

	As of and for the year ended December 31,			
	2017	2018	2019	2020
	(in thousands of pesos)			
Selected consolidated ratios:				
Profitability and performance				
Net interest margin (%) (1)	16.70%	19.05%	25.36%	20.25%
Fee income ratio (%) (2)	27.42%	22.97%	18.19%	20.45%
Efficiency ratio (%) (3)	40.41%	38.15%	32.05%	34.89%
Fee income as a percentage of administrative expense (%)	56.05%	52.67%	49.27%	39.78%
Return on average equity (%)	9.16%	(1.03%)	21.39%	17.84%
Return on average assets (%)	1.84%	(0.21%)	4.09%	3.73%
Liquidity				
Loans and other financings as a percentage of total deposits (%)	93.89%	76.92%	85.96%	54.70%
Liquid assets as a percentage of total deposits (%) (4)	51.50%	61.66%	66.79%	90.13%
Capital				
Total equity as a percentage of total assets (%)	21.14%	17.34%	23.82%	19.57%
Regulatory capital as a percentage of risk-weighted assets (%)	28.10%	26.47%	27.25%	34.23%
Asset Quality				
Non-performing loans and other financings included in Stage 3 as a percentage of total loans and other financings (%) (5)	1.08%	1.88%	1.71%	1.13%
Allowances for loan losses as a percentage of total loans and other financings	(1.97%)	(2.11%)	(2.24%)	(3.71%)
Allowances for credit losses as a percentage of non-performing loans and other financings included in Stage 3 (%) (5)	(182.26%)	(112.51%)	(130.90%)	(327.67%)
Operations				
Number of branches	445	471	463	463
Number of employees (6)	8,774	9,028	8,768	8,561

- (1) Net interest income divided by average interest earning assets.  
(2) Commissions income divided by the sum of net interest income.  
(3) The efficiency ratio is equal to operating expenses over operating income. Operating expense includes employee benefits, administrative expenses, depreciation and amortization of fixed assets and other operating expenses. Operating income includes net interest income, net commissions income, net income from measurement of financial instruments at fair value, differences in quoted prices of gold and foreign currency net and other operating income.  
(4) Liquid assets include cash, cash collateral, reverse repos, instruments issued by Central Bank, other government securities and interbank loans.  
(5) As of December 31, 2017, non-performing loans are calculated using the classification system of the Central Bank and include all loans to borrowers classified as "3-troubled/medium risk", "4-with high risk of insolvency /high risk", "5-irrecoverable" and "6-irrecoverable according to Central Bank's Rules". As of December 31, 2020, 2019 and 2018, non-performing loans are calculated according to our internal credit rating grades disclosed in note 51.1 to our consolidated financial statements.  
(6) Had workers performing their duties pursuant to the "acciones de entrenamiento para el trabajo" program of the Ministry of Labor, Employment and Social Security and other casual workers been included, the number of employees of the Bank would have been 8,826, 9,113 and 8,788 for 2017, 2018 and 2019, respectively. We do not account for such workers as employees, as we do not remunerate them for their services, which are paid directly by the Argentine province where they work.

#### B. Capitalization and Indebtedness

Not applicable.

#### C. Reasons for the Offer and Use of Proceeds

Not applicable.

#### D. Risk Factors

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

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

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

The following summarizes some, but not all, of the risk factors provided below:

- Risks Relating to Argentina:
  - the economy remains vulnerable;
  - the effects on the Argentine economy of developments in the global market;
  - limitation on Argentina's ability to obtain financing from international markets;
  - adverse judgments or injunctions against Argentina;
  - the effects on the economy of governmental measures;
  - exchange controls and capital inflow restrictions limit international credit;
  - declines in international prices for Argentina's main commodity exports;
  - high levels of inflation;
  - devaluation of the Peso against the U.S. dollar;
  - high public expenditure;
  - institutional deterioration and corruption;
  - economic uncertainty and political environment; and
  - the COVID-19 pandemic.
- Risks relating to the Argentine financial system:
  - dependence of the growth and profitability of the financial system on the growth of the long-term credit market;
  - dependence of the stability of the financial system on the confidence of depositors;
  - deterioration of the asset quality;
  - limitations on enforcement of creditors' rights;
  - reduced spreads between interest rates received on loans and those paid on deposits that does not correspond with the increases in lending volumes;
  - application of the Consumer Protection Law;
  - class actions;
  - governmental measures and regulatory framework affecting financial entities;
  - insufficient or incorrect implementation of certain anti-money laundering and combating the financing of terrorism recommendations;
  - changes to services and commissions charged by financial entities on debit and credit card sales;
  - changes in the laws and regulations; and
  - increased operating costs.
- Risks relating to us:
  - adverse effects on our target market as a result of the economic recessions;

- significant shareholders' ability to direct our business and their interests could conflict with yours;
- consideration of acquisition opportunities, which may not be successful;
- our estimates and established reserves for credit risk and potential credit losses may prove to be inaccurate and/or insufficient;
- changes in market conditions;
- cybersecurity events;
- reliance on properly functioning information technology systems and improvements to such systems;
- increase in fraud or transactions errors;
- liquidity issues;
- Argentina's implementation of the Corporate Criminal Liability Law and other anti-corruption laws and regulations; and
- Increased attention to environmental, social and governance matters.
- Risks relating to our Class B shares and the ADSs:
  - holders may not receive any dividends;
  - holders located in the United States may not be able to exercise preemptive rights;
  - investors may not be able to easily move shares for trading between the markets we are traded;
  - shareholders may be subject to liability for certain votes of their securities;
  - payment on Class B shares or ADSs may be subject to FATCA withholding; and
  - difficulty to enforce civil liabilities against us, our directors, officers and certain experts.

#### **Risks relating to Argentina**

##### ***The Argentine economy remains vulnerable.***

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. Sustainable economic growth in Argentina is dependent on a variety of factors, including the international demand for Argentine exports, the stability and competitiveness of the Peso against foreign currencies, confidence among consumers and foreign and domestic investors, a stable rate of inflation, national employment levels and the circumstances of Argentina's regional trade partners.

