

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.

Risks relating to Argentina

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

The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high levels of inflation and currency devaluation. 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.

Argentina's economy contracted during 2019 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 2018 to December 2019 was 53.8%, and consumer price and inflation during January 2020, February 2020, and March 2020 was 2.3%, 2.0% and 3.3%, respectively;

- according to preliminary data published by the INDEC in March 2020, GDP for 2019 is estimated to have decreased 2.2%. 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 remains 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 be sufficient to supply industrial activity (thereby limiting industrial development) and consumption;
- unemployment and informal employment remain high; according to INDEC, unemployment rate during the fourth quarter of 2019 was 8.9%; 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.

Argentina's fiscal imbalances, its dependence on foreign revenues to cover its fiscal deficit, and material rigidities that have historically limited the ability of the economy to absorb and adapt to external factors, have added to the severity of the current crisis.

In addition, the primary elections (*Elecciones Primarias, Abiertas y Simultáneas y Obligatorias*—"PASO", per its acronym in Spanish), which define which political parties and which candidates may run in the general elections, took place in August 11, 2019. In these elections, *Frente de Todos* (a political coalition composed of, among others, the Justicialist Party and the Renovating Front), obtained 47.78% of the votes, while *Juntos por el Cambio*, the political coalition of the former administration, obtained 31.79% of the votes.

After the results in the primary elections, the Peso devalued almost 30% and the share price of Argentine listed companies fell approximately by 38% on average. In turn, the emerging market bond index (EMBI) reached to one of the highest levels in Argentine history, placing itself above 2000 points on August 28, 2019. As of May 12, 2020 the EMBI reached 3009 basis points. As a consequence of the aforementioned effects, in order to control the currency outflow and restrict exchange rate fluctuations, the Central Bank re-implemented exchange controls in September 2019, in hopes of strengthening the normal functioning of the economy, fostering a prudent administration of the exchange market, reducing the volatility of financial variables and containing the impact of the variations of financial flows on the real economy.

The presidential and legislative general elections took place on October 27, 2019. Having obtained 48.1% of the votes, the formula of Alberto Fernández and Cristina Fernandez de Kirchner was elected and took office on December 10, 2019. Furthermore, as from such date, the Argentine Congress is composed as follows: *Frente de Todos* commands a majority in the Senate with 41 seats, with the first minority being *Juntos por el Cambio* with 25 seats; and in the House of Representatives, *Frente de Todos* commands the majority with 118 seats while the first minority is the *Juntos por el Cambio* with 115 seats.

In the context of a highly volatile economy, the measures already taken or to be taken in the future by the Fernández Administration, generate high levels of uncertainty. A less favorable international economic environment, lack of stability, competitiveness of the Peso against other foreign currencies, lowered levels of confidence among consumers and foreign and domestic investors, a higher inflation rate and future political uncertainties, among other factors, should they occur, may affect the development of the Argentine economy and cause volatility in the local capital markets.

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

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

Financial and securities markets in Argentina are influenced by economic and market conditions in other markets worldwide, hence its economy remains highly vulnerable to external shocks that could be caused by adverse regional or global development. A significant decline in the economic growth of any of Argentina's major trading partners (including Brazil, the EU, 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, the international scenario shows contradictory signals of global growth, as well as high financial uncertainty. Argentina may be affected by economic and market conditions in other markets worldwide, as was the case in 2008, when the global economic crisis led to a sudden economic decline in Argentina in 2009.

In 2018 emerging market economies were affected by the change in the U.S. monetary policy, 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. Notwithstanding this, the United States Federal Reserve decreased the federal funds rate. On March 20, 2020, the United States Federal Reserve further decreased the federal funds rate to a range of 0% to 0.25% in response to the negative impact from COVID-19.

In July 2019, the Common Market of the South ("MERCOSUR") signed a strategic partnership agreement with the EU, which is expected to enter into force in 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.

