

Banco BBVA Argentina S.A.

Update

Key Rating Drivers

Ratings Driven by Viability Ratings: Banco BBVA Argentina S.A.'s (BBVA Argentina) IDRs are driven by the bank's upgraded 'ccc' Viability Rating (VR), which is capped by the operating environment (OE) score, upgraded one notch to 'ccc' from 'ccc-'. In Fitch Ratings' view, regardless of the bank's overall adequate financial condition, its ratings are constrained by Argentina's low IDRs and the agency's assessment of the OE.

Operating Environment High Influence: Fitch's assessment of the OE directly impacts Argentine banks' ratings. Although the OE remains challenging, Fitch expects real credit growth to improve in 2025 due to economic recovery. Fitch projects a 3.6% contraction in 2024, followed by a 3.9% rebound in 2025. Fitch also anticipates improved demand for private credit, while the banking system reduces its exposure to the public sector and begins lending to the private sector again.

Good Market Position: BBVA Argentina is a universal commercial bank that provides retail and corporate banking services to individuals, small and mid-sized companies and large corporates. The bank benefits from strong market shares of loans and deposits to the private sector, at approximately 10.4% and 8.7%, respectively, as of 3Q24.

Despite the bank's four-year average total operating income having reached USD2,452 million and ongoing strong market share, its business profile score of 'b-' has been assigned below the 'bb' implied score due to 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, which include significant fiscal and monetary adjustments that need to consolidate in order to boost demand for credit in 2025. In response to current challenges, many banks have taken strategic measures to manage their ample liquidity.

With few profitable alternatives, BBVA Argentina has strategically directed its investments toward credit lending in 2024, with six months loans' nominal growth at about 93% compared to a nominal decrease of 12% as of FY23.

Good Asset Quality: Over the past few years, BBVA Argentina has maintained good asset quality indicators despite the challenging OE. Non-performing loans (NPLs) ended 2Q24 at 1.7%, versus 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 continues to present comfortable coverage levels, with a loan loss allowances-to-impaired loans ratio of 124%.

Satisfactory Profitability: BBVA Argentina continues to exhibit adequate profitability, even in a difficult OE. As of 2Q24, its operating profit-to-risk-weighted assets (RWAs) ratio stood at 6.8%. Fitch's adjusted earnings and profitability score of 'bb' to 'ccc+' takes into account, as a negative deviation factor, the bank's historical and future metrics due to their high volatility through cycles.

Fitch expects profitability to be pressured by the structural reduction in operating revenues given lower returns on government securities and the higher cost of credit due to organic loan portfolio growth.

Comfortable Capitalization: Similar to other banks in the Argentine financial system, BBVA Argentina's capitalization has strengthened over the past few years. The bank's common equity tier 1 (CET 1)-to-RWAs ratio stood at nearly 25% at 2Q24. Given the bank's traditionally conservative risk appetite, Fitch expects management will maintain the capital cushion at comfortable levels in the short term. Fitch's adjusted capitalization score of 'bb' to 'ccc+' takes into account, as a negative deviation factor, the bank's leverage and risk-weight calculation, as the bank benefits from the sovereign assets' exposure.

Ratings

Foreign Currency	
Long-Term IDR	CCC
Short-Term IDR	C

Local Currency	
Long-Term IDR	CCC
Short-Term IDR	C

Viability Rating	ccc
Government Support Rating	ns

Sovereign Risk (Argentina)	
Long-Term Foreign-Currency IDR	CCC
Long-Term Local-Currency IDR	CCC
Country Ceiling	B-

Applicable Criteria

Bank Rating Criteria (March 2024)

Related Research

[Fitch Takes Actions on Four Argentine Banks Following Sovereign Upgrade \(November 2024\)](#)

[Fitch Upgrades Argentina to 'CCC' \(November 2024\)](#)

[Latin America Banking Developments: Basel Capital Update \(November 2024\)](#)

[Argentina's Debt Service Prospects Remain Unclear After Latest Policy Moves \(July 2024\)](#)

[EM Banks Tracker - End-2023 \(June 2024\)](#)

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Good Liquidity and Funding Metrics: Customer deposits are BBVA Argentina's main source of funding, and the bank has a long track record of attracting and maintaining a stable customers base. As of 2Q24, customer deposits accounted for slightly over 75% of the bank's total liabilities. The loan-to-deposit ratio as of the same date was a low 68.8%, reflecting the bank's modest risk appetite and low customer credit demand driven by the challenging OE.