Substantially all of our operations, properties and customers are located in Argentina and, as a result, our business is to a large extent dependent upon macroeconomic, political, regulatory and social conditions prevailing in Argentina. Developments in economic, political, regulatory and social conditions in Argentina, and measures taken by the Argentine government, have had and are expected to continue to have a significant impact on our business, results of operations and financial condition. Argentina is an emerging market and investing in such markets generally carries additional risks.

Argentina's economy has contracted since 2018 and the country's economy remains vulnerable and unstable, as reflected by the following economic conditions:

- inflation remains high and may continue at similar levels in the future; according to a report published by INDEC, cumulative consumer price inflation from December 2019 to December 2020 was 36.14%, and consumer price inflation during January, February and March 2021 was 4.0%, 3.6% and 4.8%, respectively. According to the market expectations survey published by the Central Bank, this tendency is expected to persist, as expectations for 2021 CPI are around 46%;
- according to a report published by the INDEC in March 2021, GDP for 2020 decreased 9.9%. Argentina's GDP performance has depended to a significant extent on high commodity prices which are volatile and beyond the control of the Argentine government and private sector;
- Argentina's public debt as a percentage of GDP remains high;
- high foreign currency exchange volatility;

- Argentina's foreign currency reserves remain low and falling;
- the discretionary increase in public expenditures has resulted, and could continue to result, in a fiscal deficit;
- investment as a percentage of GDP remains low;
- a significant number of protests or strikes could take place, which could adversely affect, as has occurred in the past, various sectors of the Argentine economy;
- energy or natural gas supply may not meet industrial demand (thereby limiting industrial development) and consumption;
- unemployment and informal employment remain high; according to INDEC, unemployment rate during the fourth quarter of 2020 was 11%; and
- in the climate created by the above-mentioned conditions, demand for foreign currency could grow, generating a capital flight effect, as in recent years.

Additionally, in the presidential and legislative general elections in Argentina that took place on October 27, 2019 the "Frente de Todos," a political coalition which was part of the former opposition, won the presidential election, and on December 10, 2019, president Fernández took office. Legislative mid-term elections will take place in October 2021, by virtue of which one third of the seats in the senate, and half of the seats in the house of representatives, will be up for election. Political uncertainty in Argentina regarding the policies that may be adopted in the future by the government could lead to further volatility and adversely affect Argentina's economy.

No assurance can be given that future economic, social and political developments in Argentina, over which we have no control, will not have a material adverse effect on our business, financial condition and results of operations.

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

Argentina's economy remains vulnerable to external shocks that could be caused by adverse regional or global developments. A significant decline in the economic growth of any of Argentina's major trading partners (including Brazil, the European Union, China and the United States) could have a material adverse impact on Argentina's balance of trade and adversely affect Argentina's economy. In addition, Argentina may be affected by economic and market conditions in markets worldwide, as was the case in 2008, when the global economic crisis led to a sudden economic decline in Argentina in 2009. The ongoing COVID-19 pandemic has had, and continues to have, a significant impact on the global economy and the economies of countries across Latin America, the full impact of which cannot be accurately predicted at this time.

In the past, emerging market economies have been affected by changes in U.S. monetary policy, at times resulting in the unwinding of investments and increased volatility in the value of their currencies. If interest rates rise significantly in developed economies, including the United States, emerging market economies, including Argentina, could find it more difficult and expensive to borrow capital and refinance existing debt, which would negatively affect their economic growth.

Brexit has created uncertainty about the future relationship between the United Kingdom and the European Union. The United Kingdom formally exited the European Union on January 31, 2020. On December 24, 2020, the United Kingdom and European Union announced they had entered into a post-Brexit deal on certain aspects of trade and other strategic and political issues, which relationship became effective on December 31, 2020. However, the extent and process by which the United Kingdom will exit the European Union, and the longer term economic, legal, political and social framework to be put in place between the United Kingdom and the European Union are unclear and are likely to lead to ongoing political and economic uncertainty and periods of exacerbated volatility in both the United Kingdom and in wider European markets for some time, which could have an impact on emerging market economies, including Argentina.

In July 2019, the Common Market of the South ("MERCOSUR") signed a strategic partnership agreement with the European Union, which is expected to enter into force in the second half of 2021, once approved by the relevant legislatures of each member country. The objective of this agreement is to promote investments, regional integration, increase the competitiveness of the economy and achieve an increase in GDP. However, the effect that this agreement could have on the Argentine economy and the policies implemented by the Argentine government is uncertain.

Although economic conditions vary from country to country, investors' perceptions of events occurring in other countries have, and may continue to, substantially affect capital flows into and investments in securities from issuers in other countries, including Argentina.

Global economic and financial crises, and the general weakness of the global economy, negatively affect emerging economies like Argentina's. If international and domestic conditions for Argentina were to worsen further, the Argentine economy could be negatively affected as a result of lower international demand and lower prices for its products and services, lower capital inflows and higher risk aversion, which may also adversely affect our business, results of operations, financial condition and cash flows.

We cannot assure you that developments in other markets will not affect macroeconomic, political or social conditions in Argentina and, consequently, our business, results of operations and financial condition.

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

The Argentine government has defaulted on its sovereign debt instruments in the past and has most recently reprofiled its debt in 2019/2020. As a result, the Argentine government may not have access to international financing, or its access may be costly, which may limit its ability to make investments and foster economic growth. Additionally, companies in the country's private sector may also have difficulty accessing international financing at reasonable costs or at all, as has occurred on prior occasions.

During March 2020, the Argentine government initiated discussions with various groups of creditors to discuss a path for Argentina's debt sustainability. With respect to Argentina's international bonds, in April 2020, the Argentine executive branch approved the restructuring of certain eligible global bonds issued under foreign laws for up to U.S.\$65 billion (the "Eligible Bonds") and filed with the SEC an invitation to exchange those instruments for new bonds. On August 31, 2020, the Argentine government announced that it had obtained the consents required to exchange 99% of the aggregate principal amount outstanding of all series of Eligible Bonds, following which the exchange was consummated.

