

Fluctuations in the exchange rate between pesos and dollars affect the dollar equivalent of the peso price of the ordinary shares on the Bolsa y Mercados Argentinos S.A. ("BYMA") and as a result, would most likely affect the market price of the ADSs. Fluctuations in exchange rates also affect dividend income measured in dollars. The Bank of New York Mellon, as depositary for the ADSs, is required, subject to the terms of the deposit agreement, to convert pesos to dollars at the prevailing exchange rate at the time of making any dividend payments or other distributions. The following table shows the rate of devaluation of the peso compared with the dollar at year end, the rate of exchange (number of pesos per dollar prevailing in the Argentine foreign exchange market at year end) and the rate of inflation for consumer price for the fiscal years ended December 31, 2020, 2019, 2018, 2017 and 2016.

Since the repeal of the Convertibility Law in January 2002, the peso has devalued 9,158.2% compared with the dollar.

	As at December 31,				
	2020	2019	2018	2017	2016
Devaluation Rate(1)	40.49%	58.42%	101.38%	18.45%	21.88%
Exchange Rate(2)	84.1450	59.8950	37.8083	18.7742	15.8502
Inflation Rate(3)	36.14%	53.83%	47.65%	24.80%	34.59%

(1) For the twelve-month period then ending according to the Argentine Central Bank.

(2) Pesos per dollar according to the Argentine Central Bank.

(3) The inflation rate presented is for the Consumer Price Index published by the Argentine National Statistics and Censuses Institute ("INDEC") and is calculated over the prior twelve months.

B. Capitalization and indebtedness

Not applicable.

C. Reasons for the offer and use of proceeds

Not applicable.

D. Risk Factors

The following summarizes some, but not all, of the risks provided below. Please carefully consider all of the information discussed in this Item 3.D. "Risk Factors" in this annual report for a more thorough description of these and other risks:

- Risks Relating to Argentina
 - economic and political instability in Argentina;
 - current levels of inflation;
 - high levels of public spending;
 - the effects on the Argentine economy of economic events in other markets;
 - a decline in international prices for Argentina's principal commodity exports;
 - exchange controls and restrictions on capital inflows and outflows;
 - the insufficiency of the measures adopted to resolve the crisis in the energy sector;
 - any failure to adequately address actual and perceived risks of institutional deterioration and corruption;
 - fluctuations in the value of the peso;
 - the inability of the Republic to obtain financing on satisfactory terms;
 - salary increases or additional employment benefits as a result of government measures or pressure from union sectors;
 - government intervention in the Argentine economy;
 - amendments to the Central Bank's Charter and the Convertibility Law; and
 - the Covid-19 pandemic.

- Risks Relating to the Argentine Financial System and to BBVA Argentina
 - the short-term structure of the deposit base of the Argentine financial system, including the deposit base of the Bank, could lead to a reduction in liquidity levels and limit the long-term expansion of financial intermediation;
 - reduced spreads between interest rates received on loans and those paid on deposits;
 - volatility in interest rates;
 - a mismatch between UVA (“Unidad de Valor Adquisitivo”, in Spanish) loans and UVA deposits;
 - the inaccuracy and/or insufficiency of our estimates and established reserves for credit risk and potential credit losses;
 - increased competition in the banking industry;
 - the dependency of our credit ratings on Argentine sovereign credit ratings;
 - the increasing dependency of the financial industry on information technology systems;
 - security risks;
 - an increase in fraud or transaction errors;
 - any insolvency proceeding against us that could subject us to the powers of, and intervention by, the Central Bank;
 - lawsuits brought against us outside Argentina;
 - class actions against financial institutions for an indeterminate amount;
 - the ability of BBVA, our controlling shareholder, to direct our business;
 - our ability to grow our business is dependent on our ability to manage our relationships with partners and grow our deposit base;
 - acquisitions that could adversely affect the value of the Bank;
 - any adverse consequences related to our calculation of income tax for the years ended December 31, 2018 and 2017;
 - the application of IAS 29 to our Consolidated Financial Statements; and
 - restrictions on our ability to pay dividends.
- Legal, Regulatory and Compliance Risks
 - material weaknesses in our internal control over financial reporting;
 - our operations are conducted in a highly regulated environment;
 - the instability of the regulatory framework, in particular the regulatory framework affecting financial institutions;
 - our exposure to multiple provincial and municipal legislation and regulations;
 - limitations arising from the Consumer Protection Law and the Credit Card Law;
 - compliance risks;
 - differences between U.S. and Argentine corporate disclosure, governance and accounting standards;
 - special rules that govern the priority of different stakeholders of financial institutions in Argentina; and
 - uncertainty regarding the possible effects that tax reform could have in the Argentine economy.

Risks Relating to Argentina

Overview

We are an Argentine corporation (*sociedad anónima*), and the vast majority of our operations, properties and customers are located in Argentina. Accordingly, the quality of our assets, our financial condition and our results of operations are significantly affected by macroeconomic and political conditions prevailing in Argentina.

Economic and political instability in Argentina may adversely and materially affect our business, results of operations and financial condition.

The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high levels of inflation and currency devaluation. As a consequence, our business and operations have been, and could in the future be, affected from time to time to varying degrees by economic and political developments and other material events affecting the Argentine economy, such as inflation, price controls, foreign exchange controls, fluctuations in foreign currency exchange rates and interest rates, governmental policies regarding spending and investment, national, provincial or municipal tax increases and other initiatives increasing government involvement in business activities, and civil unrest and local security concerns.

In 2001 and 2002, the Argentine economy suffered a severe economic and political crisis. Among other consequences, the Argentine Crisis resulted in Argentina defaulting on its foreign debt obligations and introducing emergency measures and numerous changes in economic policies that affected utilities, financial institutions and many other sectors of the economy. Argentina also suffered a significant real devaluation of the peso, which in turn caused numerous Argentine private sector debtors with foreign currency exposure to default on their outstanding debt. Restrictions on deposit withdrawals from the banking system were implemented, as dollar denominated loans and deposits were “pesified” (reclassified as peso denominated) and maturities reprogrammed. Although following that crisis, Argentina substantially increased its real gross domestic product (“GDP”), growing 8.9% in 2005, 8.0% in 2006, 9.0% in 2007 and 4.1% in 2008, in 2009 it was affected by an extended drought, which reduced agricultural production, and the effects of the global economic crisis which led to a contraction of the economy of 5.9% during that year. Real GDP growth was strong in 2010 and 2011, increasing to 10.1% and 6.0%, respectively, but economic performance was erratic in subsequent years and after another recession in 2014, GDP contracted by 2.5%, leading to a GDP level below that of 2011 in constant prices. The economy grew again by 2.7% in 2015, primarily driven by an increase in public expenditures and investment.

The economic and financial environment in Argentina was significantly influenced by the presidential elections held on November 22, 2015, which resulted in Mr. Mauricio Macri being elected President of Argentina. Mr. Macri’s administration (the “Macri administration”) assumed office on December 10, 2015 and launched a wide array of measures intended to correct the longstanding fiscal and monetary policies that had resulted in recurrent public sector deficits, high inflation, pervasive foreign exchange controls and limited foreign investment. In 2016, the elimination of foreign exchange restrictions and rebalancing of utility rates led to an increase in inflation to 41% year-on-year according to the City of Buenos Aires index at year end and a considerable decline in consumption. As a result, GDP fell by 1.8% in 2016. Once the main imbalances were eliminated, the economy picked up again in 2017, with GDP growing 2.9% and inflation slowing to 24.8% year-on-year, though higher than the goal defined by the Central Bank. The Macri administration’s Cambiemos political party triumphed in the midterm elections of 2017, obtaining the necessary support to implement certain gradual tax and pension reforms, as well as a fiscal agreement with the provinces aimed at normalizing the finances of the provincial administrations.

The Macri administration carried out a gradual approach intended to reduce the significant fiscal and current account deficit and to correct the macroeconomic imbalances received from the previous administration. This gradual approach ended abruptly in the second quarter of 2018 due to a combination of domestic impacts (mainly a severe drought), a deterioration of the global financial environment (including an increase in US interest rates and the US-China trade war) coupled with policy errors (including a change to BCRA inflation targets and a capital gains tax), which brought about significant capital outflows from Argentina and the closing of global credit markets for Argentine issuers. From April 30 to July 31, 2018, the Argentine peso (based on the reference exchange rate of the Central Bank) depreciated 32.1% despite frequent exchange market interventions. Even after a strong adjustment of monetary policy and assistance from the International Monetary Fund (“IMF”) in the form of a stand-by high-access agreement of US\$50 billion signed in mid-June 2018, tensions in the foreign exchange market reemerged in August, and the peso devalued 35.8% during that month in a strong sell-off of Argentine assets. Between April and September 2018, nearly US\$14 billion of international reserves were lost due to sales of U.S. dollars by the Central Bank in the foreign exchange market.

Monetary policy was highly influenced by the IMF plan, and by the end of September 2018, a new monetary and foreign exchange scheme was announced. It was adopted in order to control exchange rate volatility by absorbing all excess liquidity in pesos, holding the nominal monetary base constant until December 2018. It also set wide bands within which the foreign exchange rate could float. It allowed currency to be stabilized until February 2019. The peso appreciated 5% between September 30, 2018 and February 28, 2019 (from Ps.40.89/US\$ to Ps.39.00/US\$) and interest rates of Central Bank Liquidity Bills (Leliq) fell in that period more than 2,900 basis points from the peak. By the end of April 2019, the Central Bank changed its exchange rate scheme by eliminating intervention bands, which became exchange reference bands since intervention of the Central Bank in the exchange market was allowed at any level of the exchange rate of the peso, which led to the stability of the peso until the primary elections of August 11, 2019 (on August 9, 2019 the exchange rate closed at Ps.45.40/US\$, 1.6% above the value as of April 29, 2019). However, the unexpected loss by 15 points gap of President Macri to Alberto Fernández in those elections caused the exchange market to react negatively, and the reference exchange rate rose 10.3 pesos on Monday, August 12, 2019, a 22.8% increase over the value recorded the prior Friday, and finished 2019 at Ps.59.89/US\$ with high volatility. On August 28, 2019, Argentina announced a new schedule of payment on its short term local debt, including instruments like Lecap, Letes, Lecer and Lelink, where original dates of payment were postponed between three and six months.

During 2019 the IMF advanced disbursements planned to be made in 2020 and 2021 within the framework of a revised agreement that required an additional fiscal adjustment in 2019, including reaching the goal of a primary deficit of 0% of GDP, the strengthening of Central Bank reserves with the support of official creditors and the continuity of orthodox monetary and fiscal policies. This was part of a new program established in October 2018.

In October 2019, Alberto Fernández was elected president of Argentina and took office on December 10, 2019. Since then, his government (the “Fernandez administration”) has implemented a wide range of economic and political reforms, including limiting access to the exchange market for natural persons (seeking to contain the exchange rate without losing reserves) and the adoption of Law No. 27,541 on Social Solidarity and Productive Reactivation (the “Solidarity Law”), which covers a wide range of political and economic areas and adopts measures that have had, and continue to have, a significant impact on the Argentine economy, including the declaration of a public emergency in economic, financial, fiscal, administrative, pensions, utility rates and energy issues, as well as health and social services. The Solidarity Law also increased taxes, while providing incentives for production and benefits for the poorest and most vulnerable sectors. Moreover, the Solidarity Law also set up the “Tax for an Inclusive and Solidary Argentina” (the “PAIS Tax”) which will be in force for a five year period since its enactment, which applies a 30% rate on banknotes purchases in foreign currency for hoarding purposes, the acquisition of foreign services, and cross-border transportation services.

The Fernández administration has also undertaken a sovereign debt restructuring, designed to make Argentina’s debt sustainable, including through the reschedulement of maturities of sovereign securities, some of which were held by the Bank. As of December 31, 2020, sovereign debt securities affected by these measures and held by the Bank represented 2.67% of the Bank’s total assets. Pursuant to such debt restructuring, investors agreed to exchange their defaulted bonds by new bonds. The “Net Present Value” paid for such securities was around US\$53.5 for every US\$100 of nominal value, discounted at an exit rate of 10%, for those securities issued during 2015-2019 and around US\$59.5 for those previously issued in 2005 and 2010.

Additionally, the Fernandez administration has also undertaken a restructuring of domestic debt that resulted in a 130% foreign exchange premium and a loss of US\$1,300 million international reserves to smooth the official exchange rate depreciation. Initially, foreign exchange controls were partially eased and the market responded positively, the foreign exchange premium was reduced to 85% and the international reserves loss was drastically reduced.

As of the date of this annual report, it is not possible to predict the impact that these measures and any future measures that the Fernandez administration will have on the Argentine economy as a whole and on the financial system in particular. The Fernandez administration’s attempt to stabilize the economy and reduce the fiscal deficit, the trade deficit, inflation, poverty, and country risk, have to date proved unsuccessful. Any further measures could be detrimental to the economy and adversely affect our business, results of operations and financial condition.

Additionally, the Covid-19 crisis has adversely affected the Argentine economy. The Metropolitan Area of Buenos Aires was under Preventive and Mandatory Social Isolation (PMSA) from March, 20, 2020 to November, 8, 2020. Meanwhile, the rest of the country has suffered a significant increase in the number of Covid-19 positive cases since September and has, since then, also been subject to PMSA measures. This context has significantly affected the ability to function normally, mainly those that are more labor intensive which has significantly adversely affected the country’s economic performance. For example, GDP for the second quarter of 2020 fell 19.1% compared to GDP for the second quarter of 2019. As a result, our business, results of operations and financial condition could be significantly adversely affected. See “ –The Covid-19 pandemic is affecting the Bank.”.

