

Supplement to Offering Memorandum dated December 1, 2015



**US\$200,000,000**  
**BANCO HIPOTECARIO S.A.**  
**9.750% Notes Due 2020, Series No. 29**

This Pricing Supplement relates to a series of notes to be issued under our Global Note Program for the issuance of notes in one or more series up to an aggregate principal amount at any time outstanding of US\$800,000,000, which we refer to as our “Global Note Program”. This Pricing Supplement is supplementary to, and should be read in conjunction with, the Offering Memorandum dated November 24, 2015 relating to the Global Note Program, which we refer to as the “Offering Memorandum”. To the extent that information contained in this Pricing Supplement is not consistent with the Offering Memorandum, this Pricing Supplement will be deemed to supersede the Offering Memorandum with respect to the Notes offered hereby.

We are offering US\$200,000,000 aggregate principal amount of our 9.750% Notes Due 2020, Series No. 29, which we refer to as our “Notes”. The Notes will mature on November 30, 2020. The Notes will accrue interest at a fixed rate of 9.750% per year, payable semi-annually in arrears on May 30 and November 30 of each year, commencing on May 30, 2016. Payment of principal, interest, additional amounts and any other amounts in respect of the Notes will be made in U.S. dollars.

We may redeem the Notes, in whole or in part, at any time by paying the greater of 100% of the outstanding principal amount of the Notes and the applicable “make whole” premium amount plus any accrued and unpaid interest and any additional amounts. In the event of certain changes in Argentine withholding taxes, we may redeem the Notes, in whole but not in part, at any time at a price equal to 100% of the outstanding principal amount plus accrued and unpaid interest and any additional amounts.

The Notes will constitute our unsecured and unsubordinated obligations and will rank at all times *pari passu* in right of payment with our other unsecured and unsubordinated indebtedness (other than obligations preferred by statute or by operation of law), including deposits.

**An investment in the Notes involves significant risks. See “Risk Factors” commencing on page 13 of the Offering Memorandum for a description of certain material risks related to an investment in the Notes.**

We have applied to have the Notes listed on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market. We have also applied to have the Notes listed and admitted for trading on the Mercado de Valores de Buenos Aires S.A. (“MVBA”) on the *Mercado Abierto Electrónico S.A.* (“MAE”).

The Notes will constitute non-convertible notes, or *obligaciones negociables simples no convertibles en acciones* under the Argentine Negotiable Obligations Law No. 23,576, as amended (the “Negotiable Obligations Law”), will be issued and placed in accordance with such law, Law No. 26,831 on Capital Markets (the “Capital Markets Law”), Decree No. 1023/2013 implementing the Capital Markets Law, Joint Resolution Nos. 470.1738/2004, 500.2222/2007 and 521.2352/2007, as amended and supplemented, issued by the *Comisión Nacional de Valores* (the “CNV”) and the Argentine tax authority (the “AFIP”), which resolutions we refer to together as the “Joint Resolutions” and the rules of the CNV (as approved by General Resolution No. 622/13, as amended and supplemented (collectively, the “CNV Rules”), and will have the benefits provided thereby and will be subject to the procedural requirements therein set forth.

The Notes will not benefit from the Argentine deposit insurance system established pursuant to Argentine Law No. 24,485, as amended, or the exclusive priority right granted to depositors pursuant to Article 49(d) and (e) of Argentine Law No. 21,526, as amended (the “Financial Institutions Law”). The Notes will not be secured by any security interest or guarantee and will not be guaranteed by any other means or by any other entity or person.

The public offering of Notes under the Global Note Program has been authorized by the CNV pursuant to Resolution No. 16,573 dated May 24, 2011. This authorization means only that the information requirements of the CNV have been satisfied. The CNV has not rendered any opinion in respect of the accuracy of the information contained in this Pricing Supplement or in the Offering Memorandum.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or any state securities laws. The Notes may not be offered or sold within the U.S. or to U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act and to certain non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. For a description of certain restrictions on resales and transfers see “Subscription and Sale” and “Transfer Restrictions” in the Offering Memorandum.

This Pricing Supplement and the Offering Memorandum constitute a prospectus for purposes of part IV of the Luxembourg law on prospectuses for securities dated July 10, 2015, as amended.

**Price: 100.000%, plus accrued interest, if any, from November 30, 2015.**

We expect that delivery of the Notes will be made to investors in book-entry form through the facilities of The Depository Trust Company and its direct and indirect participants, including Clearstream Banking, *société anonyme* and Euroclear Bank S.A./N.V., on November 30, 2015.

*Joint Book-Running Managers*

**BofA Merrill Lynch**

**Itaú BBA**

December 1, 2015

Unless otherwise defined herein, capitalized terms used in this Pricing Supplement shall have the meanings given to them in the Offering Memorandum. In this Pricing Supplement, unless the context requires otherwise, references to “we”, “our”, or “us” mean Banco Hipotecario S.A. and its consolidated subsidiaries.

We have translated some of the peso amounts contained in this Pricing Supplement into U.S. dollars for convenience purposes only. Unless otherwise specified, our assets and liabilities in foreign currency are valued at the exchange rate as of each relevant date on period-end according to the Central Bank reference exchange rate for U.S. dollar. The exchange rates used for purposes of translation of balances as of December 31, 2014 and June 30, 2015 were Ps.8.5520 = US\$1.00 and Ps.9.0865 = US\$1.00, respectively, in accordance with the Reference Exchange Rate (*Tipo de Cambio Referencia*) published by the Central Bank (*Banco Central de la República Argentina*) (the “Central Bank”) as of such dates. The Federal Reserve Bank of New York does not report a noon buying rate for pesos. The U.S. dollar equivalent information presented in this Pricing Supplement is provided solely for the convenience of investors and should not be construed as implying that the peso amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. See “Exchange Rates and Exchange Controls” in the Offering Memorandum.

The information provided in this Pricing Supplement or in the Offering Memorandum that relates to Argentina and its economy is based upon publicly available information, and neither we nor the initial purchasers and the Argentine Placement Agent appointed in connection with the issuance of the Notes make any representation or warranty with respect thereto. Argentina, and any governmental agency or political subdivision thereof, does not in any way guarantee, and their credit does not otherwise back, our obligations in respect of the Notes.

You should rely only on the information contained in this Pricing Supplement and the Offering Memorandum. Neither we, nor the Initial Purchasers or the Argentine Placement Agent, have authorized anyone to provide you with information that is different from the information contained in this Pricing Supplement and the Offering Memorandum. The information in this Pricing Supplement and the Offering Memorandum is accurate only as of the date of this Pricing Supplement.

The offer of the Notes in Argentina shall be conducted by means of an offering that qualifies as a public offering under Argentine law and the Rules of the CNV. In order to comply with those regulations, the placement of the Notes in the Republic of Argentina will be done through a public auction (*Subasta Pública*) under the tender module of the SIOPEL system (the “SIOPEL System”) of the MAE, in accordance with applicable CNV tender rules. See “Placement Efforts and Allocation Process.”

In making your decision whether to invest in the Notes, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. You should not construe the contents of this Pricing Supplement or the Offering Memorandum as legal, business or tax advice. You should consult your own attorney, business advisor or tax advisor.

The accuracy of any accounting, financial and economic information as well as any other information provided in this Pricing Supplement and in the Offering Memorandum is the sole responsibility of our Board of Directors, and our Supervisory Committee and our external auditors as to any aspect within their competence and to the extent of their respective reports on the accompanying financial statements, and other responsible persons referred to in Sections 119 and 120 of the Capital Markets Law. Our Board of Directors hereby expresses as a sworn statement that this Pricing Supplement and the Offering Memorandum contains, as of the date of publication hereof, accurate and sufficient information concerning any significant events that may affect our financial and economic condition and any other information that must be made known to investors under applicable law.

The distribution of this Pricing Supplement and the Offering Memorandum, or any part thereof, and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. We, the Initial Purchasers and the Argentine Placement Agent require persons into whose possession this Pricing Supplement or the Offering Memorandum come to become familiar with and to observe such restrictions. Neither this Pricing Supplement nor the Offering Memorandum constitute an offer to sell or a solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation, nor do this Pricing Supplement or the Offering Memorandum constitute an invitation to subscribe for or purchase any Notes. For a description of restrictions on offers, sales and deliveries of the Notes and on the distribution of this Pricing Supplement and the Offering Memorandum, see “Transfer Restrictions” and “Subscription and Sale” in the Offering Memorandum and “Subscription and Sale” in this Pricing Supplement.