On August 18, 2020, the Argentine government offered holders of its foreign currency bonds governed by Argentine law to exchange such bonds for new bonds, in terms that were equitable to the terms of the invitation made to holders of foreign law-governed bonds.

On September 18, 2020, Argentina announced that holders representing 99.4% of the aggregate principal amount outstanding of all series of eligible bonds invited to participate in the local exchange offer had participated. However, there is still a high probability of a new default as reflected by prices of credit default swaps on Argentine sovereign bonds.

In addition, in June 2018, the Argentine government and the IMF signed a three-year, U.S.\$50 billion loan agreement, as further amended to U.S.\$57.1 billion through 2021 (the "IMF 2018 Agreement"). Following an IMF report in February 2020 stating that Argentina's debt may not be sustainable, the Argentine government requested to begin discussions with the IMF to renegotiate the IMF 2018 Agreement. As of the date of this annual report, negotiations with the IMF are ongoing.

As of the date of this annual report, there is uncertainty as to whether the Argentine government will be able to successfully negotiate a new program with the IMF, or even if a new renegotiation process with foreign creditors will be required to cure the high implicit probability of default arising from credit default swap's prices. As a result, we cannot guarantee that Argentina will be able to obtain financing in the international or domestic capital markets, nor the impact a failure to keep the country's external financial commitments could have, or in case a new renegotiation takes place, what the terms and conditions would finally be. As in the past, this may result in new legal actions against Argentina and in the enforcement of those actions. This may adversely affect the ability of the Argentine government to implement the necessary reforms to boost the country's economic growth and restore its productive capacity. Furthermore, Argentina's lack of access to financing in the international financial markets may have a direct impact in our ability to access the financial markets to fund our operations, including the financing of capital expenditures, which in turn may negatively affect our business, financial position and results of operations.

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

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

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

In July 2017, in a split decision, an ICSID tribunal ruled that Argentina had breached the terms of a bilateral investment treaty with Spain, alleging the unlawful expropriation of Aerolíneas Argentinas and affiliates (including Optar, Jet Paq and Austral, among others) by the Argentine government. The ICSID tribunal fined Argentina approximately U.S.\$320.8 million, awarding plaintiffs about 20% of the U.S.\$1.59 billion they had initially claimed. Argentina requested the annulment of the award. On May 29, 2019, ICSID rejected Argentina's request and ratified the previous decision. Although there is an additional instance for Argentina to present the last appeal for review, the result of that instance is uncertain as of the date of this annual report.

Additionally, in June 2019, a claim was made before the ICSID on behalf of the Dutch group ING, NN Holdinvest, NN Intertrust and NN Insurance International for the nationalization during the government of Cristina Fernández de Kirchner of the private retirement system, made in 2008. As reported by the ICSID on its website the demand is for US \$ 500 million. On February 23, 2021, Argentina filed observations on the claimants' response of February 17, 2021. As of the date of this annual report, the tribunal's decision is pending and the outcome of these cases is uncertain.

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

***Governmental measures could adversely affect the Argentine economy.***

Substantially all our operations, properties and customers are located in Argentina. As a result, our business is, to a very large extent, dependent upon the political, social and economic conditions prevailing in Argentina.

In the past, the Argentine government has had direct intervention in the economy and in private sector operations and companies, limiting certain aspects of private sector businesses. Below is a summary of the main government interventions:

- Replacement of the pension and retirement fund system: in 2008 all resources formerly managed by the private pension and retirement system, including meaningful holdings in public companies were transferred to the Sustainability Guarantee Fund (*Fondo de Garantía de Sustentabilidad*) and managed by ANSES. As a result, ANSES has a right to appoint representatives in the board of directors of such companies.
- Expropriation of YPF: in May 2013, the Argentine Congress passed a law providing for the expropriation of 51% of the share capital of YPF (*Yacimientos Petrolíferos Fiscales S.A.*), the principal Argentine oil company, which shares were owned by Repsol, S.A. and its affiliates. In February 2015, the Argentine government sent a bill to the Argentine Congress in order to revoke certain train concessions, return the national rail network to state control and provide authority to review all concessions currently in effect. The bill was enacted on May 20, 2015 as Law No. 27,132.
- Regulations related to domestic capital markets: on May 9, 2018, the Argentine Congress approved the Argentine Productive Financing Law No. 27,440, which amended the Capital Markets Law, the Mutual Funds Law No. 24,083 and the Negotiable Obligations Law, among other regulations and introduced substantial changes to regulations governing markets, stock exchanges and the various agents operating in capital markets, as well as certain amendments to the CNV's charter, expanding its powers.

Moreover, in the midst of a judicial reorganization procedure, the administration briefly intervened producer of soybean livestock, Vicentin S.A.I.C. Even though the Argentine government eventually abandoned the expropriation project, we cannot assure you that similar measures will not be adopted in the future, such as expropriation, nationalization, intervention by the CNV, or modification of existing contracts, changes in laws, regulations and policies affecting foreign trade and investments.

Moreover, the Argentine government has in the past enacted laws and regulations requiring private sector companies to maintain certain salary levels and provide their employees with additional benefits. Employers, both in the public and private sector, have also been experiencing intense pressures from their personnel, or from the labor unions representing them, demanding salary increases and certain benefits for the workers, given the high inflation rates. On December 13, 2019, the Fernandez administration declared a labor emergency, which has been extended until December 31, 2021. During the labor emergency, severance payments by employers for unjustified terminations are double the amount than it would otherwise apply.

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

In the future, the level of intervention in the economy by the government may continue or increase, which may adversely affect Argentina's economy and, in turn, our business, results of operations and financial condition.