Liquidity is sound, with a liquidity coverage ratio of 190% and a net stable funding ratio of 167% as of 2Q24. 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 IDRs and VRs would be pressured by a downgrade of Argentina's sovereign rating or a deterioration in the local OE beyond current expectations that leads to a significant deterioration in its financial profile.
- Any policy announcements that would be detrimental to the bank's ability to service its obligations 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.

Significant Changes from Last Review

Upgraded OE Score to 'ccc' and Revised Outlook to Stable: On Nov. 25, Fitch upgraded Argentine banks' OE score to 'ccc' from 'ccc-' and revised its outlook for the OE to stable from negative. The OE upgrade followed Fitch's rating actions on the sovereign. For additional details, see "[Fitch Upgrades Argentina to CCC](#)," dated Nov. 15, 2024 at [fitchratings.com](#).


Fitch's assessment of the OE directly impacts Argentine banks' ratings. Although the OE remains challenging, Fitch expects real credit growth to improve in 2025 due to economic recovery. Fitch projects a 3.6% contraction in 2024, followed by a 3.9% rebound in 2025. Fitch also anticipates improved demand for private credit, while the banking system reduces its exposure to the public sector and begins lending to the private sector again. Additionally, Fitch expects real interest rates to turn positive as money demand recovers, given tightening monetary policy, the gradual reduction in inflation and the gradual removal of exchange controls.

Fitch Sector Outlook revised to Neutral: Fitch changed the sector outlook for Argentine banks in 2025 to Neutral given the gradually stabilizing macro prospects. In addition, the OE for Argentine banks was recently upgraded to 'ccc'/stable, although certain challenges and downside risks remain. Fitch expects real credit growth to improve in 2025 due to economic recovery, improved demand for private credit and the continued reduction of the banking system's exposure to the public sector in order to increase lending to the private sector. Furthermore, Fitch expects the percentage of NPLs to continue to decline while capital and liquidity ratios remain solid given, the banks' relatively low direct exposure to the government.

Profitability should benefit from expected positive real interest rates as money demand continues to recover on the back of tightening monetary policy, the gradual reduction in inflation and the removal of exchange controls. These factors will continue to support the healthy recovery in credit intermediation after many years of crowding out.

Negative Structural Features Remains: Fitch's upgrade of Argentina's sovereign rating reflects developments that have boosted Fitch's confidence in the authorities' ability to make upcoming foreign currency bond payments without seeking relief. However, mid-term risks to repayment capacity persist, given the still uncertain prospects for a transition to policies that can ensure a sustainable improvement in reserves and recovery of market access. Those risks have implications for the banking sector, given the structural features of government intervention, structural inflation, local currency depreciation and prolonged slow credit growth.

Ratings Navigator

Banco BBVA Argentina S.A.							ESG Relevance: 	Banks Ratings Navigator		
Operating Environment	Business Profile	Risk Profile	Financial Profile				Implied Viability Rating	Viability Rating	Government Support	Issuer Default Rating
			Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity				
	20%	10%	20%	15%	25%	10%				
aaa							aaa	aaa	aaa	AAA
aa+							aa+	aa+	aa+	AA+
aa							aa	aa	aa	AA
aa-							aa-	aa-	aa-	AA-
a+							a+	a+	a+	A+
a							a	a	a	A
a-							a-	a-	a-	A-
bbb+							bbb+	bbb+	bbb+	BBB+
bbb							bbb	bbb	bbb	BBB
bbb-							bbb-	bbb-	bbb-	BBB-
bb+							bb+	bb+	bb+	BB+
bb							bb	bb	bb	BB
bb-							bb-	bb-	bb-	BB-
b+							b+	b+	b+	B+
b							b	b	b	B
b-							b-	b-	b-	B-
ccc+							ccc+	ccc+	ccc+	CCC+
ccc							ccc	ccc	ccc	CCC
ccc-							ccc-	ccc-	ccc-	CCC-
cc							cc	cc	cc	CC
c							c	c	c	C
f							f	f	ns	D or RD

The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upward or downward to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

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 'b-' 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).