## TABLE OF CONTENTS

### Pricing Supplement

Page	Page
Summary.....	S-1
Risk Factors .....	S-8
Terms and Conditions of the Notes .....	S-9
Use of Proceeds .....	S-13
Capitalization.....	S-14
Description of the Notes .....	S-15
Placement Efforts and Allocation Process.....	S-34
Subscription and Sale .....	S-39

### Offering Memorandum

Page	Page
Enforcement of Civil Liabilities .....	iv
Disclosure Regarding Forward-Looking Statements .....	v
Available Information.....	vi
Presentation of Financial and Other Information..	vii
Summary.....	1
Risk Factors .....	13
Capitalization.....	36
Use of Proceeds .....	37
Ratings.....	37
Exchange Rates and Exchange Controls .....	38
Selected Financial and Other Information .....	43
Management’s Discussion and Analysis of Financial Condition and Results of Operations .....	47
Quantitative and Qualitative Disclosures About Market Risk .....	80
The Argentine Banking Industry .....	82
Business.....	88
Selected Statistical Information .....	107
Management .....	134
Principal Shareholders.....	152
Related Party Transactions .....	154
Argentine Banking System and Regulation.....	157
Argentine Insurance System and Regulation.....	187
Description of the Notes .....	192
Subscription and Sale .....	208
Transfer Restrictions.....	212
Description of Capital Stock.....	214
Taxation .....	226
Independent Accountants.....	241
Legal Matters .....	241
General Information .....	242
Form of Pricing Supplement.....	243
Annex I – Summary of Significant Differences Between Central Bank Accounting Rules and IFRS .....	A-1
Index to the Financial Statements .....	F -1

## SUMMARY

*This summary highlights selected information regarding us. It does not contain all of the information that an investor should consider before making an investment decision. For a complete understanding, you should read carefully this Pricing Supplement, as well as the Offering Memorandum, including the information included in “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” of the Offering Memorandum and our financial statements.*

### Overview

Established in 1886 by the Argentine government and privatized in 1999, we are a full-service, inclusive commercial bank, offering a wide range of banking products such as personal and corporate loans, deposits, credit and debit cards, and activities and related financial services to individuals, small and medium-sized companies and large corporations. All of our operations are located in Argentina, where we operate through a nationwide network of 60 branches in all 23 provinces and the City of Buenos Aires, and 15 additional points of sale across Argentina. We seek to distinguish ourselves from other Argentine banks through our focus on household and consumer loans, which we believe offers attractive opportunities for continued growth.

We have historically been Argentina’s leading mortgage lender and provider of mortgage-related insurance and mortgage loan services, according to the Central Bank. As of December 31, 2014, we ranked 12<sup>th</sup> among Argentine banks in terms of total shareholders’ equity with Ps.4,396.9 million in total shareholders’ equity and 13<sup>th</sup> in terms of unconsolidated assets, with assets of Ps.29,336.1 million. Our unconsolidated net income for the years ended December 31, 2012, 2013 and 2014 was Ps.343.6 million, Ps.421.0 million and Ps.550.0 million, respectively, which represented a return on average equity of 10.3%, 11.5% and 13.3%, respectively, and a return on average assets of 2.4%, 2.3% and 2.1%, respectively. As of June 30, 2015, we had Ps.4,700.7 million of total shareholders’ equity and assets of Ps.33,321.4 million. Our consolidated net income for the six months ended June 30, 2015 was Ps.345.6 million.

In line with our strategy to continue diversifying our loan portfolio, our non-mortgage loans increased from Ps.7,676.1 million as of December 31, 2012 to Ps.10,708.0 million as of December 31, 2013 to Ps.14,845.9 million as of December 31, 2014, and Ps.16,551.9 million as of June 30, 2015, representing an increase in loans granted to the non-financial private sector from 80.4% to 87.0%, from December 31, 2012 to June 30, 2015, respectively. Non-performing loans represented 2.3% of our total loan portfolio as of December 31, 2012, 2.2% as of December 31, 2013, 2.3% as of December 31, 2014 and 2.3% as of June 30, 2015.

The table below shows our shareholders’ equity, assets and loan portfolio (unconsolidated) ranking compared to other Argentine commercial banks as of March 31, 2015.

Category	Amount as of March 31, 2015	Ranking as of March 31, 2015
	(in millions of pesos)	
Shareholders’ equity .....	Ps. 4,531.0	13 <sup>th</sup>
Assets .....	Ps. 28,549.9	13 <sup>th</sup>
Loan portfolio .....	Ps. 16,212.7	13 <sup>th</sup>

Source: Central Bank.

We have diversified our funding base, reduced our international financial borrowings and became one of the most frequent domestic issuers of corporate debt in Argentina in terms of our total funding by developing our presence in the domestic capital markets and increasing our deposit base. Our financial indebtedness as a percentage of our total funding was 22.4% as of December 31, 2012, 22.4% as of December 31, 2013, 20.7% as of December 31, 2014 and 22.5% as of June 30, 2015.

Our subsidiaries include BACS, a bank specialized in investment banking, assets securitization and asset management, BHN Vida S.A. (“BHN Vida”), a life insurance company, BHN Seguros Generales S.A. (“BHN Seguros Generales”), a homeowners’ insurance company, and Tarshop, a company focused on selling consumer finance products and making cash advances to unbanked clients.

Our principal shareholders are the Argentine government and IRSA Inversiones y Representaciones Sociedad Anónima (“IRSA”), a leading real estate company in Argentina listed on the MVBA and on the New York Stock Exchange (“NYSE”). See “Principal Shareholders”.

## **Our Strategy**

In 2004, we started refocusing our business, by developing and releasing new products, modernizing our systems and transforming our target markets. This has allowed us to evolve from a financial institution focused on mortgage loans to a full-service inclusive commercial bank. We intend to continue to strengthen our position as a leading universal bank in Argentina through the following strategic initiatives:

- *Continued Focus on Consumer Finance.* We intend to continue to enhance the scope and quality of the financial services provided to our individual clients and aim to acquire new clients. We intend to continue to use direct marketing to acquire new clients and improving our database processing to identify potential customers. We will also continue to develop e-channels in order to enhance our net distribution capabilities, such as home and internet banking.
- *Further Development of Corporate Banking Business.* We intend to complement our consumer finance activities with a substantial commercial loan portfolio. We seek to identify growth-oriented companies and to play an active role in their development by providing loans, cash management and other commercial banking services and assisting them to gain access to capital markets. We intend to increase our exposure to industry sectors that we believe have promising prospects for growth, such as the oil and gas sector.
- *Universal Banking with Continuing Focus on Housing Solutions.* We intend to maintain our leading position in the mortgage loan market and to offer a wide range of products to meet our customers’ mortgage finance needs. In addition to traditional mortgage lending and securitization activities, we intend to take advantage of new opportunities that arise in the mortgage finance sector such as acting as trustee for the government-sponsored Argentine Bicentennial Credit Program for Family Housing (*Programa Crédito Argentino del Bicentenario para la Vivienda Única Familiar*) program, which contemplates the promotion of up to 200,000 mortgage loans to individuals and the construction of new urban residential developments.
- *Diversifying Funding Sources.* We intend to continue to improve our funding mix by diversifying our short-term funding and to enhance long-term funding in order to align ourselves to the industry standards and take advantage of capital markets opportunities. In this regard, we will continue to focus on attracting demand deposits and issuing debt in capital markets.
- *Rigorous Risk Management.* Rigorous credit and risk management policies are essential for the successful implementation of our business strategy. We seek to continuously improve our risk management processes and overall asset quality by adopting and adhering to international best practices. We also intend to focus on monitoring the respective risks and profitability of our business units (applying *raroc* models), selectively originating new loans, segmenting our retail banking portfolio to identify client risks and price loans accordingly and maintaining a well-diversified portfolio of corporate loans. We are also Basel II compliant, and are in the process of implementing Basel III.
- *Enhance Profitability by Enhancing Customer Loyalty.* We seek to expand and strengthen our relationship with our existing customers which we believe represent a source of stable, recurring revenues and opportunities for further growth. We seek to establish ourselves as our customers’ preferred provider of diversified financial services by cross-selling a wide range of services and multi-product offerings and by focusing on opportunities to increase our income from fees.
- *Promotional Activities to Reinforce Brand.* We intend to emphasize promotional activities and loyalty campaigns to continue to foster our image as a contemporary, simple and inclusive bank. We will do

so by creative use of social media and marketing strategies designed to position us as a modern bank and to appeal to a younger client base.

- *Growth Opportunities.* In accordance with our internal growth plan, we expect to open at least six additional branches during 2015 also started an internal reorganization, reducing employee headcount in certain non-core activities, while increasing it in other core activities such as PROCREAR and our main office. In addition, we continuously explore the possibility of selectively acquiring other banks or financial institutions to improve our distribution channels, diversify our sources of funding and take advantage of operational synergies, but we cannot assure you that we will be able to do so.