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

The Argentine government has in several occasions increased controls on the sale of foreign currency, limiting transfers of funds abroad. Measures taken by the Argentine government significantly curtailed access to the official foreign exchange market and, as a result, an unofficial U.S. dollar trading market developed in which the peso-U.S. dollar exchange rate differed substantially from the official peso-U.S. dollar exchange rate. While the former administration had initially eliminated foreign exchange restrictions in 2016, in September 2019, in response to significant capital flight from the country, the Argentine Central Bank imposed restrictions on foreign exchange transactions, which were effective until December 31, 2019. Following the change in administration in December 2019, the new administration has extended the measures, and established further restrictions, including a new tax (*impuesto PAIS*) on certain transactions involving the purchase of foreign currency by Argentine residents. Although the official exchange rate has largely stabilized since the adoption of these foreign exchange controls, we cannot assure you that the official exchange rate will not fluctuate significantly in the future.

The current exchange controls apply with respect to access to the foreign exchange market by residents for savings and investment purposes abroad, the payment of external financial debts abroad, the payment of dividends in foreign currency abroad, payments of imports and exports of goods and services, and the obligation to repatriate and settle the proceeds from exports of goods and services for pesos, among others. For further information, see "Item 10.D – Exchange Controls". It is not possible to anticipate for how long these measures will be in force or even if additional restrictions will be imposed. The Argentine government could maintain or impose new exchange control regulations, restrictions and take other measures in response to capital flight or a significant depreciation of the peso, which could limit access to the international capital markets. Such measures could undermine the Argentine government's public finances, which could adversely affect Argentina's economy, which, in turn, could adversely affect our business, results of operations and financial condition.

Additionally, the level of international reserves held by the Central Bank significantly decreased from U.S.\$47.4 billion as of November 1, 2011 to U.S.\$25.6 billion, as of December 31, 2015, resulting in a reduced capacity of the Argentine government to intervene in the foreign exchange market and to provide access to such markets to private sector entities. International reserves held by the Central Bank increased to U.S.\$65.8 billion as of December 31, 2018, plummeted to U.S.\$44.7 billion as of December 31, 2019 and continued to decrease the following year down to U.S.\$39.4 billion as of December 31, 2020. Notwithstanding the measures that may be adopted by the Fernández administration in the future, the level of international reserves held by the Central Bank could further decrease, which could lead to political and social tensions and undermine the Argentine government's public finances, as has occurred in the past, which could adversely affect Argentina's economy and prospects for economic growth.

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

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

Recently, commodity prices (i.e. soy) have increased after a long period of decline. If international commodity prices decrease again or experience sustained declines, the Argentine government's revenues could decrease significantly, affecting Argentina's economic activity, which in turn could produce a negative effect on our business, financial condition and results of operations.

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

***Continuing high inflation could have a material adverse effect on Argentina's economic prospects.***

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

After implementing the announced reforms, on June 16, 2016 the INDEC began to publish official measurements of its main inflation indicator, the Consumers Price Index ("CPI") (*Índice de Precios al Consumidor*, or IPC, per its initials in Spanish). The CPI was 47.64% for 2018, 53.83% for 2019 (the highest rate since 1991), 36.14% for 2020, 4.0%, 3.6% and 4.8% for January, February and March 2021, respectively. In the past, inflation has materially undermined the Argentine economy and Argentina's ability to create conditions that would permit growth. High inflation may also undermine Argentina's competitiveness abroad and lead to a decline in private consumption which, in turn, could also affect employment levels, salaries and interest rates. Moreover, a high inflation rate could undermine confidence in the Argentine financial system, reducing the Peso deposit base and negatively affecting long-term credit markets.

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

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

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

After several years of moderate variations in the nominal exchange rate, the stock of the international reserves of the Central Bank started to decrease and, in order to contain the fall in reserves, the Central Bank accelerated the rate of nominal devaluation of the Peso. In 2018, 2019 and 2020, the Peso depreciated approximately 51%, 37% and 29%, respectively, with respect to the U.S. dollar. Additionally, the stock of international reserves held by the Central Bank increased to U.S.\$65.8 billion as of December 31, 2018 and decreased to U.S.\$44.7 billion as of December 31, 2019. During 2020 the stock of international reserves held by the Central Bank kept plummeting to U.S. \$39.4 billion as of December 30, 2020.

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

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

During the last years, the Argentine government has substantially increased public expenditure and has resorted regularly to the Central Bank's monetary issuance and transfers from ANSES to source part of its funding requirements.

In 2018 and 2019, public sector expenditure increased approximately 22.4% and 37.2%, respectively (measured in nominal Pesos) and the government informed a primary fiscal deficit of approximately 2.4% and 1.3% of GDP, respectively, according to the Ministry of Treasury.

In 2020, the Fernandez administration announced a package of fiscal stimulus measures to mitigate the effects of the recession caused by COVID-19 pandemic, focused on sustaining the level of income of the most vulnerable families and companies most affected. Such measures increased spending and produced a drop in revenues, which caused a significant raise in the fiscal deficit for the year 2020. In 2020, the government informed a primary fiscal deficit of Ps.1.7 trillion, compared to a deficit of Ps.819.4 billion in 2019, and was equivalent to 6.5% of GDP for 2020 and the highest in more than 40 years. Moreover, the Argentine government informed a financial deficit of Ps.2.3 trillion equivalent to 8.5% of GDP. These results are partly explained by a decrease in Argentine government income (equivalent to -0.7% of GDP) and an increase of public expenditure (equivalent to 3.5% of GDP).



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

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

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

A lack of a solid institutional framework and corruption have been identified as, and continue to be a significant problem for, Argentina. In Transparency International's 2020 Corruption Perceptions Index survey of 180 countries, Argentina was ranked 78, dropping from the previous survey in 2019. In the World Bank's Doing Business 2020 report, Argentina ranked 126 out of 190 countries, down from 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 former administration announced several measures aimed at strengthening Argentina's institutions and reducing corruption. These measures included the reduction of criminal sentences in exchange for cooperation with the government in corruption investigations (a "whistleblower" mechanism), increased access to public information, the seizing of assets from corrupt officials, and establishing a corporate criminal liability regime for corruption offenses aimed at promoting anticorruption compliance, among others. The current Argentine Government's ability to implement them, or promote further transparency and integrity measures is uncertain in a highly polarized political context.

