- PART I -

ITEM1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM3. KEY INFORMATION

A. Selected Financial Data

Reserved.

B. Capitalization and indebtedness

Not applicable.

C. Reasons for the offer and use of proceeds

Not applicable.

D. Risk Factors

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

- Risks Relating to Argentina
  - economic and political instability in Argentina;
  - current levels of inflation;
  - high levels of public spending;
  - the Argentine economy could be adversely affected by economic events in other markets;
  - a decline in international prices for or in the amount of Argentina's principal commodity exports;
  - exchange controls and restrictions on capital inflows and outflows;
  - the insufficiency of the measures adopted to resolve the crisis in the energy sector;
  - any failure to adequately address actual and perceived risks of institutional deterioration and corruption;
  - fluctuations in the value of the peso;
  - the inability of the Republic to obtain financing on satisfactory terms;
  - salary increases or additional employments benefits as a result of government measures or pressure from union sectors;
  - government intervention in the Argentine economy;
  - amendments to the Central Bank's Charter and the Convertibility Law; and
  - the outbreak and spread of a pandemic and other large-scale public health events.
- Risks Relating to the Argentine Financial System and to BBVA Argentina
  - the short-term structure of the deposit base of the Argentine financial system, including the deposit base of the Bank, could lead to a reduction in liquidity levels and limit the long-term expansion of financial intermediation;
  - reduced spreads between interest rates received on loans and those paid on deposits;
  - volatility in interest rates;
  - a mismatch between UVA ("Unidad de Valor Adquisitivo", in Spanish) loans and UVA deposits;

  - the inaccuracy and/or insufficiency of our estimates and established reserves for credit risk and potential credit losses;
  - exposure to public sector debt;
  - increased competition in the banking industry;
  - activities across the BBVA Group could adversely affect us;
  - the dependency of our credit ratings on Argentine sovereign credit ratings;
  - the increasing dependency of the financial industry on information technology systems;
  - security risks;
  - an increase in fraud or transaction errors;
  - any insolvency proceeding against us that could subject us to the powers of, and intervention by, the Central Bank;
  - lawsuits brought against us outside Argentina;
  - class actions against financial institutions for an indeterminate amount;
  - the ability of BBVA, our controlling shareholder, to direct our business;
  - our ability to grow our business is dependent on our ability to manage our relationships with partners and grow our deposit base;
  - acquisitions that could adversely affect the value of the Bank;
  - any adverse consequences related to our calculation of income tax for the years ended December 31, 2018 and 2020;
  - the application of IAS 29 to our Consolidated Financial Statements;
  - restrictions on our ability to pay dividends; and
  - exposure to risks in connection with climate change.
- Legal, Regulatory and Compliance Risks
  - material weaknesses in our internal control over financial reporting;
  - our operations are conducted in a highly regulated environment;
  - the instability of the regulatory framework, in particular the regulatory framework affecting financial institutions;
  - our exposure to multiple provincial and municipal legislation and regulations;
  - limitations arising from the Consumer Protection Law and the Credit Card Law;
  - compliance risks;
  - differences between U.S. and Argentine corporate disclosure, governance and accounting standards; and
  - special rules that govern the priority of different stakeholders of financial institutions in Argentina.

Risks Relating to Argentina

Overview

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

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

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

Between 2001 and 2015, the Argentine economy was very volatile combining periods of severe economic and political crisis resulting, among others, in restrictions on deposit withdrawals and the "pesification" of deposits (which were reclassified as peso denominated), with certain periods of recovery. In 2015, Mr. Mauricio Macri was elected President of Argentina and his administration (the "Macri administration") launched a wide array of measures intended to correct the longstanding fiscal and monetary policies that had resulted in recurrent public deficit, high inflation, pervasive foreign exchange controls and limited foreign investment.

However, in 2018, the worsening of economic and politic conditions worldwide and in Argentina particularly, resulted in significant capital outflows from Argentina, the closing of global credit markets for Argentine issuers and a strong devaluation of the Argentine peso. By the end of September 2018, a new monetary and foreign exchange scheme, highly influenced by the International Monetary Fund ("IMF"), was announced and while economic conditions stabilized, in October 2019, President Macri lost the elections to Alberto Fernandez, whose administration (the "Fernandez administration") took office in December 2019. The Fernandez administration implemented a wide range of economic and political reforms, including a sovereign debt restructuring designed to make Argentina's debt sustainable pursuant to which investors agreed to exchange their defaulted bonds by new bonds, and a restructuring of domestic debt.

The Argentine economy was adversely affected by the Covid-19 pandemic and partially recovered in 2021, as a result of eased mobility restrictions and a consequent increase in economic activity. In 2021, Argentina held mid-term elections, testing the Fernández Administration, which received only 33.5% of the votes (compared to 48% in the elections held in 2019), while the main opposition coalition obtained 41.9% of the votes.

Thereafter, the government presented to Congress a bill for a new agreement with the IMF to replace the stand-by agreement ("SBA") signed in 2018. The bill was approved in March 2022 despite the lack of endorsement by the Kirchnerist wing of the ruling coalition. This program is an Extended Fund Facility ("EFF"), for a ten-year term, (with a grace period of 4 and a half years), and it does not require any structural reforms. Compliance with the EFF is reviewed on a quarterly basis and compliance of the economic targets is necessary to cover the maturities of the SBA. The EFF contains the minimum requirements for fiscal convergence, reserve accumulation and reduction of monetary issuance for a path towards fiscal balance in 2025, an accumulation of US$15 billion of net international reserves in the next three years, and a reduction of the Treasury's monetary financing to zero in 2024. Any failure to meet such targets could result in the termination of the EFF program, which could bring political, financial and exchange rate instability due to the government's inability to access external financing. The EFF program may be subject to adjustments, mainly in terms of disbursements and structural reforms, but it is expected to remain in effect.

In 2022 political and economic instability was high, including with regards to the economic cabinet, which had three Ministers of Economy during the year. In July, following a month of very high economic and financial tensions, the Minister of Economy Martín Guzmán unexpectedly resigned being replaced by Silvina Batakis. She was appointed without the support of the entire ruling coalition, and in the midst of a failed attempt to calm financial tensions, she was replaced by Sergio Massa (a lawyer by profession and one of the main partners of the ruling coalition) only 24 days after taking office. His appointment brought calm to the markets, and soon after his arrival he implemented a slow but consistent reduction of the fiscal deficit, focused on the revision of subsidies to public services tariffs, and an accumulation of international reserves centered on a multiple exchange rate scheme, benefitting soybean exporters.

Finally, direct transfers from the Central Bank to the Treasury, as promised by Minister Massa upon taking office, ceased.

In addition to the instability caused by the successive changes in the Ministry of Economy, Vice-President Cristina Kirchner was the victim of an assassination attempt in Buenos Aires. Although Argentina had not experienced similar events in the last decades, violent political events may occur and have adverse effects on the political and social stability.

Massa's management as Minister of Economy was based on three pillars: (i) avoiding an abrupt devaluation of the official exchange rate, for which a multiple exchange rate scheme was generated that allowed exporters to settle at a higher differential exchange rate, or partially access the parallel exchange rate, which is always higher than the official exchange rate. This task became especially difficult in the context of the severe drought suffered for the last three years which adversely affected the agricultural sector, resulting in an estimated reduction in dollar inflows of approximately US$20 billion in 2023; (ii) the containment and reduction of inflation, by implementing a variety of measures, such as price controls (through agreements and sanctions) and raising the monetary policy rate (which was generally not positive in real terms, although it was close to the inflation rate); and (iii) the containment of the gap between the parallel and official exchange rates, for which the government intervened to accommodate prices and prevent the gap from widening. Another objective, less relevant for the government than the previous ones, was to moderate the deviations with respect to the targets set forth in the EFF. In order to help the Treasury achieve its issuance target, the government continued to resort to the methodology already applied by former Minister Guzmán, whereby the Central Bank participated in the secondary debt market of the Treasury, so that the latter could take a greater volume of debt to finance spending; for the fiscal target, Minister Massa undertook a partial price adjustment of utility tariffs, although this was set aside in the context of the Presidential elections. The reserve accumulation target was reduced as a result of the difficulties posed by the severe drought suffered in 2023.

Although the results were not as expected: inflation went from 71% year-on-year in July 2022 to 114% year-on-year in May 2023, international reserves went from US$40 billion (monthly average) in July 2022 to US$26 billion (monthly average) in July 2023 and the exchange rate gap was still very high, the government chose Minister Massa as its candidate for President.