Financials

Summary Financials and Key Ratios

	June 30, 2024		Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021
	Six months - Second quarter (USD Mil.) Reviewed/Unqualified	Six months - Second quarter (ARS Mil.)	Year-end (ARS Mil.) Audited/Unqualified	Year-end (ARS Mil.) Audited/Unqualified	Year-end (ARS Mil.) Audited/Unqualified
Summary income statement					
Net interest and dividend income	1,772	1,613,543.7	1,629,813.2	1,056,593.6	240,776.9
Net fees and commissions	124	112,991.5	134,957.8	140,156.7	43,638.4
Other operating income	-774	-704,557.8	-605,736.5	-314,777.3	-44,584.9
Total operating income	1,122	1,021,977.4	1,159,034.5	881,973.0	239,830.4
Operating costs	778	708,200.8	788,848.5	647,589.5	186,146.3
Pre-impairment operating profit	345	313,776.6	370,186.0	234,383.5	53,684.1
Loan and other impairment charges	73	66,575.9	68,159.4	47,896.5	12,616.5
Operating profit	271	247,200.7	302,026.6	186,487.0	41,067.6
Other non-operating items (net)	N.A.	N.A.	N.A.	6,139.4	N.A.
Tax	103	93,820.6	137,087.5	12,215.4	-155.4
Net income	168	153,380.1	164,939.1	180,411.0	41,223.0
Other comprehensive income	-204	-186,115.7	197,622.2	-27,578.0	1,126.7
Fitch comprehensive income	-36	-32,735.6	362,561.3	152,833.0	42,349.7
Summary balance sheet					
Assets					
Gross loans	4,253	3,872,676.1	2,004,486.9	2,284,200.2	756,656.7
- Of which impaired	70	64,096.0	35,205.9	39,177.3	18,740.5
Loan loss allowances	87	79,663.8	44,440.9	64,326.1	26,514.0
Net loans	4,166	3,793,012.3	1,960,046.0	2,219,874.1	730,142.7
Interbank	24	21,887.7	15,451.4	13,206.1	8,201.1
Derivatives	6	5,681.9	10,001.9	7,063.3	5,486.3
Other securities and earning assets	3,718	3,384,978.9	2,526,383.3	2,483,315.9	687,990.9
Total earning assets	7,914	7,205,560.8	4,511,882.6	4,723,459.4	1,431,821.0
Cash and due from banks	1,593	1,450,661.0	1,142,949.9	922,671.5	425,320.8
Other assets	972	885,096.0	469,677.4	453,801.1	149,605.5
Total assets	10,479	9,541,317.8	6,124,509.9	6,099,932.0	2,006,747.3
Liabilities					
Customer deposits	6,182	5,628,268.1	3,602,700.1	4,060,109.2	1,353,509.0
Interbank and other short-term funding	1,105	1,005,786.8	345,893.8	349,987.7	138,116.0
Other long-term funding	13	11,387.5	23,256.4	869.4	1,068.5
Trading liabilities and derivatives	1	514.1	2,145.2	1,041.2	612.1
Total funding and derivatives	7,299	6,645,956.5	3,973,995.5	4,412,007.5	1,493,305.6
Other liabilities	864	786,855.2	726,376.8	548,540.5	196,684.8
Preference shares and hybrid capital	N.A.	N.A.	N.A.	N.A.	N.A.
Total equity	2,316	2,108,506.1	1,424,137.6	1,139,384.0	316,756.9
Total liabilities and equity	10,479	9,541,317.8	6,124,509.9	6,099,932.0	2,006,747.3
Exchange rate		USD1 = ARS910.5	USD1 = ARS806.95	USD1 = ARS177.06	USD1 = ARS102.62

Source: Fitch Ratings, Fitch Solutions, Banco BBVA Argentina S.A.

