamp tax and turnover tax within a five-year period and withdraw their judicial claims against the Argentine government in connection with the federal co-participation regime. In exchange for this, the Argentine government, among other commitments, agreed to (i) compensate the provinces and the City of Buenos Aires (provided they enter into the agreement) for the effective reduction of its resources in 2018, resulting from the proposed elimination of section 104 of Law No. 20,628 and amendments (the "Income Tax Law"), quarterly updating such compensation in the following years, and (ii) issue a 11-year bond where funds generate services for Ps.5,000 million in 2018 and Ps.12,000 every year starting from 2019, to be distributed among all the provinces, with the exception of the Province of Buenos Aires and the City of Buenos Aires, according to the effective distribution coefficients resulting from the federal co-participation regime. This agreement shall only be effective in those provinces where the respective legislative branches have passed it. In this sense, on December 22, 2017, the Argentine Congress passed the projects on fiscal consensus and fiscal liability ("*Consenso Fiscal*" and "*Responsabilidad Fiscal*," respectively), with some amendments. All of the Argentine provinces and the City of Buenos Aires, except for the provinces of San Luis and La Pampa, have already entered into this agreement.
- *Increase in public transportation tariffs.* As a part of a comprehensive program aimed at reducing applicable subsidies for public transportation in the greater area of Buenos Aires, during 2018, the Argentine Government implemented several increases in the public transportation tariff, as well as a new multi-disciplinary system for riders using multiple public transport platforms.
- *IMF Agreement.* On June 7, 2018, Argentina and the IMF announced that a technical agreement on a U.S.\$50 billion three-year stand-by agreement had been reached, which was approved on June 20, 2018, by the IMF's Executive Board (the "IMF Agreement"). Notwithstanding the foregoing, on September 26, 2018, Argentina announced that a revised technical agreement with the IMF was reached, which underpinned the IMF Agreement. The revised agreement with the IMF was approved by the IMF's Executive Board on October 26, 2018 (the "Revised Agreement" and together with the IMF Agreement, the "2018 IMF Agreement"), which includes an increase in the IMF's available funds for disbursement by U.S.\$19 billion through the end of 2019 and brings the total available amount under the program for disbursement to U.S.\$57.1 billion through 2021. In addition, the funds available under the 2018 IMF Agreement will no longer be treated as precautionary, as the authorities have indicated that they intend to use IMF financing for budget support. In return, the Argentine government agreed to work towards achieving fiscal balance by 2019, achieving a primary balance in that year and a primary surplus of 1% in 2020 and, in turn, the Central Bank will not be able to increase the monetary base until June 2019. Furthermore, in order to mitigate exchange rate volatility, intervention zones were defined when the dollar exceeds Ps. 44 or falls below Ps. 34 (range adjusted daily at a monthly rate of 3% until December 2018, and the first quarter of 2019, is adjusted daily at a monthly rate of 2%), considering the zone between these limits as a "non-intervention zone." In April, 2019, among a set of measures designed to soften the impact of Argentina's economic situation, the Central Bank fixed the "non-intervention zone" between Ps.39.75 and Ps. 51.45 until December 2019 and eliminated the monthly adjustment. On April 29, 2019, the Monetary Policy Counsel of the Central Bank ("COPOM") decided to introduce new changes to the monetary policy, in order to reduce volatility in the foreign exchange market. According to this new scheme: (i) the Central Bank may intervene, subject to market conditions, in the foreign exchange market and sell Dollars in the market, even in case that the exchange rate is below Ps. 51.488 and (ii) if the exchange rate climbs above Ps. 51.488, the Central Bank will sell foreign currency for up to U.S.\$250 million daily. Also, the Central Bank could decide to perform additional interventions. The Pesos resulting of such sales will be discounted from the monetary base. The COPOM also confirmed that the Central Bank will not intervene in the foreign exchange market if the exchange rate decrease below Ps. 39.755.

- Tax Reform.** On December 27, 2017, the Argentine Congress approved a tax reform that was published on December 29, 2017 as Law No. 27,430 (the "Tax Reform"). The Tax Reform is intended to eliminate certain inefficiencies in the Argentine tax regime, diminish tax evasion, broaden income taxes to cover more individuals and encourage investment, with the long-term goal of restoring fiscal balance. The main aspects of the Tax Reform include among others: (i) capital gains realized by individuals that are Argentine tax residents on sales of real estate (subject to certain exceptions, including a primary residence exemption) acquired after January 1, 2018 will be subject to tax at the rate of 15%, calculated on the difference between the transfer price and the acquisition cost adjusted for inflation; (ii) income obtained from currently exempt bank deposits and sales of securities (including government securities) by individuals that are Argentine tax residents, will be subject to tax at the rate of (a) 5% in the case of those denominated in Pesos, subject to fixed interest rate and not indexed, and (b) 15% for those denominated in a foreign currency or indexed; (iii) income obtained from the sales of shares made on an Argentine stock exchange on market will be exempt, subject to compliance with certain requirements; (iv) corporate income tax rate will initially decline to 30% for fiscal periods starting after January 1, 2018 and up to December 31, 2019 and to 25% for fiscal periods starting after January 1, 2020; (v) social security contributions will be gradually increased to 19.5% starting in 2022, in lieu of the differential scales currently in effect; and (iv) the percentage of tax debits and credits that can be credited towards income tax will be gradually increased over a five year period. In addition, on April 9, 2018, Decree No. 279/2018 was published in the Official Gazette and General Resolution AFIP No. 4227/2018 was published on April 12, 2018 regulating the Tax Reform Law relating to, among other aspects, the income tax applicable to Foreign Beneficiaries derived from financial transactions. Decree No. 1170/2018 was published on December 27, 2018 introducing the implementing regulations of the Tax Reform. For further information, see "Item 10.E. Taxation-Material Argentine Tax Considerations" below.
- Asset Seizure Decree:** On January 22, 2019, the Macri administration published this Decree No.62/2019 related to asset seizure (*Extinción de Dominio*), which allows courts to seize assets found related to acts of corruption or drug smuggling, whether the defendant has been found guilty or not before a criminal court. This Decree also includes provisions for the creation of a special Ombudsman's Office to monitor future asset seizures. Such decree has been submitted to the Argentine Congress for its approval. As of the date of this annual report, no approval or rejection has been issued.
- Recent Governmental Measures:** Recently, the Argentine government announced a wide range of measures to stabilize financial volatility and the current economic situation of the country, which includes among others, price agreements for the main products of the consumer basket, a revised public services and transport tariff increase scheme, social benefits and support for SMEs, notwithstanding the foregoing, as of the date of this annual report, certain of the aforementioned measures have not been instrumented yet, consequently, we cannot measure the impact in the Argentine economy of the aforementioned reforms. In addition, on April 29, 2019, the Monetary Policy Committee (*Comité de Política Monetaria*) of the Central Bank (the "COPOM") decided to introduce changes to the monetary policy, with an aim to reducing volatility in the foreign exchange market. According to the new scheme: (i) if the exchange rate is between Ps.39.755 and Ps.51.488, the Central Bank may intervene, subject to market conditions, in the foreign exchange market and sell U.S. dollars in the market, and (ii) if the exchange rate is above Ps.51.488, the Central Bank will sell foreign currency for up to U.S.\$250 million (from U.S.\$150 million). Also, the Central Bank could decide to perform additional interventions in the exchange market. The Argentine pesos resulting from such sales will be discounted from the monetary base. The COPOM also confirmed that the Central Bank will not intervene until June 2019 in the foreign exchange market if the exchange rate decreases below Ps.39.755.

Furthermore, congressional elections were held on October 22, 2017 and Mauricio Macri's governing coalition obtained the largest share of votes at the national level. However, even when the number of coalition members in Congress increased (holding in the aggregate 107 of a total of 257 seats in the House of Representatives and 24 of a total of 72 seats in the Senate), the coalition still lacks a majority in either chamber of the Argentine Congress and, as a result, some or all of the required changes and improvement to the economy and investment environment (including the reduction of the fiscal deficit, reduction of the inflation rate and fiscal and labor reforms, among others) may not be implemented, which would adversely affect the continued improvement of the economy and investment environment.

In addition, Argentine presidential elections are scheduled to take place in October 2019. The impact that the presidential elections could have on Argentine politics and the economy is uncertain, and include uncertainty as to whether the newly elected Argentine government will implement changes in the policy or regulation or that will maintain the current policies or regulation. Argentina's president and its Congress, each have considerable power to determine governmental policies and actions that relate to the Argentine economy. As a result, we can offer no issuances that the policies that may be implemented by the government after the elections will not adversely affect our business, results of operations or financial condition.

A less favorable international economic environment, lack of stability, competitiveness of the Peso against other foreign currencies, lowered levels of confidence among consumers and foreign and domestic investors, a higher inflation rate and future political uncertainties, among other factors, should they occur, may affect the development of the Argentine economy and cause volatility in the local capital markets.

A substantial part of our operations, properties and customers are located in Argentina. As a result, our business is, to a very large extent, dependent upon the economic, social and political conditions prevailing in Argentina. No assurance can be given that future economic, social and political developments in Argentina, over which we have no control, will not have a material adverse effect on our business, financial condition and results of operations.

The Argentine economy could be adversely affected by economic developments in the global markets.

Financial and securities markets in Argentina are influenced by economic and market conditions in other markets worldwide. The international scenario shows contradictory signals of global growth, as well as high financial and exchange uncertainty. The global financial crisis that commenced in the last quarter of 2008, negatively affected the economies of numerous countries around the world, including Argentina and certain of its trading partners.