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

Argentina's political environment has historically influenced, and continues to influence, the performance of the country's economy. Political crises have affected and continue to affect the confidence of investors and the general public, which have historically resulted in economic deceleration and heightened volatility in the securities with underlying Argentine risk. The recent economic instability in Argentina has contributed to a decline in market confidence in the Argentine economy, as well as to a deteriorating political environment. Weak macroeconomic conditions in Argentina have continued in 2020 and may be accentuated in 2021. For more information, see "Item 3.D - Risk Factors - Risks relating to Argentina - The Argentine economy remains vulnerable and a significant decline could adversely affect our financial condition."

In addition, certain ongoing investigations into allegations of money laundering and corruption being conducted by the Office of the Argentine Federal Prosecutor have negatively impacted the Argentine economy and political environment. Numerous members of different agencies of the Argentine government as well as senior officers of companies holding government contracts or concessions have faced or are currently facing allegations of corruption and money laundering, as a result of these investigations. Several senior politicians and high-ranking executives and officers of major companies in Argentina (i) have been arrested on account of various charges relating to corruption, (ii) entered into plea agreements with prosecutors and (iii) have resigned or been removed from their positions. The potential outcome of the ongoing corruption-related investigations is uncertain in most cases, but they have already had an adverse impact on the image and reputation of those companies that have been implicated, as well as on the general market perception of the economy, political environment and the capital markets in Argentina. We cannot predict the outcome of any such allegations nor their effect on the Argentine economy.

The deterioration of the general market perception of the economy, political environment and the capital markets in Argentina could have a negative impact on our business, financial condition and results of our operations.

***COVID-19 affected and keeps affecting the Argentine economy and could have an adverse effect on Argentine economy.***

In December 2019, COVID-19 was reported in Wuhan, China, and the World Health Organization declared COVID-19 a pandemic on March 11, 2020. The COVID-19 pandemic has disrupted business activities in Argentina and worldwide. The Argentine government has issued a shelter-in-place order from March 20, 2020, restricting the free circulation in public areas and ordering most businesses to close, with certain exemptions. In Argentina, around 2.9 million confirmed cases had been reported by April 27, 2021, along with a death toll of approximately 63,000.

The COVID-19 pandemic has, and it is still adversely impacting the Argentine economy and our business. For example, the pandemic has already had several adverse consequences, including a negative impact on the population's health and safety, disruption of supply

chains, falls in production and demand, deterioration in the valuation of financial assets and investments, exchange rate volatility, increased volatility in the financial markets, closure of facilities, interruption of operations and a likely increase of impaired loans in the future. Even though the Argentine government has started a vaccination campaign, a second wave of infections is broadening the effects of the COVID-19 pandemic on the Argentine economy overall. Additionally, conflicting orders from the federal and local governments could also adversely affect the political environment in Argentina.

In order to assuage the adverse effect of the COVID-19 pandemic on the Argentine economy, the Argentine government has taken certain monetary and fiscal measures, in addition to other measures adopted by the Central Bank. Such measures included: layoff limitations, price controls, lower reserve requirements on bank lending to households and micro-, small- and medium-sized enterprises, temporary easing of bank loan classification rules, a temporary prohibition on charging fees related to ATM services, the suspension of account closures, the reduction of maximum credit card interest rates, freezing and/or postponement of certain loan payments, healthcare benefit extensions, tax reductions and certain other financial assistance programs in connection with the COVID-19 pandemic. Moreover, banks may not distribute dividends until at least June 30, 2021 or carry out wrongful dismissals until at least May 31, 2021. Although such measures already helped to attenuate the impact of the pandemic and could help on the future such impact on the Argentine economy overall, they may also have a negative impact on our business, financial condition and results of operations.

For more information regarding the effects of the COVID-19 pandemic and its impact, see note 51.1.4 "Adjustment for expected losses due to COVID-19 pandemic" and note 53 "Effects of the coronavirus (Covid-19) outbreak" to our audited consolidated financial statements as of December 31, 2020 and 2019, and item 5.D. "Trend Information/Potential impact related to COVID-19 pandemic."

The long-term effects of epidemics and other public health crises, such as COVID-19, on the economy are difficult to assess or predict. For example, risks that the Bank's face arising from the pandemic include: a possible significant increase in loan defaults and credit losses, higher risk of impairment of our assets, a decrease in our business activity, such as new retail lending, an increase in cybersecurity risks given greater use of computer networks outside the corporate environment, and negative impacts on the business and operations of third-party service providers who perform critical services for us. Furthermore, certain industries that have been particularly affected by the pandemic, such as hospitality, tourism and travel, could remain distressed for an extended period, which would in turn increase their defaults and reduce their activity.

As a result of the above, the COVID-19 pandemic and the measures adopted by the government to mitigate its impact could adversely affect the Argentine economy. The extent of the impact of the pandemic on the Argentine economy will depend on certain developments, including the duration and spread of the outbreak, the measures taken or to be taken by the Argentine government and Central Bank, and the related impact to the economic partners of Argentina, all of which remain uncertain.

For more information, see "Item 4.B.—Business Overview—Argentine Banking Regulation— Central Bank's preventive measures in response to the pandemic of COVID-19;" and "item 5.D. – Trend Information/Potential impact related to COVID-19 pandemic", and notes 51.1.4 "Adjustment for expected losses due to COVID-19 pandemic" and 53 "Effects of the coronavirus (Covid-19) outbreak" to our audited consolidated financial statements as of December 31, 2020 and 2019.