If current levels of inflation continue, the Argentine economy and the Bank's business, results of operations and financial condition could be adversely affected.

Argentina has faced price increases since 2007. According to information published by the National Institute of Statistics and Censuses ("INDEC"), the consumer price index ("CPI") increased 9.5% in 2011, 10.8% in 2012, 10.9% in 2013, 24% in 2014 and 11.9% in the ten-month period ended on October 31, 2015. INDEC stopped publishing the CPI in the period between November 2015 and April 2016, and resumed the publication of inflation rates with its new methodology for calculating the CPI as of June 2016, reflecting a cumulative increase of 16.9% from May to December 2016. The INDEC reported an annual variation of the CPI of 24.8%, 47.6%, 53.8% and 36.1% in 2017, 2018, 2019 and 2020, respectively.

The efforts made by the government to contain and lower inflation have not obtained the desired results and inflation continues to be a significant problem for the Argentine economy. During the first two months of 2020, the freezing of public utility rates and fuels, as well as the controlled exchange rate slide (due to foreign exchange restrictions and the usage of international reserves), resulted in lower-than-expected monthly inflation levels, being 2.3% in January and 2.0% in February. This downward trend was reversed in March with a 3.3% inflation and then rejoined in April and May, when inflation fell to 1.5%. However, this initial disinflationary effect of the social isolation was compensated with an increasing money issuance (Ps.1,640 billion) to cope with the expenditures derived from the pandemic (mainly direct transfers to the most affected sectors). Inflation started a timid acceleration in June (2.2% month on month), which was partially reversed in July (1.9%) when the government retightened the mobility restrictions. However, once the contagion curve started to flatten, mobility restrictions were partially eased and the monetary overhang (resulting from the money issuance) began to take the scene. Inflation levels started to accelerate, being 2.7% in August, 2.8% in September, 3.8% in October, 3.2% in November and 4.0% in December (representing the maximum monthly variation of 2020), thus reaching a 36.1% year-on-year inflation rate in 2020. According to the Central Bank consensus, high inflation levels are expected to persist in 2021. The aforementioned expansive monetary policy carried out by the government since December imposes severe risks for the acceleration of inflation in the future. Moreover, if the value of the Argentine peso cannot be stabilized through fiscal and monetary policies, a further increase in inflation rates could be expected.

As a result of the devaluation of the exchange rate and the continuity of the process of adjustment of public service rates, as well as an unfavorable international context in terms of financing, the three-year accumulated inflation as of July 2018 ranked above 100%. Consequently, the Bank applied International Accounting Standard N° 29 ("IAS 29") "Financial Reporting in Hyperinflationary Economies", as from July 1, 2018 in the preparation of its financial statements accompanying this annual report, which requires the financial statements of any entity whose functional currency is the currency of a hyperinflationary economy, either based on the historical cost method or on the current cost method, be expressed in terms of the unit of measure that is in effect at the end of the reporting period. IAS 29 does not establish an absolute inflation rate above which hyperinflation is presumed.

Likewise since January 1, 2020, financial entities supervised by the BCRA, such as the Bank, are required to prepare their statutory financial statements in accordance with IAS 29 in the preparation of their financial statements as established by Communication "A" 6651.

We cannot predict whether any measures to be implemented by the Fernandez administration to control inflation will have the desired effect. Currently and in the past, inflation has adversely affected the Argentine economy and the government's ability to create conditions conducive to growth. An environment of high inflation rates also negatively affects Argentina's international competitiveness, real wages, employment rates, the consumption rate, and interest rates. High levels of inflation and the high level of uncertainty regarding economic variables such as inflation has in the past, and may in the future, adversely affect economic activity, which could materially and adversely affect our business, results of operations and financial condition.

A high level of public spending could negatively affect the Argentine economy and its access to international financial markets.

During the last years of the mandate of Fernández de Kirchner (the "Kirchner administration"), the government significantly increased public spending, turning to the BCRA and Argentine Social Security Office ("ANSES") to cover part of the funding requirements of the public administration, generated in part by the policy of subsidies to certain public services such as electricity, gas, water and transportation, which together with an expansionary monetary policy led to a greater increase in prices all of which adversely affected consumer purchasing power and economic activity levels.

However, the Macri administration adopted measures to mitigate the increase in the fiscal deficit and reduce its current level. For 2017 and 2018, the Macri government set a fiscal deficit target of 4.2% and 2.7% of GDP, respectively, achieving a fiscal deficit of 3.9% and 2.4% of GDP, respectively. Although the objective of the Macri administration was to achieve a primary fiscal deficit equivalent to 1.3% of GDP in 2019, by virtue of negotiations with the IMF and in accordance with the National Budget Law for 2019, the fiscal deficit target was reduced to 0% of GDP in 2019 with a surplus of 1% in 2020. Subsequently, this target was increased to 0.5% of GDP. The deficit in 2019 finally amounted to Ps.95,121 million, equivalent to 0.4% of GDP.

In 2020, in the face of the crisis caused by the health emergency caused by Covid-19, the Fernandez administration announced a package of fiscal stimulus measures to alleviate the effects of the recession, focused on sustaining the income of the most vulnerable families and companies most affected by the PSMA. The combined effect of the increase in spending and the fall in revenue (due to the economic recession) has produced a significant increase in the fiscal deficit in 2020. The 2020 primary fiscal deficit was 6.5% of GDP, the highest in more than 40 years. Although the Treasury showed signs of fiscal austerity by the end of 2020, the inaccessibility to debt markets forced the government to finance the fiscal needs exclusively with monetary issuance from the Central Bank. This dynamic is leading to inflationary and exchange rate disruptions. In addition, any deterioration in the government's fiscal position negatively affects its ability to access debt markets in the future and could result in greater restrictions on accessing those markets by Argentine companies, including BBVA.

A weaker fiscal position could have a material adverse effect on the government's ability to obtain long-term financing and adversely affect economic conditions in Argentina, which could adversely affect the business, results of operations and financial condition of the Bank.

The Argentine economy could be adversely affected by economic events in other markets.

Weak or no economic growth or recession or adverse situations that affect any of Argentina's main trading partners could negatively affect the balance of payments and, therefore, the economic growth of Argentina. In recent years, several Argentine trading partners (such as Brazil, Europe and China) have experienced significant slowdowns or periods of recession in their economies. If these slowdowns or recessions were to occur again, this could impact the demand for products that come from Argentina and thus affect its economy. Furthermore, there is uncertainty about how the commercial relationship will develop between the Mercosur member states, especially between Argentina and Brazil.

Furthermore, the global economy faces significant challenges. There is considerable uncertainty regarding the long-term effects of expansive monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's major economies, including the United States and China. There have been concerns about unrest and terrorist threats in the Middle East, Europe and Africa and conflicts involving Iran, Ukraine, Syria and North Korea. Likewise, economic and social crises emerged in several Latin American countries during 2019, as the economy in most of the region has slowed down after almost a decade of sustained growth, among other factors. There has also been concern about the relationship between China and other Asian countries, which can result in or intensify potential conflicts in relation to territorial disputes, and the possibility of a trade war between the United States and China. Furthermore, the UK withdrew from the European Union ("Brexit") on January 31, 2020, and recently completed a transition period ending on December 31, 2020, the long-term effects of which are uncertain. The medium and long-term implications of Brexit could adversely affect European and global market and economic conditions and could contribute to instability in global financial and currency markets. The UK withdrew from the European Union ("Brexit") on January 31, 2020. The medium and long-term implications of Brexit could adversely affect European and global market and economic conditions and could contribute to instability in global financial and currency markets.

The Covid-19 pandemic has led to economic contractions in most of the world's economies, both developed and emerging. This has affected the Argentine economy mainly through trade, since the demand for its exports (mainly from Brazil and Europe) has dropped substantially. Argentina accumulated a trade balance surplus of Ps.12,528 million in 2020. The Brazilian economy is showing signs of a sharp recovery since 3Q20, which could turn out to be positive for Argentina, given the fact that the country is one of its main importers. Moreover, the current excess of liquidity could mean more and cheaper credit for emerging markets, a fact that could also be facilitated by the result of the recent US Presidential election. The Argentine economy could also benefit from the fact that the new IMF board is willing to reach a new agreement that allows Argentina to postpone its current maturities while giving a couple of years to retake the sustained growth path.

If international and local economic conditions fail to improve or deteriorate even more, 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, less capital inflow and greater aversion to risk. Any of the foregoing could also adversely affect the Bank's business, results of operations and financial condition.

A decline in international prices for Argentina's principal commodity exports could have a material adverse effect on Argentina's economy and public finances, and, as a result, on our business.

Historically, the commodities market has been characterized by high volatility. Despite the volatility of prices of most of Argentina's commodities exports, commodities have significantly contributed to the government's revenues during the 2000s due to the imposition of export duties on agricultural products in 2002. Although most duties were eliminated and the export tax on soy was reduced from 35% to 30% by the Macri administration in 2016, and was further reduced in 2018 by 0.5% per month, the Argentine economy is still relatively dependent on the price of its main agricultural exports, primarily soy. This dependence, in turn, renders the Argentine economy vulnerable to commodity prices fluctuations. International soybean prices decreased slightly during 2017 and further in 2018 due to growing trade tensions between the United States and China. During 2019, soybean prices reached their lowest prices over the prior five years, but recovered from US\$305.5 per ton in May 2019 to US\$335.0 per ton in December 2019. The average price for soybeans was US\$326.9 per ton in 2019, down from US\$345.0 per ton in 2018. During the last months of 2020 prices have demonstrated an upward trend (due to recent purchases from China and the promising news regarding the Covid-19 vaccine) reaching US\$444.0 per ton.

Declines in commodity prices may adversely affect the Argentine economy and the government's fiscal revenues, which could in turn adversely impact the business, results of operations and financial condition of the Bank.

Exchange controls and restrictions on capital inflows and outflows could have a material adverse effect on Argentine public sector activity, and, as a result, on our business.

From 2011 to 2015, the Argentine government introduced exchange controls and restrictions on the transfer and entry of foreign currency that significantly limited the ability of companies to hold foreign currency in Argentina or make payments abroad.

After taking office in 2015, the Macri administration substantially eliminated all exchange restrictions that had been implemented under the previous administration. Nevertheless, on September 1, 2019, due to the economic instability and the significant devaluation of the peso that took place in August 2019 after the primary elections, the government and the BCRA adopted a series of measures reinstating certain exchange controls limiting the access to the local exchange market in order to reduce the purchases of foreign currency. The payment of external financial debt, dividends in foreign currency and the payment of imports of goods and services were severely restricted and the obligation to enter and settle in pesos the funds from the export of goods and services, was reinstated, among other measures. Other financial transactions such as derivatives and transactions in securities are also limited by the new exchange regime.

The Fernandez administration extended the period during which these measures would apply and established additional measures through the Solidarity Law, including a tax on certain transactions that imply the acquisition of foreign currency by individuals and companies. During 2020, foreign exchange market regulations have been strengthened and made increasingly more complex. Towards the end of May 2020, the BCRA issued Communication "A" 7030 by means of which access to foreign currency to pay for imports was severely limited. As of the date of this annual report this measure is still in effect. After that, on September 15, 2020, the Central Bank tightened the foreign exchange market controls. First of all, companies with external financial maturities of more than US\$1 million due before March, 31, 2021 had to present a restructuring plan of at least 60% of the capital payment. Secondly, a 35% tax was added to individuals who buy dollars in the official market (already limited to US\$200 per month, and on top of a 30% tax on the official exchange rate) and finally, communication "A" 7106 banned non-residents from selling bonds for foreign currency. These decisions resulted in a notorious sell off of sovereign bonds, which led to a 7% daily fall. The Central Bank sold US\$1,318 million the following five weeks, in order to keep the exchange rate depreciation at desirable levels. Due to this unsustainable situation, the Government decided to partially ease the restrictions by reducing the interval between bond transactions and the resulting currency exchange between pesos and dollars from fifteen to three days, and also by repealing the aforementioned prohibition for non-residents. The Central Bank purchased US\$608 million in the spot market in December 2020.

Any changes in the policies of the current government concerning economic, exchange and financial matters in order to preserve the balance of payments, the Central Bank's reserves, a capital outflow or a significant depreciation of the Peso, such as the mandatory conversion into Pesos of obligations assumed by legal entities resident in Argentina in US Dollars which could be due to a period of crisis and political, economic and social instability affecting Argentina, or otherwise, any of which could be exacerbated as a result of the Covid-19 pandemic, could have an adverse effect on Argentina's economic activity, and the Bank's business, results of operations and financial condition.

The measures adopted to resolve the crisis in the energy sector may not be sufficient, which could affect the business, the results of operations and the financial condition of the Bank.

The economic policies applied since the Argentine crisis of 2001-2002 have had an adverse effect on the Argentine energy sector. The failure to reverse the freeze on electricity and natural gas rates imposed during the crisis became a barrier to investment in the energy sector. The government tried to encourage investment by subsidizing energy consumption but the policy proved ineffective and served to further discourage investment in the energy sector, causing oil and gas production and electricity generation, transmission and distribution to stagnate while consumption continued to rise. To address the power supply shortage that began in 2011, the government attempted to increase imports of electrical power, with adverse consequences for the trade balance and international reserves.