## SUMMARY FINANCIAL AND OPERATING DATA

The following table presents our summary consolidated financial and other information as of and for the years ended December 31, 2010, 2011, 2012, 2013 and 2014 and as of and for the six months ended June 30, 2014 and 2015. This information should be read in conjunction with, and is qualified in its entirety by reference to, our financial statements included in the Offering Memorandum and the sections entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Selected Statistical Information” of the Offering Memorandum.

The summary consolidated financial information as of December 31, 2013 and 2014, and for each of the years ended December 31, 2012, 2013 and 2014 has been derived from our consolidated financial statements included in the Offering Memorandum which have been audited by Price Waterhouse & Co. S.R.L. The report of Price Waterhouse & Co. S.R.L. on our audited consolidated financial statements appears elsewhere in the Offering Memorandum. The summary consolidated financial information as of December 31, 2010, 2011 and 2012, and for the year ended December 31, 2010 and 2011 have been derived from our audited consolidated financial statements not included in the Offering Memorandum.

The consolidated financial information as of June 30, 2015 and for the six months ended June 30, 2014 and 2015 has been derived from our unaudited consolidated financial statements included in the Offering Memorandum. Our results of operations for the six months ended June 30, 2015 are not necessarily indicative of the results to be expected for year ended December 31, 2015 or for any other period.

Our audited and unaudited financial statements have been prepared in accordance with the accounting rules established by the Central Bank, which we refer to as “Central Bank Accounting Rules”, through Circular CONAU 1, as supplemented and amended (“Central Bank Accounting Rules”), which differ in certain significant respects from the standards generally accepted as in effect in Argentina from time to time, which we refer to as “Argentine GAAP”, and from international financial reporting standards, which we refer to as “IFRS”. We have included a description of certain significant differences between IFRS and Central Bank Accounting Rules, as applied to us in “Annex 1—Summary of Significant Differences Between Central Bank Accounting Rules and IFRS”. Our financial statements do not contain any reconciliation to Argentine GAAP or IFRS of our shareholders’ equity or our net income. Potential investors should consult with their professional advisors for an understanding of the differences between our accounting policies and the Argentine GAAP and IFRS, and how those differences affect the financial information herein.

Effective January 1, 1995, pursuant to Resolution No. 388 of the Central Bank’s Financial Superintendence, we discontinued our prior practice of adjusting our financial statements for inflation. Effective January 1, 2002, we resumed the application of the adjustment for inflation, as a result of the application of Communication “A” 3702 of the Central Bank which repealed any regime that did not allow companies to restate their accounting balances at period-end currency values. On March 25, 2003, Decree No. 664/03 rescinded the requirement that financial statements be prepared in constant currency, effective for financial periods on or after March 1, 2003 and on April 8, 2003, the Central Bank issued Communication “A” 3921 discontinuing inflation accounting effective as of March 1, 2003. As a result, our unaudited financial statements as of June 30, 2014 and 2015 and our audited financial statements as of December 31, 2010, 2011, 2012, 2013 and 2014 do not include the effects of inflation.

The exchange rate used for purposes of translation of balances as of December 31, 2014 was Ps.8.5520=US\$1.00, in accordance with the Reference Exchange Rate published by the Central Bank as of such date.

The exchange rate used for purposes of translation of balances as of June 30, 2015 was Ps.9.0865=US\$1.00, in accordance with the Reference Exchange Rate published by the Central Bank as of such date.

	Year ended December 31,						Six months ended June 30,		
	2010	2011	2012	2013	2014	2014	2014	2015	2015
	(in thousands of pesos)						(US\$ <sup>(1)</sup> )		
CONSOLIDATED BALANCE SHEET DATA									
Assets:									
Cash and due from banks .....	849,067	658,005	1,450,494	2,240,567	5,368,514	627,750	3,008,168	3,201,575	352,344
Government and corporate securities <sup>(2)</sup> .....	2,682,377	1,807,319	2,078,936	1,740,587	4,518,035	528,302	3,395,192	5,271,583	580,156
Loans:									
To the non-financial public sector ....	49,856	50,768	91,806	139,373	112,131	13,112	130,925	90,231	9,930
To the financial sector .....	71,894	146,776	391,343	379,308	339,190	39,662	384,448	351,000	38,629
To the non-financial private sector and foreign residents:	5,651,221	7,540,694	9,544,383	12,928,639	17,195,344	2,010,681	15,060,872	19,025,739	2,093,847
Overdraft facilities .....	316,231	635,090	1,031,178	792,178	1,173,527	137,223	1,139,629	685,978	75,494
Promissory notes .....	159,629	250,736	229,629	371,267	369,360	43,190	257,286	238,162	26,211
Mortgage loans .....	1,741,901	1,705,635	1,868,330	2,220,627	2,349,468	274,727	2,202,867	2,473,874	272,258
Pledge loans .....	11,615	22,933	55,346	42,460	103,576	12,111	84,748	432,994	47,652
Personal loans .....	472,878	788,256	1,199,211	1,822,810	2,354,793	275,350	2,040,282	2,650,126	291,655
Credit card loans .....	1,813,442	2,701,531	3,551,203	5,181,068	7,155,260	836,677	5,950,266	8,500,601	935,520
Unallocated collections .....	(37,766)	(5,271)	(1,723)	(8,007)	(34,565)	(4,042)	(5,536)	(60,472)	(6,655)
Other loans .....	1,135,348	1,388,722	1,538,527	2,380,749	3,536,442	413,522	3,253,923	3,889,938	428,102
Accrued interest and quotation differences receivable .....	50,660	77,398	87,837	144,807	213,947	25,017	160,816	231,916	25,523
Documented interest .....	(12,717)	(24,336)	(15,155)	(19,320)	(26,464)	(3,094)	(23,409)	(17,378)	(1,913)
Allowances .....	(216,609)	(223,904)	(273,101)	(308,632)	(407,140)	(47,608)	(356,267)	(433,825)	(47,744)
Loans (net of allowances) .....	5,556,362	7,514,334	9,754,431	13,138,688	17,239,525	2,015,847	15,219,978	19,033,145	2,094,662
Other receivables from financial transactions .....	1,599,701	1,991,407	1,695,702	1,824,334	2,366,225	276,687	2,573,443	3,378,146	371,776
Assets under financial leases .....	—	—	10,810	58,851	107,520	12,572	71,907	125,461	13,807
Investments in other companies .....	4,066	4,066	4,066	19,241	47,918	5,603	19,241	70,806	7,792
Miscellaneous receivables .....	501,595	571,355	760,833	993,319	1,134,524	132,662	1,117,890	1,559,217	171,597
Bank premises and equipment .....	96,613	101,775	109,819	122,684	165,159	19,312	150,489	186,320	20,505
Miscellaneous assets .....	41,517	37,768	40,216	47,508	59,790	6,991	50,483	60,413	6,649
Intangible assets .....	85,303	76,929	96,602	198,587	342,928	40,099	244,540	426,148	46,899
Items pending allocation .....	761	684	1,765	3,527	1,373	161	4,254	8,542	940
Total assets .....	11,417,362	12,763,642	16,003,674	20,387,893	31,351,511	3,665,986	25,855,585	33,321,356	3,667,128
Liabilities									
Deposits:									
Non-financial public sector .....	1,900,857	2,378,275	2,990,892	4,142,809	9,100,822	1,064,175	6,108,730	6,597,313	726,057
Financial sector .....	12,341	11,540	8,563	8,109	7,416	867	7,252	10,783	1,187
Non-financial private sector and residents abroad:	2,924,966	3,061,948	5,011,674	6,738,876	9,225,875	1,078,798	7,791,172	11,820,735	1,300,912
Checking accounts .....	73,354	58,744	595,564	526,413	760,533	88,930	538,020	1,097,843	120,821
Savings accounts .....	362,596	505,781	741,892	1,443,467	2,479,643	289,949	1,662,444	2,953,065	324,995
Time deposits .....	2,405,033	2,407,108	3,355,131	4,265,680	4,983,820	582,767	4,579,249	6,518,386	717,370
Investment accounts .....	14,056	40	160,035	304,241	713,438	83,424	680,326	940,401	103,494
Others .....	44,754	65,526	101,650	126,748	156,068	18,249	170,234	174,986	19,258
Interest and quotation gains/(losses) payable .....	25,173	24,749	57,402	72,327	132,373	15,479	160,899	136,054	14,973
Total deposits .....	4,838,164	5,451,763	8,011,129	10,889,794	18,334,113	2,143,840	13,907,154	18,428,831	2,028,156
Other liabilities for financial transactions <sup>(3)</sup> .....	2,956,878	3,205,324	3,539,730	4,137,110	6,475,372	757,176	6,066,310	7,689,843	846,293
Miscellaneous liabilities .....	418,402	595,401	726,885	1,173,058	1,781,556	208,320	1,255,847	2,066,760	227,454
Provisions .....	166,283	203,312	158,274	148,340	236,117	27,610	152,789	221,950	24,426
Subordinated bonds .....	—	—	—	—	—	—	—	100,452	11,055
Items pending allocation .....	2,930	17,336	43,637	121,345	59,855	6,999	208,293	44,847	4,936
Non-controlling interest .....	60,472	78,131	68,034	71,311	67,591	7,904	59,849	67,957	7,479
Total liabilities .....	8,443,129	9,551,267	12,547,689	16,540,958	26,954,604	3,151,848	21,650,242	28,620,640	3,149,799
Shareholders' equity .....	2,974,233	3,212,375	3,455,985	3,846,935	4,396,907	514,138	4,205,343	4,700,716	517,329