#### **Risks relating to the Argentine financial system**

##### ***The growth and profitability of Argentina's financial system depends on the growth of the long-term credit market.***

Until recent years, the loan portfolio of the Argentine financial system had been growing significantly. Loans to the private sector (in nominal value without adjusting for inflation) grew by approximately 36% in 2018, 21% in 2019 and 33% in 2020. In the past, the pace of growth of long-term loans was slower than that of the rest of the loan portfolio, however during 2017 and 2018 was a significant increase in mortgage loans. In 2019, the increase in mortgage loans abruptly stopped due to higher inflation expectations and its impact on the cost of credits adjusted by UVAs, while during 2020, mortgage loans decreased by 24% in real terms.

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

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

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

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

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

The Argentine financial system’s growth depends heavily on deposit levels, due to the small size of its capital market and the absence of foreign investments in previous years. During the last years, numerous local financial institutions, including the Bank, have had access to global financial markets to obtain financing through the placement of debt securities, in satisfactory conditions, but this trend has come to an end due to the adverse macroeconomic conditions in recent years. Therefore, there is uncertainty about whether the current availability of funds in international markets will be regained in the coming years.

Although liquidity levels are currently reasonable, it is not possible to offer any guarantee that these levels will not decrease in the future due to adverse economic conditions that could negatively affect the Bank’s business. Furthermore, 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. If we were to experience significant withdrawals by depositors, it could have a material adverse effect on our business, results of operations and financial condition.

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 and macroeconomic environment.

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

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

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

As of December 31, 2018, 2019 and 2020, the ratio of non-performing private sector lending reached 3.1%, 5.7% and 3.9%, calculated pursuant to Central Bank Rules, explained by the economy’s deterioration and its impact on individual’s payment capability.

We experienced a similar trend than the financial system as a whole, as our non-performing lending rate reached 1.9%, 2.1% and 0.8%, as of December 31, 2018, 2019 and 2020, respectively, calculated pursuant to Central Bank Rules.

As a result of the macroeconomic environment prevailing in Argentina since 2018, the capacity of many Argentine private sector debtors to repay their loans has deteriorated significantly, materially affecting the asset quality of financial institutions, including us. In addition, due to the spreading of COVID-19 and its economic impact in the course of 2020, with the aim of easing the economic situation in the midst of the pandemic, the Argentine government established measures such as the refinancing of unpaid balances, access to soft credits, subsidies to vulnerable sectors, the freezing of monthly mortgage payments and certain UVA loans, etc. However, these measures may not fully offset the deterioration caused by the crisis in the quality of our assets.

The COVID-19 pandemic and the nation-wide lockdown established by the Argentine government since March 20, 2020 and extended several times until the date of this annual report, with an interim period between November 2020 and March 2021 (when the country entered a “social distancing” phase), have had a significant negative impact on the Argentine economy and, therefore, on the behavior of financial system debtors.

Despite the measures taken by the Argentine government in order to mitigate the negative impact, production and consumption have decreased significantly, impacting employment levels and financial flows, among others and the extent of such impact and its effects are still uncertain, and therefore difficult to measure. Additionally, despite the measures adopted by the Central Bank in order to temporarily reduce non-performing levels, the negative results of the impairment in the debtors' financial capacity are undeniable, thus an increase in the impairment of assets subject to credit risk is expected. Since statistical models do not appropriately reflect the effects arising from the pandemic on expected credit losses, the Bank decided to make a special adjustment prospectively based on an estimate of the impairment of certain financial assets showing greater vulnerability levels or signs of difficulties related to the payment of obligations. For more information, see note 51.1.4. *"Adjustment for expected losses due to COVID-19 pandemic"* to our audited consolidated financial statements as of December 31, 2020 and 2019.

We cannot assure you when the economic crisis will subside and the private sector debtors will improve its payment capacity. Additionally, despite the current quality of our portfolio, we may not succeed in recovering substantial portions of outstanding loans. If Argentina's economic growth continues to slow down or the financial condition of the private sector further deteriorates, the financial system, including us, could experience an increase in the incidence of non-performing loans.

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

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

To protect debtors affected by the COVID-19 crisis, the Argentine government adopted a series of rules regarding the enforcement of creditors' rights upon default. In connection with the ongoing COVID-19 pandemic, the Argentine government, among other measures, (i) suspended foreclosures and evictions nationwide, including those that have already been ordered, until March 31, 2021; (ii) froze mortgage and UVA credits installments as of March 2020's value until January 31, 2021; (iii) froze the price of rentals as of March 2020's value until March 31, 2021; and (iv) prohibited the application of punitive interests or other penalties provided for in the contract. Even though the rules are no longer in force, we cannot be certain regarding the impact of such measures' expiration over the delinquency of the Bank's clients.

We cannot assure you that in a further adverse economic environment the government will not adopt new measures in the future, restricting the ability of creditors to enforce their rights, which could have a material adverse effect on the financial system and our business.

***Reduced spreads between interest rates received on loans and those paid on deposits, without corresponding increases in lending volumes, could adversely affect the financial system.***

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

Since the 2018 devaluation of the peso and the acceleration of the inflation rate, the Central Bank raised interest rates, ending the margin contraction trend that had been taking place in the previous years. Since late December 2019, the Central Bank has resumed a process of rate reduction, and inflation expectations have been reduced slightly, although they remain high. If the Central Bank is successful in keeping the pace of inflation reduction, 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 interest bearing liabilities. Further reduction in spreads could have a material adverse effect on our business, results of operation and financial condition.

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

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

Law No. 24,240 as amended and supplemented from time to time (the "Consumer Protection Law") sets forth certain rules and principles designed to protect consumers, which include our customers. The Consumer Protection Law, contains specific rules regarding financial activities and also general rules that may be used to support its application, pursuant to legal precedents. Additionally, the National Civil and Commercial Code has incorporated the principles of Consumers Protection Law and has established its application to banking sector contracts. Moreover, Law No. 25,065 (as amended and supplemented from time to time by Law No. 26,010 and Law No. 26,361, the "Credit Card Law") also sets forth several mandatory regulations designed to protect credit card holders.