In response to the growing energy crisis, the Macri administration declared a state of emergency for the national electricity system, which ended on December 31, 2017. The state of emergency allowed the government to take measures to stabilize the supply of electricity to the country. In this context, subsidy policies were re-examined and new electricity rates were adopted.

Additionally, the Macri administration eliminated part of the subsidies for natural gas consumption and the adjustment of rates. As a result, average prices for electricity and gas increased. However, some of the government initiatives related to the energy and gas sectors were challenged in Argentine courts and resulted in adverse court rulings, which were subsequently lifted as legal challenges were resolved.

Although actions have been carried out to attempt to address the crisis in the energy sector, the lack of a definitive resolution of the negative effects on the generation, transport and distribution of electricity in Argentina with respect to residential and industrial supply could undermine confidence and produce an adverse effect on Argentina's economic and financial condition, generating political instability, and adversely affecting the Bank's business and results of operations.

Likewise, the elimination of subsidies and the progressive increase in prices could continue to generate social unrest and be challenged in local courts. We can give no assurance that the measures adopted by the government to deal with the energy crisis will be sufficient to restore energy production in Argentina in the short or medium term. Since the Fernandez administration took office, the rates of public services have been frozen, so a rise in energy demand is expected to generate deficit pressures on the trade balance due to the need to import gas to maintain the levels of domestic production and prevent it from declining as a result of the lack of investment driven by the capped prices.

The current lack of resolution on tariffs results in uncertainty regarding the future situation of the energy market in Argentina and constitutes a source of potential risk for the country's economy and could lead to exchange rate volatility, either of which could adversely affect the Bank's business, results of operations and financial condition.

Any failure to adequately address actual and perceived risks of institutional deterioration and corruption may adversely affect Argentina's economy and financial condition.

The lack of a sound institutional framework and corruption have been identified as, and continue to be, serious problems for Argentina. Argentina ranked 65 out of 180 countries in the 2019 Corruption Perceptions Index published by Transparency International. In the World Bank's Doing Business 2020 report, Argentina ranked 126 out of 190 countries, as compared with 119 in 2019.

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 announced several measures aimed at strengthening Argentina's institutions and reducing corruption. These measures included reducing criminal sentences in exchange for cooperation with the government in corruption investigations, increasing access to public information, seizing 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 government's ability to implement these initiatives is uncertain as it requires the involvement of the judicial branch, which is independent, as well as legislative support from opposition parties. In 2018, a thorough investigation of a corruption scandal linked to a public works bribery scheme implemented by the previous administration led to the arrest of several prominent individuals. Public perception of the independence of the judicial system has been strengthened by these actions, but we cannot assure that the implementation of these measures will be successful.

If the actual and perceived risks of institutional deterioration and corruption are not adequately addressed, Argentina's economy and financial situation might be adversely affected, which could have a material adverse effect on the business, the results of operations and the financial condition of the Bank.

Fluctuations in the value of the peso could adversely affect the Argentine economy and Argentine's ability to service its debt obligations.

Fluctuations in the value of the peso may adversely affect the Argentine economy. A devaluation of the peso may adversely affect the government's revenues (measured in U.S. dollars), fuel inflation and significantly reduce real wages. After several years of moderate variations in the nominal exchange rate, the peso lost 35.3% of its value in 2014 and 33.7% in 2015. Persistent high inflation during this period, with formal and "de facto" exchange controls, resulted in an increasingly overvalued real official exchange rate. Compounded by the effects of foreign exchange controls and restrictions on foreign trade, these highly distorted relative prices resulted in a loss of competitiveness of Argentine production, impeded investment and resulted in economic stagnation during this period.

After the foreign exchange controls were lifted at the end of 2015, the peso depreciated by 38.5% in 2016 considering the average foreign exchange rate in December of 2016 compared with the average foreign exchange rate in December of 2015. In 2017, the depreciation of the peso fell to 11.8%, well below inflation, raising doubts about potential appreciation of the peso in real terms once again. In this scenario, the vulnerability of the Argentine economy to a tightening of international financial conditions was reflected in a current account deficit of 4.9% of GDP in 2017 and a low level of international reserves compared to other countries in the region. When ten-year U.S. treasury rates began to rise and the U.S. dollar strengthened, these vulnerabilities resulted in a negative differentiation of Argentina compared with other emerging countries, which led to a prolonged run on the currency despite frequent interventions by the Central Bank and a sizeable loan from the IMF signed in June 2018. Finally, after another sell-off of Argentine assets in August 2018 and a strong depreciation, in early October 2018 a revised program with the IMF which further tightened fiscal and monetary policy managed to stabilize the foreign exchange market and the peso appreciated by 7.5% in the last quarter of 2018. Considering the full year, the peso depreciated by 50.3% in nominal terms in 2018. Together with the decline in economic activity, the real depreciation of the peso resulted in a strong reduction in imports and a correction of the external deficit in the fourth quarter of 2018.

According to the revised IMF agreement, the Argentine peso floated freely within an accepted band of exchange rates, but the Central Bank may intervene to a limited extent in the foreign exchange market selling reserves if the exchange rate rises above a certain level, defined initially at Ps.44/US\$ (and subsequently adjusted by inflation) which is the upper threshold of the accepted band in which the peso floats freely without intervention of the Central Bank. Conversely the Central Bank was charged with purchasing reserves if the foreign exchange rate fell below the lower threshold of the non-intervention band.

In early 2019, the peso crossed the lower threshold, prompting purchases by the Central Bank and a strong decline in interest rates pursuant to the monetary program. As the level of inflation has remained high, a stronger nominal appreciation of the peso could lead to renewed doubts regarding the appreciation of the peso against the U.S. dollar in real terms. This presents risks for the Argentine economy, including the possibility of a reduction in exports as a consequence of the loss of external competitiveness and deterioration of the current account deficit. Any such appreciation could also have a negative effect on economic growth and employment, reduce tax revenues in real terms and also raise fears regarding the impact of a sudden stop in capital flows

However, by the end of April 2019, exchange rate tensions, together with negative inflation reports of March 2019, led the Central Bank to agree with the IMF the possibility of an intervention even within the (then) exchange reference zone. The announcement of the measure significantly reduced volatility in the exchange rate and helped to contain inflation expectations. It further deepened the contractive profile of the monetary policy since the pesos obtained from the sales of dollars were not re-injected and instead, the monetary base objective was reduced. Thus, the supply of foreign currency from exporters increased and demand decreased. In spite of this, the adverse reaction of the markets to the primary elections in August 2019 led to an increase in exchange rates, and lack of confidence in Argentine assets increased. The prices of Argentine government securities fell by 20% while the value of local companies' shares declined more than 40% over a few days, while the U.S. dollar exchange rate exceeded Ps.60, which implied a depreciation of more than 25% in just four days. The Central Bank intervened in the market, with relatively little success, by selling foreign currency, which brought about a fall in the international reserves of around US\$2 billion. For individuals, the Argentine Central Bank established a maximum limit of US\$200 for the purchase of foreign currency per calendar month across all entities authorized to trade in foreign exchange, as well as for purposes of formation of foreign assets, family assistance remittances, and transactions with derivatives. This measure was enacted in order to help control the exchange rate without using reserves. However, due to the high money issuance and the resulting monetary overhang, the Central Bank has been selling international reserves in order to smooth the depreciation of the peso. Nevertheless, the reserves stock is limited and the more the Central Bank uses them, the more the FX premium rises, so, the monetary authority has decreed a series of measures during 2020 to avoid further loss of reserves. Communication "A" 7030 and "A" 7106 are the clearest example of this idea (see, *"Exchange controls and restrictions on capital inflows and outflows could have a material adverse effect on Argentine public sector activity, and, as a result, on our business"*). These types of measures, although they may be useful in the very short term, have a negative impact on investment and economic activity. The IMF has not allowed (with few exceptions) these types of foreign exchange market controls when negotiating new programs, which may be an issue in connection with the upcoming negotiation.

Political uncertainty or changes in liquidity in international markets are likely to lead to greater volatility, and the depreciation of the peso or a reduction in the reserves of the Central Bank as a result of intervention in the exchange market could adversely affect inflation expectations, economic performance and the ability of the Republic of Argentina to service its debt.

Any of these factors could substantially and adversely affect the business, the results of operations and the financial condition of the Bank.

There can be no assurances that the Republic will be able to obtain financing on satisfactory terms in the future, which could have a material adverse effect on its ability to make payments on its outstanding public debt.

The Republic's future tax revenue and fiscal results may be insufficient to meet its debt service obligations and the Republic may have to rely in part on additional financing from domestic and international capital markets in order to meet future debt service obligations. However, the Republic may not be able to access international or domestic capital markets at acceptable prices or at all, and, if that is the case, the Republic's ability to service its outstanding public debt could be adversely affected, which could in turn adversely affect Argentina's economy and financial condition and thereby have a material adverse effect on our business, results of operations and financial condition.

Measures taken by the government, as well as pressure from union sectors, could require salary increases or additional benefits, all of which could increase the Bank's operating costs.

In the past, the government has passed laws and regulations requiring private companies to maintain certain salary levels and provide additional benefits to their employees. Likewise, public sector and private sector employers have been subject to intense pressure from their workforce or the unions that represent them, to increase wages and provide certain benefits to workers, particularly due to high inflation rates.

Labor relations in Argentina are governed by specific laws such as the Labor Contract Law No. 20,744 and the Law of Collective Labor Agreements No. 14,250 which, among other things, establish how to carry out wage negotiations and other labor issues. Each industrial or commercial sector is regulated by a collective bargaining agreement that classifies companies by sector and by union. Although the bargaining process is standardized, each chamber of industry or commerce negotiates wage increases and employment benefits with the corresponding union in the relevant sector.

According to data published by INDEC, the wage index registered a growth of 27.5% during 2017, as a result of the 26.5% increase in the public sector and a 31.5% increase in the private sector for which data is available. On January 30, 2020, INDEC published that the wage index of the public sector in the previous 12 months rose 43.7%, as a consequence of the 44.5% increase in the private sector for which data is available and an increase of 42.2% of the public sector. The total wage index has increased 31.6% in 2020.

Existing employment laws have led to salary increases that have resulted in an increase in operating costs that has adversely affected the results of operations of Argentine companies. Additionally, the adoption of new measures providing for wage increases or additional benefits for workers due to inflation or additional pressure from workers and unions or otherwise, could result in a further increase in costs and a decrease in the results of operations of Argentine companies, including those of the Bank, which could adversely affect the business, the results of operations and the financial condition of the Bank.

Government intervention in the Argentine economy could adversely affect the business, results of operations and financial condition of the Bank.

During the Kirchner administration, the direct intervention of the government in the Argentine economy increased, including through the implementation of expropriation and nationalization measures, and price and exchange controls.

The Kirchner administration adopted several measures to directly or indirectly control foreign trade transactions and the foreign exchange market. From 2011 until President Macri took office, the government adopted increasingly stricter exchange controls, which, although subsequently largely eliminated or mitigated by the Macri administration, had the effect of widely restricting market access while generating a parallel market for trading the dollar with significant differences with the official exchange rate. As of the date of this annual report, the Argentine government applies greater intervention policies than the previous government.

Historically, the actions carried out by the government in economic matters, including decisions regarding interest rates, taxes, price controls, wage increases, increased benefits for workers, exchange controls and potential changes in the market of currencies have had a substantial adverse effect on Argentina's economic growth.

Expropriations, price controls and exchange controls and other direct government interventions in the economy have had a negative impact on the level of investment in Argentina, access to international capital markets by Argentine companies and Argentine trade and diplomatic relations with other countries. If the government decides to increase the level of intervention in the economy, in accordance with historic practice or otherwise, the Argentine economy and, in turn, the business, the results of operations and financial condition of the Bank could be adversely affected.

There has been, since the beginning of the Fernández administration, a strong intervention in the foreign exchange and labor markets, as well as a relatively lax fiscal deficit path. Likewise, the successful debt restructuring process brought a sign of sustainability, perceived not only by the market itself, but also by the main credit rating agencies. The sovereign country risk fell more than 1,000 basic points following the agreement. However, only a week after the long awaited agreement, the aforementioned measures adopted by the Central Bank led to sharp fall in the sovereign bonds prices as well as the main Argentinians stocks in New York. All this contributes to the fact that the parities of the Sovereign Bonds have fallen to levels of the order of 40%.

Amendments to the Central Bank's Charter and the Convertibility Law may adversely affect the economy of Argentina.

In March 2012, Law No. 26,739 was passed amending both the Central Bank's Charter and the Convertibility Law. This law amended the mission of the Central Bank (as established in its Charter) and eliminated certain provisions previously in force. In accordance with the law, the Central Bank must promote monetary and financial stability, as well as promote development with social equity. Furthermore, the concept of "freely available reserves" was eliminated, allowing the Argentine government to use additional reserves to cancel debts. Additionally, this law establishes that the Central Bank may set the interest rate and the terms of the loans granted by financial institutions. As regards reserves, should the government use them to repay public debt or finance public spending, this may result in an increase in inflation, which would hinder economic growth. Moreover, a decrease in the reserves of the Central Bank might adversely affect the ability of the Argentine financial system to resist and overcome the effects of an economic crisis (whether domestic or international), negatively affecting economic growth and therefore the business, results of operations and financial condition of the Bank.