In June 2016, the United Kingdom voted in favor of the exit from the EU, and formally left the EU on 31 January 2020 (the "Brexit"). Even if the United Kingdom agreed the terms of its departure from the EU, negotiations on the terms and conditions are expected to continue during the transition period, which ends on December 31, 2020. Nevertheless, the uncertainty on the terms and conditions of, among others, a new trade agreement, law enforcement and access to fishing waters; the perception of the economic impact and the possibility of a departure without a deal could adversely affect the commercial activity and the economic conditions of the United Kingdom and the EU, challenging finance and foreign exchange global markets. In addition, Brexit could produce higher levels of politic and judicial instability in the EU, which could affect the commercial exchanges between Argentina and that region.

Moreover, the challenges faced by the EU to stabilize certain of its member economies have had and may continue to have international implications affecting the stability of global financial markets, which has hindered economies worldwide. Although economic conditions vary from country to country, investors' perceptions of events occurring in other countries have, and may continue to, substantially affect capital flows into and investments in securities from issuers in other countries, including Argentina. A prolonged slowdown in economic activity in Argentina or negative effects on the Argentine financial system or the securities markets would adversely affect our business, financial condition and results of operations.

Argentina's economy contracted in 2018 and 2019 and may contract in the future due to international and domestic conditions which may adversely affect our operations.

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

Moreover, Argentine economic growth might be negatively affected by several domestic factors such as an appreciation of the real exchange rate, which could affect its competitiveness; reductions and even reversion of a positive trade balance, which, combined with capital outflows could reduce the levels of consumption and investment, resulting in a greater exchange rate pressure.

Additionally, abrupt changes in monetary and fiscal policies or in the foreign exchange regime could rapidly affect local economic output, while lack of appropriate levels of investment in certain economy sectors could reduce long-term growth. Access to international financial markets could be limited. Consequently, an increase in public spending not correlated with an increase in public revenues could affect Argentina's fiscal results and generate uncertainties that might affect the economy's growth level.

In recent years, several trading partners of Argentina (such as Brazil, EU and China) have experienced significant slowdowns or recession periods in their economies. If such slowdowns or recessions were to recur, as it would seem likely as a result of the impact from COVID-19, this will impact the demand for products coming from Argentina and hence affect its economy.

During 2019, the Argentine economy was adversely affected by some of the aforementioned factors. If international and domestic conditions for Argentina were to worsen, the Argentine economy could be negatively affected as a result of lower international demand and lower prices for its products and services, lower capital inflows and higher risk aversion, which may also adversely affect our business, results of operations, financial condition and cash flows.

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

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

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

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

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

In 2018, due to Argentina's limitation on access to international capital markets, the Argentine government and the International Monetary Fund ("IMF") entered into a "stand-by" credit facility agreement; by virtue of the last of them the agreement amount increased by approximately US\$7,100 million reaching a total of US\$57,000 million, and disbursements were rescheduled, with an advance of approximately US\$13,400 million until December 2018, thus totaling US\$28.400 million for year 2018, and approximately US\$22,650 million in 2019. However, the IMF suspended disbursements after September of 2019, overriding the program; therefore the total amount disbursed as of the closing of 2019 was of approximately US\$44,500 million. Due to the overriding of the arrangement with the IMF and the closure of the international financial markets following the PASO elections, the government had to reschedule the due date of Treasury Bills with holders, except for individuals, which consisted in paying 15% of services on the due date, 25% within three months and the remaining 60% six months following the original due date. With the change of government on December 10, 2019, consideration of the public sector debt became a pressing matter and on January 21, 2020, the "Foreign Public Debt Sustainability Management" bill was introduced in the Argentine Congress. On February 5, 2020, the Argentine Congress passed Law N° 27,544, by virtue of which the sustainability of the country's sovereign debt was declared a national priority, authorizing the Ministry of Economy to renegotiate its terms and conditions with Argentina's creditors. The executive branch was authorized to perform all necessary acts to recover and ensure the sustainability of the Argentine public debt. In addition, the national government was authorized to issue debt securities to the Central Bank for an amount of up to US\$ 4,517 million in exchange for reserves to be applied solely to meet Argentina's foreign currency-denominated debt obligations.