Moreover, emerging markets have been affected by the change in U.S. monetary policy, resulting in the sharp unwinding of speculative asset positions, depreciations and increased volatility in the value of their currencies and higher interest rates. When interest rates rise significantly in developed economies, including the United States, it may be more difficult and burdensome for emerging market economies, including Argentina, to borrow capital and refinance their current debt, which could affect in a negative way its economic growth. The general appreciation of the U.S. dollar resulting from a more restrictive U.S. monetary policy contributed to the fall of the international price of raw materials, further increasing the difficulties of emerging countries which are exporters of these products.

In addition, on June 23, 2016 the United Kingdom (the "UK") voted in favor of its departure from the European Union (the "EU" and the "Brexit", respectively). The British Government has announced preliminary measures to be implemented to facilitate the UK's exit from the EU and on March 29, 2017 initiated the formal process, which is expected to be completed by mid-2019. The results of the UK referendum have caused and are anticipated to continue to cause, volatility in financial markets, which in turn could have a material adverse effect on our business, financial condition and results of operations. The UK was due to leave the EU on March 29, 2019 but on March 20, 2019, the UK requested to the EU a three-month extension. Brexit could lead to additional political, legal and economic instability in the EU and produce a negative impact on the commercial exchange of Argentina with such region.

On November 8, 2016, Donald Trump was elected as the President of the United States. During the election campaign, Mr. Trump showed a vested interest in implementing greater controls on free trade and limiting immigration. Changes in social, political, regulatory and economic conditions in the United States and in the legislation and policies governing international trade have generate uncertainty in international markets and may have a negative effect on emerging markets, such as Argentina, which could adversely affect our operations. Even though President Trump's protectionist measures are not, for the time being, aimed at Argentina, we cannot predict how they will evolve, nor will the effect that the same or any other measure taken by the Trump administration could cause on global economic conditions and the stability of global financial markets. Furthermore, the United States and China are currently engaged in a trade war, as each country continues to dispute tariffs placed on goods traded between them, which may have a potential impact in trade-dependent countries such as Argentina.

During August 2018, an increase in inflation and a sustained deficit in current accounts, as well as the protectionist measures taken by the United States, doubling the tariffs on steel and aluminum from Turkey, caused a collapse of the Turkish lira against the Dollar, which triggered a wave of sales of assets from emerging markets and a significant fall in the prices of shares from these markets, generating a contagion effect in international markets and several stock exchanges in the world, including Argentina.

Although economic conditions vary from country to country, investors' perceptions of events occurring in other countries have, and may continue to, substantially affect capital flows into and investments in securities from issuers in other countries, including Argentina. A prolonged slowdown in economic activity in Argentina or negative effects on the Argentine financial system or the securities markets would adversely affect our business, financial condition and results of operations.

Argentina's economy contracted in 2018 and may contract in the future due to international and domestic conditions which may adversely affect our operations.

The Argentine economy has experienced significant volatility during recent decades, characterized by periods of low or negative GDP growth, high and variable levels of inflation and currency depreciation and devaluation. Argentina's economy contracted during 2018 and the country's economy remains unstable notwithstanding efforts by the Argentine government to address inflation and foreign exchange instability. All of our operations, properties and customers are located in Argentina, and, as a result, our business is, to a large extent, dependent upon economic and legal conditions prevailing in Argentina. If economic conditions in Argentina were to deteriorate, they could have an adverse effect on our results of operations, financial condition and cash flows.

Global economic and financial crisis, and the general weakness of the global economy typically, negatively affect emerging economies like Argentina's economy. Global financial instability or increasing interest rates in the United States and other developed countries may impact the Argentine economy and cause a slowdown in Argentina's growth rate or could lead to a recession with consequences in the trade and fiscal balances and in the unemployment level.

Moreover, Argentine economic growth might be negatively affected by several domestic factors such as an appreciation of the real exchange rate which could affect its competitiveness, reductions and even reversion of a positive trade balance, which, combined with capital outflows could reduce the levels of consumption and investment resulting in greater exchange rate pressure. Additionally, abrupt changes in monetary and fiscal policies or foreign exchange regime could rapidly affect local economic output, while lack of appropriate levels of investment in certain economy sectors could reduce long-term growth. Access to the international financial markets could be limited. Consequently, an increase in public spending not correlated with an increase in public revenues could affect the Argentina's fiscal results and generate uncertainties that might affect the economy's growth level.

In recent years, several trading partners of Argentina (such as Brazil, Europe and China) have experienced significant slowdowns or recession periods in their economies in recent years. If such slowdowns or recessions were to recur, this may impact the demand for products coming from Argentina and hence affect its economy.

During 2018, the Argentine economy was adversely affected by some of aforementioned factors. If international and domestic conditions for Argentina were to worsen, the Argentine economy could be negatively affected as a result of lower international demand and lower prices for its products and services, higher international interest rates, lower capital inflows and higher risk aversion, which may also adversely affect our business, results of operations, financial condition and cash flows.

Argentina's ability to obtain financing from international markets is limited, which may impair its ability to implement reforms and public policies and foster economic growth.

In 2005 and 2010, Argentina conducted exchange offers to restructure part of its sovereign debt that had been in default since the end of 2001. As a result of these exchange offers, Argentina restructured over 92% of its eligible defaulted debt. In April 2016, the Argentine government settled U.S.\$9.3 billion of outstanding principal debt held by creditors who had not participated in the 2005 and 2010 restructurings.

In 2012, plaintiffs in different actions in New York obtained a U.S. district court order enjoining Argentina from making interest payments in full on the bonds issued pursuant to the 2005 and 2010 exchange offers unless Argentina paid the plaintiffs in full, under the theory that the former payments violated the *pari passu* clause in the 1994 Fiscal Agency Agreement governing those non-performing bonds. The Second Circuit Court of Appeals affirmed the so-called *pari passu* injunctions, and on June 16, 2014, the U.S. Supreme Court denied Argentina's petition for a writ of certiorari and the stay of the *pari passu* injunctions was vacated on June 18, 2014. In February 2016, the Argentine government entered into an agreement in principle to settle claims with certain holders of defaulted debt and put forward a proposal to other holders of defaulted debt, including those with pending claims in U.S. courts. On March 2, 2016, the U.S. district court agreed to vacate the *pari passu* injunctions, subject to certain conditions. In April 2016, the Argentine government settled claims with holders of U.S.\$9.2 billion outstanding principal amount of untendered debt, and upon satisfaction of its conditions, the U.S. district court ordered the vacatur of all *pari passu* injunctions.

The Argentine government has reached settlement agreements with holders of a significant portion of the defaulted bonds and has repaid the majority of the holdout creditors with the proceeds of a U.S.\$16.5 billion international offering of 3-year, 5-year, 10-year and 30-year bonds on April 22, 2016.

As of the date of this annual report, litigation initiated by bondholders that have not accepted Argentina's settlement offer continues in several jurisdictions, although the size of the claims involved has decreased significantly.

Not all creditors have agreed to the terms of Argentina's settlement offer. The continuation and outcome of the litigation may prevent Argentina from obtaining favorable terms or interest rates upon access to the international capital market. Litigation initiated by holders of defaulted bonds or other parties may result in rulings against the Argentine government and may result in restrictions or injunctions on Argentinean assets that may adversely affect the ability to obtain financing for the country and private companies, which could have a material adverse effect on Argentina's economy, and consequently, our business, financial condition and results of operations.

Argentina is subject to litigation by foreign shareholders of Argentine companies and holders of Argentina's defaulted bonds, which have resulted and may result in adverse judgments or injunctions against Argentina's assets and limit its financial resources.

In response to the emergency measures implemented by the Argentine government during the 2001-2002 economic crisis, a number of claims were filed before the International Centre for Settlement of Investment Disputes ("ICSID") against Argentina. Claimants allege that the emergency measures were inconsistent with the fair and equitable treatment standards set forth in various bilateral investment treaties by which Argentina was bound at the time. Claimants have also filed claims before arbitral tribunals under the rules of the United Nations Commission on International Trade Law ("UNCITRAL") and under the rules of the International Chamber of Commerce ("ICC"). Several awards have been issued against Argentina and several cases are still ongoing.

Litigation, as well as ICSID and UNCITRAL claims against the Argentine government, have resulted in material judgments and may result in further material judgments, and could result in attachment of or injunctions relating to assets of Argentina that the government intended for other uses. As a result, the Argentine government may not have all the necessary financial resources to honor its obligations, implement reforms and foster growth, which could have a material adverse effect on Argentina's economy, and consequently, our business, financial condition and results of operations.

In July 2017, in a split decision, an ICSID tribunal ruled that Argentina had breached the terms of a bilateral investment treaty with Spain, alleging the unlawful expropriation by the Argentine Government of Aerolíneas Argentinas and affiliates (including Optar, Jet Paq and Austral, among others). The ICSID tribunal fined Argentina approximately U.S.\$328.8 million, awarding plaintiffs about 20% of the U.S.\$1.59 billion they had initially claimed.

Furthermore, during the 2005 and 2010 debt restructurings, Argentina issued debt securities providing for contingent additional payments based on the performance of the Argentine economy through 2035 (the "GDP Warrants"). On January 15, 2019, Aurelius Capital Master, Ltd. ("Aurelius") filed a lawsuit against Argentina, arguing that the GDP was purposefully miscalculated with a view to avoid making the promised contingent payments to investors. If Aurelius' claim were to be successful and other investors followed these proceedings, the estimated cost for Argentina could amount to approximately U.S.\$1.8 billion.