Summary Financials and Key Ratios

	June 30, 2024	December 31, 2023	December 31, 2022	December 31, 2021
Ratios (annualized as appropriate)				
Profitability				
Operating profit/risk-weighted assets	6.8	7.7	15.2	5.9
Net interest income/average earning assets	54.5	49.2	56.0	33.1
Non-interest expense/gross revenue	69.2	68.1	73.3	77.6
Net income/average equity	16.4	18.9	41.3	25.1
Asset quality				
Impaired loans ratio	1.7	1.8	1.7	2.5
Growth in gross loans	93.2	-12.3	201.9	160.7
Loan loss allowances/impaired loans	124.3	126.2	164.2	141.5
Loan impairment charges/average gross loans	4.7	4.5	5.3	3.2
Capitalization				
Common equity Tier 1 ratio	24.5	29.2	24.7	19.8
Fully loaded common equity Tier 1 ratio	N.A.	N.A.	N.A.	N.A.
Fitch Core Capital ratio	N.A.	N.A.	N.A.	N.A.
Tangible common equity/tangible assets	21.4	22.8	18.3	15.5
Basel leverage ratio	17.8	18.2	15.1	13.5
Net impaired loans/common equity Tier 1	-0.9	-0.8	-8.3	-5.6
Net impaired loans/Fitch Core Capital	N.A.	N.A.	N.A.	N.A.
Funding and liquidity				
Gross loans/customer deposits	68.8	55.6	56.3	55.9
Gross loans/customer deposits + covered bonds	N.A.	N.A.	N.A.	N.A.
Liquidity coverage ratio	190.0	206.0	317.0	336.0
Customer deposits/total non-equity funding	84.7	90.7	92.1	90.7
Net stable funding ratio	167.0	202.0	207.0	243.0

Source: Fitch Ratings, Fitch Solutions, Banco BBVA Argentina S.A.

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	ccc
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	CCC
Size of banking system	Positive
Structure of banking system	Neutral
Sovereign financial flexibility (for rating level)	Negative
Government propensity to support D-SIBs	
Resolution legislation	Neutral
Support stance	Negative
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Positive
Ownership	Negative

The colors indicate the weighting of each KRD in the assessment.
■ Higher influence ■ Moderate influence ■ Lower influence

Government Support Rating

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

Spain's Banco Bilbao Vizcaya Argentaria, S.A. (BBB+/Stable Outlook) holds 66.6% of the bank's capital. Fitch does not consider any potential support from its parent due to the risk of 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 the low sovereign rating of Argentina.

Environmental, Social and Governance Considerations

FitchRatings Banco BBVA Argentina S.A.

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

<p>Banco BBVA Argentina S.A. has 1 ESG rating driver and 4 ESG potential rating drivers</p> <ul style="list-style-type: none"> ➔ Banco BBVA Argentina S.A. has exposure to operational implementation of strategy which, in combination with other factors, impacts the rating. ➔ Banco BBVA Argentina S.A. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating. ➔ Banco BBVA Argentina S.A. has exposure to board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions but this has very low impact on the rating. ➔ Banco BBVA Argentina S.A. has exposure to organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership but this has very low impact on the rating. ➔ Banco BBVA Argentina S.A. has exposure to quality and frequency of financial reporting and auditing processes but this has very low impact on the rating. 	key driver	0	issues	5	
	driver	1	issues	4	
	potential driver	4	issues	3	
	not a rating driver	4	issues	2	
		5	issues	1	

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance	
GHG Emissions & Air Quality	1	n.a.	n.a.	5	
Energy Management	1	n.a.	n.a.	4	
Water & Wastewater Management	1	n.a.	n.a.	3	
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2	
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management, catastrophe risk, credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1	

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact. Scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance	
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities; SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5	
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4	
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3	
Employee Wellbeing	1	n.a.	n.a.	2	
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1	

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance	CREDIT-RELEVANT ESG SCALE
Management Strategy	4	Operational implementation of strategy	Business Profile (incl. Management & governance)	5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2	Irrelevant to the entity rating but relevant to the sector.
				1	Irrelevant to the entity rating and irrelevant to the sector.

BBVA Argentina 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, which puts significant pressure on the 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 ratings 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 either 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 www.fitchratings.com/topics/esg/products#esg-relevance-scores.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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