In March 2020, the Argentine government engaged Lazard as financial advisor, as well as HSBC and Bank of America as dealer managers to conduct a renegotiation of most of the outstanding bonds issued by Argentina. Notwithstanding the foregoing, in the midst of debt restructuring negotiations, on April 6, 2020 the Argentine government issued Decree No. 346/2020, through which the repayment of Argentine law-governed dollar-denominated notes was postponed.

In this sense, on April 21, 2020, the Argentine government launched an exchange offer (the “Exchange”) with the aim of refinancing its external indebtedness and rearranging interest and principal payments. To that end, the Argentine government proposed to effect an exchange of different series of foreign currency-denominated bonds (in US\$, Euros and Swiss Francs) and governed by English or New York law (the “Eligible Bonds”) for new series of Dollar- or Euro-denominated amortizing bonds maturing between 2030 and 2047 (the “New Bonds”) to be issued by the Argentine government. As informed by the Minister of Economy and pursuant to the exchange documents, in general terms, the Argentine government’s exchange offer involves a reduction in interest payment burden of 62% (US\$37.9 billion), a decrease in principal payments of 5.4% (US\$3.6 billion) and a grace period of approximately three years before principal payments become due.

As of the date of this annual report, there is uncertainty as to whether the Argentine government will be able to successfully carry out the Exchange and restructure its foreign public indebtedness, or negotiate a new program with the IMF. As a result, we cannot guarantee that Argentina will be able to obtain financing in the markets, nor the impact that the current administration’s inability to renegotiate the country’s external financial commitments could have, or in case 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 inability to obtain financing in the international financial markets may have a direct impact in our ability to access the financial markets to fund our operations and growth strategies, including the financing of capital expenditures, which in turn may have negatively affect our financial position, results of operations and cash flow.

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. Consequently, the illegality of the expropriation was confirmed, and the Argentine government was ordered to pay U.S.\$320.8 million for damages and representation costs. 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 statization 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. As of the date of this annual report, 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.
- 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.
- 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.

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 published Decree N° 34/2019, by virtue of which labor emergency was declared for a 180-day term. In this context, during the labor emergency period, payments for unjustified severances shall be double the amount foreseen by the current applicable regulations.

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.

We cannot assure what the effect of the measures implemented by Law N° 27,541 of Solidarity and Productive Reactivation will be on the Argentine's economy.

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

The tax-related measures include:

- Tax amnesty for Micro, Small- and Medium-Sized Companies.
- Increase in the personal assets tax rate and delegation of power in the Executive Branch to increase tax rates on foreign financial assets.
- Changes to the formula of inflation adjustment in income tax.
- Creation of the tax for a solidary and inclusive Argentina (*Impuesto para una Argentina Inclusiva y Solidaria* or PAIS, per its acronym in Spanish) for a 5-fiscal-period term on the purchase of foreign currency for saving purposes and on the payment of goods and services purchased abroad through credit cards. The tax rate ranges between 8% and 30% depending on the transaction.
- Suspension of the pension and retirement adjustment mechanism for a 180-day period.

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

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

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

The numerous exchange controls introduced under the Fernández de Kirchner administration gave rise to an unofficial U.S. dollar trading market, and the Peso/U.S. dollar exchange rate in such market differed substantially from the official Peso/U.S. dollar exchange rate. Certain relevant foreign exchange restrictions were lifted in December 2015 and, as a result, the spread between the official and unofficial Peso/U.S. dollar exchange rates had substantially decreased.