Future transactions may be affected as litigation with holdout bondholders as well as ICSID and other claims against the Argentine government continues, which in turn could affect the Argentine government's ability to access international credit markets and limit economic growth, adversely affecting our business, financial condition and results of operations.

Government measures could adversely affect the Argentine economy.

Substantially all our operations, properties and customers are located in Argentina. As a result, our business is, to a very large extent, dependent upon the political, social and economic conditions prevailing in Argentina. In recent years, the Argentine government has increased its direct intervention in the economy and in private sector operations and companies, limiting certain aspects of private sector businesses.

In December 2012 and August 2013, the National Congress established new regulations related to domestic capital markets that, in general, establish greater intervention in the capital markets by the national government, authorizing, for example, the CNV, to designate inspectors with the ability to veto, under certain circumstances, the decisions of the board of companies that are listed in authorized markets and suspend the board for a period of up to 180 days. On November 17, 2016, the Macri government presented a bill to the National Congress to amend the Capital Markets Law, which could, among other significant changes, eliminate these powers to designate inspectors. On May 9, 2018, the Argentine Congress approved the Argentine Productive Financing Law No. 27,440, which amended the Capital Markets Law, the Mutual Funds Law No. 24,083 and the Negotiable Obligations Law, among other regulations and introduced substantial changes to regulations governing markets, stock exchanges and the various agents operating in capital markets, as well as certain amendments to the CNV's powers.

In May 2013, the Argentine Congress passed a law providing for the expropriation of 51% of the share capital of YPF (*Yacimientos Petrolíferos Fiscales S.A.*), the principal Argentine oil company, which shares were owned by Repsol, S.A. and its affiliates. In February 2015, the Argentine government sent a bill to the Argentine Congress in order to revoke certain train concessions, return the national rail network to state control and provide authority to review all concessions currently in effect. The bill was enacted on May 20, 2015 as Law No. 27,132.

In addition, on September 23, 2015 the Argentine Congress passed Law No. 27,181, which limits the sale of the Argentine government's shares held in Argentine companies without prior approval of two-thirds of the members of the Argentine Congress, with the exception of the Argentine government's shareholding in YPF. That law has been abrogated by the new Administration through Law No. 27,260, the "*Ley de Sinceramiento Fiscal y Reparación Histórica a los Jubilados*", dated May 26, 2016.

Moreover, the Argentine government has in the past enacted laws and regulations requiring private sector companies to maintain certain salary levels and provide their employees with additional benefits. Employers, both in the public and private sector, have also been experiencing intense pressures from their personnel, or from the labor unions representing them, demanding salary increases and certain benefits for the workers, given the high inflation rates.

Actions taken by the Argentine government concerning the economy, including decisions with respect to interest rates, taxes, price controls, salary increases, provision of additional employee benefits, foreign exchange controls and potential changes in the foreign exchange market, have had and could continue to have a material adverse effect on Argentina's economic growth and in turn affect our business, financial condition and results of operations. In addition, any additional Argentine government policies to preempt, or in response to, social unrest could adversely and materially affect the economy, and thereby our business.

Furthermore, financial institutions operate in a highly regulated environment. As of the date of this annual report, several different bills to amend various aspects of the Financial Institutions Law No. 21,526 (the "Financial Institution Law") have been put forth for review in the Argentine Congress. A thorough amendment of the Financial Institutions Law could have a substantial effect on the banking system as a whole. See *"The amendment of the Central Bank's Charter and the Convertibility Law may adversely affect the Argentine economy"* and *"Governmental measures and regulatory framework affecting financial entities could have a material adverse effect on the operations of financial entities."*

Exchange controls and capital inflow and outflow restrictions have limited, and could continue to limit, the availability of international credit and may impair our ability to make payments on our obligations.

Since 2011 until President Macri took office in December 2015, the Argentine government increased controls on the sale of foreign currency and the acquisition of foreign assets by local residents, limiting the possibility to transfer funds abroad. Together with the regulations established in 2012 that subjected certain operations exchange rates to the prior approval by the Argentine tax authorities or the Central Bank, the measures adopted by the previous government significantly reduced natural persons and entities of the private sector, the access to the foreign exchange market.

The numerous exchange controls introduced under the former administration gave rise to an unofficial U.S. dollar trading market, and the Peso/U.S. dollar exchange rate in such market differed substantially from the official Peso/U.S. dollar exchange rate. Certain relevant foreign exchange restrictions were lifted in December 2015 and, as a result, the spread between the official and unofficial Peso/U.S. dollar exchange rates had substantially decreased. For more information, see Item 10.D *"Exchange Controls."*

Since taking office, the Macri administration has implemented significant reforms related to exchange rate restrictions, notably the elimination of certain exchange controls that had been imposed during the previous administration, in order to provide more flexibility and access to the MULC. On August 8, 2016, the Central Bank introduced substantial reforms to the exchange regime through Communication "A" 6037 and Communication "A" 6244, which significantly eases the access to the exchange market. With the aim of providing more flexibility to the foreign exchange system and promoting competition, allowing the entrance of new player to the system, the Exchange Market was created by virtue of Decree No. 27/2018 published on January 11, 2018. Moreover, by virtue of Communication "A" 6443, which came into effect as of March 1, 2018, any company from any sector that usually operates through the Exchange Market can act as an exchange agency merely by registering in the exchange operators' registry.

Despite the measures adopted by the Macri administration, in the future, the Argentine government could impose further exchange controls, transfer restrictions, required repatriation through the free floating foreign exchange market (the "MELI") of proceeds raised through capital markets transactions conducted abroad or restrictions on the movement of capital and/or take other measures in response to capital flight or a significant depreciation of the Peso, which could limit our ability to access the international capital markets. Such measures could lead to political and social tensions and undermine the Argentine government's public finances, as has occurred in the past, which could adversely affect Argentina's economy and prospects for economic growth, which, in turn, could adversely affect our business, financial condition and results of operations.

Additional controls may adversely affect Argentine entities' ability to access the international capital markets for credit. Furthermore, the imposition of any future restrictions on the transfer of funds abroad may impede our ability to transfer dividends to ADS holders or interest or principal payments to the holders of our notes.

Additionally, the level of international reserves deposited with the Central Bank significantly decreased from U.S.\$47.4 billion as of November 1, 2011 to U.S.\$25.6 billion, as of December 31, 2015, resulting in a reduced capacity of the Argentine government to intervene in the foreign exchange market and to provide access to such markets to private sector entities. International reserves deposited with the Central Bank have grown to U.S.\$65.8 billion as of December 31, 2018. Notwithstanding the measures adopted by the Macri administration in the future, the Argentine government could otherwise reduce the level of international reserves deposited with the Central Bank, which could lead to political and social tensions and undermine the Argentine government's public finances, as has occurred in the past, which could adversely affect Argentina's economy and prospects for economic growth.

Severe or sustained declines in the international prices for Argentina's main commodity exports or the occurrence of a climate disaster could have an adverse effect on Argentina's economic growth.

High commodity prices have in the past contributed significantly to increases in Argentine exports as well as in governmental revenues from export taxes (withholdings). Argentina's reliance on the export of certain commodities, such as soy, has made the Argentine economy more vulnerable to fluctuations in their prices.

Recently, commodity prices have suffered declines. If international commodity prices were to further decline or experience sustained declines, the Argentine government's revenues could continue to decrease significantly, affecting Argentina's economic activity, which in turn could produce a negative effect on our business, financial condition and results of operations.

From the end of 2017 until April 2018, rain below average for several months plunged Argentina into a severe drought that is presumed to be the worst in the country in the last 50 years. The effects of the drought in agriculture caused significant economic problems in the country, with a fall in the soybean harvest of 31% over the previous year, and maize by 20%, which implied losses of U.S.\$6 million.

In addition, adverse weather conditions can affect production of commodities in the agricultural sector, which account for a significant portion of Argentina's export revenues. These circumstances could have a negative effect on government revenues, availability of foreign exchange and the government's ability to service its sovereign debt, and could either generate recessionary or inflationary pressures, depending on the government's reaction. The occurrence of any of the above could adversely affect Argentina's economic growth and, therefore, our business, financial condition and results of operations.

An increase in inflation could have a material adverse effect on Argentina's economic prospects.

In January 2016, the new INDEC authorities appointed by the Macri administration announced the discontinuance of the methodology used by the previous administration to calculate national statistics and declared a state of administrative emergency, suspending the publication of all indices by the INDEC until the INDEC was able to calculate such indices based on accurate official data. During this period the INDEC continued to publish the inflation rate based on data provided by the province of San Luis and the City of Buenos Aires.

After implementing the announced reforms, on June 16, 2016 the INDEC began to publish official measurements of its main inflation indicator, the Consumers Price Index "the CPI" (*Índice de Precios al Consumidor*, or IPC, per its initials in Spanish), reporting an inflation rate of 4.2% for May 2016. The INDEC also reported monthly inflation rates of 3.1% and 2.0% for the months of June and July of 2016, respectively. The CPI was 24.8% during 2017, 47.6% for 2018, the highest rate since 1991, and 2.9% for the month of January 2019.

During 2013, 2014 and 2015, the former administration promoted price agreements over certain products goods and services of the consumer basket to control inflation. The new administration has stated its intention to keep these price controls in effect, and as a consequence, has announced modifications to the previous price agreements including the recent introduction of the "Precios Esenciales" program.