The Covid-19 pandemic is affecting the Bank.

The Covid-19 pandemic, which originated in China and subsequently spread to many other countries in the world, including Argentina and other countries where our clients operate, is adversely impacting the global economy as well as the Argentine economy. In addition to the impact on human lives and the health of millions of people globally, the pandemic has resulted in the following, among others: emergency actions by governmental authorities worldwide, including the shutdown of national borders and directives for residents in many countries, including Argentina, to shelter at home and for certain business to suspend some or all of their business activities; disruption of supply chains worldwide; falls in production and demand, which led to sharp declines in the GDP of those countries which were most affected by the pandemic and had an overall negative impact on global GDP in 2020; increases in unemployment levels; a sharp deterioration in the valuation of financial assets and investments; increased volatility in the financial markets, including with respect to the value and trading of our shares and other securities of the Bank; exchange rate volatility; an increase in market loan defaults by both companies and individuals as per information provided by BCRA; and increases in public debt due to actions taken by governmental authorities in response to the pandemic. The pandemic struck Argentina in early March 2020, as the country was still struggling to pull out of a recession in its third year and managing a large external debt.

As of the date of this annual report, governmental authorities continue to take measures to mitigate the economic effects of the pandemic. In Argentina, several measures have been adopted to encourage bank lending through, among others, (i) lower reserve requirements on bank lending to households and micro-, small- and medium-sized enterprises (SMEs); (ii) limitations on banks' holdings of BCRA notes (LELIQ) in order to make available liquidity and encourage the provision of credit lines to SMEs, with loans granted thereunder guaranteed in part by a State agency, Fondo de Garantías Argentino (FoGAR); and (iii) temporary easing of bank loan classification rules, in accordance with BCRA GAAP (providing an additional 60 days of non-payment before a loan is required to be classified as non-performing). Other measures aimed at protecting vulnerable persons include, among others, (i) a temporary prohibition on charging fees related to ATM services; (ii) mortgage relief by freezing, until September 30, 2020, the amount of mortgage payments based on those calculated as of March 2020, and postponing any foreclosures until such date; (iii) the postponement of payments on credit card loans for three months, with such postponed payments to be made up over the subsequent nine months; (iv) the suspension of account closures; (v) the reduction of maximum credit card interest rates from 49% to 43%; (vi) the postponement of all loan payments due during the second quarter without punitive interest; (vii) the provision of credit lines guaranteed by FoGAR to support the maintenance of payroll payments; (viii) the grant of credits at subsidized credit rates for companies under the Emergency Assistance Program for Work and Production, as determined according to the year-on-year variation in the company's turnover, and credit lines in pesos at a zero interest rate to persons under a simplified tax return system called Monotributo and self-employed persons engaged in culture-related activities; (ix) a new scheme of credit line for the productive investment of micro, small and medium enterprises ("MiPyME") that the financial institutions of Group A, the main financial entities of the Argentine financial system, shall offer from October 16, 2020 to March 31, 2021, in order to finance investment projects, working capital and discount of deferred checks and other instruments, and other special cases with maximum rates ranging from 30% to 35% and terms from 24 to 36 months, according to the allocation of the funds.

Additionally, during the pandemic-related lockdown, the BCRA and the government issued Decrees Nos. 319/2020 and 767/2020, pursuant to which customers within the portfolio of mortgage and pledge loan adjustable by UVA financings benefitted from the deferral of unpaid installments from April to September 2020 with no interest up to the final loan maturity. For more information regarding the impact of Covid-19 on our results of operations and financial condition see Note 11 in our Consolidated Financial Statements.

The pandemic and actions taken in response thereto are adversely affecting, and are expected to continue to adversely affect, economic conditions and business activity in Argentina, and therefore the Bank. We had to close all of our branches in Argentina during most of the second half of March 2020. While we were allowed to re-open our branches in April, initially branches were only open on certain specified dates. Although our branches reopened on April 13, 2020, we could generally provide only a limited number of services in our branches, and only by prior appointment, with teller services initially restricted to pensioners and social plan beneficiaries, and with teller services later being available to the general public for withdrawals of foreign currency. In addition, a significant number of Bank personnel, including the teams who provide central services, have been working remotely, disrupting our normal operations. In addition, we face various risks arising from the pandemic, such as a higher risk of impairment of our assets (including financial instruments valued at fair value, which may suffer significant fluctuations), a possible significant increase in loan defaults and credit losses, a decrease in our business activity, such as new retail lending. These risks may continue to affect us if the Argentine economy is not able to recover quickly from the pandemic. Moreover, the spread of Covid-19 could also negatively impact the business and operations of third-party service providers who perform critical services for us. In addition, remote working has increased cybersecurity risks given greater use of computer networks outside the corporate environment.

As a result of the above, the pandemic is adversely affecting us. The ultimate magnitude of the impact on our business, financial condition and results of operations, which could be material, will depend on future developments, which are uncertain, including among others, the intensity and duration of the consequences derived from the pandemic in Argentina and the different geographies in which our clients and counterparties operate.

Risks Relating to the Argentine Financial System and to BBVA Argentina

The short-term structure of the deposit base of the Argentine financial system, including the deposit base of the Bank, could lead to a reduction in liquidity levels and limit the long-term expansion of financial intermediation.

In recent years, growth of the Argentine financial sector has been heavily dependent on deposit levels because of the relatively small size of the Argentine capital markets and the lack of access to foreign capital markets. After the Macri administration took office, access to foreign capital markets was again possible, supporting credit growth in addition to the deposit base, but since 2018 international and local markets have been closed for Argentine companies due to growing risk aversion toward emerging markets generally, and to Argentina in particular, after the foreign exchange crisis that began in May 2018. There can be no assurance regarding when access to foreign credit markets may resume and, if resumed, access may be disrupted again in the future.

From 2016, the implementation of the tax amnesty regime and restored investor confidence resulted in a significant growth of U.S. dollar deposits. That process came to a halt in the first half of 2018 during the currency crisis due to fears that these deposits might be immobilized by the government and financial institutions indeed suffered a slight withdrawal of these kind of deposits in September 2018. After the primary elections that were held on August 11, 2019, withdrawals of U.S. dollar denominated deposits accelerated, with deposits falling more than 40%. Banks, including BBVA Argentina, had sufficient liquidity to be able to repay them. Moreover, loans denominated in U.S. dollars had short terms, and banks quickly began to collect them. Dollar deposits fell during 2020 by around 25%, with an accumulated decrease of approximately 60% since 2018.

While banks' liquidity in foreign currency is high, a significant share of it is deposited at the Central Bank, and as a result banks have to rely on the Central Bank in order to access those funds.

The local currency deposit base is mostly short-term and transactional. Deposits represent a small fraction of GDP when compared with other emerging countries. Deposits in pesos grew in line with inflation until August 2019. Following the reintroduction of currency controls after the primary elections, banks suffered a short run on local currency retail time deposits, with a decrease of approximately 15% to 20% in September and October 2019, which came to an end after the amount of foreign currency individuals could purchase was reduced to US\$200 a month, on October 28, 2019. In periods of financial stress, customers typically buy foreign currency with their local currency deposits to protect against a possible devaluation of the peso. After that, deposits in pesos stabilized and they have resumed growth.

Liquidity in local currency of the Argentine financial sector is currently high, with a high level of minimum cash requirements applicable to Argentine financial institutions, which the Central Bank has raised several times since 2018. Loan demand has recovered to some extent after the 2019 collapse, but the aggregated balance of the financial system is very low related to GDP in historical terms.

Notwithstanding the above, because most deposits are short-term deposits, a substantial part of loans must also have short-term maturities to match the terms of the deposits. The proportion of long-term credit lines, such as mortgages, is small, and long term loan origination fell sharply during 2019 and 2020 as a consequence of high interest rates and the difficult financial environment.

We have a continuous demand for liquidity to fund our business activities. Our profitability or solvency could be adversely affected if access to liquidity and funding is constrained or made more expensive for a prolonged period of time. Furthermore, withdrawals of deposits or other sources of liquidity may make it more difficult or costly for us to fund our business on favorable terms. Although we believe that deposit liquidity levels are currently reasonable, no assurance can be given that those levels will not be reduced due to future negative economic conditions or otherwise. If depositors lose confidence as a result of negative economic conditions or otherwise and withdraw significant funds from financial institutions, there will be a substantial negative impact on the manner in which financial institutions, including us, conduct their business and on their and our ability to operate as financial intermediaries. If we are unable to access adequate sources of medium and long-term funding or if we are required to pay high costs in order to obtain the same and/or if we cannot generate profits and/or maintain our current volume and/or scale of our business, whether due to a decline in deposits or otherwise, our liquidity position and ability to honor our debts as they come due may be adversely affected, which could have a material adverse effect on our business, results of operations and financial condition.

Reduced spreads between interest rates received on loans and those paid on deposits could adversely affect our profitability.

The spread between the interest rates on loans and deposits could be affected as a result of increased competition in the banking sector and the government's tightening or loosening of monetary policy in response to inflation concerns. During recent years, as a consequence of higher inflation, interest rates have significantly increased in Argentina.

After the Macri administration took office, expectations were of a decline in both inflation and interest rates and therefore banking spreads. However, since 2018 devaluation of the peso and higher inflation led the Central Bank to substantially raise interest rates, ending the margin contraction trend. Since late December 2019, the Central Bank has resumed a process of reducing rates, and inflation expectations have been reduced slightly, although they remain high. The Covid -19 pandemic and the impact it had on economic activity kept inflation stable but still at very high levels compared to international standards. If the Central Bank is successful in keeping the pace of inflation reduction (annual inflation has decreased from 53.8% in 2019 to 36.1% in 2020 as a result of the economic downturn caused by the Covid-19 pandemic, but it is still at high levels and trending up again during the first months of 2021), it could result in a renewed pressure on banking spreads. Moreover, a change in the composition of the source of funding, which is currently heavily weighted by non-interest-bearing deposits, could also put downward pressure on margins. A change in the composition of the source of funding could result from lower interest rates, higher demand of credit and therefore a need to increase the amount of time deposits or other types of bearing interest liabilities.

Another source of spread contraction could be an increase in the regulation of subsidized loans. In October 2020, the Central Bank re-introduced mandatory credit lines for SMEs, under which banks have to lend a portion of their deposits to small and mid size companies at regulated rates. It is probable that this obligation will continue through 2021, adversely affecting margins and an increase in the use of these measures by the Central Bank could further affect margins.

Any reductions in spreads could have a material adverse effect on our business, results of operation and financial condition.

Our business is particularly vulnerable to volatility in interest rates.

Our results of operations are substantially dependent upon the level of our net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Interest rates are highly sensitive to many factors beyond our control, including fiscal and monetary policies of governments and central banks, regulation of the financial sector in the market in which we operate, domestic and international economic and political conditions and other factors.

In the current Argentine scenario where the government seeks to stabilize high inflation rates, there is a risk of volatility in the interest rates. This scenario could adversely affect our financial margin as a result of differential movements in interest rates for deposits, loans or other bank assets and liabilities. In addition, a high proportion of loans referenced to variable interest rates makes debt service on such loans more vulnerable to changes in interest rates. In addition, high interest rates could reduce the demand for credit and our ability to generate credit for our clients, as well as contribute to an increase in the credit default rate. As a result of these and the above factors, significant changes or volatility in interest rates could have a material adverse effect on our business, results of operations and financial condition.

Mismatch between UVA loans and UVA deposits could adversely affect our profitability.

During 2017, new UVA (inflation-adjusted) mortgages grew significantly. At the same time, the Bank launched UVA deposits, but such deposits grew at a slower pace, leading to a mismatch in this activity. During 2018, as a consequence of the peso devaluation, higher inflation and interest rates, growth in both UVA loans and liabilities slowed and during 2019 new origination came to a halt, and the lack of new origination has continued in 2020. Independently of how this activity may develop in the future, a mismatch among UVA assets and liabilities will remain, which could have a material adverse effect on our business, results of operations and financial condition, particularly in the event that interest rates turn positive in real terms.

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 results of operations and financial condition.

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. Our non-performing loan portfolio amounted to Ps.5,436.4 million at December 31, 2020 representing a 48.7% decrease compared with Ps.10,594.2 million at December 31, 2019 which in turn represented a 34.8% increase compared with Ps.7,860.9 million at December 31, 2018. The non-performing loan ratio decreased to 1.5% at December 31, 2020 from 3.6% at December 31, 2019 which in turn increased from 1.8% at December 31, 2018.

We estimate and establish reserves for credit risk and expected 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, 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, this could have a material adverse effect on our business, results of operations and financial condition.

Increased competition in the banking industry may adversely affect the Bank's operations.

The markets in which we operate are highly competitive and this trend will likely continue with new business models likely to be developed in coming years whose impact is unforeseeable. The markets in which we operate are highly competitive and this trend will likely continue. In particular, we expect that competition with respect to small- and medium-sized businesses is likely to increase. As a result, even if the demand for financial products and services from these markets continues to grow, competition may adversely affect our results of operations by decreasing the net margins we are able to generate. In addition, the trend towards consolidation in the Argentine banking industry has created larger and stronger banks with which we must now compete.