In this sense, the former administration implemented significant reforms related to exchange rate restrictions, notably the elimination of certain exchange controls that had been imposed during the previous administration, in order to provide more flexibility and access to the exchange market ("MULC", as per its acronym in Spanish). On August 8, 2016, the Central Bank introduced substantial reforms to the exchange regime through Communication "A" 6037 and Communication "A" 6244, which significantly eases the access to the exchange market. With the aim of providing more flexibility to the foreign exchange system and promoting competition, allowing the entrance of new players to the system, the exchange market (*mercado libre de cambios*) was reformed by virtue of Decree No. 27/2018 published on January 11, 2018 (the "FX Market").

However, on September 1, 2019, with the purpose of strengthening the normal functioning of the economy, fostering a prudent administration of the exchange market, reducing the volatility of financial variables and containing the impact of the variations of financial flows on the real economy, the former government reinstated exchange restrictions. The new 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 of goods and services, and the obligation to repatriate and settle the proceeds from exports of goods and services for Pesos, among others. For more information, see Item 10.D "Exchange Controls." As a consequence of the reimposition of exchange controls, the spread between the official exchange rate and other exchange rates resulting implicitly from certain common capital market operations (dollar "MEP" or "*contado con liquidación*") has broadened significantly, reaching a value of approximately 70% above the official exchange rate.

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, and plummeted in recent months, amounting to U.S.\$44.7 billion as of December 31, 2019. 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 have declined. If international commodity prices were to further decline or experience sustained declines, the Argentine government's revenues could continue to decrease significantly, affecting Argentina's economic activity, which in turn could produce a negative effect on our business, financial condition and results of operations.

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 "the CPI" (*Índice de Precios al Consumidor*, or IPC, per its initials in Spanish). The CPI was 24.8% during 2017, 47.6% for 2018 and 53.8% for 2019, the highest rate since 1991. 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. During 2013 the Peso lost more than 30% of its value with respect to the U.S. dollar and the same occurred during 2014. In 2016, 2017, 2018 and 2019, the Peso depreciated 18%, 16%, 58% and 52%, respectively, with respect to the U.S. dollar. Additionally, the stock of international reserves held by the Central Bank decreased significantly to U.S.\$ 25.6 billion as of December 31, 2015, increasing to U.S.\$39.3 billion as of December 31, 2016, to U.S.\$55.1 billion as of December 31, 2017 and to U.S.\$65.8 billion as of December 31, 2018. During 2019 the international reserves reached a maximum of U.S. \$77.5 billion but decreased to U.S. \$44.7 billion as of December 30, 2019.

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

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

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

In 2017 and 2018, public sector expenditure increased approximately 21.8%, and 22.4% respectively (measured in nominal Pesos) and the government informed a primary fiscal deficit of approximately 3.8% and 2.4% of GDP, respectively, according to the Ministry of Treasury. In 2019, Argentine government public expenditure increased by 37.2% and the government informed a primary fiscal deficit of Ps. 819.4 billion, compared to a deficit of Ps.727.9 billion in 2018. By means of Decree 315/2020 and Resolution 443/2020, the Argentine government authorized an increase of the public sector expenditures by Ps.55.8 billion in 2020.

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 2017 Corruption Perceptions Index survey of 180 countries, Argentina was ranked 85, improving from the previous survey in 2016. In the World Bank's Doing Business 2019 report, Argentina ranked 126 out of 190 countries, down from 117 in 2018.

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 include 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, increasing the powers of the Anticorruption Office (*Oficina Anticorrupción*) and the project of a new public ethics law, among others. The extent to which these initiatives may be implemented is uncertain as it would require the involvement of the judicial branch, which is independent, as well as legislative support from opposing parties.