In the past, inflation has materially undermined the Argentine economy and Argentina's ability to create conditions that would permit growth. High inflation may also undermine Argentina's competitiveness abroad and lead to a decline in private consumption which, in turn, could also affect employment levels, salaries and interest rates. Moreover, a high inflation rate could undermine confidence in the Argentine financial system, reducing the Peso deposit base and negatively affecting long-term credit markets.

There can be no assurance that inflation rates will not continue to escalate in the future or that the measures adopted or that may be adopted by the Argentine government to control inflation will be effective or successful. Inflation remains a challenge for Argentina. Significant inflation could have a material adverse effect on Argentina's economy and in turn could increase our costs of operation, in particular labor costs, and may negatively affect our business, financial condition and results of operations.

Significant devaluation of the Peso against the U.S. dollar may adversely affect the Argentine economy.

Despite the positive effects of the real depreciation of the Peso on the competitiveness of certain sectors of the Argentine economy, it also had a far-reaching negative effect on the Argentine economy and on the financial condition of businesses and individuals. The devaluation of the Peso, during 2002, had a negative effect on the ability of Argentine businesses to honor their foreign currency-denominated debt, led to very high inflation initially, significantly reduced real wages, had a negative effect on businesses that depend on domestic market demand for their success, such as utilities, and the financial industry and significantly affected the government's ability to cancel its external debt obligations.

After several years of moderate variations in the nominal exchange rate, the stock of the international reserves of the Central Bank started to decrease and, in order to contain the fall in reserves, the Central Bank accelerated the rate of nominal devaluation of the Peso. During 2013 the Peso lost more than 30% of its value with respect to the U.S. dollar and the same occurred during 2014. During 2015, 2016, 2017 and 2018 the Peso lost approximately 34%, 17.5%, 16% and 50% of its value with respect to the U.S. dollar, respectively. Additionally, the stock of international reserves deposited in the Central Bank was reduced significantly from U.S.\$ 47.7 billion as of November 1, 2011 to U.S.\$ 25.6 billion as of December 31, 2015, increasing to U.S.\$39.3 billion as of December 31, 2016, to U.S.\$55.1 billion as of December 31, 2017 and to U.S.\$65.8 billion as of December 31, 2018.

As a result of the greater volatility of the Argentine peso, the Argentine government announced several measures to restore market's confidence and stabilize the value of the Argentine peso. Among them, two agreements with the IMF were negotiated, interest rates were increased, Central Bank reserves were sold, among others. More recently, and by virtue of the last agreement with the IMF, a new regime was established. This regime sets forth a strict control of the local monetary base, which cannot be raised until June 2019, in an attempt to reduce the amount of Pesos available in the market, what is understood presses the demand for foreign currency. At the same time, it was established that the BCRA could intervene selling dollars when the exchange rate exceeds Ps.44 per dollar and buying when the exchange rate falls below Ps.34 per dollar (range that was adjusted daily at a rate of 3% per year until December of 2018, and for the first quarter of 2019, is adjusted daily at a rate of 2% per year), considering the intermediate zone, as a "non-intervention zone". On April 16, 2019, among a set of measures designed to soften the impact of Argentina's economic situation, the Central Bank fixed the "non-intervention zone" between Ps.39.75 and Ps. 51.45 until December 2019 and eliminated the monthly adjustment. On April 29, 2019, the Monetary Policy Counsel of the Central Bank decided to introduce new changes to the monetary policy, in order to reduce volatility in the foreign exchange market. According to this new scheme: (i) the Central Bank may intervene, subject to market conditions, in the foreign exchange market and sell Dollars in the market, even in case that the exchange rate is below Ps. 51.488 and (ii) if the exchange rate climbs above Ps. 51.488, the Central Bank will sell foreign currency for up to 250 million dollars daily. Also, the Central Bank could decide to perform additional interventions. The Pesos resulting of such sales will be discounted from the monetary base. The COPOM also confirmed that the Central Bank will not intervene in the foreign exchange market if the exchange rate decrease below Ps. 39.755.

The Argentine macroeconomic environment, in which we operate, was affected by such devaluation which had an effect on our financial and economic position. If the Peso devalues significantly, all of the negative effects on the Argentine economy related to such devaluation could recur, with adverse consequences to our business, financial condition and results of operations.

High public expenditure could result in long lasting adverse consequences for the Argentine economy.

During the last few years, the Argentine government has substantially increased public expenditure and has resorted to the Central Bank and to ANSES to source part of its funding requirements.

The Argentine government has commenced revision of its subsidy policies, particularly those related to energy, electricity and gas, water and public transportation. Accordingly, in September 2016, the Supreme Court of Argentina issued a ruling in favor of increasing electricity rates. The Macri administration has also ordered an increase in gas tariffs for PyMEs and businesses. These measures reduce public expenditure but impact on prices, substantially affecting the consumption and economy.

We cannot assure you that the government will not seek to finance its deficit by gaining access to the liquidity available in the local financial institutions. In that case, government initiatives that increase the exposure of local financial institutions to the public sector could affect our liquidity and assets quality and have a negative effect on clients' confidence.

In addition, further deterioration in fiscal accounts could negatively affect the Argentine government's ability to access the international financing markets and could result in increased pressure on the Argentine private sector to cover the Argentine government's financial needs. This could adversely affect the Argentine economy and our business, financial condition and results of operations.

The amendment of the Central Bank's Charter and the Convertibility Law may adversely affect the Argentine economy.

On March 22, 2012, the Argentine Congress passed Law No. 26,739, which amended the charter of the Central Bank (the "Central Bank Charter") and Law No. 23,298, as amended and supplemented (the "Convertibility Law"). This law amended the principal objectives of the Central Bank and removed certain provisions previously in force. Pursuant to the amendment, the Central Bank focuses on promoting monetary and financial stability as well as development with social equity.

The key components of the amendment to the Central Bank Charter related to the use of international reserves and the implementation of policies by the Central Bank in order to interfere in the fixing of interest rates and terms of loans to financial institutions. Pursuant to the amendment, Central Bank reserves may be made available to the Argentine government for the repayment of debt or to finance public expenses.

The use of Central Bank reserves for such expanded purposes may result in Argentina being more vulnerable to inflation or external shocks, affecting Argentina's capacity to overcome the effects of an external crisis, which in turn could negatively affect our business, financial condition and results of operations.

Failure to adequately address actual and perceived risks of institutional deterioration and corruption may adversely affect Argentina's economy and financial condition, which in turn could adversely affect our business, financial condition and results of operations.

A lack of a solid institutional framework and corruption have been identified as, and continue to be a significant problem for Argentina. In Transparency International's 2017 Corruption Perceptions Index survey of 180 countries, Argentina was ranked 85, improving from the previous survey in 2016. In the World Bank's Doing Business 2018 report, Argentina ranked 117 out of 190 countries, down from 116 in 2017.

Recognizing that the failure to address these issues could increase the risk of political instability, distort decision-making processes and adversely affect Argentina's international reputation and ability to attract foreign investment, the Macri administration has announced several measures aimed at strengthening Argentina's institutions and reducing corruption. These measures include the reduction of criminal sentences in exchange for cooperation with the government in corruption investigations, increased access to public information, the seizing of assets from corrupt officials, increasing the powers of the Anticorruption Office (*Oficina Anticorrupción*) and the passing of a new public ethics law, among others. The Argentine government's ability to implement these initiatives is uncertain as it would require the involvement of the judicial branch, which is independent, as well as legislative support from opposing parties.

The ongoing economic uncertainty and political instability in Argentina may adversely affect the Argentine economy.

Argentina's political environment has historically influenced, and continues to influence, the performance of the country's economy. Political crisis have affected and continue to affect the confidence of investors and the general public, which have historically resulted in economic deceleration and heightened volatility in the securities with underlying Argentine risk. The recent economic instability in Argentina has contributed to a decline in market confidence in the Argentine economy as well as to a deteriorating political environment. Weak macroeconomic conditions in Argentina have continued in 2018 and may be accentuated in 2019 as a result of the upcoming presidential elections.

In addition, various ongoing investigations into allegations of money laundering and corruption being conducted by the Office of the Argentine Federal Prosecutor, including the largest such investigation, known as "*Los Cuadernos de las Coimas*," or "the Chauffeur's Books" have negatively impacted the Argentine economy and political environment. Numerous members of different agencies of the Argentine government as well as senior officers of companies holding government contracts or concessions have faced or are currently facing allegations of corruption and money laundering as a result of these investigations. These individuals are alleged to have accepted bribes by means of kickbacks on contracts granted by the government to several infrastructure, energy and construction companies. The proceeds from these kickbacks allegedly financed the political campaigns of political parties forming the previous government that was led by former President Cristina Fernandez de Kirchner. These funds were unaccounted for or not publicly disclosed and were allegedly used to personally enrich of certain individuals. Several senior politicians, including members of Congress, and high-ranking executives and officers of major companies in Argentina (i) have been arrested on account of various charges relating to corruption, (ii) entered into plea agreements with prosecutors and (iii) have resigned or been removed from their positions. The potential outcome of the Chauffeur's Books as well as other ongoing corruption-related investigations is uncertain, but they have already had an adverse impact on the image and reputation of those companies that have been implicated, as well as on the general market perception of the economy, political environment and the capital markets in Argentina. We have no control over and cannot predict whether such investigations or allegations will lead to further political and economic instability. In addition, we cannot predict the outcome of any such allegations nor their effect on the Argentine economy.