We also face competition from non-bank competitors, such as large technology firms ("BigTech firms"), financial-technology (or "Fintech") companies, payment platforms, e-commerce businesses, department stores (for some credit products), automotive finance corporations, leasing companies, factoring companies, investment funds, pension funds, insurance companies, and public debt. In recent years, the financial services sector has experienced a significant transformation, closely linked to the development of the internet and mobile technologies. Part of that transformation involves the entrance of new players, such as non-bank digital providers that compete (and cooperate) between them and with banks in most of the areas of financial services as well as large digital players such as Google, Facebook or Apple, who have also started to offer financial services (mainly, payments and credit) ancillary to their core business. However, as of the date of this annual report, there is an uneven playing field between banks and such non-bank players. For example, banking groups are subject to prudential regulations that have implications for most of their businesses, including those in which they compete with non-bank players that are only subject to activity-specific regulations or benefit from regulatory uncertainty. Existing loopholes in the regulatory framework are another source of uneven playing field between banks and non-bank players. Some new services or business models are not yet covered under existing regulations. In these cases, asymmetries between players arise since regulated providers often face obstacles to engage in unregulated activities. BigTech firms are already engaged in a wide range of financial activities. This is particularly the case in China, where BigTech firms have market capitalizations comparable to those of the world's largest financial groups, and offer a wide range of financial services through subsidiaries. BigTech firms have also been expanding their provision of financial service in other emerging markets, notably in South East Asia, East Africa and Latin America. Such firms have achieved scale in financial services very rapidly, in part due to their large customer base and the high degree of brand recognition associated with their existing core technology businesses. Still, competition from non-bank competitors may significantly increase in the future.

In recent years, the financial services sector has experienced a significant transformation, closely linked to the development of the internet and mobile technologies. Part of that transformation involves the entrance of new players, including BigTech firms and Fintechs. As of the date of this annual report, there is an uneven playing field between banks and non-bank players. For example, banking groups are subject to prudential regulations that have implications for most of their businesses, including those in which they compete with non-bank players that are only subject to activity-specific regulations or are subject to strict regulatory requirements.

Our future success may depend, in part, on our ability to use technology to provide products and services that provide convenience to customers. Despite the technological capabilities that we have been developing and our commitment to digitalization, as a result of the uneven playing field referred to above or for other reasons, we may not be able to effectively implement new technology-driven products and services or be successful in marketing or delivering these products and services to our customers, which would adversely affect our business, financial condition and results of operations.

In addition, companies offering new applications and financial-related services based on artificial intelligence are becoming more competitive. The often lower cost and higher processing speed of these new applications and services can be especially attractive to technologically-adept purchasers. As technology continues to evolve, more tasks currently performed by people may be replaced by automation, machine learning and other advances outside of our control. If we are not able to successfully keep pace with these technological advances, our business may be adversely affected.

We are a subsidiary of the BBVA Group, and activities across the BBVA Group could adversely affect us.

We are a part of a highly diversified international financial group which offers a wide variety of financial and related products and services including retail banking, asset management, private banking and wholesale banking. The BBVA Group strives to foster a culture in which its employees act with integrity and feel comfortable reporting instances of misconduct. The BBVA Group employees are essential to this culture, and acts of misconduct by any employee, and particularly by senior management, could erode trust and confidence and damage the BBVA Group and the Bank's reputation among existing and potential clients and other stakeholders. Negative public opinion could result from actual or alleged conduct by the BBVA Group entities in any number of activities or circumstances, including operations, employment-related offenses such as sexual harassment and discrimination, regulatory compliance, the use and protection of data and systems, and the satisfaction of client expectations, and from actions taken by regulators or others in response to such conduct.

For example, Spanish judicial authorities are investigating the activities of Centro Exclusivo de Negocios y Transacciones, S.L. ("Cenyt"). Such investigation includes the provision of services by Cenyt to BBVA. On July 29, 2019, BBVA was named as an investigated party (*investigado*) in a criminal judicial investigation (Preliminary Proceeding No. 96/2017 – Piece No. 9, Central Investigating Court No. 6 of the National High Court) for alleged facts which could constitute crimes of bribery, revelation of secrets and corruption. As at the date of this annual report on Form 20-F, no formal accusation against BBVA has been made. Certain current and former officers and employees of the BBVA Group, as well as former directors of BBVA, have also been named as investigated parties in connection with this investigation. BBVA has been and continues to be proactively collaborating with the Spanish judicial authorities. On February 3, 2020, BBVA was notified by the Central Investigating Court No. 6 of the National High Court of the order lifting the secrecy of the proceedings.

This criminal judicial proceeding is in the pre-trial phase. Therefore, it is not possible at this time to predict the scope or duration of such proceeding or any related proceeding or its or their possible outcomes or implications for the Group, including any fines, damages or harm to the Group's reputation caused thereby.

This matter or any similar matters arising across the BBVA Group could damage our reputation and adversely affect the confidence of our clients, rating agencies, regulators, bondholders and other parties and could have a material adverse effect on our business, results of operations and financial condition.

Our credit ratings depend on Argentine sovereign credit ratings, and such dependence limits our access to international financial markets.

Our credit ratings are based on Argentina's sovereign rating, which has fluctuated considerably since the Argentine Crisis. As a result, our ratings have also fluctuated in this period, although they have tended to be higher than the sovereign rating. These fluctuations impact our costs of funding, our collateral obligations and our ability to access international markets. Argentina is no longer in default following the final agreement reached with certain of the holders of bonds issued by the Republic (holdouts), and as a result between 2016 and 2017 Argentina's sovereign ratings were upgraded, but from 2018 onwards, that trend was reversed, and the country was either downgraded or had its outlook put under review with negative outlook.

After the debt restructuring established by the national government in April 2020 for all public securities in foreign currency under local legislation, risk rating agencies lowered Argentina's rating to "Selective Default". However, in September 2020 the government agreed with the bondholders to restructure more than 99% of the public debt with private creditors, significantly reducing coupon payments and extending maturities. Once this agreement was settled, the rating agencies upgraded Argentina's sovereign rating to CCC+. A further downgrade in Argentina's sovereign rating in the future could limit the Bank's access to financing on acceptable terms, or at all, which could have a material adverse effect on the business, the results of operations and the financial condition of the Bank.

The financial industry is increasingly dependent on information technology systems, which may fail, may not be adequate for the tasks at hand or may no longer be available.

Banks and their activities are increasingly dependent on highly sophisticated information technology ("IT") systems. IT systems are vulnerable to a number of problems, such as software or hardware malfunctions, computer viruses, hacking and physical damage to vital IT centers. IT systems need regular upgrading and banks, including us, may not be able to implement necessary upgrades on a timely basis or upgrades may fail to function as planned.

Furthermore, we are under continuous threat of loss due to cyber-attacks, especially as we continue to expand customer capabilities to utilize internet and other remote channels to transact business. Two of the most significant cyber-attack risks that we face are e-fraud and breach of sensitive customer data. Loss from e-fraud occurs when cybercriminals breach and extract funds directly from customers' or our accounts. A breach of sensitive customer data, such as account numbers, could present significant reputational impact and significant legal and/or regulatory costs to us.

Over the past few years, there have been a series of distributed denial of service attacks on financial services companies. Distributed denial of service attacks are designed to saturate the targeted online network with excessive amounts of network traffic, resulting in slow response times, or in some cases, causing the site to be temporarily unavailable. Generally, these attacks have not been conducted to steal financial data, but meant to interrupt or suspend a company's internet service. While these events may not result in a breach of client data and account information, the attacks can adversely affect the performance of a company's website and in some instances have prevented customers from accessing a company's website. Distributed denial of service attacks, hacking and identity theft risks could cause serious reputational harm. Cyber threats are rapidly evolving and we may not be able to anticipate or prevent all such attacks. Our risk and exposure to these matters remains heightened because of the evolving nature and complexity of these threats from cybercriminals and hackers, our plans to continue to provide internet banking and mobile banking channels, and our plans to develop additional remote connectivity solutions to serve our customers. We may incur increasing costs in an effort to minimize these risks and could be held liable for any security breach or loss.

Additionally, fraud risk may increase as we offer more products online or through mobile channels.

In addition to costs that may be incurred as a result of any failure of our IT systems, we could face fines from bank regulators if we fail to comply with applicable banking or reporting regulations as a result of any such IT failure or otherwise. Any of the above risks could have a material adverse effect on our business, results of operations and financial condition.

We face security risks, including denial of service attacks, hacking, social engineering attacks targeting its colleagues and customers, malware intrusion or data corruption attempts, and identity theft that could result in the disclosure of confidential information, adversely affect our business or reputation, and create significant legal and financial exposure.

Our computer systems and network infrastructure and those of third parties, on which we are highly dependent, are subject to security risks and could be susceptible to cyber-attacks, such as denial of service attacks, hacking, terrorist activities or identity theft. Our business relies on the secure processing, transmission, storage and retrieval of confidential, proprietary and other information in its computer and data management systems and networks, and in the computer and data management systems and networks of third parties. In addition, to access our network, products and services, our customers and other third parties may use personal mobile devices or computing devices that are outside of our network environment and are subject to their own cybersecurity risks.

Attacks by cybercriminals are increasingly frequent, incorporating sophisticated techniques that put at risk the availability of the organizations' systems and infrastructure, and the confidentiality of the data stored therein

This has been exacerbated by the Covid-19 pandemic and the shift towards an online and remote environment, which has accelerated the Bank's digital transformation and forced clients to carry out transactions through online banking and digital channels, resulting in a gradual and steady increase in cybercrime and electronic fraud.

Protecting assets from potential cybersecurity threats is increasingly a challenge. Risks continue to increase as more mobile payment products and other internet-based products become available, expanding our in-house use of web products and applications. Therefore, it is essential to implement measures and controls to increase security and mitigate cybersecurity threats.

In 2020 there has been an increase in cases of phishing, and especially of telephone phishing or Vishing and Angler phishing, through social networks. Hackers use different techniques of social engineering to deceive clients and obtain confidential data. In this sense, the implementation of preventive measures of computer and documentary fraud are becoming increasingly important. Security components continue to be developed to improve the level of protection incorporating different security measures in digital channels.

In 2020, we drew up a plan with several initiatives, within a data security and protection program, with the aim of protecting the confidentiality of the most sensitive data, including through the protection of data in specific information systems, classification and discovery of data, and prevention of information leakage. However, we have been the subject of cyber-attacks, phishing and other threats and we cannot give assurance that we will not be the subject to further cyber attacks, phishing or other threats in the future.

Cyber-attacks or other information or security breaches, whether directed at us or at third parties, may result in a material loss or have material consequences. Furthermore, the public perception that a cyber-attack on our systems has been successful, whether or not this perception is correct, may damage our reputation with customers and third parties with whom we do business. Hacking of personal information and identity theft risks, in particular, could cause serious reputational harm. A successful penetration or circumvention of system security could cause us serious negative consequences, including loss of customers and business opportunities, significant business disruption to our operations and business, misappropriation or destruction of our confidential information and/or that of our customers, or damage to our or our customers' and/or third parties' computers or systems, and could result in a violation of applicable privacy laws and other laws, litigation exposure, regulatory fines, penalties or intervention, loss of confidence in our security measures, reputational damage, reimbursement or other compensatory costs, additional compliance costs, and could adversely impact our results of operations, liquidity and financial condition.

An increase in fraud or transaction errors may adversely affect our reputation, results of operations and financial condition.

Due to the large number of transactions that occur in a financial institution such as the Bank, errors can occur and worsen before being detected and corrected. In addition, some of our transactions are not fully automated, which may increase the risk of human error, or manipulation, and it may be difficult to detect losses quickly. If we are unable to effectively and timely detect and remedy fraudulent and erroneous transactions, it could damage our reputation, entail serious costs and affect our transactions, as well as have a material adverse effect on our business, results of operations and financial condition.

Because we are a financial institution, any insolvency proceeding against us 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.

Under Argentine law, the liquidation and commencement of bankruptcy proceedings against financial institutions, until their banking license has been revoked by the Central Bank, may only be commenced by the Central Bank. If BBVA Argentina were unable to pay its debts as they come due, the Central Bank could intervene and revoke our banking license, and file a bankruptcy petition before a commercial court. If the Central Bank intervenes, the reorganization proceeding could take longer and it is likely that the shareholders' remedies would be restricted. During any such process, the Central Bank would have to consider its interests as a regulator and could well prioritize the claims of other creditors and third parties against us. As a result of any such intervention, shareholders may realize substantially less on the claims than they would in a bankruptcy proceeding of a non-financial institution in Argentina or a financial institution or non-financial institution in the United States or any other country.

Lawsuits brought against us outside Argentina, the enforcement of foreign judgments and complaints based on foreign legal concepts may be unsuccessful.

We are a commercial bank organized under the laws of Argentina. Most of our shareholders, directors, members of the supervisory committee and officers and certain experts named herein reside outside the United States (principally in Argentina). Substantially all of our assets are located outside the United States. If any shareholder were to bring a lawsuit against our directors, officers or experts in the United States, it may be difficult for them to effect service of legal process within the United States upon these persons or to enforce in Argentina a judgment against them obtained in the courts of the United States based upon the civil liability provisions of the United States federal securities laws, due to specific requirements of Argentine law regarding procedural law issues and principles of public policy.

Class actions against financial institutions for an indeterminate amount may adversely affect the profitability of the financial sector and of the Bank.