The ongoing economic uncertainty and political 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 crisis have affected and continue to affect the confidence of investors and the general public, which have historically resulted in economic deceleration and heightened volatility in the securities with underlying Argentine risk. The recent economic instability in Argentina has contributed to a decline in market confidence in the Argentine economy, as well as to a deteriorating political environment. Weak macroeconomic conditions in Argentina have continued in 2019 and may be accentuated in 2020. For more information, see "Item 3.D - Risk Factors - Risks related to Argentina - Argentina's economy contracted in 2018 and 2019 and may contract in the future due to international and domestic conditions which may adversely affect our operations."

In addition, various 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. These individuals are alleged to have accepted bribes by means of kickbacks on contracts granted by the government to several infrastructure, energy and construction companies. These funds were unaccounted for or not publicly disclosed and were allegedly used to personally enrich of certain individuals. Several senior politicians, including members of Congress, and high-ranking executives and officers of major companies in Argentina (i) have been arrested on account of various charges relating to corruption, (ii) entered into plea agreements with prosecutors and (iii) have resigned or been removed from their positions. The potential outcome of the ongoing corruption-related investigations is uncertain, but they have already had an adverse impact on the image and reputation of those companies that have been implicated, as well as on the general market perception of the economy, political environment and the capital markets in Argentina. We have no control over and cannot predict whether such investigations or allegations will lead to further political and economic instability. In addition, we cannot predict the outcome of any such allegations nor their effect on the Argentine economy.

COVID-19 is affecting the Argentine economy and could have an adverse effect on the Bank's business, financial condition and results of operations.

In December 2019, COVID-19 was reported in Wuhan, China, and the World Health Organization declared COVID-19 a pandemic on March 11, 2020. COVID-19 has disrupted business activities in Argentina and worldwide. The Argentine government has issued a stay-at-home order from March 20, 2020, restricting the free circulation in public areas and ordering most businesses to close, with certain exemptions. In Argentina, around 6,000 confirmed cases had been reported by late April and the stay-at-home order has been extended several times, most recently through May 24, 2020.

The COVID-19 pandemic is 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.

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 include: 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 COVID-19. Moreover, banks may not distribute dividends until at least June 30, 2020 or carry out wrongful dismissals until at least May 30, 2020. Although such measures could help attenuate the impact of the pandemic on the Argentine economy overall, they may have a negative impact on our business, financial condition and results of operations.

The long-term effects of epidemics and other public health crises, such as COVID-19, on the economy and our business, financial condition and results of operations are difficult to assess or predict. For example, risks that we 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 the related banking activity.

As a result of the above, the COVID-19 pandemic could adversely affect us. The extent of the impact of the pandemic on our operational and financial performance 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 on our customers, employees, vendors and us, all of which remain uncertain.

Sustained declines in the international prices for oil could have an adverse material effect on the Argentine and the global economy.

Between March 5 and March 30, 2020, the price of Brent crude oil dropped by half, falling to the lowest price since the beginning of the century. Similarly, the price of U.S. West Texas Intermediate crude fell below 20 U.S. dollars a barrel, almost a two decade low. Mainly, it was explained by the failure to agree to cut production between the members of the Organization of the Petroleum Exporting Countries and Russia, and the drop in oil demand caused by the spread of COVID-19.

These circumstances could harm government revenues, availability of foreign currency and the government's ability to service its sovereign debt. Thus, affecting Argentina's growth prospects and, therefore, our business, financial condition and results of operations.

The extent of the impact of the significant drop in the oil price to the Argentine and the global economy would depend on certain developments, including changes in oil prices and the duration and consequences of the COVID-19 outbreak, such as the governmental restrictions imposed to mitigate it. Nevertheless, the recent crude crash could affect particularly the economic and financial sustainability of companies exploring and drilling oil and gas at the Vaca Muerta Formation, the fourth biggest resource of non-conventional oil in the world.

As a result of price volatility, we cannot assure or anticipate how long the price drop could continue to negatively affect the market, nor all consequences it might cause to the Argentine and the global economy.

