

RATING ACTION COMMENTARY

Fitch Affirms Banco BBVA Argentina's IDR at 'CCC-'

Thu 01 Aug, 2024 - 11:10 AM ET

Fitch Ratings - New York - 01 Aug 2024: Fitch Ratings has affirmed Banco BBVA Argentina S.A.'s (BBVA Argentina) Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) at 'CCC-' and Viability Rating (VR) at 'ccc-'. Fitch has also affirmed BBVA Argentina's Short-Term Foreign and Local Currency IDRs at 'C' and Government Support Rating (GSR) at 'no support' (ns).

KEY RATING DRIVERS

Highly Challenging Operating Environment: BBVA Argentina's IDRs are driven by its 'ccc-' VR, which is capped by the operating environment (OE) score 'ccc-'. In Fitch's view, regardless of its overall adequate financial condition, the bank's ratings are highly influenced by Argentina's low IDRs (CC Foreign Currency IDR), and the still volatile OE, which has risks clearly skewed to the downside.

Operating Environment High Influence: BBVA Argentina's VR is below the 'ccc' implied level and is highly influenced by Fitch's assessment of the challenging OE. The OE in Argentina remains very challenging due to its long and deep economic crisis, which results in Fitch's still deteriorating OE's Outlook. High government intervention, structural inflation, local currency depreciation and slow credit growth will continue to pressure banks' operating profitability.

Good Market Position: BBVA Argentina is a universal commercial bank that provides retail and corporate banking services to individuals, small and medium companies and large-sized corporates. The bank benefits from its strong market share by loans and deposits to the private sector, with market shares of approximately 10.1% and 7.4%, respectively, as of 1Q24.

Despite the bank's four-year average total operating income reached USD2,452 million and sustain a strong market share, its business profile score of 'ccc+' has been assigned below the 'bb' implied score due to the concentration of its operations in a high-risk OE.

Good Risk Management: Fitch expects Argentine banks' performance to remain under pressure until the economic measures implemented by the government mature huge fiscal and monetary adjustments, to consolidate, leading to an increase in credit demand in 2024 and 2025. In response to current challenges, many banks have taken strategic measures to manage their ample liquidity. With few profitable alternatives, the bank has strategically directed its investments toward credit lending in 2024 with three months loans' nominal growth to about 32% compared to a nominal decrease of 12% in FY23.

Good Asset Quality: Over the past few years the bank has maintained good asset quality indicators despite the challenging OE. BBVA Argentina's non-performing loans (NPLs) ended 1Q24 at 1.7% from 1.8% at FY23, and a four-year average of 1.9%. The bank maintains an internal policy of exceeding regulatory loan loss reserve requirements and keeps presenting comfortable coverage levels, with loan loss allowances to impaired loans ratio at 131%. Fitch expects this trend in asset quality ratios to continue in 2024.

Satisfactory Profitability: BBVA Argentina has sustained adequate profitability, even in a difficult OE. As of 1Q24, its operating profit to Risk Weighted Asset (RWA) ratio was 4.4% from 7.7% by FY23 given higher loan loss impairment charges. Fitch's adjusted earnings and profitability score of 'bb' to 'ccc' considers, as a negative deviation factor, the historical and future metrics due to the high volatility shown through cycles. Fitch expects profitability to be pressured by the structural reduction of operating revenues given the lower returns on government securities and the higher cost of credit resulting from organic loan portfolio growth.

Comfortable Capitalization: Similar to other banks in the financial system, BBVA Argentina's capitalization has continued to strengthen over the past few years given the low loan growth. The bank's common equity Tier 1 to RWA ratio was strong at nearly 33% at 1Q24. Given the bank's traditionally conservative risk appetite, Fitch expects management will maintain the bank's capital cushion at comfortable levels in the short term. Fitch's adjusted capitalization score of 'bb' to 'ccc' considers, as a negative deviation factor, the bank's leverage and risk-weight calculation as it benefits from the sovereign assets' exposure.

Good Liquidity and Funding Metrics: BBVA Argentina's main funding source are deposits from its customer base, and the bank has a long track record of attracting and maintaining a

stable base. As of 1Q24, these deposits accounted for slightly over 77% of the bank's total liabilities. The bank's loan to deposit ratio as of the same date maintained at a low 57.5%, reflecting a modest risk appetite and low customer credit demand which is driven by the challenging OE. Liquidity is sound, with a liquidity coverage ratio at 243% and a net stable funding ratio of 196% as of 1Q24. Short-term liquidity is mostly allocated in central bank instruments.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--The bank's IDRs and VRs would be pressured by a further downgrade of Argentina's sovereign rating or a deterioration in the local OE beyond current expectations that leads to a significant deterioration in their financial profiles;

--Any policy announcements that would be detrimental to the banks' ability to service their obligations, including a tightening of capital controls to the extent that they restrict debt payments, would be negative for creditworthiness.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--The IDRs and VRs would benefit from an upgrade of Argentina's sovereign rating.