Primary elections took place on August 13, 2023. Javier Milei, candidate for La Libertad Avanza (LLA), was the most voted in the primary presidential elections with 30.0% of the total votes. The second most voted political party was Juntos por el Cambio, whose candidates achieved 28.3% of the votes, followed by the candidates of Unión por la Patria (Massa's party) who achieved 27.3% of the votes. These results were surprising not only because of the parity between the main parties, but also because of the unexpected victory of Milei. The day after the elections, the government validated a 22% increase in the exchange rate and a 22 percentage points increase in the monetary policy rate. This devaluation jump was not accompanied by a stabilization plan, so the benefits of depreciating the real exchange rate were almost non-existent and monthly inflation accelerated to 12.4% and 12.7% in August and September 2023, respectively, the highest values (at that time) in more than 30 years.

After the primary elections, Minister Massa took a series of measures to improve the population's income in the short term, including one-time bonuses and tax cuts. We estimate the fiscal impact of these measures at 1% of GDP. In the general elections, Sergio Massa obtained 36.7% of the votes, followed by Javier Milei who obtained 30.0% of the votes and Patricia Bullrich, a member of Mauricio Macri's party, who obtained 23.8% of the votes. The new Congress is fragmented, which will force the new President to negotiate the approval of laws.

On November 19, 2023, Javier Milei was elected President of Argentina with 55.7% of the votes, and he took office on December 10, 2023 (the "Milei administration"). In the first months of the Milei administration, the Central Bank raised by 120% the value of the US$/Peso exchange rate, allowing for the acquisition of international reserves amounting to US$5,624 million from December 11, 2023 to February 15, 2024. At the same time, the Central Bank implemented a debt payment process with importers consisting of the subscription of US$-denominated bonds issued by the Central Bank but payable with Argentine peso, which allowed the Central Bank to withdraw pesos from the economy. Finally, the Central Bank also decided to lower the monetary policy rate -which was yielding 133% per annum- to 70% per annum, in order to reduce the interest payments that the Central Bank pays to banks for their interest-bearing liabilities. This measure is having a negative effect on the Bank as we are receiving lower remuneration on the money we lend to the Central Bank. On the political front, Milei's government sent to Congress an extensive package of laws aimed at deregulating the economy, which was not approved given the insufficient support that the Milei administration has in Congress.

We cannot assure whether Milei will implement aggressive political and economic policies, such as the dollarization of our economy, or whether his government will take a more moderate path. The implementation of aggressive political and economic policies could result in further uncertainty and the instability of the Argentine economy, all of which could adversely result our results of operations. Additionally, the dollarization of the economy or other disruptive exchange rate measures could trigger hyperinflation and a banking crisis, damaging our balance sheet and potentially reducing our net income.

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

Argentina has been facing high inflation levels since 2007. The INDEC reported an annual variation of the CPI of 50.9%, 94.8 % and 211.4 % in 2021, 2022 and 2023, respectively.

During the first half of 2022, and as in 2021, the government tried to contain the inflationary acceleration produced by the monetary overhang derived from the monetary issuance in 2020 and 2021, with an appreciation of the real exchange rate and a freeze in the price of utility tariffs. This strategy was inefficient to reduce inflation, which averaged 5.3% per month in the first half of 2022. In July 2022, after the sudden departure of Minister Martín Guzmán, parallel exchange rates rose 20% in one week and determined a successive remarking of prices that accelerated the already very high inflation, leading to a 6.8% monthly average in the third quarter of the year.

The arrival of Minister Massa resulted in a decrease of inflation values; however the adjustment of regulated prices (mainly utility rates) was one of the main inflationary drivers of the last months of 2022 and the beginning of 2023.

As a result of the strong drought suffered in Argentina for the last three years; inflation decelerated sharply in November and December 2022 and then accelerated until April 2023. After the primary elections the government adjusted the exchange rate and approved a 22% rise of the parity exchange rate between the U.S. dollar and the Argentine peso. As a result, monthly inflation started to increase at double-digit and year-on-year inflation at December 2023 reached 211%. At the same time, the official exchange rate was 27% more appreciated than the average of the last 20 years. President Milei has already announced that a price stabilization plan will be launched with the aim to reach fiscal equilibrium but, as of the date of this annual report on Form 20-F, there is no certainty as to how this plan will be implemented and the effects it will have on the exchange rate market and/or the fiscal deficit. The Bank's balance sheet is exposed to the interest-bearing liabilities of the Central Bank (both LELIQ, which is a 28-day instrument, and 1-day REPO), and if the government implements measures aimed to reduce the Central Bank's interest-bearing issuance, including a rate reduction or a plan to exchange these instruments, the Bank's balance sheet and net income will be adversely affected.

After the increase in the parity exchange rate, inflation increased from 12.8% per month in November 2023 to 25.5% per month in December 2023, 20.6% per month in January 2024 and 13.2% per month in February 2024. At the same time, the new government announced the deregulation of a series of regulated prices (such as health insurance, transportation and utility rates) that could continue to drive inflation in the short term. We cannot predict whether any measures to be implemented by the Milei administration to control inflation will have the desired effect. Currently and in the past, inflation has adversely affected the Argentine economy and the government's ability to create conditions leading to growth. An environment of high inflation rates also negatively affects Argentina's international competitiveness, real wages, employment rates, the consumption rate, and interest rates. High levels of inflation and the high level of uncertainty regarding economic variables, have in the past, and may in the future, adversely affect economic activity, which could materially and adversely affect our business, results of operations and financial condition.

High levels of inflation adversely affect the financial sector's ability to provide long-term loans because of the difficulty in establishing an appropriate interest rate, typically making lending more expensive for banks, including us.

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

While the Macri administration had managed to significantly reduce fiscal deficit by 2019, increased public spending and reduced revenue during 2020 as a result of the Covid-19 pandemic, significantly increased the fiscal deficit in 2020, which reached 6.4% of GDP. Although the Treasury showed signs of fiscal austerity by the end of 2020, the inaccessibility to debt markets forced the government to finance its fiscal needs almost exclusively with monetary issuance from the Central Bank. As of December 31, 2021, the fiscal deficit accounted for 2.1% of GDP (3.0% if IMF's special drawing rights ("SDRs") were not taken into account), which showed that, even though the fiscal balance was not moving towards an equilibrium as fast as the economy demanded, the fiscal gap was lower in 2021 than in 2020. The lower fiscal deficit in 2021 was not only explained by a deceleration in public spending compared to 2020 but also by a significant increase in economic activity, higher export duties and a one-off tax on large fortunes.

The government had proposed a fiscal deficit of 3.3% of GDP for 2022 at the beginning of the year through the presentation of the revenue and expenditure budget for the national public sector. However, this bill was not approved, and the government had to negotiate a fiscal deficit target with the IMF without the consensus of the political opposition. The government finally agreed to a target of 2.5% of GDP, which was complied with. The tariffs adjustment and the additional revenues received by the Treasury from taxes levied on soybean exporters who liquidated commodities at a higher exchange rate, allowed the Treasury to improve the fiscal balance. We believe that it will be critical for the government to keep reducing the fiscal deficit to ensure less reliance on debt issuance and monetary financing in order to reduce the very high levels of inflation.

The Fernandez administration had proposed a primary fiscal deficit target of 1.9% of GDP for 2023, however, fiscal deficit reached Ps.5.1 trillion (accounting for approximately 2.7% of GDP pending publication of public official figures). The impact of the fiscal measures that took place between the primary and general elections was close to 1% of GDP. Milei's stabilization plan aims to reduce the fiscal deficit to zero by ceasing money issuances by the Central Bank to assist the Treasury. It is uncertain how this stabilization plan will be implemented, if at all, and the effects it could have on the fiscal deficit. The Treasury had already reached fiscal surplus in January 2024, primarily as a result of expenses growing below inflation levels and expense cuts.

The Treasury will face high debt maturities in the upcoming months and, any poor performance in the local debt market, with debt rollovers below 100%, could complicate the public sector's sources of financing, increasing the possibility of requiring higher direct financing from the Central Bank, which would increase the already high level of inflation.

In addition, any deterioration in the government's fiscal position negatively affects its ability to access debt markets in the future and could result in greater restrictions on accessing those markets by Argentine companies, including the Bank.