Risks relating to the Argentine financial system

The health of Argentina's financial system depends on the growth of the long-term credit market.

In recent years, the loan portfolio of the Argentine financial system has grown significantly. Loans to the private sector (in nominal value without adjusting for inflation) grew by approximately, 33% in 2016, 52% in 2017 and 36% in 2018, for the financial system as a whole. In the past, the pace of growth of long-term loans was slower than that of the rest of the loan portfolio, however in the last two years there has been a significant increase in mortgage loans, which grew by 244% as compared to 2016.

Since most deposits are short-term deposits, a substantial portion of the loans have the same or similar maturities, and there is a small portion of long-term credit lines.

The uncertainty of the level of inflation in future years is a principal obstacle to a faster recovery of Argentina's private sector long-term lending. This uncertainty has had and may continue to have a significant effect on both the supply of and demand for long-term loans, as borrowers try to hedge against inflation risk by borrowing at fixed rates while lenders hedge against inflation risk by offering loans at floating rates.

If longer-term financial intermediation activity does not grow, the ability of financial institutions, including us, to generate profits will be negatively affected.

The health of the financial system depends upon the ability of financial institutions, including us, to retain the confidence of depositors.

The measures implemented by the Argentine government by the end of 2001 and early 2002, particularly the restrictions imposed on depositors in relation to the possibility of freely withdrawing funds from banks and pesification and restructuring of their deposits, caused losses to many depositors and weakened the confidence in the Argentine financial system.

As a consequence of the 2008 global economic crisis, the banking industry in Argentina suffered a significant slowdown. This trend was reversed by the end of 2009. Total deposits with the financial system increased by 45% in 2016, 24% in 2017 and 67% in 2018, but the ratio of total financial system deposits to GDP is still low when compared to international levels and lower than the periods prior to the crisis.

The Argentine financial system growth, depends heavily on deposit levels, due to the small size of its capital market and the absence of foreign investments in previous years. Recently, numerous local financial institutions, including the Bank, have had access to global financial markets to obtain financing through the placement of debt securities, in satisfactory conditions, but this trend may not last and there is uncertainty about whether the current availability of funds in international markets will continue in the coming years.

Although liquidity levels are currently reasonable, it is not possible to offer any guarantee that these levels will not decrease in the future due to adverse economic conditions that could negatively affect the Bank's business.

In spite of the positive trend in previous years, the deposit base of the Argentine financial system, including ours, may be affected in the future by adverse economic, social and political events. If there were a loss of confidence due to such economic, social and political events causing depositors to withdraw significant holdings from banks, there could be a substantial negative effect on the manner in which financial institutions, including us, conduct their business and on their ability to operate as financial intermediaries. International loss of confidence in the financial institutions may also affect the behavior of Argentine depositors which could have a negative impact on our business, financial condition and results of operations.

Our asset quality and that of other financial institutions may deteriorate if the Argentine private sector is affected by economic events in Argentina or international macroeconomic conditions.

The capacity of many Argentine private sector debtors to repay their loans has in the past deteriorated as a result of certain economic events in Argentina or macroeconomic conditions, materially affecting the asset quality of financial institutions, including us.

From 2009 to 2011, the ratio of non-performing private sector lending declined overall, with a record minimum ratio of 1.4% as of December 31, 2011 for the financial system as a whole. The improvement was reflected in both the consumer loan portfolio and the commercial portfolio. From 2012, the ratio of non-performing private sector lending increased, reaching 2.0% as of December 31, 2014. During 2015, the ratio of non-performing private sector lending decreased to 1.7% and during 2016 reached 1.8%, which remained in 2017 for the financial system as a whole. As of December 31, 2018, the ratio of non-performing private sector lending reached 3%, calculated pursuant to Central Bank Rules.

We experienced similar non-performing loan rates, with a maximum of 1.9% in 2014 and an improvement from 2015 until they reached 1.1% in 2016. The non-performing loan rate reached 1.9%, with a coverage ratio of 118% as of December 31, 2018, calculated pursuant to Central Bank Rules.

Despite the quality of our portfolio, we may not succeed in recovering substantial portions of outstanding loans. If Argentina's economic growth slows or the financial condition of the private sector deteriorates, the financial system, including us, could experience an increase in the incidence of non-performing loans.

Limitations on enforcement of creditors' rights in Argentina may adversely affect financial institutions.

To protect debtors affected by the economic crisis, beginning in 2002, the Argentine government adopted measures that temporarily suspended proceedings to enforce creditors' rights, including mortgage foreclosures and bankruptcy petitions. Such limitations have restricted creditors' ability to collect defaulted loans.

Despite the fact that most of these measures have been rescinded, we cannot assure you that in an adverse economic environment the government will not adopt new measures in the future, restricting the ability of creditors to enforce their rights, which could have a material adverse effect on the financial system and our business.

The application of the Consumer Protection Law may prevent or limit the collection of payments with respect to services rendered by us.

Law No. 24,240 as amended and supplemented from time to time (the “Consumer Protection Law”) sets forth certain rules and principles designed to protect consumers, which include our customers. The Consumer Protection Law, contains specific rules regarding financial activities and also general rules that may be used to support its application, pursuant to legal precedents. Additionally, the National Civil and Commercial Code has incorporated the principles of Consumers Protection Law and has established its application to banking sector contracts.

Moreover, Law No. 25,065 (as amended and supplemented from time to time by Law No. 26,010 and Law No. 26,361, the “Credit Card Law”) also sets forth several mandatory regulations designed to protect credit card holders.

Both the involvement of the applicable administrative authorities at the federal, provincial and local levels, and the enforcement of the Consumer Protection Law and the Credit Card Law by the courts are increasing. This trend has increased general consumer protection levels. In such context, Central Bank Communication “A” 5460, provides a wide protection to clients of financial services institutions, limiting the fees and charges that such institutions can charge to their clients. Likewise, the Supreme Court of Justice issued the case law No. 32/2014, by which created the Public Registry of Collective Trials to orderly inscribe all collective processes (class actions) filed in courts. In the event of we are found responsible for violating the provisions of the Consumer Protection Law or the Credit Card Law, potential penalties may limit our ability to collect payments owed for services and credits which may, in turn. And therefore, may adversely affect the financial results of our operations.

Furthermore, the rules that govern the credit card business provide for variable caps on the interest rates that financial entities may charge clients and the fees that they may charge merchants. Moreover, general legal provisions exist pursuant to which courts could decrease the interest rates and fees agreed upon by the parties on the grounds that they are excessively high. On the other hand, the Central Bank has also established certain rules that grant broad protections for consumers of financial services that offer greater control over the relationship between them and their clients. The Central Bank regulations provide: (i) that prior authorization is required to implement new fees for new products and/or services offered and to increase existing commissions or fees for products that are considered commodities and (ii) the ability of financial institutions to receive remuneration for any insurance product that the client is forced to purchase as a condition of access to financial services. A change in applicable law or the handing down of court decisions that lower the cap on interest rates and fees that clients and merchants may be charged could reduce our revenues and therefore negatively affect our results of operations.

In December 2018, a preliminary draft for a new Consumer Protection Law (the “CPL Draft”) was submitted by the Ministry of Justice and Human Rights and the Ministry of Production and Labor of Argentina which sets forth certain rules and principles designed to protect consumers, which include our consumers. The CPL Draft, proposes a broad perspective that contemplates the business practices of the sector with the aim of formalizing links between credit providers and consumers, establishing, for example, that the costs of financing or loans that are in breach to the law, will be beared in whole or in part by credit providers or intermediaries. It also enshrines a catalogue of *iuris tantum* legal presumptions, of the existence of consumer credit contracts that may affect the enforceability of those credits. The concept of “hyper-vulnerable consumers” is also introduced, thus placing them at a presumed disadvantage in the contractual negotiation and the potential factors that could affect their consumer relationship.

Moreover, the CPL Draft creates the “principle of responsible lending” (*Principio de préstamo responsable*) which imposes certain duties over credit or financing providers like us. This principle could reduce the number of consumers who would be able to access and negotiate credits. It also establishes that the prevention of consumers’ overindebtedness must become central policies guaranteed by public authorities. This could impose limits to the granting and advertising of consumer loans. Finally, it grants the consumer the right to make payments in advance, among others. This CPL Draft has not been passed by the Argentine Congress, however, any of these reforms may adversely affect the result of our operations.

Class actions against financial entities for an indeterminate amount may adversely affect the profitability of the financial system.

Certain public and private organizations have initiated class actions against financial institutions in Argentina, including us, some of which have been favorable contested while others were duly appealed by the Bank. The Argentine National Constitution and the Consumer Protection Law contain certain provisions regarding class actions. However, their guidance with respect to procedural rules for instituting and trying class action cases are limited. Nevertheless, by means of an *ad hoc* doctrine construction, Argentine courts have admitted class actions in some cases, including various lawsuits against financial entities related to “collective interests” such as alleged overcharging on products, applied interest rates and advice in the sale of public securities, among others. If class action plaintiffs were to prevail against financial institutions, their success could have an adverse effect on the financial industry and on our business.

Governmental measures and regulatory framework affecting financial entities could have a material adverse effect on the operations of financial entities.