Government Support Rating: BBVA Argentina's GSR of 'no support' (ns) reflects Fitch's view that, despite the bank's systemic importance, government support cannot be relied upon given the constraints on such ability to provide support.

Spain's Banco Bilbao Vizcaya Argentaria (BBVA; BBB+/Stable Outlook) holds 66.6% of the bank's capital. Fitch does not consider any potential support from its parent given the risk government intervention in the Argentine financial system.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--Changes in BBVA Argentina's GSR are unlikely in the medium term given Argentina's low sovereign rating.

VR ADJUSTMENTS

--The VR of 'ccc-' has been assigned below the 'ccc' implied VR due to the following adjustment reasons: OE/Sovereign Rating Constraint (negative).

--The OE score of 'ccc-' has been assigned below the 'bb' implied score due to the following adjustment reasons: Sovereign Rating (negative) and Macroeconomic Stability (negative).

--The Business Profile score of 'ccc+' has been assigned below the 'bb' implied score due to the following adjustment reason: Business Model (negative).

--The Earnings and Profitability score of 'ccc' has been assigned below the 'bb' implied score due to the following adjustment reason: Historical and Future Metrics (negative).

--The Capitalization and Leverage score of 'ccc' has been assigned below the 'bb' implied score due to the following adjustment reason: Leverage and Risk-Weight Calculation (negative).

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

Banco BBVA Argentina S.A. has an ESG Relevance Score of '4' for Management Strategy due to the high level of government intervention in the Argentine banking sector. The enforcement of interest rate caps can lead to inadequate loan pricing applies significant pressure on banks' net interest margins. In addition, restrictions on fee levels can negatively affect performance ratios. This challenges the bank's ability to define and execute its own strategy, which has a negative impact on the credit profile, and is relevant to the rating[s] in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit

<https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ◆

RATING ◆

PRIOR ◆

Banco BBVA Argentina S.A.	LT IDR	CCC-	Affirmed	CCC-
	ST IDR	C	Affirmed	C
	LC LT IDR	CCC-	Affirmed	CCC-
	LC ST IDR	C	Affirmed	C
	Viability	ccc-	Affirmed	ccc-
	Government Support	ns	Affirmed	ns

[VIEW ADDITIONAL RATING DETAILS](#)

FITCH RATINGS ANALYSTS

Robert Stoll

Director

Primary Rating Analyst

+1 212 908 9155

robert.stoll@fitchratings.com

Fitch Ratings, Inc.

Hearst Tower 300 W. 57th Street New York, NY 10019

Andrea Gutierrez

Associate Director

Secondary Rating Analyst

+56 2 3321 2905

andrea.gutierrez@fitchratings.com

Rolando Martinez

Senior Director

Committee Chairperson

+503 2516 6619

rolando.martinez@fitchratings.com

MEDIA CONTACTS

Sandro Scenga

New York

+1 212 908 0278

sandro.scenga@thefitchgroup.com

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

[Bank Rating Criteria \(pub. 15 Mar 2024\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

[Endorsement Policy](#)

ENDORSEMENT STATUS

Banco BBVA Argentina S.A.

EU Endorsed, UK Endorsed

UNSOLICITED ISSUERS

Banco BBVA Argentina S.A. (Unsolicited)

With Rated Entity or Related Third Party Participation Yes

With Access to Internal Documents Yes

With Access to Management Yes

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link:

<https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. ESMA and the FCA are required to publish historical default rates in a central repository in accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and

complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see [Best- and Worst-Case Measures](#) under the Rating Performance page on Fitch's website.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do

not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001. Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

dv01, a Fitch Solutions company, and an affiliate of Fitch Ratings, may from time to time serve as loan data agent on certain structured finance transactions rated by Fitch Ratings.

Copyright © 2024 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.

[READ LESS](#)

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

UNSOLICITED ISSUERS

ENTITY/SECURITY	ISIN/CUSIP	RATING TYPE	SOLICITATION STATUS
Banco BBVA Argentina S.A.	-	Government Support Rating	Unsolicited
Banco BBVA Argentina S.A.	-	Local Currency Long Term Issuer Default Rating	Unsolicited
Banco BBVA Argentina S.A.	-	Viability Rating	Unsolicited
Banco BBVA Argentina S.A.	-	Short Term Issuer Default Rating	Unsolicited
Banco BBVA Argentina S.A.	-	Local Currency Short Term Issuer Default Rating	Unsolicited
Banco BBVA	-	Long Term Issuer Default Rating	Unsolicited

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.