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

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

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

Furthermore, the global economy faces significant challenges. There have been concerns about unrest and terrorist threats in the Middle East, Europe and Africa and conflicts involving Russia, Ukraine, Israel, Iran and Syria. Likewise, economic and social crises have emerged in several Latin American countries in recent years, including the recent crisis in Ecuador. There has also been concern about the relationship between China and other Asian countries, which can result in or intensify potential conflicts in relation to territorial disputes, and the possibility of a trade war between the United States and China. Russia's invasion of Ukraine, the largest military attack on a European state since World War II, has led to significant disruption, instability and volatility in global markets, as well as higher inflation (including by contributing to further increases in the prices of energy, oil and other commodities and further disrupting supply chains) and lower growth. The EU, UK, U.S. and other governments have imposed significant sanctions and export controls against Russia and Russian interests and threatened additional sanctions and controls. While we have limited exposure to Ukraine and Russia, this or similar conflicts could significantly and adversely affect our business, financial condition and results of operations. The Covid-19 pandemic led to economic contractions in most of the world's economies in 2020, both developed and emerging. This affected the Argentine economy mainly through trade since the demand for its exports (mainly from Brazil and Europe) dropped substantially. In 2021, most economies experienced significant growth compared to 2020, which together with higher commodity prices (mostly soybean) during the second quarter of 2021 led to higher exports for Argentina. As a result, in 2021, the Argentine economy accumulated a US$14,750 million surplus, representing a 17.7% increase compared to 2020.

Additionally, the inflationary acceleration that has taken place in the United States and Europe has led central banks to tighten monetary policy, resulting in significant interest rate hikes. This fact restricts market access to emerging markets, including Argentina, since investors tend to invest in more stable economies.

In addition, in early 2023, concerns have arisen with respect to the financial condition of a number of banking organizations in the United States and Europe, in particular those with exposure to certain types of depositors and large portfolios of investment securities. On March 10, 2023 Silicon Valley Bank was closed by the California Department of Financial Protection and Innovation and the Federal Deposit Insurance Corporation was appointed receiver of Silicon Valley Bank. On March 11, 2023, Signature Bank was similarly closed and placed into receivership and concurrently the Federal Reserve Board announced it would make available additional funding to eligible depository institutions to assist eligible banking organizations with potential liquidity needs. In Europe, on March 15, 2023 the National Swiss Bank announced several measures amounting to approximately 50 billion Swiss francs to provide Credit Suisse with liquidity and on March 20, 2023 UBS announced that it would acquire Credit Suisse for approximately US$3,250 million. While our business, balance sheet and depositor profile differ substantially from banking institutions such as Silicon Valley Bank and Signature Bank, the operating environment and public trading prices of financial services sector securities can be highly correlated, in particular in times of stress, which may adversely affect the trading price of our securities and potentially our results of operations.

If international and local economic conditions fail to improve or deteriorate even more, the Argentine economy could be negatively affected as a result of lower international demand and lower prices for its products and services, higher international interest rates, less capital inflow and greater aversion to risk. Any of the foregoing could also adversely affect the Bank's business, results of operations and financial condition.

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

Historically, the commodities market has been characterized by high volatility. Despite the volatility of prices of most of Argentina's commodities exports, commodities significantly contributed to the government's revenues during the 2000s due to the imposition of export duties on agricultural products in 2002. Although most duties were eliminated and the export tax on soy was reduced from 35% to 30% by the Macri administration in 2016, and was further reduced in 2018 by 0.5% per month, the Argentine economy is still relatively dependent on the price of its main agricultural exports, primarily soy. This dependence, in turn, renders the Argentine economy vulnerable to commodity prices fluctuations. International soybean prices decreased slightly during 2017 and further in 2018 due to growing trade tensions between the United States and China. During 2019, soybean prices reached their lowest prices over the prior five years, but recovered from US$305.5 per ton in May 2019 to US$335.0 per ton in December 2019. During the last months of 2020 soybean prices showed an upward trend (due to purchases from China, the monetary stimulus of the main central banks of the world and the promising news regarding the Covid-19 vaccine) that continued until the second quarter of 2022 when they reached US$621 per ton, the higher value in 10 years. However, soybean prices have declined after that, reaching US$507.0 per ton in October 2022. and have continued to decline since then, being close to US$455 per ton by the end of 2023, the lowest since December 2020.

The amount of agricultural products harvested in any given period may decrease due to adverse weather conditions. For example, as a result of the severe drought suffered during the last three years, Argentina experienced a significant water deficit, which resulted in soybean production being less than half as expected and in an estimated reduction in dollar inflows of approximately US$20 billion. This has been, together with the appreciation of the official exchange rate, one of the main causes of the drop in the Central Bank's gross reserves from US$38 billion on November 30, 2022, to US$23.0 billion on December 31, 2023.

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

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

With the exception of some limited periods of time, since 2011, the different Argentine governments have implemented exchange controls and restrictions on the transfer and entry of foreign currency, significantly limiting the ability of companies to hold foreign currency in Argentina or make payments abroad.

During 2021, the government maintained the tightened restrictions on imports and financial transactions with bonds that had been implemented in previous years. In October 2021, the Central Bank reduced the minimum threshold above which imports required authorization (which resulted in less imports being automatically approved). Meanwhile, the monetary authority significantly reduced the allowed weekly trading amount for domestic-law bonds, resulting in blue chip swap transactions being required to be carried out with foreign-law bonds.

During 2022, the government not only maintained most of the restrictions imposed in 2020 and 2021, but also implemented an exchange rate regime with differential effective exchange rates for different sectors of the economy, which resulted in increased complexity. For instance, the government implemented the "soybean dollar", a transitory exchange rate for exporters of the soybean sector, which was higher than the official exchange rate during the months of September and December, leading to higher dollar settlements related to the agricultural sector during those months and very low US$ settlements from the agricultural sector in the others. At the same time, through taxes or withholdings, new exchange rates were created: for tourism and international artists, among others. Finally, a new import monitoring system with additional supervision of payments was set up.

During 2023, new exchange rates continued to appear for certain sectors, similar to the soybean dollar in 2022 as the shortage of Central Bank reserves prevented the government's ability to avoid a significant increase in the exchange rate between the U.S. dollar and the Argentine peso. In this sense, the Fernandez administration launched several campaigns allowing exporters to settle 30% of their exports through the parallel exchange rate market with the remaining 70% having to be liquidated at the official exchange rate. Initially, this campaign only applied to soybean exporters, but it was later extended to all types of exports. After the elections, and with an increased need to generate foreign currency inflows, the proportion of export dollars that could be liquidated at the parallel exchange rate was increased from 30% to 50%, which granted some short-term relief in the Central Bank's stock of reserves. The Milei administration has modified these values and as of the date of this annual report, exporters are allowed to settle 20% of their exports in the parallel exchange rate market, while the remaining 80% needs to be settled in the official exchange rate market.

Milei has announced that all current exchange rate restrictions will be eliminated as soon as the fiscal deficit is reduced. There is no certainty as to the scope or timing for any of these measures and the effect they would have on the Bank. The lifting of these exchange rate restrictions could result in an acceleration of inflation, which could negatively affect our balance sheet and net income.

The establishment of new restrictions on foreign trade or related to the foreign exchange market, together with the application of new exchange rates, could require the Bank to allocate additional and unbudgeted resources to provide customers with the tools they require to carry out transactions under the new regulatory framework. Additionally, such tools may not be developed on a timely basis due to changing demands.

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

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

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

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

However, utility rates were almost frozen from 2019 to 2022, which worsened the national energy situation by promoting higher demand and discouraging new investments from supplying companies, resulting in an energy deficit heightened by the lack of dollar inflows.

Although actions have been carried out to attempt to address the crisis in the energy sector, in 2023, the partial removal of subsidies to fund utilities (particularly with respect to high income families), the lack of a definitive resolution of the negative effects on the generation, transport and distribution of electricity in Argentina with respect to residential and industrial supply could undermine confidence and adversely affect Argentina's economic and financial condition, resulting in political instability, and adversely affecting the Bank's business and results of operations.

The Milei administration has continued to remove subsidies for utilities and public transportation and has decided to stop all public works until 2024. The elimination of subsidies and the progressive increase in prices could continue to generate social unrest and be challenged in local courts. Additionally, the decision to stop all public works could result in the failure to progress on the construction of the gas pipeline that will take gas from Patagonia to Buenos Aires and generally result in lower investment and a lower need for funding to finance that investment, which would adversely affect the Bank. We can give no assurance that the measures adopted by the Milei administration to deal with the energy crisis will be sufficient to restore energy production in Argentina in the short or medium term.

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

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

The lack of a sound institutional framework and corruption have been identified as, and continue to be, critical problems for Argentina. Argentina ranked 98 out of 180 countries in the 2023 Corruption Perceptions Index published by Transparency International.

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, and consequently, may negatively affect our business, financial condition and results of operations. Although the Argentine government has taken several measures aimed at strengthening Argentina's institutions, these measures may be insufficient to ensure transparency and integrity in a highly polarized political context, which could have a material adverse effect on the business, the results of operations and the financial condition of the Bank.