	Year ended December 31,						Six months ended June 30,		
	2010	2011	2012	2013	2014	2014	2014	2015	2015
	(in thousands of pesos)					(US\$ <sup>(1)</sup> )	(in thousands of pesos)		(US\$ <sup>(1)</sup> )
CONSOLIDATED INCOME STATEMENT DATA									
Financial income.....	1,320,337	1,562,782	2,180,725	3,232,073	5,294,899	619,142	2,731,976	2,953,427	325,035
Financial expenses .....	(727,291)	(832,645)	(1,138,629)	(1,602,511)	(2,973,378)	(347,682)	(1,500,628)	(1,814,561)	(199,699)
Net financial income.....	593,046	730,137	1,042,096	1,629,562	2,321,521	271,459	1,231,348	1,138,866	125,336
Provision for loan losses .....	(96,783)	(119,292)	(200,922)	(264,290)	(343,437)	(40,159)	(166,646)	(198,479)	(21,843)
Income from services .....	609,861	974,098	1,172,154	1,737,320	2,609,450	305,127	1,079,248	1,753,821	193,014
Expenses for services .....	(162,847)	(182,859)	(191,331)	(518,039)	(699,632)	(81,809)	(274,797)	(344,035)	(37,862)
Administrative expenses .....	(709,009)	(1,104,980)	(1,440,391)	(1,896,956)	(2,855,738)	(333,926)	(1,293,865)	(1,805,016)	(198,648)
Net income from financial transactions.....	234,268	297,104	381,606	687,597	1,032,164	120,693	575,288	545,157	59,997
Miscellaneous income .....	151,486	276,935	209,427	177,082	280,534	32,803	130,830	218,742	24,073
Miscellaneous expenses .....	(162,642)	(272,390)	(182,761)	(242,428)	(361,738)	(42,299)	(137,937)	(245,533)	(27,022)
Income tax .....	(22,092)	(41,335)	(55,096)	(194,123)	(426,641)	(49,888)	(221,240)	(172,212)	(18,953)
Non-controlling interest .....	(5,705)	(8,797)	(9,569)	(7,178)	25,653	3,000	11,467	(528)	(58)
Net income .....	195,315	251,517	343,607	420,950	549,972	64,309	358,408	345,626	38,037
CASH FLOW DATA									
Cash flows from operating activities .....	553,144	(919,087)	(285,781)	(1,358,932)	(760,949)	(88,979)	(1,352,069)	(3,925,046)	(431,965)
Cash flows from investing activities .....	(100,734)	(1,413)	(8,044)	(20,157)	(54,757)	(6,403)	(30,780)	(21,784)	(2,397)
Cash flows from financing activities .....	(987,740)	58,758	165,203	604,752	1,698,654	198,627	853,282	669,554	73,687
Financial gain (loss), holding of cash and cash equivalents (including interest and monetary results) .....	577,526	709,756	879,945	1,605,576	2,244,999	262,512	1,297,168	1,110,337	122,196
Net increase/(decrease) in cash and cash equivalents .....	42,196	(151,986)	751,323	831,239	3,127,947	365,756	767,601	(2,166,939)	(238,479)
SELECTED RATIOS <sup>(4)</sup>									
Profitability									
Return on average assets <sup>(5)</sup> .....	1.71%	2.08%	2.39%	2.31%	2.13%	—	3.10%	2.14%	—
Return on average shareholders' equity <sup>(6)</sup> .....	6.79%	8.13%	10.31%	11.53%	13.34%	—	17.80%	15.20%	—
Net financial margin <sup>(7)</sup> .....	6.36%	6.04%	7.24%	8.96%	8.97%	—	10.65%	7.04%	—
Efficiency <sup>(8)</sup> .....	68.17%	72.63%	71.20%	66.59%	67.49%	—	63.56%	70.82%	—
Capital									
Total shareholders' equity as a % of total assets .....	26.05%	25.17%	21.59%	18.87%	14.02%	—	16.26%	14.11%	—
Total shareholders' equity as a % of total liabilities.....	35.48%	33.91%	27.69%	23.36%	16.35%	—	19.48%	16.46%	—
Other assets as a % of assets <sup>(9)</sup> .....	6.39%	6.21%	6.33%	6.79%	5.59%	—	6.14%	6.49%	—
Liquidity									
Cash and cash resources plus government and corporate securities as a % of deposits.....	72.99%	45.22%	44.06%	36.56%	53.92%	—	46.04%	45.98%	—
Net loans as a % of deposits.....	115.42%	138.34%	121.99%	121.30%	94.68%	—	110.04%	104.02%	—
Asset Quality									
Non-performing loans as a % of total loans.....	2.99%	2.28%	2.31%	2.17%	2.34%	—	2.40%	2.26%	—
Non-performing consumer loans as a % of total consumer loans <sup>(10)</sup> .....	3.62%	2.96%	3.20%	3.15%	3.41%	—	3.69%	3.16%	—
Non-performing commercial loans as a % of total commercial loans <sup>(11)</sup> .....	1.58%	0.84%	0.57%	0.51%	0.58%	—	0.39%	0.62%	—
Allowances as a % of total loans.....	3.28%	2.54%	2.37%	2.20%	2.24%	—	2.22%	2.17%	—
Allowances as a % of non-performing loans <sup>(12)</sup> .....	112.62%	111.42%	102.64%	101.62%	95.89%	—	92.52%	95.93%	—

	Year ended December 31,						Six months ended June 30,		
	2010	2011	2012	2013	2014	2014	2014	2015	2015
	(in thousands of pesos)					(US\$ <sup>(1)</sup> )	(in thousands of pesos)		(US\$ <sup>(1)</sup> )
OTHER DATA									
Operations									
Number of branches.....	50	50	55	60	60	—	60	60	—
Number of employees.....	1,766	1,892	1,980	2,488	2,608	—	2,577	2,497	—

- <sup>(1)</sup> The exchange rate used for purposes of translation of balances as of December 31, 2014 and as of June 30, 2015 was Ps.8.5520 = US\$1.00 and Ps. 9.0865 = US\$1.00, respectively, in accordance with the Reference Exchange Rate published by the Central Bank as of such date.
- <sup>(2)</sup> Includes Ps.1,008.3 million, Ps.1,049.6 million, Ps.972.1 million, Ps.29.9 million and Ps.2,524.7 million from instruments issued by the Central Bank as of December 31, 2010, 2011, 2012, 2013 and 2014, respectively and Ps.1,697.0 million and Ps.2,422.2 million as of June 30, 2014 and June 30, 2015, respectively.
- <sup>(3)</sup> Includes Ps.1,689.7 million, Ps.1,748.5 million, Ps.2,013.7 million, Ps.2,660.1 million and Ps.4,347.1 million in unsubordinated negotiable obligations as of December 31, 2010, 2011, 2012, 2013 and 2014, respectively and Ps.3,501.7 million and Ps.4,926.7 million as of June 30, 2014 and June 30, 2015, respectively.
- <sup>(4)</sup> Selected ratios were prepared in accordance with Central Bank Accounting Rules. Pursuant to those standards, current and non-current assets as well as current and non-current liabilities are not presented as separate line items. Consequently, it is impossible to calculate ratios such as “Capital Immobilization”, which differs from CNV Rules and Argentine GAAP.
- <sup>(5)</sup> Consists of net income as a percentage of average total assets. Average assets are a regular average between the balance of consolidated assets at the beginning of the period and the balance of consolidated assets at the end of the period, as it arises from our financial statements.
- <sup>(6)</sup> Consists of net income as a percentage of average total shareholders’ equity. Average net shareholders’ equity is a regular average between the balance of consolidated net shareholders’ equity at the beginning of the period and the balance of consolidated net shareholders’ equity at the end of the period, as it arises from our financial statements.
- <sup>(7)</sup> Consists of financial margin as a percentage of average assets.
- <sup>(8)</sup> Ratio of administrative expenses to the sum of net financial margin, net contribution from insurance and other income from services, net.
- <sup>(9)</sup> Other Assets consist of the sum of “Investments in other Companies”; “Miscellaneous Receivables”, “Bank Premises and Equipment”, “Miscellaneous Assets”, “Intangible Assets” and “Items pending Allocation”.
- <sup>(10)</sup> “Consumer loans” consist of our mortgage loans, personal loans and credit card loans. Non-performing consumer loans consist of those loans classified as “Medium Risk”, “High Risk”, “Uncollectible” and “Uncollectible for Technical Reasons” in accordance with the Central Bank loan classification standards.
- <sup>(11)</sup> “Commercial loans” consist of overdraft facilities loans, promissory notes loans, pledge loans and other loans. Non-performing commercial loans consist of those loans classified as “Problematic”, “High Risk of Insolvency”, “Uncollectible” and “Uncollectible for Technical Reasons” in accordance with the Central Bank loan classification standards.
- <sup>(12)</sup> Consists of allowances as a percentage of non-performing consumer and commercial loans which are those loans classified as “Problematic”, “High Risk of Insolvency”, “Uncollectible” and “Uncollectible for Technical Reasons”, in accordance with the Central Bank loan classification standards.