The Argentine national Constitution and the Argentine Consumer Protection Law No. 24,240, as supplemented or amended (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 is limited. Nonetheless, Argentine courts have admitted class actions in certain cases, including various lawsuits against financial institutions related to "collective interests" such as alleged overcharging on products, interest rates, life insurance required in relation to loans, and advice in the sale of public securities. In recent years, some of these lawsuits have been settled by the parties out of court, with courts approving such settlement agreements. These settlements have typically involved an undertaking by the financial institution to adjust its fees and charges.

In February 2020, we were notified of a class action for the alleged damage suffered by investors in certain investment funds managed by the Bank, following the unilateral modification of the price of certain future dollar contracts in which the affected funds were invested. These modifications were carried out by the organized market in which these future dollar contracts were negotiated, and the class action plaintiffs allege a failure by the Bank to contest the unilateral modifications carried out by the organized market in order to defend the fund investors' financial interests.

In September 2020 we were notified of a class-action lawsuit filed by the Argentine Consumer Defense Association—"ADUC"—against Banco BBVA Argentina S.A. ADUC, as representative of consumers, claiming that interest rates applicable to automatically renewable fixed terms were incorrect and requesting to cease their application and to reimburse the differences plus related interest.

If class action plaintiffs were to prevail in these or other matters against financial institutions generally, or against us specifically, this could have an adverse effect on the financial industry generally and on our business, results of operations and financial condition in particular.

In the future, court and administrative decisions may increase the degree of protection afforded to our debtors and other customers, or be favorable to the claims brought by consumer groups or associations. This could affect the ability of financial institutions, including us, to freely determine charges, fees or expenses for their services and products, thereby affecting our business and results of operations.

BBVA, our controlling shareholder, has the ability to direct our business and its interests could conflict with yours.

As of December 31, 2020, our parent company, BBVA, directly or beneficially owned 66.55% of our capital stock. As a result, BBVA controls virtually all decisions with respect to our company made by shareholders. It may, for example, 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 and determine the timing and amounts of dividends, if any, always subject to the applicable legal framework. Its interests may conflict with your interests as a holder of our shares or ADSs, and it may take actions that might be desirable to BBVA but not to our other shareholders.

Our ability to grow our business depends on our ability to manage our relationships with partners and grow our deposit base.

We seek to grow our business by, among other means, increasing our client base. Our strategic partnerships are important components of our client acquisition strategy. We have various strategic partnerships, which include Lan Argentina S.A LATAM Airlines Group S.A. as of January 2021), Despegar, MOVE Concerts Argentina S.A. (MOVE), Omyakon S.A. (PopArt), Medios y Contenidos Producciones S.A. (R&B Entertainment) and En Vivo Producciones S.A., the last four within the entertainment sector. Distribution channels include credit card programs with Club Atlético River Plate Asociación Civil and Club Atlético Boca Juniors Asociación Civil, Argentine soccer clubs, Ritenere S.A. (La Caja Seguros) within the insurance sector, as well as the agreements with automobile companies Peugeot Citroen, Renault and Volkswagen, which we depend on to expand our client reach cost-effectively, further expand our points of presence and enhance our value proposition. Any deterioration in our relationships with our strategic partners could adversely affect our strategy and materially and adversely affect our business, results of operations and financial condition.

In addition, the successful growth of our business depends on our ability to grow our deposit base. Political, economic or legal developments in Argentina or other factors could lead customers to withdraw funds from the Argentine financial system, adversely affecting us. If there are improvements in the Argentine economy, including lower inflation and increased bancarization and lending activity in the Argentine banking sector, we expect this would contribute to the growth of our business and profitability. However, we can provide no assurance regarding the future performance of the Argentine economy or how any improvements will affect us. If the Argentine economy fails to improve, it could have a material adverse effect on our business, results of operations and financial condition.

We may enter into one or more acquisitions which could adversely affect the value of the Bank.

We regularly explore consolidation opportunities in the ordinary course of business and believe there are significant opportunities to expand our footprint in the Argentine banking sector. In the event that we choose to make an acquisition in the future, any such transaction would involve a number of risks and uncertainties, including:

- the possibility that we pay more than the value we will derive from any such transaction;
- the possibility that Argentine economic and political conditions will not develop in the manner we expect;
- the possibility that the Argentine financial services market will not develop in the manner we expect;
- a reduction in our cash available for operations and other uses;
- the potential incurrence of indebtedness to finance any such transaction;
- delays in achieving or our failure to achieve successfully achieve the anticipated benefits of any acquisition;

- difficulties in integrating any business acquired, including difficulties in harmonizing the companies' operating practices, technology platforms, internal controls and other policies, procedures and processes;
- diversion of management time and resources in coordinating a larger or more geographically dispersed organization;
- the quality of the assets of the acquired business may be lower than we anticipate; and
- the assumption of certain liabilities, whether known or unknown.

Any of the foregoing or other risks and uncertainties related to any acquisition could have a material adverse effect on our business, results of operations and financial condition or the value of the Bank.

We may suffer adverse consequences related to our calculation of income tax for the years ended December 31, 2018 and 2017.

As discussed in our Form 6-K furnished to the SEC on June 30, 2017, on May 12, 2017, we filed a request for declaratory judgment with the Contentious Administrative Federal Court No. 12, Secretariat No. 23, seeking that such court declare unconstitutional certain provisions of Argentine law that prevented us from applying an inflation adjustment mechanism. On May 12, 2017, we filed our income tax return for 2016 giving effect to an adjustment for inflation, in 2018 we filed our income tax return for 2017, and in 2019 we filed our income tax return for 2018, also giving effect to an adjustment for inflation. Our requests for declaratory judgment for 2017 and 2018 were filed with the Contentious Administrative Federal Court No. 12, Secretariat No. 23, and our request for 2019 was filed with the Contentious Administrative Federal Court No. 12, Secretariat No. 3.

On June 8, 2020, the Bank obtained a favorable judgement from the Contentious Administrative Federal Court No. 12 with regards to our request for declaratory judgement filed on May 12, 2017 for our 2016 tax return. The Contentious Administrative Federal Court No. 12 concluded that the prohibition on applying the inflation adjustment mechanism in our income tax return for the fiscal year 2016 was not applicable. On December 9, 2020 the Appeal Court dismissed the appeals filed on August 6, 2020 by the tax authorities against this ruling, thereby confirming the decision taken by the Contentious Administrative Federal Court No. 12. Although the tax authorities filed an extraordinary appeal, such appeal was withdrawn on February 1, 2021.

As of the date of this annual report on Form 20-F, our request for declaratory judgment remains pending before the Contentious Administrative Federal Court No. 12, Secretariat No. 23 and the Contentious Administrative Federal Court No. 12, Secretariat No. 3 for the years 2017 and 2018. We cannot predict the outcome of these legal actions or whether we will be required to amend our income tax returns for 2017 and 2018 or make any provisions with respect thereto in our financial statements prepared under IFRS-IASB. If we are required to amend our income tax returns for 2017 and 2018 we may be required to pay interest and charges to the Argentine tax authorities, and could be subject to other consequences. We cannot predict with certainty the outcome of our request for declaratory judgment pending before the Contentious Administrative Federal Court No. 12, Secretariat No. 23 and the Contentious Administrative Federal Court No. 12, Secretariat No. 3, or whether it would have a material adverse effect on our business, results of operations or financial condition, or the trading prices of our ordinary shares and ADSS.

At the request of the Central Bank, the Bank recognized an income tax provision of Ps.1,185.8 million in nominal terms for the year ended December 31, 2016 in our statutory consolidated annual financial statements presented to the Central Bank. Subsequently, based on our consideration of the technical merits of the tax deduction, which was confirmed by the Bank's legal and tax advisors, such provision was eliminated in the preparation of our Consolidated Financial Statements under IFRS-IASB. The Bank followed the same methodology in respect of the years ended December 31, 2017 and 2018, recording provisions of Ps.1,021.5 million and Ps.3,239.8 million in nominal terms in respect of such years, respectively, in our statutory consolidated annual financial statements, which in turn were eliminated in the preparation of our Consolidated Financial Statements under IFRS-IASB included herein, positively affecting our results of operations for the years ended December 31, 2018 and 2019.

The Argentine economy qualifies as a hyperinflationary economy under IAS 29. Given that the peso is our functional currency, we apply IAS 29 for periods ending after July 1, 2018, and our Consolidated Financial Statements and other financial information are presented in terms of the measuring unit current at December 31, 2020.

IAS 29 requires that financial statements of any entity whose functional currency is the currency of a hyperinflationary economy, whether based on the historical cost method or on the current cost method, be adjusted in terms of the measuring unit current at the end of the reporting period. IAS 29 does not establish a set inflation rate beyond which an economy is deemed to be experiencing hyperinflation. However, hyperinflation is commonly understood to occur when changes in price levels are close to or exceed 100% on a cumulative basis over the prior three years, when presented together with certain other qualitative macroeconomic factors.

The total cumulative inflation in Argentina in the 36 months prior to December 31, 2020, as measured by both consumer and wholesale price indexes published by INDEC, exceeded 100%. Qualitative macroeconomic factors, including the depreciation of the peso in recent months, also support the conclusion that Argentina is a hyperinflationary economy for accounting purposes. Accordingly, IAS 29 is applicable to any financial statements as from July 1, 2018 included in any of our filings with the SEC under the Securities Act of 1933, as amended, or the Exchange Act of 1934, as amended (the "Exchange Act"). Argentine accounting standards authorities have reached a consensus that the "general price index" for IAS 29 purposes is determined considering the wholesale price index (WPI) up to December 2016 and the consumer price index (CPI) from then onwards. These indices have been determined or referred to the National Institute of Statistics and Census (INDEC). Therefore, our Consolidated Financial Statements included in this annual report are adjusted by applying the relevant indices and presented in terms of the measuring unit current at December 31, 2020.

We also have applied IAS 29 Financial Reporting in Hyperinflationary Economies to our statutory consolidated annual financial statements presented to the Central Bank for fiscal years beginning on or after January 1, 2020 as set forth by the BCRA through Communication "A" 6651 issued on February 22, 2019. The financial statements provided to the Central Bank are prepared in accordance with IFRS BCRA, which differs in significant respects from IFRS-IASB. See *"Presentation of Financial Information"*. As such, the Consolidated Financial Statements included in this annual report are not comparable with our financial statements furnished to the Central Bank.

The statutory consolidated annual financial statements that the Bank prepares to comply with the requirements of the Argentine Central Bank (the "Central Bank" or "BCRA") are prepared pursuant to the reporting framework established by the Central Bank requiring supervised entities to submit financial statements prepared pursuant to IFRS-IASB except for:

- (i) temporary exceptions from the application of the expected loss model set forth under paragraph 5.5. of IFRS 9 for debt instruments issued by the non-financial government sector. In addition, the BCRA issued Communication "A" 6938, extended by Communication "A" 7181, deferring the application of the impairment model set forth in paragraph 5.5 of IFRS 9 to fiscal years beginning on or after January 1, 2022 for Group "C" institutions (institutions consolidated by the Bank), which would remain subject to the impairment model established by the BCRA that requires financial institutions recognize an allowance for loan losses based on the minimum guidelines set forth by the BCRA;
- (ii) the treatment to be applied to uncertain tax positions, which follows the guidance prescribed by Memorandum No. 6/2017 Financial Reporting Framework Established by the BCRA issued on May 29, 2017;
- (iii) the accounting treatment to be applied to the remaining investment held by the Bank in Prisma Medios de Pago S.A., by applying the instructions provided in Memorandum No. 7/2019 issued by the BCRA dated April 29, 2019; and
- (iv) the debt securities issued by the government sector received in exchange for other instruments, which are measured at the carrying value of the instruments delivered in replacement on such date, in accordance with Communication "A" 7014 issued by the BCRA. According to the IFRS-IASB, these instruments should be accounted for at fair value, recognizing in profit or loss the difference with the carrying value of the instruments delivered.

Because of such differences, our statutory consolidated annual financial statements for the fiscal year ended December 31, 2020 are not comparable with the Consolidated Financial Statements included herein. In addition, we will continue to have differences during the year 2021 between our statutory consolidated financial statements and the financial statements required by IFRS-IASB. We do not intend to report in accordance with IFRS-IASB on an interim basis during 2021. Consequently, our interim financial information for 2021 will not be comparable with the Consolidated Financial Statements and other information contained in this annual report on Form 20-F.

The Consolidated Financial Statements included in this annual report on Form 20-F have been prepared in accordance with IFRS-IASB.

We are subject to numerous restrictions on our ability to pay dividends.

We are subject to legal and other restrictions on our ability to pay dividends. In Argentina, financial institutions may distribute dividends provided that (i) they are not covered by the terms of sections 34 "Regularization and recovery" and 35 bis "Institution restructuring to safeguard lending and bank deposits" of the Law on Financial Institutions (Law No. 21,526); (ii) they are not receiving financial assistance from the BCRA; (iii) they are not in arrears or non-compliance with the information regime established by the BCRA; (iv) they meet minimum capital requirements and cash requirements and (v) they have complied with the additional capital margins applicable to them as provided for in Section 4 (Additional Capital Margins) of the BCRA's Structured Income Distribution text. See "Item 8. Financial Information—A. Financial Statements and other Financial Information—Dividends". Amounts available for distribution as dividends are determined pursuant to Argentine law and IFRS-BCRA. As a result, dividends may be paid when we have no income as determined under IFRS-IASB and, conversely, dividends may not be payable even if we have income as determined under IFRS-IASB. Moreover, BBVA as our majority shareholder has the power to approve or fail to approve any proposed dividends.