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

Fluctuations in the value of the peso may adversely affect the Argentine economy. A devaluation of the peso may adversely affect the government's revenues (measured in U.S. dollars), fuel inflation and significantly reduce real wages.

The Central Bank has maintained the same exchange rate policy since December 2019, consisting of avoiding foreign exchange disruptions by applying more controls, selling foreign reserves and establishing multiple exchange rates. The Central Bank invested more than US$2.1 billion of reserves in the official exchange rate market from August 2021 to August 2022 to curb the depreciation of the Argentine peso. However, the Central Bank purchased US$5.8 billion of reserves in the official exchange rate market, between September 2022 and December 2022, for a transitory differential exchange rate regime that allowed soybean exporters to sell dollars to the Central Bank at a higher exchange rate during the months of September and December.

The government aimed to maintain the US$/Peso parity to prevent the undesired effect that a devaluation would have on inflation, and validated a real appreciation of the official exchange rate in 2022. The nominal exchange rate rose 72.4% in 2022, while accumulated inflation in the same period was 94.8%. The December 2022 real exchange rate was 24% lower than the real exchange rate in December 2019.

The exchange rate premium arising from exchange controls further complicates the foreign exchange market due to the coexistence of an appreciated real exchange rate, and a parallel exchange rate that increases devaluation expectations, discouraging exports and encouraging imports. In this regard, between January 2022 and August 2022, the Central Bank only bought the equivalent of 1% of the stock of dollars it bought in the same period of the previous year. This situation, which jeopardized compliance with the IMF's third quarter reserves target, led the government to apply a differential exchange rate for soybean exporters, which was 40% higher than the official exchange rate. This exchange rate was in effect in September 2022 and allowed the Central Bank to buy US$4,966 million in the official exchange market. The application of differential exchange rates adversely impacted the Central Bank's balance sheet due to the difference between the higher price at which it bought dollars and the lower price at which it sold dollars to importers.

Nevertheless, the Central Bank launched a differential dollar for soybean exports, 40% higher than the official exchange rate, effective from November 28 to December 31, 2022, in order to buy the necessary dollars to meet the fourth quarter target with the IMF.

The official exchange rate grew 356.4% between December 31, 2022 and December 31, 2023. However, in 2023, the real exchange rate experienced significant variations during the year, with the real exchange rate experiencing a 2% depreciation until the day of the primary elections. However, the government decided to freeze this exchange rate between August 14, 2023 and November 14, 2023, with monthly inflation during this period reaching 12.4%, 12.7%, 8.3% and 12.8%, respectively. As a result, the real exchange rate lost all the depreciation accumulated during the year and continued to appreciate until year end.

As the level of inflation remains high, a stronger nominal appreciation of the peso could lead to concerns regarding the appreciation of the peso against the U.S. dollar in real terms. Such appreciation may reduce the level of exports due to the loss of external competitiveness and a deterioration of the current account deficit. Any such appreciation could also have a negative effect on economic growth and employment, reduce tax revenues in real terms and raise concerns regarding the possibility and impact of a sudden stop in capital flows.

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

The lack of rainfalls, together with the high temperatures and the unexpected frosts had a negative impact on the country’s main exports (soybean, wheat and corn, among others) in 2023. Adverse weather conditions might increase pressure on exchange rates due to the reduction in dollar inflows.

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

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

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

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

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

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

According to data published by INDEC, the wage index grew by 152.7% during 2023, as a result of a 165.8% increase in the private sector and 148.6% in the public sector. The registered wage index grew by 159.5% in 2023.

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

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

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

Since the beginning of the Fernández administration there has been a strong intervention in the foreign exchange and labor markets, as well as a hefty fiscal deficit. The debt restructuring process brought a sign of sustainability which was perceived by both the market and the main credit rating agencies. Sovereign country risk fell more than 1,000 basis points following the debt restructuring agreement. However, only a week after the long-awaited agreement, the aforementioned measures led to a sharp fall in sovereign bond prices as well as in the main Argentinian stocks in New York. All of this, together with foreign exchange restrictions, import controls and the delay in the negotiations with the IMF contributed to an increase in sovereign risk, which continued to increase after the debt restructuring process and reached 1,688 basis points as of December 31, 2021. The sovereign risk has remained high even after the announcement of the IMF agreement as a result of current macroeconomic imbalances.

In June 2022, the Central Bank actively participated in the secondary market of Treasury securities. The Central Bank injected more than 30% of the monetary base into the economy through its participation in the secondary market and through direct transfers to assist the Treasury. This intervention raised concerns in the market regarding the government’s fiscal path and its capacity to finance future deficits in the local debt market. In turn, the departure of the Minister of Economy Martin Guzmán at the beginning of July and the appointment of Silvina Batakis caused the country risk to increase from 1,912 basis points on June 1, 2022 to 2,913 basis points by mid July 2022. As of March 22, 2023 the country risk was 2,465 basis points.

In January 2023, the National Treasury carried out a voluntary debt exchange of Peso-denominated bonds maturing in the first quarter of 2023. Out of a total of Ps.4.3 billion, Ps.2.9 billion accepted the offer (67%), postponing payments mainly until the second quarter of the year. As approximately 55% of the total Peso-denominated bonds maturing in the first quarter of 2023 were held by public agencies (especially the Central Bank), the acceptance within the private sector was less than 30%. This fact, together with the difficulties that the Treasury had to issue debt maturing after October 2023, led the rating agency S&P to consider this transaction as “distressed” and consequently downgraded Argentina’s sovereign rating to “Selective Default” for four days. After the settlement of the debt exchange, S&P raised Argentina’s sovereign rating back to CCC-.

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

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

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

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

The outbreak and spread of a pandemic and other large-scale public health events could have a material adverse effect on the Bank’s business, financial condition and results of operations

Economic conditions in Argentina and worldwide may be adversely affected by an outbreak of a contagious disease, such as COVID-19 (coronavirus), which develops into a regional or global pandemic and other large scale public health events. The measures taken by governments, regulators and businesses to respond to any such pandemic or event may lead to slower or negative economic growth, supply disruptions, inflationary pressures and significant increases in public debt, and may also adversely affect the Bank’s counterparties (including borrowers), which may lead to increased loan losses. Such measures could also impact the business and operations of third parties that provide critical services to the Bank.

During the outbreak of COVID-19, the Bank experienced a decline in activity, including as a result of branch closures and remote working requirements, and was affected by a number of regulatory measures.

If there were an outbreak of a new pandemic or another large-scale public health event occurs in the future, the Bank may experience an adverse impact, which may be material, on its business, financial condition and results of operations, including as a result of the exacerbation of any of the other risks described in this section.

Risks Relating to the Argentine Financial System and to BBVA Argentina

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

In recent years, the growth of the Argentine financial sector has been heavily dependent on deposit levels because of the relatively small size of the Argentine capital markets and the lack of access to foreign capital markets.

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. Dollar deposits fell during 2020 by around 25% and remained mainly stable through 2021, 2022 and 2023.

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

Notwithstanding the above, because most deposits are short-term deposits, a substantial part of loans must also have short-term maturities to match the terms of the deposits. The proportion of long-term credit lines, such as mortgages, is small, and long-term loan origination has fallen sharply since 2019 as a consequence of higher interest rates and inflation, and the difficult financial environment. As of the date of this annual report, the Bank is primarily exposed to the public sector, in particular, the Central Bank and Treasury, which is where it channels most of its customers’ deposits.

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

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

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

After the Macri administration took office, expectations were of a decline in both inflation and interest rates and therefore banking spreads. However, since 2018 devaluation of the peso and higher inflation led the Central Bank to substantially raise interest rates, ending the margin contraction trend. During 2020 the Central Bank reduced interest rates, in part as a response to the Covid-19 crisis. In 2021 interest rates remained stable, most of them negative in real terms. At the same time, after an economic slowdown in 2020 resulting from the economic downturn caused by the Covid-19 pandemic, inflation increased in 2021 (51%) and adopted an upward trend that accelerated in 2022 (reaching an inflation level of almost 100%) and continued in 2023 (reaching an inflation level of 211%). Inflation evolution in Argentina is still uncertain, and from 2020 an increasing amount of our liabilities and assets interest rates have been regulated by the Central Bank. This situation could result in renewed pressure on banking spreads. Moreover, a change in the composition of the source of funding, which is currently heavily weighted to non-interest-bearing deposits, could also put downward pressure on margins. Also, a change in the composition of the source of funding arising from an eventual higher demand of credit and therefore a need to increase the amount of time deposits or other types of interest bearing-liabilities could result in lower spreads.