Risks relating to the Argentine financial system***The health of Argentina's financial system depends on the growth of the long-term credit market.***

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 52% in 2017, 36% in 2018 and 21% in 2019, for the financial system as a whole. In the past, the pace of growth of long-term loans was slower than that of the rest of the loan portfolio, however during 2017 and 2018 there has been 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.

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

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

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

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

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

As a consequence of the 2008 global economic crisis, the banking industry in Argentina suffered a significant slowdown. This trend was reversed by the end of 2009. Total deposits with the financial system increased by 24% in 2017, 67% in 2018 and 18% in 2019 but the ratio of total financial system deposits to GDP is still low when compared to international levels.

The Argentine financial system growth, depends heavily on deposit levels, due to the small size of its capital market and the absence of foreign investments in previous years. 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 may not last and there is uncertainty about whether the current availability of funds in international markets will continue in the coming years.

Although liquidity levels are currently reasonable, it is not possible to offer any guarantee that these levels will not decrease in the future due to adverse economic conditions that could negatively affect the Bank's business. 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 continue 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 as a consequence of high interest rates and the difficult financial environment.

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

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

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

During 2017, the ratio of non-performing private sector lending reached 1.8%. As of December 31, 2018 and 2019, the ratio of non-performing private sector lending reached 3.1% and 5.7%, 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, our non-performing lending rate reached 1.1%, 1.9% and 2.1%, as of December 31, 2017, 2018 and 2019, respectively, calculated pursuant to Central Bank Rules.

As a result of the macroeconomic environment 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 early 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 pandemic and the nation-wide lockdown established by the Argentine government since March 20, 2020 have had a significant negative impact on the Argentine economy and resulted in increased morosity levels in the financial system. 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 which will end on December 31, 2020 will 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.

We cannot assure 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, beginning in 2002, the Argentine government adopted measures that temporarily suspended proceedings to enforce creditors' rights, including mortgage foreclosures and bankruptcy petitions. Such limitations have restricted creditors' ability to collect defaulted loans.

Nowadays, to protect debtors affected by the COVID-19 crisis, the Argentine government adopted a series of rules regarding the enforcement of creditors' rights. By means of Decrees 319/2020 and 320/2020, the Argentine government, among other measures, (i) suspended foreclosures and evictions nationwide, including those that have already been ordered; (ii) froze mortgage and UVA credits installments as of March's value for six months; (iii) froze the price of rentals as of March's value for a period of six months; and (iv) prohibited the application of punitive interests or other penalties provided for in the contract.

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 past 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 bearing interest 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.

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

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

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

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

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

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

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

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

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

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

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

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 the following conditions:

- **Maximum amounts:** The total amount of transfers executed through the FX Market as of January 17, 2020, for payment of dividends to non-resident shareholders may not exceed 30% of the total value of the new capital contributions made in the local company that had been entered and settled through the FX Market as of the abovementioned date. The total amount paid to non-resident shareholders shall not exceed the corresponding amount denominated in Argentine Pesos that was determined by the shareholders' meeting.
- **Minimum Period:** Access to the FX Market will only be granted after a period of not less than thirty (30) calendar days has elapsed as from the date of the settlement of the last capital contribution that is taken into account for determining the 30% maximum aforementioned.
- **Documentation requirements:** Dividends must be the result of closed and audited balance sheets. When requesting access to the FX Market for this purpose, evidence of the definitive capitalization of the capital contribution must be provided or, in lack thereof, evidence of the initiation of the process of registration of the capital contribution before the Public Registry of Commerce (*Registro Público de Comercio*) shall be provided. In this case, evidence of the definitive capitalization shall be provided within 365 calendar days from the date of the initial filing with the Public Registry of Commerce. If applicable, the external assets and liabilities reporting regime set forth by Communication "A" 6401 of the Central Bank (the "External Assets and Liabilities Reporting Regime") shall have been complied with.