## **RISK FACTORS**

Investing in the Notes involves certain significant risks. Before making a decision to purchase the Notes, prospective investors should carefully consider the risk factors discussed under “Risk Factors” beginning on page 13 in the Offering Memorandum.

## TERMS AND CONDITIONS OF THE NOTES

*The following items describe the particular terms and conditions that relate to the Notes and should be read together with the “Description of the Notes” in the Offering Memorandum, which sets forth certain material terms of the Notes not set forth in this Pricing Supplement.*

1. Issuer ..... Banco Hipotecario S.A.
2. Series No. .... 29
3. Title ..... 9.750% Notes Due 2020, Series 29
4. Aggregate Principal Amount ..... US\$200,000,000
5. Issue Price..... 100.000%, plus accrued interest, if any, from November 30, 2015.
6. Issue Date ..... November 30, 2015
7. Stated Maturity ..... The Notes will mature in a single installment on November 30, 2020.
8. Interest Rate:
  - a. Interest Rate ..... 9.750% per annum.
  - b. Interest Payment Dates ..... Semi-annually in arrears on May 30 and November 30 of each year, commencing on May 30, 2016.
  - c. Regular Record Dates ..... May 15 or November 15 immediately preceding the relevant Interest Payment Date.
  - d. Day Count Basis ..... 30/360.
9. Specified Currency ..... U.S. dollars.
10. Additional Issuances..... In the future, we may issue additional Notes from time to time and without notice to, or the consent of, holders of the Notes; *provided* that such additional Notes have the same terms and conditions in all respects as the Notes described herein (except for the Issue Date, the Issue Price and the first Interest Payment Date). Any such additional Notes will constitute a single series with the Notes offered hereby; *provided* that if the additional Notes are not fungible with the Notes offered hereby for U.S. federal income tax purposes, such additional Notes will be issued with a separate identification code from the Notes offered hereby.
11. Payments ..... Payments in respect of the Notes will be made by us in U.S. dollars outside Argentina to The Depository Trust Company (“DTC”), or its nominee.
12. Redemption for Taxation Reasons..... The Notes may be redeemed at the option of the Bank in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ written notice (which will be irrevocable) to the holders and, if applicable, the CNV, in writing, at 100% of the principal amount thereof, together with any accrued but unpaid interest and any

Additional Amounts to the date fixed for redemption, if, as a result of any change in, or amendment to, the laws (or any regulations or rules issued thereunder) of Argentina or any political subdivision of or any taxing authority in Argentina or any change in the application, administration or official interpretation of such laws, regulations or rules, including, without limitation, the holding of a court of competent jurisdiction, the Bank has or will become obligated to pay Additional Amounts on or in respect of such Notes, which change or amendment becomes effective on or after the date of issuance of the Notes, and the Bank determines in good faith that such obligation cannot be avoided by the Bank taking reasonable measures available to it.

13. Optional Redemption..... At any time, or from time to time, the Bank may, at its option, redeem the Notes, in whole or in part, at a redemption price equal to the 100% of the outstanding principal amount of such Notes and a “make whole” amount plus accrued and unpaid interest and any additional amounts, as described under “Description of the Notes—Redemption and Repurchase—Optional Redemption”.
14. Ranking ..... The Notes issued under our Global Note Program will constitute *obligaciones negociables simples no convertibles en acciones* (simple, non-convertible notes) under Argentine law and will be issued pursuant to, and in compliance with, all of the requirements of the Negotiable Obligations Law and any other applicable Argentine laws and regulations.

The Notes will constitute our unsecured and unsubordinated obligations and will rank at least *pari passu* in right of payment with our other unsecured and unsubordinated indebtedness (other than obligations preferred by statute or by operation of law).
15. Additional Amounts ..... All payments of principal, premium or interest by us in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes, penalties, fines, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of Argentina, or any political subdivision thereof or any authority therein having power to tax (“Taxes”), unless we are compelled by law to deduct or withhold such Taxes. In any such event, subject to certain exceptions, we will pay such additional amounts (“Additional Amounts”) in respect of Taxes as may be necessary to ensure that the amounts received by holders of such Notes after such withholding or deduction will equal the respective amounts that would have been receivable in respect of such Notes in the absence of such withholding or deduction. See “Description of the Notes—Additional Amounts”.
16. Use of Proceeds ..... We will use the proceeds from the issuance of Notes in compliance with the requirements set forth in article 36 of the Negotiable Obligations Law, Communication “A” 3046, as amended and supplemented by Communication “A” 5571, of the Central Bank and other applicable regulations. See “Use of Proceeds”.
17. Defeasance..... The defeasance provisions in the Indenture will apply to the Notes; *provided* that in order to exercise either the legal defeasance or covenant defeasance, we must (i) irrevocably deposit with the

	Trustee U.S. dollars in such amount as will be sufficient to pay the principal, interest, Additional Amounts and any other amounts in respect of the Notes then outstanding on the Stated Maturity of the Notes, and (ii) comply with certain other conditions, including, without limitation, the delivery to the Trustee of opinions of nationally recognized counsels in the United States and in Argentina experienced in such tax matters to the effect that the deposit and related defeasance would not cause the holders of the Notes to recognize income, gain or loss under the tax laws of the applicable jurisdictions as well as to other relevant matters.
18. Minimum Denominations.....	US\$50,000 and multiples of US\$1,000 in excess thereof.
19. Value for Purposes of Computing Voting Rights.....	Each US\$1.00 of principal amount of the Notes entitles the holder to one vote for purposes of computing voting rights.
20. Listing and Trading .....	The Notes are a new issue and there is no current trading market for the Notes. Application has been made to have the Notes listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market and listed and admitted for trading on the MVBA and the MAE. The Dealers are not obligated to make a market in the Notes, and any market making with respect to the Notes may be discontinued without notice. Accordingly, there can be no assurance as to the maintenance or liquidity of any market for the Notes.
21. Syndication	
a. Joint Book-Running Managers.....	Merrill Lynch, Pierce, Fenner & Smith Incorporated Itau BBA USA Securities, Inc.
b. Argentine Placement Agent.....	Banco Itaú Argentina S.A.
22. Form of Notes.....	The Notes will initially be issued in the form of one fully registered Restricted Global Note and one fully registered Regulation S Global Note.
23. Codes	
a. CUSIP .....	Rule 144/A: 05961A AD5 Regulation S: P1330H BF0
b. ISIN .....	Rule 144/A: US05961AAD54 Regulation S: USP1330HBF03
c. Common Code Number .....	Rule 144/A: 132806438 Regulation S: 132806489
24. Governing Law .....	New York State law; <i>provided</i> that all matters relating to the due authorization, execution, issuance and delivery of the Notes by us, and matters relating to the legal requirements necessary in order for the Notes to qualify as <i>obligaciones negociables</i> under Argentine law, will be governed by the Negotiable Obligations Law together

with Argentine Business Companies Law No. 19,550, as amended and other applicable Argentine laws and regulations.