Another source of spread contraction could be an increase in the regulation of subsidized loans. In October 2020, the Central Bank re-introduced mandatory credit lines for SMEs, under which banks have to lend a portion of their deposits to small and mid-size companies at regulated rates. This regulation continued through 2021 and 2022 and has continued during 2023. An increase in the use of these measures by the Central Bank could further affect our margins.

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

Our business is particularly vulnerable to volatility in interest rates.

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

The Central Bank decreased interest rates in December, 2023 from a 133% annual rate to a 70% annual rate with the aim to improve the Central Bank’s balance sheet by lowering interest bearing liabilities, which could result in additional inflation in the short term. Additionally, the government could continue to enact regulation that could adversely affect our intermediation margins. Any of the foregoing could adversely affect our financial spread as a result of differential movements in interest rates for deposits, loans or other bank assets and liabilities. In addition, high interest rates could reduce the demand for credit and our ability to generate credit for our clients, as well as contribute to an increase in the credit default rate. As a result of these and the above factors, significant changes or volatility in interest rates could have a material adverse effect on our business, results of operations and financial condition.

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

During 2017, new UVA (inflation-adjusted) mortgages grew significantly. At the same time, the Bank launched UVA deposits, but such deposits grew at a slower pace, leading to a mismatch in this activity. During 2018, as a consequence of the peso devaluation, higher inflation and interest rates, growth in both UVA loans and liabilities slowed and since 2019 new origination has come to a halt which has extended until now.

As of December 2023, UVA loans exceed UVA deposits balances, so the Bank has a long position in inflation adjusted net assets that matches our current expectations of negative interest rates for at least part of 2024. This long UVA position is complemented by a portfolio of Argentina Treasury bonds that adjust by inflation.

Independent of how this activity may develop in the future and how we manage our bond portfolio, there will probably still be a mismatch among UVA loans and deposits, as loans are mainly mortgages with long maturities, and this mismatch could have a material adverse effect on our business, results of operations and financial condition, particularly in the event that interest rates turn positive in real terms and the Bank were not able to hedge with inflation adjusted liabilities.

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

A number of our products expose us to credit risk, including consumer loans, commercial loans and other receivables. Changes in the income levels of our borrowers, increases in the inflation rate or an increase in interest rates could have a negative effect on the quality of our loan portfolio, causing us to increase provisions for loan losses and resulting in reduced profits or in losses. Our non-performing loan portfolio amounted to Ps.35,207 million at December 31, 2023 compared to Ps.39,177 million at December 31, 2022. The non-performing loan ratio increased to 1.29% at December 31, 2023 from 1.13% at December 31, 2022.

We estimate and establish reserves for credit risk and expected credit losses. This process involves subjective and complex judgments, including projections of economic conditions and assumptions on the ability of our borrowers to repay their loans. We may not be able to timely detect these risks before they occur, which may increase our exposure to credit risk. Overall, if we are unable to effectively control the level of non-performing or poor credit quality loans in the future, or if our loan loss reserves are insufficient to cover future loan losses, this could have a material adverse effect on our business, results of operations and financial condition.

Argentine financial institutions (including BBVA Argentina) continue to have exposure to public sector debt (including securities issued by the BCRA) and its repayment capacity, which in periods of economic recession, may negatively affect their results of operations.

Argentine financial institutions continue to be exposed, to some extent, to public sector debt and the public sector's repayment capacity. The Argentine government's ability to honor its financial obligations is dependent on, among other things, its ability to establish economic policies that succeed in fostering sustainable growth and development in the long term, generating tax revenues and controlling public expenditures, which could, either partially or totally, fail to take place.

The Bank's exposure to the public sector as of December 31, 2023 was Ps.2,308,820 million, representing approximately 38% of its total assets. Of this total, Ps.1,332,679 million were BCRA debt instruments and Ps.976,141 million corresponded to Argentine government securities. As a result, BBVA Argentina's income-generating capacity may be materially impacted or may be particularly affected by the Argentine public sector's repayment capacity and the performance of public sector bonds, which, in turn, is dependent on the factors referred to above.

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

The markets in which we operate are highly competitive and it is expected that this trend will continue in the coming years with the increasing entry of non-bank competitors (some of which have large client portfolios and strong brand recognition) and the emergence of new business models. In recent years, the financial services sector has undergone a significant transformation driven by the development of mobile technologies, the entry of new players into activities previously controlled by financial institutions and further consolidation in the banking industry. Although the Bank is making efforts to adapt to these changes through its digital transformation, its competitive position is affected by the fact that non-bank operators are less heavily regulated than banks (including BBVA Argentina). For example, banking groups are subject to prudential regulations that have implications for most of their businesses, including those in which they compete with non-bank operators (such as FinTechs or BigTechs) that are subject only to regulations specific to the activity they develop or that benefit from loopholes in the regulatory framework. Furthermore, when banking groups such as the Group carry out financial activities through the use of new technologies, they are generally subject to additional internal governance rules that place such groups at a competitive disadvantage.

Moreover, the widespread adoption of new technologies, including cryptocurrencies and payment systems, could require substantial investment to modify or adapt existing products and services as the Bank continues to increase its mobile and internet banking capabilities. Likewise, the increasing use of these new technologies and mobile banking platforms could have an adverse impact on the Bank's investments in facilities, equipment and employees of the branch network. A faster pace of transformation towards mobile and online banking models could require changes in the Bank's commercial banking strategy, including the closure or sale of some branches and the restructuring of others, and reductions in employees. These changes could result in significant expenses as the Bank reconfigures and transforms its commercial network. Failure to effectively implement such changes efficiently and on a timely basis could have a material adverse effect on the Bank's competitive position or otherwise have a material adverse effect on the Bank's business, financial condition or results of operations.

Our future success may depend, in part, on our ability to use technology to provide suitable products and services for our customers. While the Bank has focused on developing its technological capabilities in recent years and is committed to digitization, its ability to compete successfully is likely to be adversely affected by, on the one hand, the existing uneven playing field between banks and non-bank players and, on the other, the increasing relevance of access to digital data and interactions for customer relationship management, which places digital platforms at an advantage. Digital platforms (such as those maintained by large technology or social media companies and FinTechs) increasingly dominate access to data and control over digital interactions, and are already eroding the Bank’s results in highly relevant markets such as payments. These platforms can leverage their advantage in access to data to compete with the Bank in other markets and could reduce the Bank’s operations and margins in its core businesses such as lending or wealth management. In the event that the Bank is not successful in addressing increasing competition, its business, financial condition and results of operations could be materially and adversely affected.

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

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

For example, Spanish judicial authorities are investigating the activities of Centro Exclusivo de Negocios y Transacciones, S.L. (“Cenyt”). Such investigation includes the provision of services by Cenyt to BBVA. On July 29, 2019, BBVA was named as an investigated party (investigado) in a criminal judicial investigation (Preliminary Proceeding No. 96/2017 – Piece No. 9, Central Investigating Court No. 6 of the National High Court) for alleged facts which could constitute bribery, revelation of secrets and corruption. Certain current and former officers and employees of the Group, as well as former directors, have also been named as investigated parties in connection with this investigation. Since the beginning of the investigation, BBVA has been proactively collaborating with the Spanish judicial authorities, including sharing with the courts information obtained in the internal investigation hired by the entity in 2019 to contribute to the clarification of the facts. As of the date of this annual report on Form 20-F, no formal accusation against BBVA has been made.

By order of the Criminal Chamber of the National High Court, the pre-trial phase ended on January 29, 2024. It is not possible at this time to predict the possible outcomes or implications for the BBVA Group of this matter, including any fines, damages or harm to the Group’s reputation caused thereby.

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

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

Our credit ratings are significantly influenced by Argentina’s sovereign rating, which has fluctuated considerably, in line with the several Argentine crises. As a result, our ratings have also fluctuated in the recent past, although they have tended to be higher than the sovereign rating. These fluctuations impact our costs of funding, our collateral obligations and our ability to access international markets.