The Central Bank has also established limitations to the net positive global position in foreign currency to prevent the reduction of the Central Bank's foreign exchange reserves. As of the date of this annual report, the positive net global position in foreign currency cannot exceed 5% of the RPC of the Bank prior to the relevant month while the negative net global position in foreign currency cannot exceed 30% of the RCP for the month prior to the relevant month.

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

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

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.

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

In 2011, Argentina made a high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies. To comply with recommendations made by the FATF on AML/ CFT, Law No. 25,246 (the "Anti-Money Laundering Law") was amended, inter alia, by Laws No. 26,683 and 26,734. These new regulations defined money laundering, as well as self-laundering, as autonomous crimes.

The amendments also established criminal sanctions to legal persons involved in money laundering or terrorism financing offenses, and the authorities' ability to freeze and seize assets in the event of commission of these crimes.

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

Since October 2013, Argentina has taken steps towards improving its AML/CFT regime, including the issuance of new regulations strengthening KYC and suspicious transaction reporting duties and the UIF's existing powers to apply sanctions for AML/ CFT deficiencies.

Such progress has been recognized by the FATF. In this regard, in June 2014 the FATF stated that Argentina had made significant progress in addressing the deficiencies in its AML/CFT measures as identified in the Mutual Report, and that subsequent to the adoption of such measures, Argentina had strengthened its legal and regulatory framework, citing certain specific examples.

As a result of such progress, the FATF plenary decided that Argentina had taken sufficient steps in addressing technical compliance with the core and key recommendations, such that Argentina could be removed from the compliance monitoring process. Moreover, on October 24, 2014 the FATF removed Argentina from its "Grey List".

In June 2017, Argentina was unanimously elected to preside the FATF. Since that year, the UIF issued several resolutions adopting a Risk Based Approach (RBA) to AML/ CFT, following international standards promoted by the FATF. The Obligated Subjects that fell under the new standard were financial institutions (Res. UIF No. 30-E/2017), companies acting in the securities market (Res. UIF No. 21/2018), insurance companies (Res. UIF No. 28/2018) and traveler's check issuers, credit and pre-paid card operators (Res. UIF No. 76/2019).

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.

In January 2020, new authorities have been appointed to conduct the UIF, but no policies or guidelines have been issued yet.

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

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

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

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, 2019, our significant shareholders, Jorge Horacio Brito and Delfin Jorge Ezequiel Carballo, directly or beneficially own 5,367,840 Class A shares and 105,727,603 Class B shares and 4,897,897 Class A shares and 106,824,523 Class B shares respectively.

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

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

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

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 have had a significant negative impact on the Argentine economy and resulted in increased morosity levels in the financial system. 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 which will end on December 31, 2020 will 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

Liquidity issues could arise.

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

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

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.

Application of IAS 29 affects the presentation of our financial information.

The lack of comparability of the Bank's recent and historical financial data may make it difficult to gain a full and accurate understanding of its operations and financial condition.

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

IAS 29 does not prescribe when hyperinflation arises, but includes several characteristics of hyperinflation. The IASB does not identify specific hyperinflationary jurisdictions. However, in June 2018, the International Practices Task Force of the Centre for Quality ("IPTF"), which monitors "highly inflationary countries" categorized Argentina as a country with a projected three-year cumulative inflation rate greater than 100%. Additionally, some of the other qualitative factors of IAS 29 were present, providing *prima facie* evidence that the Argentine economy is hyperinflationary for purposes of IAS 29. Therefore, Argentine companies using IFRS as issued by the IASB are required to apply IAS 29 to their financial statements for periods ending on and after July 1, 2018. See Item 5B. "Critical accounting policies" and note 3 to our audited consolidated financial statements as of December 31, 2019 and 2018.