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

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

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

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

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

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

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

Moreover, in accordance with article 3.4 of Communication "A" 6844, access to the local exchange market is subject to Central Bank's prior approval. However, access is only granted to the FX Market to pay dividends to non-resident shareholders subject to certain conditions. By virtue of Communication "A" 7181 of the Central Bank, dividend distributions by financial entities have been suspended at least until June 30, 2021.

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

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

It is not possible to offer any guarantee that new stricter regulations will not be implemented in the future that may generate uncertainty and adversely affect future financial activities and the results of our operations. Such changes in the regulatory framework and further changes in the future could limit the ability of financial institutions, including us, to make long-term decisions, such as asset allocation decisions, which could cause uncertainty with respect to our future financial condition and results of operations. We cannot assure that laws and regulations currently governing the economy, or the financial sector will not continue to change in the future or that any changes will not adversely affect our business, financial condition and results of operations. For more information, see “Item 4.B. –Business Overview–Argentine Banking Regulation– Central Bank’s preventive measures in response to the pandemic of COVID-19.”

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

Since 2013, Argentina has taken steps towards improving its AML/CFT regime, including the issuance of new regulations strengthening KYC and suspicious transaction reporting duties and the UIF’s existing powers to apply sanctions for AML/ CFT deficiencies. Financial Action Task Force (“FATF”). As a result of such progress, in 2014 the FATF removed Argentina from the compliance monitoring process. In June 2017, Argentina was unanimously elected to preside the FATF.

Moreover, in July 2019, the Federal Executive Branch issued Decree No. 489/2019 by means of which it created the Public Registry of Persons or Entities Linked to Acts of Terrorism and its Financing (“RePET”). The creation of such registry attempted to centralize in a single public registry, all information related to administrative freezing of assets related to terrorism and its financing. The Decree entitles the mentioned Registry to provide public access and facilitate the exchange of information with relevant agencies and with third countries, which shall strengthen domestic and international cooperation mechanisms. The RePET aims to facilitate the work of Obligated Subjects, who must report to the UIF the operations carried out or attempted by natural or legal persons or other entities incorporated in it.

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

***Certain changes to services and commissions charged by financial entities on debit and credit card sales may affect Argentine financial institutions.***

Financial institutions receive income from the commissions they charge merchants on debit and credit card transactions. A change in applicable law that place limits on the fees that merchants may be charged may adversely reduce revenues of the Argentine financial institutions.

On September 8, 2016, one of the chambers of the Argentine Congress approved a draft bill that aims to reduce credit card sales commissions from 3% to 1.5%, and debit card sales commissions from 1.5% to 0%. The draft bill was not approved by the Argentine Congress in 2016. Nevertheless, on March 31, 2017, the Central Bank issued Communication “A” 6212, effective as of April 1, 2017, which reduces credit card and debit card sales commissions on a gradual annual plan. Pursuant to Communication “A” 6212, the maximum credit card sales commission rate for 2017, 2018 and 2019 was of 2.0%, 1.85% and 1.65%, respectively, and for 2020 and 2021 and after, will be 1.50% and 1.30%, respectively. The maximum debit card sales commissions for 2017, 2018 and 2019 was of 1.0%, 0.90% and 0.80%, respectively, and for 2020 and 2021 and after, will be 0.70% and 0.60%, respectively. Moreover, pursuant to Communication “A” 6964, as of April 13, 2020, nominal interest rates in credit operations shall not exceed 43%. The application of the limits set by the Central Bank and any further reductions on credit and debit cards sales commissions could adversely affect our profitability, financial condition and results of operations. Furthermore, by means of said Communication, the Central Bank determined that the unpaid balances of credit cards financings that take place between April 13, 2020 and April 30, 2020, will be automatically refinanced in nine equal consecutive monthly installments beginning after a three-month grace period and the nominal interest rates shall not exceed 43%, considering each the amount financed by such concept is lower than Ps.200,000. Also, for the

unpaid balances of credit cards financings that take place between September 1, 2020 and September 20, 2020, will be automatically refinanced in nine equal consecutive monthly installments beginning after a three-month grace period and the nominal interest rates shall not exceed 40%.

It is not possible to offer any guarantee that new regulations on such a matter will not be implemented in the future that may reduce future financial revenues. Such could in turn have a negative impact on the Argentine financial institutions and, in turn, on our business, financial position and results of operations.

***Changes in the laws and regulations may negatively affect Argentine financial institutions.***

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

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

***Increased operating costs may affect the Argentine financial institutions results of operations.***

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

***Risks relating to us***

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

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

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

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

As of December 31, 2020, our significant shareholders, Trust JHB and Delfin Jorge Ezequiel Carballo, directly or beneficially owned 5,995,496 Class A shares and 104,473,881 Class B shares, and 4,899,897 Class A shares and 106,824,523 Class B shares, respectively. The shares owned by Trust JHB were transferred to such trust upon the death of Jorge Horacio Brito in November 2020 as a testamentary disposition, ad referendum of the Central Bank of Argentina. Trust JHB's beneficiaries are Mr. Jorge Horacio Brito's heirs apparent, who are also the shareholders of the trustee. Trust JHB's decisions are made by the trustee.

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

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

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

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

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

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

The pandemic and the nation-wide lockdown established by the Argentine government since March 20, 2020 and extended several times until November 6, 2020 (when the country entered a “social distancing” phase), have had a significant negative impact on the Argentine economy. Despite the measures taken by the Argentine government in order to mitigate the negative impact, production and consumption have decreased significantly, impacting employment levels and financial flows, among others and the extent of such impact and its effects are still uncertain, and therefore difficult to measure. Additionally, it is worth noting that, despite the measures adopted by the Central Bank in order to temporarily reduce non-performing levels, the Bank’s financial statements for the period ended on December 31, 2020 recognize the expected losses with a forward-looking perspective, incorporating the impact of new macroeconomic scenarios in the variables which affect credit risk, in accordance with IFRS 9 provisions. For more information, see (i) note 51.1.4. “Adjustment for expected losses due to COVID-19 pandemic” to our audited consolidated financial statements as of December 31, 2020 and 2019; (ii) “Item 3.D – Risk Factors – Risks Relating to Argentina – COVID-19 affected and keeps affecting the Argentine economy and could have an adverse effect on the Argentine economy”; and (iii) “Item 4.B.–Business Overview–Argentine Banking Regulation– Central Bank’s preventive measures in response to the pandemic of COVID-19”.