Communication "A" 6886, in force since January 31, 2020, provides that financial institutions must have the prior authorization of the Central Bank for the distribution of dividends. On March 19, 2020, the BCRA issued Communication "A" 6939 whereby the distribution of dividends by financial institutions, including the Bank, was suspended until at least June 30, 2020; the BCRA Communication "A" 7035 dated June 4, 2020 extended said suspension until December 31, 2020, which was subsequently extended to June 30, 2021 by Communication "A" 7181.

Legal, Regulatory and Compliance Risks

We identified material weaknesses in our internal control in the past over financial reporting as part of management's assessment, which have already been remediated. If we identify additional material weaknesses in the future or otherwise fail to maintain an effective system of disclosure controls and procedures, investor confidence in the Bank and the market price of our ordinary shares and ADSs may be adversely affected.

We maintain disclosure controls and procedures designed to ensure that we timely report information as specified in applicable Argentine and U.S. rules. Within such disclosure controls and procedures, we maintain a system of internal control over financial reporting.

Our management previously concluded, in its report on its assessment of the effectiveness of our internal control over financial reporting as of December 31, 2018, that we did not maintain effective internal control over financial reporting as a result of material weaknesses. These material weaknesses related to the preparation of the Bank's consolidated financial statements in accordance with IFRS-IASB. Our management also previously concluded as of December 31, 2017 that we did not maintain effective internal control over financial reporting as a result of certain material weaknesses. We adopted remediation plans for these material weaknesses and believe that these material weaknesses were remediated.

Our management has issued a report on its assessment of the effectiveness of our internal control over financial reporting as of December 31, 2020 and concluded that the Bank's internal control over financial reporting was effective as of such date. See "Item 15. Controls and Procedures".

We can provide no assurance that we will be able to maintain effective internal control over financial reporting in the future, that misstatements due to error or fraud or otherwise will not occur, that all control issues have been detected or that we will be able to prepare our financial information on a timely basis. If our disclosure controls and procedures, including internal control over financial reporting, are not effective, it could have a material adverse effect on our business, results of operations and financial condition. Moreover, it could have an adverse effect on the price of our ordinary shares and ADSs and could subject us to regulatory scrutiny.

We operate in a highly regulated environment, and our operations are subject to regulations adopted, and measures taken, by several regulatory agencies.

Financial institutions in Argentina are subject to significant regulation relating to functions that historically have been determined by the Central Bank and other regulatory authorities (for capital requirements see "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Capital Requirements"). The Central Bank may penalize us, in case of any breach of applicable regulations. Similarly, the Argentine National Securities Commission ("CNV"), which authorizes securities offerings and regulates the public securities markets in Argentina, has the authority to impose sanctions on us and our Board of Directors for breaches of corporate governance. The Financial Information Unit (Unidad de Información Financiera, or "UIF") regulates matters relating to anti-money laundering and has the ability to monitor compliance with any such regulations by financial institutions and, eventually, impose sanctions. Any such regulatory agencies could initiate proceedings and impose sanctions against us, our shareholders or our directors.

The Central Bank has also imposed restrictions on the positive foreign currency net global position of financial institutions, which have been modified several times, to prevent the Central Bank's foreign currency reserves from further decreasing. As of the date of this annual report, the positive foreign currency net global position may not exceed 5% of the basic net equity plus complementary net equity ("RPC") of the immediately preceding month.

In addition, pursuant to Communication "A" 7020, sanctions imposed by the Central Bank, the UIF, the CNV and/or the Superintendencia de Entidades Financieras y Cambiarias (the Superintendence of Financial Institutions and Exchanges, referred to as the "Superintendence") and/or their authorities, may result in the revocation of the licenses to operate as financial institutions. Such revocation may occur when, in the opinion of the board of directors of the Central Bank, there was a material change in the conditions deemed necessary to maintain such license, including those relating to the suitability, experience, moral character or integrity of (i) the members of a financial institution's board of directors (directors, counselors or equivalent authorities), (ii) its shareholders, (iii) the members of its supervisory committee or (iv) others, such as its managers.

The absence of a stable regulatory framework or the imposition of measures that may affect the profitability of financial institutions in Argentina and limit the capacity to hedge against currency fluctuations could result in significant limits to financial institutions' decision-making ability. In turn, this could cause uncertainty and negatively affect our future financial activities and result of operations. In addition, existing or future legislation and regulation could require material expenditures or otherwise have a material adverse effect on our business, results of operations and financial conditions.

In addition to regulations specific to our industry, we are subject to a wide range of federal, provincial and municipal regulations and supervision generally applicable to businesses operating in Argentina, including laws and regulations pertaining to labor, social security, public health, consumer protection, the environment, competition and price controls.

These or any other future governmental measures or regulations could have a material adverse effect on our business, results of operations and financial condition.

The instability of the regulatory framework, in particular the regulatory framework affecting financial institutions, could have a material adverse effect on financial institutions such as BBVA Argentina.

During the Kirchner administration new regulations were issued affecting financial institutions, mainly regulating the foreign exchange market and imposing new capital requirements for financial institutions. In this regard, Communications "A" 5272 and 5273 of the Central Bank, dated January 27, 2012, increased the capital requirements for financial institutions operating in Argentina. These Communications required certain minimum capital levels in order to support operational risks and the distribution of dividends, and an additional capital buffer equivalent to 75% of the total capital requirements. For more information regarding capital requirements for Argentine banks please see "Item 4. Information on the Company—F. The Argentine Banking System and its Regulatory Framework".

Moreover, a new law was approved by the Congress introducing amendments to the Central Bank's charter. The principal issues addressed by this bill were the use of Central Bank's reserves for the cancellation of public debt together with the implementation of policies by the Central Bank in order to interfere in the determination of interest rates and terms of loans to financial institutions.

The Central Bank issued Communications "A" 5319 and "A" 5380, dated July 5, 2012 and December 21, 2012, respectively, and Communication "A" 5516, dated December 27, 2013, making it mandatory for banks to provide credit lines for productive purposes. This requirement has been renewed every six months since then. The purpose of these measures implemented by the former government was to foster investment and growth. Finally, on November 3, 2017 the Central Bank determined that mandatory credit lines for productive financing and financial inclusion will continue to be required until December 2018. The quota for 2018 was a percentage of monthly non-financial private deposits in pesos as of November 30, 2017, according to the following schedule: January 2018: 16.5%, decreasing by 1.5 percentage points monthly until reaching 0% in December 2018. This is a significant development for banks given that the portion of deposits that financial institutions must loan at low interest rates was significantly reduced, allowing banks to allocate such funds in a more profitable way.

On November 29, 2012, the Argentine Congress passed the new "Securities Law", which modified the public offer regime set forth by Law No. 17,811, as amended. One of the most significant amendments introduced by the Securities Law referred to the powers of the CNV. The adoption of Section 20 of the Securities Law raised concern in the market, especially among listed companies, since it entitles the CNV to (i) appoint supervisors with veto power over the resolutions adopted by the board of directors of listed companies and (ii) disqualify the board of directors of listed companies for a period of 180 days when, as determined by the CNV, the interests of the minority shareholders and/or security holders are adversely affected.

On October 1, 2013, the Central Bank issued Communication “A” 5460, granting broad protections to consumers of financial services, including, among other aspects, the regulation of fees and commissions charged by financial institutions for their services. As a result, fees and charges must represent a real, direct and demonstrable cost and should have technical and economic justification. Communication “A” 5514 introduced an exception to the application of Communication “A” 5460 for certain credit agreements that have pledges as collateral and are entered into before September 30, 2019.

On December 23, 2014, the Central Bank amended Communication “A” 5460 through Communication “A” 5685. As a result of this amendment, any increase in commissions for new products or services for retail customers must have the prior authorization of the Central Bank.

While the Macri administration repealed part of the regulatory framework enacted by the Kirchner administration, such as (i) the restrictions on the foreign exchange market, (ii) the regulations concerning minimum and maximum interest rates on certain loans and deposits, (iii) the requirements governing the flow of capital into Argentina, (iv) the percentage of foreign currency positions of financial institutions, (v) the monthly contributions that banks must set aside each month to fund the deposit guarantee fund, (vi) additional capital requirements for the dividend distribution, and (vii) the requirement of prior authorizations to increase commissions, it is still unclear whether the new regulatory framework will be stable and the impact that the new regulatory framework may have on our business.

Since the Fernández administration assumed office, numerous new laws have been enacted and rules modified, among the most relevant of which are (i) the enactment of the Law of Social Solidarity and Productive Reactivation within the framework of the public emergency, providing for a 30% tax on foreign transactions; (ii) the obligation for banks to open universal free accounts to certain people (who have no bank account, and who wish to have access to a no-fee free savings account in pesos); (iii) a special treatment for UVA-adjusted mortgage loans designed to limit the impact of inflation and generally limit payments to a maximum of 35% of family income until February 2021; (iv) minimum interest rates were set for certain time deposits; (v) new requirements regarding certain fintech “virtual wallet” payment service providers were approved; (vi) the use of interbank debit for the payment of new credits is prohibited; (vii) a maximum nominal interest rate of 55% was set for credit card financing; (viii) reporting of increases and additions to bank fees for a period of 180 days from February 19, 2020 was prohibited; and (ix) according to Communication “A” 6768, financial institutions must have the prior authorization of the Central Bank of the Argentine Republic for the distribution of their results. In addition, on March 19, 2020, the BCRA issued Communication “A” 6939 whereby the distribution of dividends was suspended until at least June 30, 2020. Communication “A” 7035 extended such suspension to December 31, 2020, which was subsequently extended to June 30, 2021 by Communication “A” 7181.

Several rules were enacted during 2020 which, among others: (i) required the remaining balance arising from credit cards to be automatically refinanced between September 1, 2020 and September 30, 2020 up to a maximum rate of 40%; (ii) established the minimum rates for retail customers subject to certain variables; (iii) froze the installments of home mortgage loans and secured loans-adjusted to UVA index, and any unpaid installments were rescheduled; and (iv) ordered financial institutions to request any loan unpaid installments to be paid at the end of the life of the loan. Additionally, on March 19, 2020, the Central Bank issued Communication “A” 6938, temporarily easing the criteria to classify banks’ debtors established in the “Debtors’ Classification” rules and introduced certain changes to the manner in which financial institutions calculate RPC. Furthermore, in response to the crisis triggered by the Covid-19 pandemic, the Central Bank adopted a series of credit stimulus measures aimed at the most vulnerable economic sectors, primarily micro, small and medium-sized companies and the self-employed and eased reserve requirements for financial institutions that extended such credit lines. For a description of the effects of these regulations on BBVA Argentina, see “Item 5. Operating and Financial Review—Effects of Recent Regulatory Changes on BBVA Argentina”.

The financial institutions were also ordered to grant certain clients approved by the Argentine Tax Authority (AFIP) who applied for them, credit facilities at regulated rates denominated in pesos called “Zero Rate Credit” and “Zero Rate Credit Culture” provided for in Decree No. 332/2020 (and amendments).

Fees on automatically processed operations were suspended for a certain period of time; and the possibility of notifying users of financial services of fee increases was suspended for 180 days, and after that period it was established that the expansion would be progressive for commodities.

As a result, since the beginning of the Fernandez administration, banking activity has been more restrictively regulated, with the stated goal of protecting users of financial services.

The absence of a stable regulatory framework or the introduction of new regulations that affect the banking business could limit the ability of financial institutions, including BBVA Argentina, to make long-term decisions, such as asset-allocation decisions, and could cause uncertainty with respect to or otherwise adversely affect our future business, results of operations and financial condition. We cannot assure that laws and regulations currently governing the financial sector will not continue to change in the future or that any changes will not have a material adverse effect on our business, results of operations and financial condition.

Exposure to multiple provincial and municipal legislation and regulations could adversely affect our business and results of operations.

Argentina has a federal system of government with 23 provinces and one autonomous city (Buenos Aires), each of which, under the Argentine national constitution, has full power to enact legislation concerning taxes and other matters. Likewise, within each province, municipal governments have broad powers to regulate such matters. Due to the fact that our branches are located in multiple provinces, we are also subject to multiple provincial and municipal legislation and regulations. Future developments in provincial and municipal legislation concerning taxes, provincial regulations or other matters could have a material adverse effect on our business, results of operations and financial condition.

The Consumer Protection Law and the Credit Card Law may limit some of the rights afforded to us.

The Consumer Protection Law establishes a number of rules and principles for the protection of consumers. Although the Consumer Protection Law does not contain specific provisions for its enforcement in relation to financial activities, it does contain general provisions that might be used as grounds to uphold such enforcement, as it has been previously interpreted in various legal precedents. Moreover, the new Argentine Civil and Commercial Code has captured the principles of the Consumer Protection Law and established their application to banking agreements.