The Argentine government has historically exercised significant influence over the economy. Financial institutions, in particular, have operated in a highly regulated environment. The Central Bank could penalize us in case of non-compliance with the applicable regulations. Similarly, the CNV may impose penalties on us, our Board of Directors, our Management and our supervisory committee for violation of corporate governance regulations. The Financial Information Unit ("UIF", per its initials in Spanish) regulates matters related to money laundering and has the power to supervise regulatory compliance by financial entities and, eventually, impose sanctions. Such regulatory agencies could initiate actions against us, our shareholders or directors and, consequently, impose sanctions on us or our subsidiaries.

Between 2001 and 2015, a series of new regulations were issued, mainly regulating the foreign exchange market, capital and minimum cash requirements, lending activity, interest rate limits and dividend distribution for financial institutions. In addition, various international developments such as the adoption in Argentina of risk-based capital, leverage and liquidity standards by the Basel Committee on Banking Supervision in December 2010 known as "Basel III" will likely continue to impact us in the coming years.

Moreover, the Central Bank imposed new restrictions on the distribution of dividends, including a limitation on the maximum distributable amount of dividends. In addition, since January 2016, pursuant to Central Bank Communication "A" 5827, additional capital margin requirements have to be complied with, including a capital conservation margin and a counter-cycle margin. The capital conservation margin shall be 2.5% of the amount of capital risk weighted assets ("RWA"), in the case of entities considered systemically important ("D-SIB"), like us, the margin will be increased to 3.5% of the amount of capital RWA. The counter-cycle margin shall be within a range of 0% to 2.5% of RWA, but Communication "A" 5938 as amended by Communication "A" 6013, among others, of the Central Bank, established countercyclical margin in 0% since April 1, 2016. This margin can be reduced or cancelled by the Central Bank when it considers that the systematic risk has been diminished. By Communication "A" 6013, the Central Bank also eliminated the requirement to maintain a certain threshold of regulatory capital after the distribution of dividends by financial institutions and according to Communication "A" 6244 effective as of July 1, 2017, financial institutions can freely determine the level and use of their general exchange position, allowing them to manage their currency positions, both in terms of the composition of their assets and the possibility of managing the incoming and outgoing cash flow in foreign currency.

Since June 2012, the Central Bank had in place a regime to finance productive investment, by which certain financial entities, including us, had to allocate a certain amount of the deposits held by the non-financial private sector, at a fixed interest rate in Pesos determined by the Central Bank, to fund investment projects for the acquisition of capital goods, the construction of plants, the marketing of goods or the acquisition of property (subject in this case to certain additional requirements). However, since 2017 this regime was being phased out until December 2018, at which time the allocation was 0%.

The Central Bank has also established limitations to the net positive global position in foreign currency to prevent the reduction of the Central Bank's foreign exchange reserves. Due to the reduction of the limits carried out by the previous government, financial entities, including the Bank, were forced to sell part of their position in dollars to comply with aforementioned regulation. As of the date of this annual report, the positive net global position in foreign currency cannot exceed 5% of the RPC or the liquid funds of the Bank prior to the relevant month while the negative net global position in foreign currency cannot exceed 30% of the RCP for the month prior to the relevant month.

Moreover, any insolvency proceeding against financial institutions would be subject to the powers of and intervention by the Central Bank, which may limit remedies otherwise available and extend the duration of the proceedings. Finally, special rules that govern the subordination of debt of financial institutions in Argentina, granting priority to depositors with respect to most other creditors, may negatively affect other shareholders in the event of our judicial liquidation or bankruptcy.

In addition, the Civil and Commercial Code also modifies the applicable regime for contractual provisions regarding payment obligations in foreign currency, stating that such obligations can be settled in Pesos. This modifies the legal regime, under which debtors could only cancel such obligations by making the payment in the specific currency agreed in their contracts. Even though in general, courts have admitted the possibility of waiving such provision, it is important to take into account that the previous Argentine Civil Code and the previous Argentine Commercial Code, were in effect in Argentina for approximately 150 years and as of the date hereof, the existing case law on the provisions of the Civil and Commercial Code is scarce. Thus, it is not clear as to how the provisions of this Civil and Commercial Code will be construed and applied by Argentine courts.

Even though the Macri administration has adopted measures to increase the flexibility for the regulatory framework of financial institutions, eliminating several restrictions imposed by the previous government, it is not possible to offer any guarantee that new stricter regulations will not be implemented in the future that may generate uncertainty and adversely affect future financial activities and the results of the Bank's operations. Such changes in the regulatory framework and further changes in the future could limit the ability of financial institutions, including us, to make long-term decisions, such as asset allocation decisions, which could cause uncertainty with respect to our future financial condition and results of operations. We cannot assure that laws and regulations currently governing the economy, or the financial sector will not continue to change in the future or that any changes will not adversely affect our business, financial condition and results of operations. For more information, see Item 4.B "Argentine Banking Regulation".

Argentina's insufficient or incorrect implementation of certain anti-money laundering and combating the financing of terrorism ("AML/CFT") recommendations may result in difficulties to obtain international financing and attract direct foreign investments.

In October 2010, the Financial Action Task Force ("FATF") issued a Mutual Evaluation Report (the "Mutual Report") on AML and CFT in Argentina. The Mutual Report stated that, since the prior evaluation in 2004, Argentina had not made adequate progress in addressing a number of deficiencies identified at that time, and the FATF subsequently placed Argentina under enhanced monitoring.

In June 2011, Argentina made a high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies. In compliance with recommendations made by the FATF on money laundering prevention, on June 1, 2011 the Argentine Congress enacted Law No. 26,683. Under this law, money laundering is now a crime per se, and self-laundering money is also considered a crime.

In June 2012, the plenary meeting of the FATF held in Rome highlighted the progress made by Argentina but also urged the Argentine government to make further progress regarding its AML/CFT deficiencies. Notwithstanding the improvements that Argentina made, in October 2012 the FATF determined that certain strategic AML/CFT deficiencies continued, and that Argentina would be subject to continued monitoring.

Since October 2013, Argentina has taken steps towards improving its AML/CFT regime, including the issuance of new regulations strengthening suspicious transaction reporting requirements and the financial sector regulator's existing powers to apply sanctions for AML/CFT deficiencies. Such progress has been recognized by the FATF. In this regard, in June 2014 the FATF stated that Argentina had made significant progress in addressing the deficiencies in its AML/CFT measures as identified in the Mutual Report, and that subsequent to the adoption of such measures, Argentina had strengthened its legal and regulatory framework, citing certain specific examples. As a result of such progress, the FATF plenary decided that Argentina had taken sufficient steps in addressing technical compliance with the core and key recommendations, such that Argentina could be removed from the compliance monitoring process. In addition, on October 24, 2014 the FATF welcomed Argentina's significant progress in improving its AML/CFT regime and stated that Argentina would work with the FATF and the Financial Action Task Force of Latin America (*Grupo de Acción Financiera de América del Sur*) as it continued to address the full range of AML/CFT issues identified in its Mutual Report. On June, 2017 Argentina was unanimous elected to preside the FATF.

Although Argentina has made significant improvements in its AML/CFT regulations, and is no longer subject to the FATF's ongoing global AML/CFT compliance process, no assurance can be given that Argentina will continue to comply with AML/CFT international standards, or that Argentina will not be subject to the FATF's ongoing global AML/CFT compliance process in the future, circumstances which could adversely affect Argentina's ability to obtain financing from international markets and attract foreign investments and which could in turn, negatively affect our business.

Certain changes to services and commissions charged by financial entities on debit and credit card sales may affect our result of operations.

We receive income from the commissions we charge merchants on debit and credit card transactions. A change in applicable law that place limits on the fees that merchants may be charged may adversely reduce our revenues. On September 8, 2016, one of the chambers of the Argentine Congress approved a draft bill that aims to reduce credit card sales commissions from 3% to 1.5%, and debit card sales commissions from 1.5% to 0%. The draft bill was not approved by the Argentine Congress in 2016. Nevertheless, on March 31, 2017, the Central Bank issued Communication "A" 6212, effective as of April 1, 2017, which reduces credit card and debit card sales commissions on a gradual annual plan. Pursuant to Communication "A" 6212, the maximum credit card sales commission rate for 2017 is 2.0% and for 2018, 2019, 2020 and 2021 and after, will be 1.85%, 1.65%, 1.50% and 1.30%, respectively. The maximum debit card sales commissions for 2017 is 1.0% and for 2018, 2019, 2020 and 2021 and after, will be 0.90%, 0.80%, 0.70% and 0.60%, respectively.

The application of the limits set by the Central Bank and any further reductions on credit and debit cards sales commissions could adversely affect our profitability, financial condition and results of operations.

Changes in the laws and regulations may negatively affect us.

Argentine financial institutions are subject to extensive regulation and supervision by the Argentine Government, particularly by the Central Bank, the UIF and the CNV. We have no control over governmental regulations or the rules governing all aspects of our operations, including:

- minimum capital requirements;
- mandatory reserve requirements;
- requirements for investments in fixed rate assets;
- lending limits and other credit restrictions, including mandatory allocations;
- limits and other restrictions on fees;
- reduction of the period for the financial institutions to deposit the amount of sales made with credit cards in the corresponding accounts of the sellers;
- limits on the amount of interest banks can charge or pay, or on the period for capitalizing interest;
- accounting and statistical requirements;
- restrictions on dividends;
- limits on market share;
- reporting or controlling regimes as agents or legally bound reporting parties; and
- changes in the deposit insurance regime.

Increased operating costs may affect our results of operations.