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

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

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

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

We depend on the efficient and uninterrupted operation of internet-based data processing, communication and information exchange platforms and networks, including those systems related to the operation of our automatic teller machine (“ATM”) network. We have



access to large amounts of confidential financial information and control substantial financial assets belonging to our customers as well as to us. In addition, we provide our customers with continuous remote access to their accounts and the possibility of transferring substantial financial assets by electronic means. Accordingly, cybersecurity is a material risk for us. Cybersecurity incidents, such as computer break-ins, phishing, identity theft and other disruptions could negatively affect the security of information stored in and transmitted through our computer systems and network infrastructure and may cause existing and potential customers to refrain from doing business with us.

During last year, there has been an increase in cases of phishing, and especially of telephone phishing or vishing and angler phishing, through social networks, in order to deceive clients and obtain confidential information using different techniques of social engineering. Preventive measures and security components continue to be developed to improve the preventive measures against such kinds of fraud and increase the level of protection of information. In this sense, we have taken measures to mitigate the cases of phishing and digital fraud and protect our customers.

In addition, contingency plans in place may not be sufficient to cover liabilities associated with any such events and, therefore, applicable insurance coverage may be deemed inadequate, preventing us from receiving full compensation for the losses sustained as a result of such a disruption. Additionally, the COVID-19 pandemic can worsen this situation. For more information, see *"Item 3.D – Risk Factors – Risks Relating to Argentina – COVID-19 affected and keeps affecting the Argentine economy and could have an adverse effect on the Argentine economy."*

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

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

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

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

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

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

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

***Liquidity issues could arise that may adversely affect our business.***

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

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

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

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

Due to the nature of our business, we are required to comply with various anti-corruption laws and regulations, including those of Argentina and the U.S. Foreign Corrupt Practices Act of 1977 (the "FCPA"), regarding customer and market conduct, anti-corruption and the prevention of money laundering and the financing of terrorists. These laws and regulations generally prohibit improper payments to government officials for the purpose of obtaining or keeping business or securing any improper advantage. If we do not successfully comply with applicable anti-corruption laws and regulations designed to combat governmental corruption, we could become subject to fines, penalties or other regulatory sanctions, civil litigation as well as to adverse press coverage, which could cause our reputation and business to suffer.

Although we are committed to conducting business in a legal and ethical manner and in compliance with local and international statutory requirements and standards applicable to our business, as we directly or indirectly deal with entities whose employees are government officials, there is a risk that our management, employees or representatives may take actions that could violate applicable laws and regulations. Guilty pleas by or convictions of us or of any of our affiliates (including any of our significant shareholders, employees or other agents) in criminal proceedings may have adverse effects on our business.

In addition, there is a risk that third parties using our banking network may carry out illegal or improper activities. Moreover, as technology keeps evolving, the surge of cryptocurrencies and blockchain, and adverse economic conditions, financial crimes could increase while limiting our ability to track the movement of funds.

***Increased attention to environmental, social and governance ("ESG") matters may impact our business.***

Our business faces increasing public scrutiny related to ESG activities. We risk damage to our brand and reputation if we fail to act responsibly in a number of areas, such as environmental stewardship, corporate governance and transparency as well as considering ESG factors in our operations. Adverse incidents with respect to ESG activities could impact our brand, the cost of our operations and relationships with clients and other stakeholders, all of which could adversely affect our business and results of operations. Additionally, new regulatory initiatives related to ESG could adversely affect our business and increase our cost of operations.

**Risks relating to our Class B shares and the ADSs**

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

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

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

We obtained authorization from the Central Bank to distribute dividends corresponding to fiscal years 2003 through 2010. For the fiscal years ended December 31, 2011 and 2012, we were not able to distribute dividends because we did not reach the regulatory threshold for dividend distribution under Central Bank regulations. We did reach such regulatory threshold and obtained the authorization from the Central Bank to distribute dividends for the fiscal years ended December 31, 2013, 2014, 2015 and 2016, respectively. Pursuant to Central Bank Communication "A" 6464 and because we met the requirements, as we exceed the capital needed to cover the legal requirements and, as we complied with the additional capital margins required by the aforementioned regulation, the payment of dividends did not require prior Central Bank authorization for the years 2017 and 2018.

On January 31, 2020, the Central Bank issued Communication "A" 6886, pursuant to which financial entities must obtain prior approval of the Central Bank in order to distribute dividends. The Superintendency shall take into account the effects of the enforcement of section 5.5 of the International Financial Reporting Standards 9 by Communication "A" 6430 and the restatement of the financial statements as provided by Communication "A" 6651, among others.

On March 19, 2020, in the midst of the COVID-19 crisis, the Central Bank issued Communication "A" 7181 by virtue of which the distribution of dividends by financial entities have been suspended at least until June 30, 2021. We cannot assure this measure will not be extended after this period nor the extent to which the measure may affect holders of our Class B shares or ADSs.

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

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

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

The trading prices of our ADSs and our Class B shares may differ on different markets due to various factors. Any decrease in the price of our Class B shares on the BYMA or the MAE could cause a decrease in the trading price of the ADSs on the NYSE. Investors could seek to sell or buy our shares to take advantage of any price differences between the markets through a practice referred to as arbitrage. Any arbitrage activity could create unexpected volatility in both our share prices on one exchange, and the ADSs available for trading on the other exchange. In addition, holders of ADSs will not be immediately able to surrender their ADSs and withdraw the underlying Class B shares for trading on the other market without effecting necessary procedures with the depository. This could result in time delays and additional cost for holders of ADSs.