Argentina reached an agreement in 2016 with the holdouts of the 2005-2010 debt restructurings, and consequently between 2016 and 2017 the country’s sovereign ratings were upgraded. However, from 2018 onwards that trend was reversed, and the country was either downgraded or put under review with a negative outlook. In April 2020, after the debt restructuring established by the national government for all public bonds in foreign currency under local legislation, risk rating agencies lowered Argentina’s rating to “Selective Default”. Nevertheless, in September 2020 the government agreed with the bondholders to restructure more than 99% of the public debt with private creditors, significantly reducing coupon payments and extending maturities. Once this agreement was settled, the rating agencies upgraded Argentina’s sovereign rating to CCC+. However, credit rating agencies had recently lowered Argentina’s credit rating or outlook. First, on October 26, 2022, Fitch downgraded Argentina’s rating from CCC to CCC- and in January 2023 it downgraded Argentina’s rating to Selective Default (though such downgrade was reversed a few days later), and on March 29, 2023, S&P downgraded Argentina’s rating from CCC+ to CCC. Nevertheless, S&P raised its long-term foreign currency debt rating by one notch, from ‘CCC-’ to ‘CCC’ and improved its outlook from “negative” to ”stable”.

A further downgrade in Argentina's sovereign rating in the future, or any change in outlook, could limit the Bank's access to financing on acceptable terms, or at all, which could have a material adverse effect on the business, the results of operations and the financial condition of the Bank.

The financial industry is increasingly dependent on information technology systems, which may fail, may present vulnerabilities and be exposed to cyber attacks and data leaks.

Banks and their activities increasingly rely on highly sophisticated information technology ("IT") systems to deliver products and services to their customers. IT systems are exposed to a number of problems, such as software or hardware failures, malicious software, vulnerabilities, hacking and physical damage to vital IT centers. IT systems need regular patches and updates and banks, including us, may not be able to implement the necessary updates in a timely manner or the updates may not work as planned.

In recent years, the number of security incidents to which companies from different industries are exposed has increased. Attacks are becoming more frequent and compromise the infrastructure of the affected company, exposing internal and customer information, including as a result of phishing and social engineering campaigns, the intrusion of malicious software or ransomware campaigns, denial of service attacks that affect the availability of systems, among others. Cyber threats are rapidly evolving and we may not be able to anticipate or prevent all such attacks. We are under the continuous threat of economic losses due to cyber-attacks, especially as we continue to expand customers' capabilities to use digital channels to conduct business transactions. Two of the most important cyber-attack risks we face are electronic fraud and the violation of confidential customer data. Electronic fraud loss occurs when cybercriminals violate and extract funds directly from customers' or our accounts. A violation of confidential customer data, such as contact information, account numbers or credit card data, could present a significant impact on reputation and legal and /or regulatory costs for us. We may incur increasing costs in an effort to minimize these threats and we may be liable for any breach or loss of security.

In addition to the costs that may be incurred as a result of any failure of our IT systems, we may face penalties from banking regulators if we fail to comply with applicable banking or reporting regulations as a result of any IT risks or other failures. In 2023, the Central Bank published new requirements regarding risk management and technology and information security control, the compliance of which demand the undertaking of a gap analysis and the deployment of additional measures as part of our cybersecurity risk management.

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

Our computer systems and network infrastructure and those of third parties, on which we are highly dependent, are subject to security risks and could be susceptible to cyber-attacks. Our business relies on the secure processing, transmission, storage and retrieval of confidential, proprietary and other information in its computer and data management systems and networks, and in the computer and data management systems and networks of third parties. In addition, to access our network, products and services, our customers and other third parties may use personal mobile devices or computing devices that are outside of our network environment and are subject to their own cybersecurity risks. Cyber-attacks or security violations, whether directed at us or third parties, may result in material loss or have material consequences and damage our reputation.

In addition, the risk of fraud and scams is increasing as we offer more online products through digital channels. In 2023, the growing trend in cases involving phishing, malware, telephone and social media scams and credit card fraud continued; to evolve into more complex ways of deception. There are several social engineering techniques that cybercriminals use to deceive customers and obtain confidential data. In this sense, the implementation of preventive measures of computer and documentary fraud as well as people's awareness are becoming increasingly important.

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

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

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

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

Because we are a financial institution, any insolvency proceeding against us would be subject to the powers of, and intervention by, the Central Bank, which may limit remedies otherwise available and extend the duration of the proceedings.

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

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

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

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

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

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

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

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

As of December 31, 2023, our parent company, BBVA, directly or beneficially owned 66.55% of our capital stock. As a result, BBVA controls virtually all decisions with respect to our company made by shareholders. It may, for example, without the concurrence of the remaining shareholders, elect a majority of our directors, effect or prevent a merger, sale of assets or other business acquisition or disposition, cause us to issue additional equity securities and determine the timing and amounts of dividends, if any, always subject to the applicable legal framework. Its interests may conflict with your interests as a holder of our shares or ADSs, and it may take actions that might be desirable to BBVA but not to our other shareholders.

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

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

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

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

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

- the possibility that we pay more than the value we will derive from any such transaction;
- the possibility that Argentine economic and political conditions will not develop in the manner we expect;
- the possibility that the Argentine financial services market will not develop in the manner we expect;
- a reduction in our cash available for operations and other uses;
- the potential incurrence of indebtedness to finance any such transaction;
- delays in achieving or our failure to achieve successfully achieve the anticipated benefits of any acquisition;
- difficulties in integrating any business acquired, including difficulties in harmonizing the companies’ operating practices, technology platforms, internal controls and other policies, procedures and processes;
- diversion of management time and resources in coordinating a larger or more geographically dispersed organization;
- the quality of the assets of the acquired business may be lower than we anticipate; and
- the assumption of certain liabilities, whether known or unknown.

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

We may suffer adverse consequences related to our calculation of income tax for the years ended December 31, 2018 and 2020.

As discussed in our Form 6-K furnished to the SEC on June 30, 2017, on May 12, 2017, we filed a request for declaratory judgment with the Contentious Administrative Federal Court No. 12, Secretariat No. 23, seeking that such court declare unconstitutional certain provisions of Argentine law that prevented us from applying an inflation adjustment mechanism. On May 12, 2017, we filed our income tax return for 2016 giving effect to an adjustment for inflation, in 2018 we filed our income tax return for 2017, and in 2019 we filed our income tax return for 2018, also giving effect to an adjustment for inflation. Our requests for declaratory judgment for 2017 and 2018 were filed with the Contentious Administrative Federal Court No. 12, Secretariat No. 23, and our request for 2019 was filed with the Contentious Administrative Federal Court No. 2, Secretariat No. 3.

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

On June 14, 2021, the Bank obtained a new favorable judgement from the Contentious Court Administrative No. 12 with regards to our request for declaratory judgment filed on May 11, 2018 for our 2017 tax return, declaring that the prohibition to apply the inflation adjustment mechanism in our income tax return for the fiscal year 2017 was not applicable. On June 18, 2021, the tax authorities appealed the judgement, but on September 3, 2021 such appeal was also withdrawn.

On October 5, 2022, the Bank obtained another favorable ruling from the Federal Court for Administrative Litigation No. 2, to our request for a declaratory judgment filed on May 13, 2019 for our 2018 tax return in the same form as those previous sentences. On October 6, 2022, the tax authorities appealed the sentence. On July 11, 2023, the Bank obtained a favorable judgement from the Contentious Court Administrative and on August 8, 2023, the tax authorities filed an extraordinary appeal. On September 19, 2023, the Federal Court granted partial relief to the extraordinary appeal and sent it to the Supreme Court. As of the date of this annual report, we are waiting for the Supreme Court to rule on the appeal filed by the tax authority.

In May 2021, we filed a new request for declaratory judgement with the Contentious Administrative Federal Court No. 5, Secretariat No. 9, seeking that such court declare unconstitutional certain provisions of Argentine law that prevented us from fully applying the inflation adjustment mechanism in our 2020 tax return. On May 26, 2021, we filed our income tax return for 2020 giving effect to an adjustment for inflation. On August 15, 2023, the Bank obtained a new favorable judgment from the Federal Court for Administrative Litigation No. 5. On August 23, 2023, the tax authority filed an appeal against this judgement requesting its revocation.

On June 2, 2023, the Bank filed a declaratory action of unconstitutionality against the Federal Administration of Public Revenue - General Tax Directorate (AFIP-DGI), in order to obtain a ruling declaring the unconstitutionality of art. 93 of the Income Tax Law (T.O. 2019) and/or the regulations that prevent the comprehensive application of the tax inflation adjustment mechanism on the grounds that it resulted in a confiscatory income tax in the 2022 fiscal period and requesting the comprehensive application of the mechanism for updating costs and amortization of assets provided for in articles 62 to 66, 71, 87 and 88 of the tax law.

On June 6, 2023, Federal Court for Administrative Litigation No. 9 transferred the proceedings to the prosecutor's office to issue a ruling on jurisdiction. Once the tax report was presented on June 8, 2023, the Court declared its jurisdiction.