25. Jurisdiction ..... We will irrevocably submit to the non-exclusive jurisdiction of any state or federal court sitting in the Borough of Manhattan, City of New York, United States of America, any Argentine court sitting in the City of Buenos Aires, including the ordinary courts for commercial matters and the *Tribunal de Arbitraje General* (Permanent Arbitral Tribunal) of the *Bolsa de Comercio de Buenos Aires* (the “Buenos Aires Stock Exchange” or the “BCBA”) under the provisions of Article 46 of the Capital Markets Law and by virtue of the delegation of authority granted to the MVBA regarding the constitution of arbitral tribunals, in accordance with the delegation of powers of the MVBA set forth in Resolution No.17,501 of the CNV (the “Arbitral Tribunal of the BCBA”). Notwithstanding the foregoing, in accordance with Article 46 of the Capital Markets Law, holders may submit disputes regarding the Notes to the non-exclusive jurisdiction of the Arbitral Tribunal of the BCBA in accordance with Article 46 of the Capital Markets Law or the judicial commercial courts of the City of Buenos Aires, at the option of the holder at question. In turn, in cases where the current rules provide for the accumulation of actions brought for the same purpose before a single court, the accumulation will be made before the judicial tribunal.
26. Clearance ..... The Notes will be delivered in book-entry form through the facilities of DTC and its direct and indirect participants, including Clearstream Banking, *société anonyme* (“Clearstream”) and Euroclear Bank S.A./N.V. (“Euroclear”).
27. Trustee, Co-Registrar, Paying Agent and Transfer Agent ..... Deutsche Bank Trust Company Americas
28. Registrar, Local Paying Agent, Local Transfer Agent and Representative of the Trustee in Argentina ..... Deutsche Bank S.A.
29. Luxembourg Listing Agent, Paying Agent and Transfer Agent ... Deutsche Bank Luxembourg S.A.

## USE OF PROCEEDS

Our proceeds from the issuance and sale of the Notes are expected to be approximately US\$197,555,000, after deduction of fees and expenses. We will use the proceeds from the issuance of the Notes in accordance with the provisions of Article 36 of the Negotiable Obligations Law, Communication “A” 3046 of the Central Bank, as amended and supplemented by Communication “A” 5571, of the Central Bank, as amended, and other applicable regulations, for:

- working capital in Argentina;
- refinancing of outstanding debt, including, without limitation, the repurchase and cancellation of any and all of our outstanding 9.75% Notes due 2016, Series 5;
- investments in tangible assets located in Argentina; or
- loan origination in accordance with Central Bank regulations and Central Bank Accounting Rules; *provided* that such loans are used for any of the above purposes.

Pending their final application, we expect to invest the proceeds in government securities and other short-term investments.



## CAPITALIZATION

The following table sets forth our short- and long-term indebtedness, shareholders' equity and total capitalization on a consolidated basis as of June 30, 2015, presented in accordance with Central Bank Accounting Rules and as adjusted to give effect to the issuance of US\$200,000,000 of Notes offered hereby. This table should be read in conjunction with, and is qualified in its entirety by "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements, appearing elsewhere in the Offering Memorandum.

<b>As of June 30, 2015</b>				
	<b>Historical</b>	<b>Historical</b>	<b>As Adjusted</b>	<b>As Adjusted</b>
	(in thousands of Ps.)	(in thousands of US\$(1))	(in thousands of Ps.)	(in thousands of US\$(1))
	(unaudited)		(unaudited)	
<b>Short-term debt (2) .....</b>				
Deposits .....	18,291,512	2,013,043	18,291,512	2,013,043
Notes .....	3,667,236	403,592	3,667,236	403,592
Financial institutions .....	297,357	32,725	297,357	32,725
Interest payable .....	271,977	29,932	271,977	29,932
Total short-term debt .....	22,528,082	2,479,292	22,528,082	2,479,292
<b>Long-term debt (2)</b>				
Deposits .....	1,265	139	1,265	139
Notes .....	1,359,458	149,613	3,176,758	349,613
Total long-term debt .....	1,360,723	149,752	3,178,023	349,752
<b>Capital:</b>				
Capital stock (3) .....	1,500,000	165,080	1,500,000	165,080
Non-capitalized contributions .....	834	92	834	92
Adjustments to shareholders' equity .....	717,115	78,921	717,115	78,921
Statutory reserves (4) .....	789,733	86,913	789,733	86,913
Other reserves .....	1,052,465	115,827	1,052,465	115,827
Accumulated profit .....	640,569	70,497	640,569	70,497
Total shareholders' equity .....	4,700,716	517,330	4,700,716	517,330
Total capitalization .....	28,589,521	3,146,374	30,406,821	3,346,374

- (1) The exchange rate used for purposes of translation of balances as of June 30, 2015 was Ps.9.0865 = US\$1.00 in accordance with the Reference Exchange Rate published by the Central Bank as of such date.
- (2) Short-term debt is indebtedness the residual maturity of which is within one year of the balance sheet date. Long-term debt is any debt the maturity of which exceeds such period.
- (3) Includes subscribed and paid-in capital in the amount of 1.5 billion common shares the par value of which is Ps.1.00 per share.
- (4) Consists primarily of non-distributable legal reserves established pursuant to Central Bank regulations in an annual amount equal to 20.0% of net income plus any adjustments in prior years. The earnings reserves may only be used during periods when we have net losses and have depleted our reserves. Consequently, no dividends may be distributed if the legal reserve has been changed.

## DESCRIPTION OF THE NOTES

*The following is a description of certain additional terms and conditions of the Notes. This description supplements, and should be read in conjunction with, the description of the terms and conditions of Notes described under “Description of the Notes” set forth in the accompanying Offering Memorandum. See “Description of the Notes” of the accompanying Offering Memorandum. All references, to the “Bank” set forth in the “Description of the Notes” herein and in the accompanying Offering Memorandum shall mean Banco Hipotecario S.A., unless the context suggests otherwise. To the extent that the following description of additional terms and conditions of the Notes is inconsistent with that set forth in the accompanying Offering Memorandum, the following description supersedes that in the accompanying Offering Memorandum.*

### General

The Notes are to be issued under an indenture (the “Indenture”) to be entered into by and among us, Deutsche Bank Trust Company Americas, as trustee (in such capacity, the “Trustee”), co-registrar (in such capacity, the “Co-Registrar”), principal paying agent (in such capacity, the “Principal Paying Agent” and, together with any other paying agents under the Indenture, the “Paying Agents”) and transfer agent (in such capacity, a “Transfer Agent”, and together with any other transfer agents under the Indenture, the “Transfer Agents”), and Deutsche Bank S.A., as registrar (in such capacity, the “Registrar”), local paying agent, local transfer agent and representative of the Trustee in Argentina (in such capacities, the “Representative of the Trustee in Argentina”). The following is a description of the material provisions of the Indenture. It does not contain all of the provisions of the Indenture. You are encouraged to read the Indenture in its entirety, because it defines your rights as a holder of the Notes. This description is qualified in its entirety by reference to all of the provisions of the Indenture and the Notes, including the definitions therein of certain terms.

The Notes:

- will be unsecured, unsubordinated obligations of the Bank;
- will be issued on or about November 30, 2015. The Notes are initially limited to an aggregate principal amount of US\$200,000,000;
- will mature on November 30, 2020 (the “Stated Maturity”);
- will be issued in denominations of US\$50,000 and multiples of US\$1,000 in excess thereof.

Interest on the Notes will:

- accrue at the rate of 9.750% per annum; from November 30, 2015, or if interest has already been paid, from the most recent Interest Payment Date to but excluding the next Interest Payment Date. See “— Interest Rate”;
- be payable in cash semi-annually May 30 and November 30 of each year, beginning on May 30, 2016,
- be payable to the holders of record at the close of business on the May 15 and November 15 immediately preceding the related interest payment dates; and
- be computed on the basis of 360-day year comprised of twelve 30-day months.

The Notes outstanding at any one time under the Global Note Program are limited to an aggregate principal amount of US\$800,000,000 (or its equivalent in Pesos). The Notes issued under the Indenture will qualify as “*obligaciones negociables simples no convertibles*” under Argentine law and will be issued pursuant to, and in compliance with, all of the requirements of the Negotiable Obligations Law and any other applicable Argentine laws and regulations.

## Ranking

The Notes will constitute “*obligaciones negociables*” under the Capital Markets Law, the CNV Regulations and the Negotiable Obligations Law and will be entitled to the benefits set forth therein and subject to the procedural requirements established therein. In particular, pursuant to Section 29 of the Negotiable Obligations Law, in case the Bank defaults in the payment of any amounts outstanding under the Notes of any series, the holder of such Notes will be entitled to file a summary action (*acción ejecutiva*) in Argentina for collection of such amount.

The Notes will constitute unsecured and unsubordinated obligations of the Bank and will rank at least *pari passu* in right of payment with the other unsecured and unsubordinated indebtedness of the Bank (other than obligations preferred by statute or by operation of law).