We face the risk of potential claims initiated by individual workers or unions, and possible strikes or general strikes, in the context of negotiations relating to salary increases, benefits and/or compensation. The occurrence of any of the above could increase our operating costs, which could in turn have a negative impact on our business, financial position and results of operations.

Risks relating to us

Our target market may be the most adversely affected by economic recessions.

Our business strategy is to increase fee income and loan origination in one of our principal target markets; low- and middle-income individuals and PyMEs.

This target market is particularly vulnerable to economic recessions and, in the event of a recession, growth in our target market may slow and consequently adversely affect our business. The Argentine economy as a whole, and our target market in particular, have not stabilized enough for us to be certain that demand will continue to grow. Therefore, we cannot assure you that our business strategy will ultimately be successful without undue delay or at all.

Significant shareholders have the ability to direct our business and their interests could conflict with yours.

As of December 31, 2018, our significant shareholders, Jorge Horacio Brito and Delfín Jorge Ezequiel Carballo, directly or beneficially own 5,366,621 Class A shares and 105,727,603 Class B shares and 4,895,574 Class A shares and 106,805,523 Class B shares, respectively.

Although there is no agreement among them, if voting together, they could control all decisions made by shareholders with respect to us. They may, without the concurrence of the remaining shareholders, elect a majority of our directors, effect or prevent a merger, sale of assets or other business acquisition or disposition, cause us to issue additional equity securities, effect a related party transaction and determine the timing and amounts of dividends, if any.

We will continue to consider acquisition opportunities, which may not be successful.

We have historically expanded our business primarily through acquisitions. We will continue to consider attractive acquisition opportunities that we believe may offer additional value and are consistent with our business strategy. We cannot assure you, however, that we will be able to identify suitable acquisition candidates or that we will be able to acquire promising target financial institutions on favorable terms or that the Central Bank will approve any such transaction without undue delay or at all. Additionally, our ability to obtain the desired effects of any such acquisitions will depend in part on our ability to successfully complete the integration of those businesses and capture expected synergies, of which there can be no assurance. The integration of acquired businesses entails significant risks, including customer retention, integration, valuation adjustments and liability assumption risks. Any integration process gives rise to costs and uncertainties and may strain management resources and business functions. The occurrence of any of the above may have a material adverse effect on our business, results of operations, cash flow or financial condition.

Reduced spreads between interest rates received on loans and those paid on deposits, without corresponding increases in lending volumes, could adversely affect our profitability.

The spread for Argentina's financial system between the interest rates on loans and deposits could be affected as a result of increased competition in the banking sector and the Argentine government's tightening of monetary policy in response to inflation concerns.

Since 2009, the interest rate spreads throughout the financial system have increased. This increase was sustained by a steady demand for consumer loans in recent years. During 2014, the Central Bank established new limits on borrowing and lending rates. However, the net interest margin of the financial system remained stable due to a substantial growth both in loan and deposit portfolios. As of December 17, 2015, these limits were removed by the Macri administration.

We cannot guarantee that interest rate spreads will remain attractive unless increases in our volume of lending or additional cost-cutting takes place. A reversal of this trend could adversely affect our profitability.

Our estimates and established reserves for credit risk and potential credit losses may prove to be inaccurate and/or insufficient, which may materially and adversely affect our financial condition and results of operations.

A number of our products expose us to credit risk, including consumer loans, commercial loans and other receivables. Changes in the income levels of our borrowers, increases in the inflation rate or an increase in interest rates could have a negative effect on the quality of our loan portfolio, causing us to increase provisions for loan losses and resulting in reduced profits or in losses.

We estimate and establish reserves for credit risk and potential credit losses. This process involves subjective and complex judgments, including projections of economic conditions and assumptions on the ability of our borrowers to repay their loans. We may not be able to timely detect these risks before they occur, or due to limited resources or availability of tools, our employees may not be able to effectively implement our credit risk management system, which may increase our exposure to credit risk.

Overall, if we are unable to effectively control the level of non-performing or poor credit quality loans in the future, or if our loan loss reserves are insufficient to cover future loan losses, our financial condition and results of operations may be materially and adversely affected.

Changes in market conditions, and any risks associated therewith, could materially and adversely affect our financial condition and results of operations.

We are directly and indirectly affected by changes in market conditions. Market risk, or the risk that values of assets and liabilities or revenues will be adversely affected by variation in market conditions, is inherent in the products and instruments associated with our operations, including loans, deposits, securities, bonds, long-term debt and short-term borrowings. Changes in market conditions that may affect our financial condition and results of operations include fluctuations in interest and currency exchange rates, securities prices, changes in the implied volatility of interest rates and foreign exchange rates, among others.

Cybersecurity events could negatively affect our reputation, our financial condition and our results of operations.

We depend on the efficient and uninterrupted operation of internet-based data processing, communication and information exchange platforms and networks, including those systems related to the operation of our automatic teller machine ("ATM") network. We have access to large amounts of confidential financial information and control substantial financial assets belonging to our customers as well as to us. In addition, we provide our customers with continuous remote access to their accounts and the possibility of transferring substantial financial assets by electronic means. Accordingly, cybersecurity is a material risk for us. Cybersecurity incidents, such as computer break-ins, phishing, identity theft and other disruptions could negatively affect the security of information stored in and transmitted through our computer systems and network infrastructure and may cause existing and potential customers to refrain from doing business with us.

In addition, contingency plans in place may not be sufficient to cover liabilities associated with any such events and, therefore, applicable insurance coverage may be deemed inadequate, preventing us from receiving full compensation for the losses sustained as a result of such a disruption.

Although we intend to continue to implement security technology devices and establish operational procedures to prevent such damage, we cannot assure you that all of our systems are entirely free from vulnerability and these security measures will be successful. If any of these events occur, it could damage our reputation, entail serious costs and affect our transactions, as well as our results of operations and financial condition.

Our business is highly dependent on properly functioning information technology systems and improvements to such systems.

Our business is highly dependent on the ability of our information technology systems and the third party managers of such systems to effectively manage and process a large number of transactions across numerous and diverse markets and products in a timely manner. In addition, we provide our customers with continuous remote access to their accounts and the possibility of transferring substantial financial assets by electronic means. The proper functioning of our financial control, risk management, accounting, customer service and other data processing systems is critical to our business and our ability to compete effectively. Our business activities may be materially disrupted if there were a partial or complete failure of any of our information technology systems communication networks. Such failures could be caused by, among other things, software bugs, computer virus attacks or intrusions, phishing, identity theft or conversion errors due to system upgrading. In addition, any security breach caused by unauthorized access to information or systems, or intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, could have a material adverse effect on our business, results of operations and financial condition.

Our ability to remain competitive and achieve further growth will depend in part on our ability to upgrade our information technology systems and increase our capacity on a timely and cost effective basis. Any substantial failure to improve or upgrade information technology systems effectively or on a timely basis could materially affect us.

An increase in fraud or transactions errors may adversely affect us.

Given the number of transactions that take place in a financial institution, although we have implemented numerous controls to avoid the occurrence of inefficient or fraudulent operations, errors can occur and aggravate even before being detected and corrected. In addition, some of our transactions are not fully automatic, which may increase the risk of human error or manipulation, and it may be difficult to detect losses quickly. Likewise, cybersecurity is a significant risk to us. Cybersecurity incidents or personal and confidential information may adversely affect the security of information stored and transmitted through the Issuer's computer systems and may cause existing and potential customers to refrain from doing business with us.

As with other financial institutions, we are susceptible to, among other things, fraud by employees or outsiders, unauthorized transactions by employees and other operational errors (including clerical or record keeping errors and errors resulting from faulty computer or telecommunications systems). Given the high volume of transactions that may occur at a financial institution, errors could be repeated or compounded before they are discovered and remedied. In addition, some of our transactions are not fully automated, which may further increase the risk that human error or employee tampering will result in losses that may be difficult to detect quickly or at all. Losses from fraud by employees or outsiders, unauthorized transactions by employees and other operational errors could have a material adverse effect on us.

Liquidity issues could arise.

We are mostly a wholesale bank, and a large portion of our funding derives from corporate, rather than individual, accounts. Any significant changes in the liquidity conditions prevailing in the market arising from material adverse effects on the Argentine economy, on the financial system, and on us, could affect our regular performance of business and, in particular, our funding sources.

We have, and we expect that we will continue to have, significant liquidity and capital resource requirements to finance our business.

However, our current and future potential indebtedness could have significant consequences, including the limitation on our ability to refinance existing debt or to borrow money to finance working capital, acquisitions and capital expenditures and the need to allocate a significant part of our cash flow to repay principal and interest, adversely affecting our ability to make dividend payments on our shares and the ADSs.

We cannot assure that changes in the liquidity conditions of the Argentine financial system, either at present or in the future, will not have an adverse effect on our business. If so, our financial, economic or other condition, our results, operations, business, and/or our general repayment ability could be significantly and adversely affected.

Adoption of IFRS (which includes adjustment for inflation) affects the presentation of our financial information, which had been historically prepared under Argentine Central Banking GAAP.

On January 1, 2018, we began preparing our financial statements in accordance with IFRS as issued by the IASB. Prior to and including the year ended December 31, 2017, we prepared our financial statements in accordance with Central Bank Rules. Because IFRS differ in certain significant respects from Central Bank Rules, our financial information prepared and presented in previous annual reports under Central Bank Rules is not directly comparable to IFRS financial data. The lack of comparability of the Bank's recent and historical financial data may make it difficult to gain a full and accurate understanding of its operations and financial condition. Our transition to IFRS as of January 1, 2018 affects the comparability of our financial information for periods prior to January 1, 2017.