As of the date of this annual report on Form 20-F, we cannot predict the outcome of these legal actions or whether we will be required to amend our income tax returns for 2018 and/or 2020 or make any provisions with respect thereto in our financial statements prepared under IFRS-IASB. If we are required to amend our income tax returns for 2018 or 2020, we may be required to pay interest and charges to the Argentine tax authorities, and could be subject to other consequences. We cannot predict with certainty the outcome of our requests for declaratory judgment or whether they would have a material adverse effect on our business, results of operations or financial condition, or the trading prices of our ordinary shares and ADSs.

The Argentine economy qualifies as a hyperinflationary economy under IAS 29. Given that the peso is our functional currency, we apply IAS 29 for periods ending after July 1, 2018, and our Consolidated Financial Statements and other financial information are presented in terms of the measuring unit current at December 31, 2023.

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

The total cumulative inflation in Argentina in the 36 months prior to December 31, 2023, as measured by both consumer and wholesale price indexes published by INDEC, exceeded 100%. Qualitative macroeconomic factors, including the depreciation of the peso in recent months, also support the conclusion that Argentina is a hyperinflationary economy for accounting purposes. Accordingly, IAS 29 is applicable to any financial statements as from July 1, 2018 included in any of our filings with the SEC under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Argentine accounting standards authorities have reached a consensus that the “general price index” for IAS 29 purposes is determined considering the wholesale price index up to December 2016 and the CPI from then onwards. These indices have been determined or referred to the INDEC. Therefore, our Consolidated Financial Statements included in this annual report are adjusted by applying the relevant indices and presented in terms of the measuring unit current at December 31, 2023.

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

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

(i) the application of the expected credit loss model set forth under paragraph 5.5. of IFRS 9 for debt instruments issued by the public sector;

(ii) for 2021, the accounting treatment applied to the investment held by the Bank in Prisma Medios de Pago S.A., which was made on the basis of the provisions of Memoranda No. 7/2019 and No. 8/2021 issued by the BCRA, each dated on April 29, 2019 and May 22, 2021, respectively. In March 2022, we transferred to a third party the shares we owned in Prisma Medios de Pago S.A and, as a result the income (loss) thereof was recorded in the three-month period ended March 31, 2022. If the fair value of our interest in Prisma Medios de Pago S.A. had been determined on the basis of IFRS-IASB, the income (loss) for previous years and for the year ended December 31, 2022 would have been different. This accounting treatment does not affect the shareholders’ equity value as of December 31, 2022; and

(iii) the treatment to be applied to uncertain tax positions, which follows the guidance prescribed by Memorandum No. 6/2017 Financial Reporting Framework Established by the BCRA issued on May 29, 2017. As of December 31, 2021, such provision had been reversed in the statutory consolidated financial statements.

Because of such differences, our statutory consolidated annual financial statements for the fiscal years ended December 31, 2023, 2022 and 2021 are not comparable with the Consolidated Financial Statements included herein. In addition, we will continue to have differences during 2024 between our statutory consolidated financial statements and the financial statements required by IFRS-IASB. We do not intend to report in accordance with IFRS-IASB on an interim basis during 2024. Consequently, our interim financial information for 2024 will not be comparable with the Consolidated Financial Statements and other information contained in this annual report on Form 20-F.

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

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

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

Communication “A” 6886, in force since January 31, 2020, provides that financial institutions must have the prior authorization of the Central Bank for the distribution of dividends. On March 19, 2020, the BCRA issued Communication “A” 6939 whereby the distribution of dividends by financial institutions to its shareholders, including the Bank, was suspended until at least June 30, 2020; the BCRA Communication “A” 7035 dated June 4, 2020 extended said suspension until December 31, 2020, which was subsequently extended to June 30, 2021 by Communication “A” 7181 and to December 31, 2021 by Communication “A” 7312.

Pursuant to Communication “A” 7421 dated December 16, 2021, the Central Bank enabled financial entities, from January 1, 2022 to December 31, 2022, to distribute dividends for up to 20% of their “distributable profit”. Financial entities, having the previous authorization of the Central Bank, had to make this distribution in twelve equal, monthly and consecutive installments.

By Communication “A” 7719 dated March 9, 2023, the Central Bank enabled financial entities, with its prior authorization to distribute dividends for up to 40 % of their “distributable profit” in six equal, monthly and consecutive installments from April 1, 2023 to December 31, 2023.

On March 21, 2024 the BCRA issued Communication “A” 7984, effective until December 31, 2024, which established that financial institutions may distribute dividends for up to 60% of their “distributable profit” in six equal, monthly and consecutive installments once authorization is obtained by the BCRA.

The Bank is exposed to various risks in connection with climate change.

Climate change, which is resulting in an increase in the intensity and frequency of extreme weather events and environmental degradation, presents both short, medium and long-term risks to the Bank and its customers and counterparties, with the risks expected to increase over time. Risks posed by climate change may be classified into transition and physical risks.

Transition risks refer to changes in, among others, regulations, technologies and market preferences linked to the transition toward a less carbon-dependent economy, including the following:

- Legal and regulatory risks. Legal and regulatory changes related to how banks are required to manage climate risk or otherwise affecting banking practices or disclosure of climate-related information may result in higher compliance, operational and credit risks and costs. Further, legal and regulatory changes may result in legal uncertainty and the existence of overlapping or conflicting regulatory or other requirements. The Bank or its customers or counterparties may be unable to meet any new requirements on a timely basis or at all. Further, changes in law, including new product and service specifications, may result in the sudden devaluation of certain assets. Any of these risks may affect the Bank and its customers and counterparties. In addition, new regulation could include requirements related to lending, investing, capital and liquidity adequacy and operational resilience. The incorporation of climate risks in the existing prudential framework is still developing and may result in increased risk weighting of high-carbon-related assets. Moreover, there are significant risks and uncertainties inherent in the development of adequate climate change-related risk assessment and modelling capabilities and the collection of customer, third party and other data, which may result in our systems or frameworks (or those of its customers and counterparties, where applicable) being inadequate, inaccurate or susceptible to incorrect customer, third party or other data, any of which could adversely affect the Bank’s disclosure and financial reporting. Further, increased regulation arising from climate change could result in increased litigation and regulatory investigations and actions.

- Technological risks. Certain of our customers and counterparties may be adversely affected by the progressive transition to a low-carbon economy and/or risks and costs associated with new low-carbon technologies. If our customers and counterparties fail to adapt to the transition to a low-carbon economy, or if the costs of doing so adversely affect their creditworthiness, this could adversely affect our relevant loan portfolios.
- Market risks. The Bank and certain of the Bank’s customers and counterparties may be adversely affected by changes in market preferences due to, among others, increasing climate change awareness. Further, the funding costs of businesses that are perceived to be more exposed to climate change could increase. Any of this could result in the reduced creditworthiness of such customers and counterparties, adversely affecting our relevant loan portfolios. The Bank and its customers and counterparties could also be adversely affected by changes in prices resulting from shifts in demand or supply brought by climate change, including prices of energy and raw materials, or by their inability to foresee or hedge any such changes.
- Reputational risks. The perception of climate change as a risk by society, shareholders, customers, governments and other stakeholders continues to increase, including in relation to the financial sector’s activities. This may result in increased scrutiny of our activities, as well as its climate change-related policies, goals and disclosure. Our reputation and ability to attract or retain customers may be harmed if its efforts to reduce environmental and social risks are deemed to be insufficient or if a perception is generated in the different stakeholders that the Bank’s statements, actions or disclosure do not fairly reflect the underlying sustainability profile of the entity, its products, services, goals and/or policies. The Bank may elect not to undertake lending or investing activities that would otherwise have been profitable in order to avoid reputational harm. Further, divergent views on ESG policies may also have a negative impact on our reputation. Increased scrutiny of the Bank’s activities, as well as its climate change-related policies, goals and disclosure may result in litigation and regulatory investigations and actions. The BBVA Group has disclosed certain aspirational climate-related goals and such goals, which are being pursued over the long-term, may prove to be considerably more costly or difficult than currently expected, or even impossible, to achieve, including as a result of changes in environmental and energy regulation and policy, the pace of technological change and innovation and the actions of governments, the Bank’s customers and competitors.

The physical risk arising from climate change could result from increased frequency and/or severity of adverse weather events or the impact of climate change over the long term. The activities of the Bank or those of its customers or counterparties could be adversely affected by the physical risks arising from climate change. For example, extreme weather events may damage or destroy the properties and other assets of the Bank or those of its customers or counterparties, result in increased costs, or otherwise disrupt their respective operations (for example, if supply chains are disrupted as a result), diminishing –in the case of the Bank’s customers or counterparties - their repayment capacity and, if applicable, the value of assets pledged as collateral to us. The Bank is also exposed to potential long-term risks arising from climate change, such as increases in credit-related costs due to deteriorating macroeconomic conditions, which may be caused in part by an increase in infectious diseases or other ailments resulting from climate change. The Bank could also be adversely affected by declines in asset values as a result of climate change or climate change-related risks, reduced availability of insurance and significant interruptions to business operations and may be required to change its business models in response to the foregoing.