Specifically, pursuant to the Financial Institutions Law, all existing and future depositors of the Bank will have a general priority over the holders of Notes issued under our Global Note Program. The Financial Institutions Law provides that, in the event of judicial liquidation or bankruptcy, all depositors, whether individuals or legal entities, and whichever the type, amount or currency of their deposits, will have general and absolute priority over any other of our creditors (including the holders of the Notes), except for certain labor and secured creditors.

In addition, except with respect to labor claims and claims secured by a pledge or mortgage, the holders of any type of deposits will have a priority over (i) the funds held by the Central Bank as reserves, (ii) other existing funds held by the Central Bank as reserves, (iii) other funds existing on the date when our authorization is revoked and (iv) the proceeds generated from the mandatory transfer of our assets as determined by the Central Bank to be paid in the following order of priority to our remaining creditors: (a) deposits of up to Ps.350,000 per person or corporation (considering all amounts of such person/corporation deposited in one financial institution) or its equivalent amount in foreign currency, with priority right granted to one person per deposit (in the case of more than one account holder, the amount is pro-rated among such account holders); (b) any deposits greater than Ps.350,000 or its equivalent in foreign currency, for the amounts exceeding such sum; and (c) liabilities derived from credit facilities granted to the Bank, which directly affect international trade. Also, under Section 53 of the Financial Institutions Law, any claims of the Central Bank will have priority over any other creditors, except for creditors secured by a pledge or mortgage, certain labor creditors and depositors (in the terms set forth above), facilities granted pursuant to the Central Bank’s Charter (rediscounts granted to financial institutions in the event of a temporary lack of liquidity, advances to financial institutions under a bond, bond assignment, pledge or special assignment of certain assets), and facilities granted by the Argentine Bank Liquidity Fund and secured by a pledge or mortgage collateral.

## Global Notes

Notes initially sold outside the United States in reliance on Regulation S under the Securities Act will be represented by one or more fully registered Notes in global form (collectively, the “Regulation S Global Note”) which will be deposited with the Trustee in New York City as custodian for DTC and will be registered in the name of a nominee of DTC, for its direct and indirect participants (including Clearstream and Euroclear).

Notes initially sold within the United States and eligible for resale in reliance on Rule 144A under the Securities Act will be represented by one or more fully registered Notes in global form (collectively, the “Restricted Global Note” and, together with the Regulation S Global Note, the “Global Notes”) which will be deposited upon issuance with the Trustee in New York City as custodian for DTC and will be registered in the name of DTC or a nominee of DTC for credit to an account of a direct or indirect participant in DTC as described below. The Restricted Global Note (and any physical Notes in definitive form (“Certificated Notes”) issued in exchange therefor as described below under “—Certificated Notes”) will be subject to certain restrictions on transfer and will bear a legend to that effect as described under “Transfer Restrictions” in the Offering Memorandum.

On or prior to the 40<sup>th</sup> day after the completion of the distribution of all Notes (the “Distribution Compliance Period”), a beneficial interest in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Restricted Global Note, but only upon receipt by the Trustee of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made to a person whom the transferor reasonably believes is purchasing for its own account or accounts as to which it

exercises sole investment discretion and that such person and each such account is a qualified institutional buyer within the meaning of Rule 144A, in each case in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States (a “Restricted Global Note Certification”). After the last day of the Distribution Compliance Period, such certification requirement will no longer apply to such transfers. Beneficial interests in the Restricted Global Note may be transferred to a person in the form of an interest in the Regulation S Global Note, whether before, on or after the end of the Distribution Compliance Period, but only upon receipt by the Trustee of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S (a “Regulation S Global Note Certification”). Any beneficial interest in a Global Note that is transferred to a person who takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in such other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

A Global Note may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any such nominee to a successor of DTC or a nominee of such successor.

Upon the issuance of a Global Note, DTC will credit, on its book-entry registration and transfer system, the respective principal amounts of the notes represented by such Global Note to the accounts of institutions that have accounts with DTC (“participants”). The accounts to be credited shall be designated by the initial purchasers. Ownership of beneficial interests in a Global Note will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interests in such Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC (with respect to interests of participants), or by participants or persons that hold through participants (with respect to interests of persons other than participants).

So long as DTC, or its nominee, is the holder of a Global Note, DTC or its nominee, as the case may be, will be considered the sole registered owner or holder of the notes represented by such Global Note for all purposes under the Indenture.

Except as set forth below under “—Certificated Notes,” owners of beneficial interests in a Global Note will not be entitled to have notes represented by such Global Note registered in their names, will not receive or be entitled to receive Certificated Notes and will not be considered the owners or holders thereof under the Indenture.

Payments of principal of and premium (if any) and interest on notes registered in the name of or held by DTC or its nominee will be made to DTC or its nominee, as the registered owner or the holder of the Global Note representing such Notes. Neither we nor the Trustee or any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We expect that DTC, upon receipt of any payment of principal of or premium (if any) or interest in respect of a Global Note, will credit participants’ accounts with payments in amounts proportionate to their respective beneficial ownership interests in the principal amount of such Global Note as shown on the records of DTC. We also expect that payments by participants to owners of beneficial interests in such Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such participants.

#### ***DTC***

DTC has advised us as follows: DTC is a limited-purpose trust company organized under the laws of the State of New York, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participating organizations (“DTC Participants”) and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of

the DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include securities brokers and dealers, brokers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (“Indirect DTC Participants”).

Under the rules, regulations and procedures creating and affecting DTC and its operations, DTC is required to make book-entry transfers between DTC Participants on whose behalf it acts with respect to the Notes and is required to receive and transmit distributions of principal of and interest on the Notes. DTC Participants and Indirect DTC Participants with which investors have accounts with respect to the Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective investors.

Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of Indirect DTC Participants and certain banks, the ability of a person having a beneficial interest in Notes held in DTC to transfer or pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate of such interest. The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in Notes held in DTC to such persons may be limited.

DTC has advised us that it will take any action permitted to be taken by a holder of Notes (including, without limitation, the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account with DTC interests in the Notes are credited, and only in respect of such portion of the aggregate principal amount of the Notes as to which such DTC Participant or Participants has or have given such direction. However, in certain circumstances, DTC will exchange the Global Notes held by it for Certificated Notes, which it will distribute to its participants and which, if representing interests in the Restricted Global Note, will be legended as set forth under “Transfer Restrictions” in the Offering Memorandum See “—Certificated Notes.”

### **Certificated Notes**

Interests in a Global Note deposited with DTC will be exchanged for Certificated Notes only if (i) DTC notifies us and the Trustee that it is unwilling or unable to continue as depository for such Global Note or at any time DTC ceases to be a clearing agency registered under the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), and a successor depository so registered is not appointed by us within 90 days of such notice, (ii) an Event of Default has occurred and is continuing with respect to the Notes represented by such Global Note or (iii) we in our sole discretion notify the Trustee in writing that Certificated Notes will be delivered in exchange for such Global Note with respect to the Notes. In the case of Certificated Notes issued in exchange for the Restricted Global Note, such certificates will bear, and be subject to, the legends referred to under “Transfer Restrictions” in the Offering Memorandum.

None of the Trustee, the Registrar, the Co-Registrar, the Transfer Agent will be required to register the transfer or exchange of any Certificated Notes for a period of 15 days preceding any interest payment date, or for a period of 30 days preceding any date established for the payment of principal, or register the transfer or exchange of any Certificated Notes previously called for redemption or tendered for repurchase.

No service charge will be made for any registration of transfer or exchange of notes, but we or the Trustee may require payment of a sum sufficient to cover any stamp tax or other governmental duty payable in connection therewith.

### **Interest Rate**

The Notes will bear interest at a rate of 9.750% per annum from (and including) the date of original issuance (the “Interest Commencement Date”), or from the most recent Interest Payment Date (as each such term is defined below) to which interest on such Note has been paid or duly provided for at such fixed rate per annum, until the principal thereof is paid or made available for payment. Interest will be payable in arrears on each May 30 and

November 30 (each, an “Interest Payment Date”) and at the Stated Maturity and upon redemption or acceleration, as specified under “Payment of Principal and Interest” below.

## **Payment of Principal and Interest**

### ***General***

Interest will be payable to the person in whose name a Note is registered at the close of business on the regular record date preceding each Interest Payment Date notwithstanding the cancellation of such Notes upon any transfer or exchange thereof subsequent to such Record Date and prior to such Interest Payment Date; *provided* (i) that if and to the extent the Bank shall default in the payment of the interest (including Additional Amounts) due on such Interest Payment Date, such defaulted interest (including Additional Amounts) shall be paid to the person in whose names such Notes are registered at the end of a subsequent record date established by the Bank by notice given by mail by or on behalf of the Bank to the holders of the Notes not less than 15 days preceding such subsequent record date, such record date to be not less than 15 days preceding the date of payment in respect of such defaulted interest and (ii) that interest payable at Stated Maturity or upon acceleration or redemption will be payable to the person to whom principal shall be payable.