In addition, as of July 1, 2018, the peso qualifies as a currency of a hyperinflationary economy, and in connection with IFRS, we are required to apply inflationary adjustments to our financial statements pursuant to International Accounting Standard ("IAS") 29 (Financial Reporting in Hyperinflationary Economies).

IAS 29 does not prescribe when hyperinflation arises, but includes several characteristics of hyperinflation. The IASB does not identify specific hyperinflationary jurisdictions. However, in June 2018, the International Practices Task Force of the Centre for Quality ("IPTF"), which monitors "highly inflationary countries" categorized Argentina as a country with a projected three-year cumulative inflation rate greater than 100%. Additionally, some of the other qualitative factors of IAS 29 were present, providing *prima facie* evidence that the Argentine economy is hyperinflationary for purposes of IAS 29. Therefore, Argentine companies using IFRS as issued by the IASB are required to apply IAS 29 to their financial statements for periods ending on and after July 1, 2018. See Item 5B, "Critical accounting policies" and note 3 to our audited consolidated financial statements as of December 31, 2018 and 2017.

Adjustments to reflect inflation, such as those required by IAS 29, were prohibited by law No.23,928 (the "Law 23,928"). Additionally, Decree No.664/03, issued by the Argentine government ("Decree 664"), instructed regulatory authorities, such as Public Registries of Commerce, the Superintendence of Corporations of the City of Buenos Aires and the CNV, to accept only financial statements that comply with the prohibition set forth in Law 23,928. However, on December 4, 2018, Law No.27,468 abrogated Decree 664/03 and amended Law 23,928 indicating that the prohibition of indexation no longer applies for financial statements. Notwithstanding the foregoing, pursuant to the Central Bank Rules, the Bank cannot perform inflation adjustment in its financial statements for fiscal year 2018 nor any other previous periods. Pursuant to Communication "A" 6651, entities under the supervision of the Central Bank are required to apply the provisions of IAS 29 in full for fiscal years that starting on January 1, 2020.

Consequently, due to the adoption of IFRS and adjustment for inflation our results differ significantly from the results determined on a nominal basis (historical results) by the application of such methodology, applicable mainly, as a result of the composition of the accounting monetary positions and the evolution of the rates, the inflation and other components of the results, which could adversely affect our financial statements, results of operations and financial condition.

In addition to the differences generated by the adoption of the inflation adjustment, there are other differences between Argentine Central Banking GAAP and IFRS such as the calculation of allowances for loan losses and certain disclosures in the financial statements.

Argentina's implementation of the Corporate Criminal Liability Law and other anti-corruption laws and regulations may expose us to related risks.

We are required to comply with various anti-corruption laws and regulations, including those of Argentina and the U.S. Foreign Corrupt Practices Act of 1977 (the "FCPA"). If we do not successfully comply with applicable anti-corruption laws and regulations designed to combat governmental corruption, we could become subject to fines, penalties or other regulatory sanctions, civil litigation as well as to adverse press coverage, which could cause our reputation and business to suffer. Although we are committed to conducting business in a legal and ethical manner and in compliance with local and international statutory requirements and standards applicable to our business, there is a risk that our management, employees or representatives may take actions that could violate applicable laws and regulations, prohibiting the making of improper payments to government officials for the purpose of obtaining or keeping business. Guilty pleas by or convictions of us or of any of our affiliates (including any of our significant shareholders, employees or other agents) in criminal proceedings may have adverse effects on our business.

Risks relating to our Class B shares and the ADSs

Holders of our Class B shares and the ADSs may not receive any dividends.

In 2003, the Central Bank prohibited financial institutions from distributing dividends. In 2004, the Central Bank amended the restriction to require the Central Bank's prior authorization for the distribution of dividends. Under new Central Bank Rules on distribution of dividends, the capital remaining after the distribution of dividends must be sufficient to meet the regulatory capital increased by 75%. See "*Risks relating to the Argentine financial system - Governmental measures and regulatory framework affecting financial entities could have a material adverse effect on the operations of financial entities*".

Since January 2016, pursuant to Central Bank Communication "A" 5827, additional capital margin requirements have to be complied with, including a capital conservation margin and a countercyclical margin. The capital conservation margin shall be 2.5% of the amount of capital RWA, in the case of entities considered D-SIB, like us, and the margin will be increased to 3.5% of the amount of capital RWA. The countercyclical margin shall be within a range of 0% to 2.5% of RWA, but Central Bank Communication "A" 5938, established countercyclical margin of 0% as of April 1, 2016. This margin can be reduced or cancelled by the Central Bank upon its determination that the systematic risk has been diminished.

Since January 2015, Central Bank Communication "A" 5827, as amended, has required that financial entities must make an accounting entry of any administrative and/or disciplinary penalties and adverse criminal judgments pending before the courts, provisioning 100% of the respective penalty provided under each such action until payment is made or a final judgment is entered.

Pursuant to Central Bank Communication “A” 5827 this provisioned amount must also be deducted from the distributable amount. In April 2016, the Central Bank issued Communication “A” 5940, pursuant to which the financial entities that, as of the date thereof, had an amount for such penalties and judgments registered in the account “Provisions – For administrative, disciplinary and criminal penalties,” must analyze, according to the enforcing legal reports, if each such penalty meets the conditions for its total or partial accountable registration, according to the provisions in the “Accounts Plan and Manual” issued by the Central Bank (which provides that penalties must be probable and that their amount can be reasonably estimated).

We obtained authorization from the Central Bank to distribute dividends corresponding to fiscal years 2003 through 2010. For the fiscal years ended December 31, 2011 and 2012, we were not able to distribute dividends because we did not reach the regulatory threshold for dividend distribution under Central Bank regulations. We did reach such regulatory threshold and obtained the authorization from the Central Bank to distribute dividends for the fiscal years ended December 31, 2013 2014, 2015 and 2016, respectively.

On March 12, 2018, the Central Bank issued Communication “6464” pursuant to which, the prior approval of the SEFYC in order to distribute dividends is no longer required. However, the authorization will still be needed for those financial entities that, in order to determine the distributable dividends, have not increased the ranges of CON1 net of deductions (CDCON1) foreseen in the tables of points 4.2.3. (“integration”) and 4.2.4. (“Limitation on the distribution of results”) of the rules on “Distribution of results” by 1 percentage point. No assurance can be given that in the future, a new modification may be introduced, by which the SEFYC authorization will be needed again to distribute dividends.

Holders of our Class B shares and the ADSs located in the United States may not be able to exercise preemptive rights.

Under Argentine Corporate Law No. 19,550 (the “Argentine Corporate Law”), if we issue new shares as part of a capital increase, our shareholders may have the right to subscribe to the proportional amount of shares to maintain their existing shareholding. Rights to subscribe for shares in these circumstances are known as preemptive rights. In addition, shareholders are entitled to the right to subscribe for the unsubscribed shares remaining at the end of a rights offering on a *pro rata* basis, known as accretion rights. Upon the occurrence of any future increase in our capital stock, U.S. holders of Class B shares or ADSs will not be able to exercise the preemptive and related accretion rights for such Class B shares or ADSs unless a registration statement under the U.S. Securities Act of 1933, as amended (the “Securities Act”), is effective with respect to such Class B shares or ADSs or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to those Class B shares or ADSs. We cannot assure you that we will file such a registration statement or that an exemption from registration will be available. Unless those Class B shares or ADSs are registered or an exemption from registration applies, a U.S. holder of our Class B shares or ADSs may receive only the net proceeds from those preemptive rights and accretion rights if those rights can be sold by the depository. If they cannot be sold, they will be allowed to lapse. Furthermore, the equity interest of holders of Class B shares or ADSs located in the United States may be diluted proportionately upon future capital increases.

You may not be able to sell your ADSs at the time or the price you desire because an active or liquid market may not develop.

Prior to March 24, 2006, there has not been a public market for the ADSs or, in the case of our Class B shares, a market outside of Argentina. We cannot assure you that any market for our Class B shares or for the ADSs will be available or liquid nor can we assure of the price at which the Class B shares or the ADSs may be sold in any such market. The relative volatility and illiquidity of the Argentine securities markets may substantially limit your ability to sell Class B shares underlying the ADSs at the price and time you desire.

Investing in securities that trade in emerging markets, such as Argentina, often involves greater risk than investing in securities of issuers in the United States, and such investments are generally considered to be more speculative in nature. The Argentine securities market is substantially smaller, less liquid and can be more volatile than major securities markets in the United States, and is not as highly regulated or supervised as such other markets. There is also significantly greater concentration in the Argentine securities market than in major securities markets in the United States. As of the date of this annual report, the ten largest companies in terms of market capitalization represented more than 90% of the aggregate market capitalization of the BYMA). Accordingly, although you are entitled to withdraw the Class B shares underlying the ADSs from the depository at any time, your ability to sell such shares at a price and time at which you wish to do so may be substantially limited. Furthermore, new capital controls imposed by the Central Bank could have the effect of further impairing the liquidity of the BYMA by making it unattractive for non-Argentines to buy shares in the secondary market in Argentina.

We are traded on more than one market, which may result in price variations and investors may not be able to easily move shares for trading between such markets.

The trading prices of our ADSs and our Class B shares may differ on different markets due to various factors. Any decrease in the price of our Class B shares on the BYMA or the MAE could cause a decrease in the trading price of the ADSs on the NYSE. Investors