Any of these factors or regulations may have a material adverse effect on the Bank’s business, financial condition and results of operations.

Legal, Regulatory and Compliance Risks

If we identify material weaknesses in our internal controls and procedures or otherwise fail to maintain their effectiveness, investor confidence in the Bank and the market price of our ordinary shares and ADSs may be adversely affected.

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

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

Our management has issued a report on its assessment of the effectiveness of our internal control over financial reporting as of December 31, 2023 and concluded that the Bank’s internal control over financial reporting was effective as of such date. See *“Item 15. Controls and Procedures”*.

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

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

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

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

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

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

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

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

While the Macri administration repealed part of the regulatory framework enacted by the Kirchner administration, when the Fernández administration assumed office, numerous new laws were enacted and rules were modified increasing the regulatory framework.

Several rules were enacted during 2020 which, among others: (i) required the remaining balance arising from credit cards to be automatically refinanced between September 1, 2020 and September 30, 2020 up to a maximum rate of 40%; (ii) established the minimum rates for retail customers subject to certain variables; (iii) froze the installments of home mortgage loans and pledge loans adjusted to UVA index, and any unpaid installments were rescheduled; and (iv) ordered financial institutions to request any loan unpaid installments to be paid at the end of the life of the loan. Additionally, on March 19, 2020, the Central Bank issued

Communication "A" 6938, temporarily easing the criteria to classify banks' debtors established in the "Debtors' Classification" rules and introduced certain changes to the manner in which financial institutions calculate RPC. Furthermore, in response to the crisis triggered by the Covid-19 pandemic, the Central Bank adopted a series of credit stimulus measures aimed at the most vulnerable economic sectors, primarily micro, small and medium-sized companies and the self-employed and eased reserve requirements for financial institutions that extended such credit lines. For a description of the effects of these regulations on BBVA Argentina, see *"Item 5. Operating and Financial Review—Effects of Recent Regulatory Changes on BBVA Argentina"*.

Financial institutions were also ordered to grant certain clients approved by the Argentine Tax Authority ("AFIP") who applied for them, credit facilities at regulated rates denominated in pesos called "Zero Rate Credit" and "Zero Rate Credit Culture" provided for in Decree No. 332/20, as amended.

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

During 2021 some of the rules issued during 2020 to mitigate the effects of the Covid-19 pandemic were relaxed while others were reinforced, including those enacted in relation to the protection of financial users, including the following: (i) the BCRA modified the terms for the settlement of credit card payments by shops; (ii) the requirements for online pre-approved credit were amended to exempt banks from certain requirements to grant the credit if the identity of the debtor was verified through biometric solutions with proof of life or upon cancellation by the bank of the approved credit and the assumption of the refund of the sums involved in a complaint filed by a client; (iii) the BCRA established new security measures to strengthen security regarding electronic payments and prohibiting wallets to link credit/debit cards other than those of the wallet holder; (iv) the Ministry of Commerce established mandatory minimum quality standards for remote care and communication services for suppliers of goods and services (with a six-month implementation period), including mandatory telephone assistance per person, online waiting times of no more than five minutes, guidelines for collection communications (free debt, mandatory data in letters, etc.), the prohibition of recordings to sell products or collect debts, the requirement to have trained personnel for personalized customer service, the establishment of deadlines for resolution of queries and complaints and the obligation to receive complaints from consumer associations from their official mail boxes, among others; (v) the Good Business Practices Guide on Gender and Diversity was adopted and the Consumer Protection Authority was requested to take all the necessary measures for its implementation, with suppliers of goods and services being invited to join; and (vi) the BCRA prohibited the financing in installments of purchases made by individuals and legal persons with credit cards of tickets abroad and other tourist services abroad (such as accommodation, car rental, etc.), whether carried out directly with the service provider or indirectly, through a travel agency and/or tourism, web platforms or other intermediaries.

Similarly, during 2022, several restrictions already existing in 2021 were maintained including minimum rates for fixed terms, or maximum charges for credit card financing. Additionally, restrictions on overseas purchases were applied by prohibiting the financing of overseas products received through the postal system, or purchases in instalments with credit cards in duty-free shops. New taxes for consumption abroad increased and were created. Additionally, the Central Bank issued accessibility guidelines for disabled persons for compliance by financial institutions.

During 2023, several restrictions already existing in 2022 were maintained, including minimum rates for fixed terms, or maximum charges for credit card financing, while consumption taxes were increased.

As a result of all these regulatory changes, banking activity has become increasingly more restrictively regulated, with the stated goal of protecting users of financial services.

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

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

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

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

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

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

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

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

We are exposed to compliance risks.

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

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

Although we have adopted policies, procedures, systems and other measures to manage compliance risk, we are dependent on our employees and external suppliers for the implementation of these policies, procedures, systems and other measures, and we cannot guarantee that these are sufficient or that our employees or our business partners, agents and/or other third parties with a business or professional relationship with us, do not circumvent or violate our ethics and compliance regulations, acts for which such persons or us could be held ultimately responsible and/or that could damage our reputation. In particular, acts of misconduct by any employee, and particularly by senior management, could erode trust and confidence and damage our reputation among existing and potential clients and other stakeholders. For example, on October 25, 2022 we were notified by the BCRA of the opening of several criminal proceedings against the Bank and certain of its directors and employees related to exchange operations carried out in alleged breach of the provisions of point 9 of Communication “A” 6770 BCRA (in relation to tickets associated with operations carried out between residents and the advanced payment of imports). The Central Bank proceeded to accumulate the different files and treat them as a single case. Depositions have been filed by the Bank and all accused directors and employees. Our actual or alleged misconduct in any number of activities or circumstances, including operations, employment-related offenses such as sexual harassment and discrimination, regulatory compliance, the use and protection of data and systems, and the satisfaction of client expectations, and actions taken by regulators or others in response to such misconduct, could lead to, among other things, sanctions, fines and reputational damage, any of which could have a material adverse effect on our business, financial condition and results of operations.

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

If there is a breach of the applicable regulations or of our ethics and compliance regulations or if the competent authorities consider that we do not perform the necessary due diligence inherent to our activities, such authorities could impose limitations on our activities, revoke our authorizations and licenses, or impose economic penalties, all of which could have a significant adverse impact on our business, financial condition and results of operations. Furthermore, we from time to time conduct investigations related to alleged violations of such regulations and of our ethics and compliance regulations, and any such investigation or any related proceeding could be time consuming and costly, and its results difficult to predict.

Further, the Covid-19 pandemic led to new specific regulations largely focused on consumer protection being adopted in many countries, including Argentina, mainly in 2020. The need to timely adapt the Group’s processes and systems to these new regulations under the then prevailing circumstances posed a compliance risk. Likewise, the increase in remote account opening driven in part by the pandemic has resulted in increased money laundering risks. Additionally, criminals have sought to exploit the opportunities created by the pandemic across the globe, which has resulted in increased money laundering risks associated with counterfeiting of medical goods, investment fraud, cyber-crime scams and exploitation of economic stimulus measures put in place by governments. Increased strain on our communications surveillance frameworks could raise our market conduct risk.

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

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

The Consolidated Financial Statements included in this annual report on Form 20-F have been prepared in accordance with IFRS-IASB. By contrast, the Bank’s statutory consolidated annual financial statements for the fiscal year ended December 31, 2023 were prepared pursuant to the reporting framework established by the Central Bank requiring supervised entities to submit financial statements prepared pursuant to IFRS-IASB with certain exceptions. We will continue to have differences during 2024 between our statutory consolidated financial statements and the financial statements required by IFRS-IASB. We do not intend to report in accordance with IFRS-IASB on an interim basis during 2024. Consequently, our interim financial information for 2024 will not be comparable with the Consolidated Financial Statements and other information contained in this annual report on Form 20-F. See *“Presentation of Financial Information”* and *“Item 3. Key Information—D. Risk Factors—Risks Relating to the Argentine Financial System and to BBVA Argentina—The Argentine economy qualifies as a hyperinflationary economy under IAS 29. Given that the peso is our functional currency, we apply IAS 29 for periods ending after July 1, 2018, and our Consolidated Financial Statements and other financial information are presented in terms of the measuring unit current at December 31, 2023”*.

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