Adjustments to reflect inflation, such as those required by IAS 29, were prohibited by law No.23,928 (the "Law 23,928"). Additionally, Decree No.664/03, issued by the Argentine government ("Decree 664"), instructed regulatory authorities, such as Public Registries of Commerce, the Superintendence of Corporations of the City of Buenos Aires and the CNV, to accept only financial statements that comply with the prohibition set forth in Law 23,928. However, on December 4, 2018, Law No.27,468 abrogated Decree 664/03 and amended Law 23,928 indicating that the prohibition of indexation no longer applies for financial statements. Notwithstanding the foregoing, pursuant to the Central Bank Rules, the Bank cannot perform inflation adjustment in its financial statements for fiscal year 2019 nor any other previous periods. Pursuant to Communication "A" 6651, entities under the supervision of the Central Bank are required to apply the provisions of IAS 29 in full for fiscal years that starting on January 1, 2020.

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

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

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

Risks relating to our Class B shares and the ADSs

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

In 2003, the Central Bank prohibited financial institutions from distributing dividends. In 2004, the Central Bank amended the restriction to require the Central Bank's prior authorization for the distribution of dividends. Under 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 meet the requirements, as we exceed the capital needed to cover the legal requirements and, as we comply 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 Coronavirus crisis, the Central Bank issued Communication "A" 6939, by virtue of which the distribution of dividends by financial entities was temporarily suspended until June 30, 2020. 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 amount 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 and related accretion rights for such Class B shares or ADSs unless a registration statement under the U.S. Securities Act of 1933, as amended (the "Securities Act"), is effective with respect to such Class B shares or ADSs or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to those Class B shares or ADSs. We cannot assure you that we will file such a registration statement or that an exemption from registration will be available. Unless those Class B shares or ADSs are registered or an exemption from registration applies, a U.S. holder of our Class B shares or ADSs may receive only the net proceeds from those preemptive rights and accretion rights if those rights can be sold by the depository. If they cannot be sold, they will be allowed to lapse. Furthermore, the equity interest of holders of Class B shares or ADSs located in the United States may be diluted proportionately upon future capital increases.

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

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

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

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

The trading prices of our ADSs and our Class B shares may differ on different markets due to various factors. Any decrease in the price of our Class B shares on the BYMA or the MAE could cause a decrease in the trading price of the ADSs on the NYSE. Investors 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 depositary. This could result in time delays and additional cost for holders of ADSs.

Our shareholders may be subject to liability for certain votes of their securities.

Our shareholders are not liable for our obligations. Instead, shareholders are generally liable only for the payment of the shares they subscribe. However, shareholders who have a conflict of interest with us and who do not abstain from voting may be held liable for damages to us, but only if the transaction would not have been approved without such shareholders' votes. Furthermore, shareholders who willfully or negligently vote in favor of a resolution that is subsequently declared void by a court as contrary to the Argentine Corporate Law or our bylaws may be held jointly and severally liable for damages to us or to other third parties, including other shareholders.

Payments on Class B shares or ADSs may be subject to FATCA withholding.

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign pass thru payments") to persons that fail to meet certain certification, reporting, or related requirements. We are a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Class B Shares and the ADSs, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Class B shares or the ADSs, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Class B Shares and the ADSs, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining "foreign passthru payments" are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Class B Shares and the ADSs.

We are organized under the laws of Argentina and holders of the ADSs may find it difficult to enforce civil liabilities against us, our directors, officers and certain experts.

We are organized under the laws of Argentina. A significant portion of our and our subsidiaries' assets are located outside the United States. Furthermore, all of our directors and officers and some advisors named in this annual report reside in Argentina. Investors may not be able to effect service of process within the United States upon such persons or to enforce against them or us in United States courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States. Likewise, it may also be difficult for an investor to enforce in United States courts judgments obtained against us or these persons in courts located in jurisdictions outside the United States, including judgments predicated upon the civil liability provisions of the United States federal securities laws. It may also be difficult for an investor to bring an original action in an Argentine court predicated upon the civil liability provisions of the U.S. federal securities laws against us or such persons.