The application of both the Consumer Protection Law and the Credit Card Law No. 25,065, as amended by Law No. 26,010 (the "Credit Card Law") by administrative authorities and courts at the federal, provincial and municipal levels has increased. Moreover, administrative and judicial authorities have issued various rules and regulations aimed at strengthening consumer protection. In this context, the Central Bank issued Communication "A" 5460, as supplemented and amended, granting broad protection to financial services customers, limiting fees and charges that financial institutions may validly collect from their clients. In addition, the Argentine Supreme Court of Justice issued the Acordada 32/2014, creating the Public Registry of Collective Proceedings for the purpose of registering collective proceedings (such as class actions) filed with national and federal courts. In the event that we are found to be liable for violations of any of the provisions of the Consumer Protection Law or the Credit Card Law, the potential penalties could limit some of our rights, such as reducing our ability to collect payments due from services and financing provided by us, or otherwise adversely affect our business, results of operations and financial condition.

On September 18, 2014, a new pre-judicial service of dispute resolution was created by Law No. 26,993, in order for consumers and providers to resolve any dispute within the course of 30 days, including fines for companies that do not attend the hearings.

Furthermore, the rules that govern the credit card business provide for variable caps on the interest rates that financial institutions 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. A change in applicable law or the existence of court decisions that lower the cap on interest rates and fees that clients and merchants may be charged would reduce our revenues and therefore negatively affect our results of operations.

The application of this regulation or any new regulation that may limit some of the rights afforded to us could have a material adverse effect on our business, results of operations and financial condition.

We are exposed to compliance risks

Due to the nature of our activities, we are exposed to certain compliance risks. We must comply with regulations regarding customer conduct, market conduct, the prevention of money laundering and the financing of terrorist activities, the protection of personal data, the restrictions established by national or international sanctions programs and anti-corruption laws (including the US Foreign Corrupt Practices Act of 1977 and the UK Bribery Act of 2010), the violations of which could lead to very significant penalties. These anti-corruption laws generally prohibit providing anything of value to government officials for the purposes of obtaining or retaining business or securing any improper business advantage. As part of our business, we directly or indirectly, through third parties, deals with entities whose employees are considered to be government officials. Our activities are also subject to complex customer protection and market integrity regulations.

Generally, these regulations require banking entities to, among other measures, use diligence measures to manage compliance risk. Sometimes, banking entities must apply reinforced due diligence measures because they understand that, due to the very nature of the activities they carry out (among others, private banking, money transfer and foreign currency exchange operations), they may present a higher risk of money laundering or terrorist financing.

Although the BBVA Group, including us, has adopted policies, procedures, systems and other measures to manage compliance risk, it is dependent on its employees and external suppliers for the implementation of these policies, procedures, systems and other measures, and it cannot guarantee that these are sufficient or that the BBVA Group's employees (123,174 as of December 31, 2020) or other persons of the BBVA Group or its business partners, agents and/or other third parties with a business or professional relationship with the BBVA Group do not circumvent or violate current regulations or the BBVA Group's ethics and compliance regulations, acts for which such persons or the BBVA Group could be held ultimately responsible and/or that could damage the BBVA Group's reputation, including ours. In particular, acts of misconduct by any employee, and particularly by senior management, could erode trust and confidence and damage our reputation among existing and potential clients and other stakeholders. Actual or alleged misconduct by the Bank in any number of activities or circumstances, including operations, employment-related offenses such as sexual harassment and discrimination, regulatory compliance, the use and protection of data and systems, and the satisfaction of client expectations, and actions taken by regulators or others in response to such misconduct, could lead to, among other things, sanctions, fines and reputational damage, any of which could have a material adverse effect on the Bank's business, financial condition and results of operations.

Furthermore, we may not be able to prevent third parties from using the banking network in order to launder money or carry out illegal or inappropriate activities. Further, financial crimes continually evolve and emerging technologies, such as cryptocurrencies and blockchain, could limit our ability to track the movement of funds. Additionally, in adverse economic conditions, it is possible that financial crime attempts will increase significantly.

If there is a breach of the applicable regulations or the Banks's ethics and compliance regulations or if the competent authorities consider that the Bank does not perform the necessary due diligence inherent to its activities, such authorities could impose limitations on our activities, the revocation of our authorizations and licenses, and economic penalties, in addition to having significant consequences for our reputation, which could have a significant adverse impact on our business, financial condition and results of operations. Furthermore, we from time to time conduct investigations related to alleged violations of such regulations and ethics and compliance regulations, and any such investigation or any related procedure could be time consuming and costly, and its results difficult to predict.

Finally, in 2020 the Covid-19 outbreak has led in many countries to new specific regulations, mainly focused on consumer protection measures. The difficulties associated with the need to adapt the Bank's systems to these new regulations quickly along with the fact that the majority of our employees have been working remotely could pose new compliance risks. Likewise, despite the existing controls in place, the increase in remote account opening driven by the pandemic could increase money laundering risks. Additionally, criminals are continuing to exploit the opportunities created by the pandemic across the globe and increased money laundering risks associated with counterfeiting of medical goods, investment fraud, cyber-crime scams and exploitation of economic stimulus measures put in place by governments. Increased strain on our communications surveillance frameworks could in turn raise our market conduct risk.

Argentine corporate disclosure, governance and accounting standards may require us to provide different information than would be required under U.S. standards. This difference could limit investors' ability to evaluate our business, results of operations and financial condition, and influence investors' decisions whether to invest in our securities.

The securities laws of Argentina that govern publicly-listed companies such as us impose disclosure requirements that are more limited than those in the United States. The Argentine securities markets are not as highly regulated and supervised as the U.S. securities markets. There are also important differences between accounting and financial reporting standards applicable to financial institutions in Argentina and those in the United States. As a result, financial statements and reported earnings of Argentine financial institutions generally differ from those reported based on U.S. accounting and reporting standards.

The Consolidated Financial Statements included in this annual report on Form 20-F have been prepared in accordance with IFRS-IASB. By contrast, the Bank's statutory consolidated annual financial statements for the fiscal year ended December 31, 2020 were prepared pursuant to the reporting framework established by the Central Bank requiring supervised entities to submit financial statements prepared pursuant to IFRS-IASB with certain exceptions. We will continue to have differences during the year 2021 between our statutory consolidated financial statements and the financial statements required by IFRS-IASB. We do not intend to report in accordance with IFRS-IASB on an interim basis during 2021. Consequently, our interim financial information for 2021 will not be comparable with the Consolidated Financial Statements and other information contained in this annual report on Form 20-F. See "Presentation of Financial Information" and "Item 3. Key Information—D. Risk Factors—Risks Relating to the Argentine Financial System and to BBVA Argentina—The Argentine economy qualifies as a hyperinflationary economy under IAS 29. Given that the peso is our functional currency, we apply IAS 29 for periods ending after July 1, 2018, and our Consolidated Financial Statements and other financial information are presented in terms of the measuring unit current at December 31, 2020".

Accordingly, the information available about us will not be the same as the information available about a U.S. company. The fact that we report in IFRS-IASB for purposes of this annual report on Form 20-F whereas we report in IFRS-BCRA for local and interim reporting purposes, together with the differences in the accounting and disclosure requirements among IFRS-BCRA, IFRS-IASB and U.S. GAAP, could limit investors' ability to evaluate our business, results of operations and financial condition, and influence investors' decisions whether to invest in our securities.

The special rules that govern the priority of different stakeholders of financial institutions in Argentina, which give priority to depositors with respect to most other creditors, may negatively affect other stakeholders in case of judicial liquidation or bankruptcy of the Bank.

Argentine Law No. 24,485, in force since April 18, 1995 and as amended by Law No. 25,089, provides that in case of judicial liquidation or bankruptcy of a financial institution such as BBVA Argentina, all depositors, irrespective of the type, amount or currency of their deposits, will have general and absolute preferential rights with respect to all other creditors, except for certain labor credits and credits secured with a pledge or mortgage, to be paid with 100% of the funds deriving from the liquidation of our assets. In addition, depositors of any kind of deposits have special preferential rights over the remaining creditors of us, except for certain labor credits, to be paid with (i) any of our funds which may be held by the Central Bank as total reserves, (ii) any remaining funds of ours in existence as of the date on which our license is revoked, or (iii) any funds derived from the compulsory transfer of certain of our assets according to instructions of the Central Bank, in the following order of priority: (a) deposits made by legal entities up to Ps.5,000 per entity, or its equivalent in foreign currency, (b) deposits for terms exceeding 90 days and (c) all other deposits on a pro rata basis.

In case of a judicial liquidation or bankruptcy of a financial institution such as BBVA Argentina, shareholders may not be able to partially or completely recover their investment due to the priority imposed by law.

There is uncertainty regarding the possible effects that tax reform could have in the Argentine economy.

On December 20, 2019, the Argentine Congress enacted Law N° 27,541 of Solidarity and Productive Reactivation ("Law N° 27,541"), declaring a state of public emergency on the economic, financial, fiscal, administrative, social and energetic fronts, among others, thus delegating in the executive branch the ability to ensure the sustainability of public indebtedness, authorizing it to conduct an integral review of the current electricity tariff regime and to intervene in the operations of supervisory entities, among others.

The tax-related measures include:

- Tax amnesty for micro, small- and medium-sized companies.
- Increase in the personal assets tax rate and delegation of power to the executive branch to increase tax rates on foreign financial assets.
- Changes to the formula of inflation adjustment in income tax.
- Suspension of the pension and retirement adjustment mechanism for a 180-day period.
- The portion of the tax on debits and credits is increased in the case of cash withdrawals with the exception of holders of micro and small enterprises according to the terms of section 2 of Law 24467.
- Creation of the tax for a solidary and inclusive Argentina (*Impuesto para una Argentina Inclusiva y Solidaria* or PAIS, per its acronym in Spanish) for a 5-fiscal-period term on the purchase of foreign currency for savings purposes and on the payment of goods and services purchased abroad through credit cards. The tax rate ranges between 8% and 30% depending on the transaction.

In September of 2020, it was determined that the Argentine Tax Authority (AFIP) shall apply a withholding tax of 35% to the purchase of dollar savings and payments by card for consumption in dollars abroad.

We cannot anticipate the impact that Law N° 27,541 may have, nor the measures that could be adopted by the current administration in order to meet its financial obligations, which might negatively affect Argentine's economy and, in turn, our business, financial condition and results of operations.

In December 2020, a new Fiscal Consensus was signed between the national and provincial governments (except the City of Buenos Aires), enabling jurisdictions to establish tax rates that are not subject to the limits established in the original Consensus (12/2017). As a result, certain jurisdictions have increased and certain jurisdictions may increase their tax rates for 2021. The autonomous City of Buenos Aires increased its tax rate from 7% to 8% and the province of [Buenos Aires] from 7% to 9%. As a result, we may be required to pay higher taxes, which could have a material adverse effect in our business, financial condition and results of operations.

ITEM 4. INFORMATION ON THE COMPANY

Recent Political and Economic Developments in Argentina

In 2018 activity, measured by GDP (Gross Domestic Product), declined by 2.5% in Argentina due to a severe drought and depreciation of the peso, in a fiscal austerity and very tight monetary policy scenario. Towards the end of September 2018, a new exchange-rate and monetary scheme was announced defining a floating band for the peso and reinforcing the contractionary tone of monetary policy. This scheme was maintained until the end of April 2019, when tensions on the exchange rate increased again, adding to the challenging inflation data of March 2019, leading the BCRA and the IMF to agree that the BCRA could intervene on the foreign exchange market at its discretion, rendering the floating band just a reference. This scheme controlled exchange rate volatility, in addition to the announcement of a freeze in utility rates, began a process of inflation deceleration.

Meanwhile, in April 2019 the IMF disbursed US\$10.8 billion and in July 2019 it disbursed an additional US\$5.4 billion. As a result, the undisbursed balance was reduced to US\$44.9 billion of the total US\$57.0 billion committed in the program signed in 2018.

Primary elections were held on August 11, 2019 leading to an adverse market reaction, declines in the exchange rate and an increasing lack of confidence in Argentine assets. The prices of Argentine government securities fell by 20% while local companies' shares dropped more than 40% over a few days, while the U.S. dollar exchange rate exceeded Ps.58 which implied a depreciation of almost 30% in just three days. The Central Bank was forced to intervene in the market, with relatively little success, by selling approximately US\$2 billion from international reserves.

With access to international and domestic debt markets effectively closed due to, among other issues, Argentine country risk reaching 4,500 points, and in order to avoid default, the government decided to reprofile the short-term Argentine sovereign debt, and announced the beginning of a renegotiation with the IMF. The reprofiling measure affected approximately US\$9 billion of short-term Argentine-law governed sovereign debt and primarily affected private sector investors.

Due to the strong macroeconomic instability, accompanied by the significant depreciation of the peso, the Central Bank decreed a series of measures aimed at restricting the exchange market. The main ones are the purchase limit of US\$10,000 per month and the requirement that financial entities receive authorization in order to pay dividends.

Presidential elections took place on October 27, 2019, and the ticket of Alberto Fernández and Cristina Fernández de Kirchner ("Frente de Todos") was elected in the first round, confirming the results obtained in the primary elections in the previous August.

In order to avoid an uncontrolled loss of reserves and minimize the volatility of the exchange rate, on September 1, 2019 the Central Bank decreed a tightening of the restriction on the purchase of currency. For individuals, the Argentine Central Bank established a maximum limit of US\$200 for the purchase of foreign currency per calendar month across all entities authorized to trade in foreign exchange, as well as for purposes of formation of foreign assets, family assistance remittances, and transactions with derivatives.