Payments of the principal of and any premium, interest, Additional Amounts and other amounts on or in respect of any Global Note will be made to DTC, in accordance with DTC’s procedures, or its nominee (or any successor thereof) as the registered owner thereof (or any successor thereto). None of the Bank, the Trustee, the Registrar nor any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

Payments of the principal of and any premium, interest, Additional Amounts and other amounts on or in respect of any Certificated Note at Stated Maturity or upon acceleration or redemption will be made to the registered holder on the payment date in immediately available funds upon surrender of such Note at the corporate trust office of the Trustee, in the Borough of Manhattan, New York City, or at the office of any Paying Agent in the City of Buenos Aires or in Luxembourg by a check drawn on, or by transfer to an account maintained by the registered holder with, a bank located in New York City. Payments of the principal of and premium, interest, Additional Amounts and any other amounts on or in respect of Certificated Notes to be made other than at Stated Maturity or upon redemption, will be made by check drawn on a bank in New York City mailed on or before the due date for such payment to the address of the person entitled thereto as it appears in the Register; *provided* that a holder of US\$1,000,000 in aggregate principal amount of Certificated Notes shall be entitled to receive such payment by wire transfer in immediately available funds to an account maintained by such holder at a bank located in New York City as may have been appropriately designated by such person to the Trustee in writing no later than 15 days prior to the relevant Interest Payment Date. Unless such designation is revoked, any such designation made by such person with respect to such Certificated Note will remain in effect with respect to any future payments with respect to such Certificated Note payable to such person.

Payments of interest on any Note with respect to any Interest Payment Date will include interest accrued to but excluding such Interest Payment Date.

Interest on the Notes will be calculated on the basis of a 360-day year consisting of twelve months of 30 days each.

If the Stated Maturity or the Interest Payment Date or any other payment date for any Note falls on a day that is not a Business Day, payment of principal (and premium, if any) and interest with respect to such Note will be made on the next succeeding Business Day in the place of payment with the same force and effect as if made on the due date and no interest on such payment will accrue from and after such due date.

## **Redemption and Repurchase**

### ***Redemption at Maturity***

Unless previously redeemed or purchased and canceled, Notes shall be redeemed at their principal amount (“Redemption Amount”) on the date or dates specified herein.

### ***Redemption for Taxation Reasons***

The Notes may be redeemed at the option of the Bank in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ written notice (which will be irrevocable) to the holders and, if applicable, the CNV, in writing, at 100% of the principal amount thereof, together with any accrued but unpaid interest, and any Additional Amounts to the date fixed for redemption, if, as a result of any change in, or amendment to, the laws (or any regulations or rules issued thereunder) of Argentina or any political subdivision of or any taxing authority in Argentina or any change in the application, administration or official interpretation of such laws, regulations or rules, including, without limitation, the holding of a court of competent jurisdiction, the Bank has or will become obligated to pay Additional Amounts on or in respect of such Notes, which change or amendment becomes effective on or after the date of issuance of the Notes, and the Bank determines in good faith that such obligation cannot be avoided by the Bank taking reasonable measures available to it (*provided* that reasonable measures shall not include changing the Bank’s jurisdiction of organization or the location of its principal executive office or incurring any cost or expense that the Bank deems in good faith to be material). Prior to the distribution of any notice of redemption pursuant to this paragraph, the Bank shall deliver to the Trustee (i) a certificate signed by a duly authorized officer of the Bank stating that the Bank has or will become obligated to pay Additional Amounts as a result of such change or amendment, and that the Bank has determined that such obligation cannot be avoided by the Bank taking reasonable measures available to it and (ii) a written opinion of independent legal counsel to the effect that the Bank has or will become obligated to pay Additional Amounts as a result of such change or amendment described above. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent contained in the preceding sentence, in which event they shall be conclusive and binding on the holders.

### ***Optional Redemption***

At any time, or from time to time, the Bank may, at its option, redeem the Notes, in whole or in part, at a redemption price equal to the greater of (1) 100% of the outstanding principal amount of such Notes and (2) the sum of the present values of each remaining scheduled payment of principal and interest thereon (excluding accrued but unpaid interest to, but excluding, the redemption date), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points (the “Make-Whole Amount”) plus, in either case, accrued and unpaid interest.

“*Comparable Treasury Issue*” means the United States Treasury security or securities selected by the Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Notes.

“*Comparable Treasury Price*” means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if fewer than four such Reference Treasury Dealer Quotations are obtained, the average of all such quotations.

“*Independent Investment Banker*” means one of the Reference Treasury Dealers appointed by the Bank.

“*Reference Treasury Dealer*” means (a) each of Merrill Lynch, Pierce, Fenner & Smith Incorporated and, to the extent it is a Primary Treasury Dealer, Itau BBA USA Securities Inc. (or their respective affiliates that are primary U.S. government securities dealers in New York City (each, a “Primary Treasury Dealer”)) and their

respective successors and (b) not less than three other Primary Treasury Dealers reasonably designated by the Bank; *provided* that if any of the foregoing ceases to be a Primary Treasury Dealer, the Bank will substitute therefor another Primary Treasury Dealer.

*“Reference Treasury Dealer Quotation”* means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m. (New York City time) on the third Business Day preceding such redemption date.

*“Treasury Rate”* means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

### ***Redemption Procedures***

The Bank will give a notice of redemption to each holder (which, in the case of Global Notes, will be DTC, or its nominee) in accordance with the procedures described under “—Notices” at least 30 days and not more than 60 days prior to the redemption date. A notice of redemption will be irrevocable.

Unless the Bank defaults in the payment of the redemption price, interest will cease to accrue on the Notes called for redemption on and after the redemption date. In the case of any partial redemption, selection of the Notes for redemption will be made by the Trustee in compliance with the requirements of the Luxembourg Stock Exchange, for so long as the Notes are listed on the Luxembourg Stock Exchange, or, if the Notes are not listed, to the extent permitted under applicable law, on a *pro rata* basis or by lot (in each case, subject to the procedures of DTC in the case of Global Notes). No Notes of US\$50,000 in principal amount or less will be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original Note.

### ***Repurchase of Notes***

The Bank and its Subsidiaries may at any time purchase or otherwise acquire any Note in the open market or otherwise at any price and may resell or otherwise dispose of such Note at any time.

### ***Cancellation***

The Notes redeemed in full by the Bank will be immediately canceled and cannot be reissued or resold. If notice of redemption has been given in the manner set forth herein, Notes to be redeemed will become due and payable on the redemption date specified in such notice, and upon presentation and surrender of the Notes at the place or places specified in such notice, the Notes will be paid and redeemed by the Bank at the places and in the manner and currency therein specified and at the redemption price therein specified together with accrued interest, if any, to the redemption date. From and after the redemption date, if monies for the redemption of Notes called for redemption shall have been made available at the corporate trust office of the Trustee for redemption on the redemption date, the Notes called for redemption will cease to bear interest, and the only right of the holders of such Notes will be to receive payment of the redemption price together with accrued interest, if any, to the redemption date as aforesaid.

### ***Additional Amounts***

All payments of principal, premium or interest by us in respect of the Notes will be made without withholding or deduction for or on account of Taxes, unless we are compelled by law to deduct or withhold such Taxes. In any such event, subject to certain exceptions, we will pay such Additional Amounts in respect of Taxes as may be necessary to ensure that the amounts received by holders of such Notes after such withholding or deduction



will equal the respective amounts that would have been receivable in respect of such Notes in the absence of such withholding or deduction. No Additional Amounts will be payable:

(i) when such Taxes would not have been imposed but for the fact that the holder or beneficial owner of Notes has a present or former connection with Argentina other than the mere holding of such Notes and the receipt of any payments in respect thereof or enforcement of rights in respect thereof;

(ii) when such Taxes would not have been imposed but for the failure of the holder or beneficial owner of Notes to comply with any reasonable certification, identification, information or reporting requirements regarding the nationality, residence, identity or connection with Argentina of such holder or beneficial owner, as required by us at least thirty (30) days before the applicable interest payment date or principal payment date, as applicable, if such compliance is required by the laws or regulations of Argentina or any political subdivision or tax authority thereof as a precondition to exemption from, or reduction in the rate of, such Taxes; *provided* that any certification, identification, information or other reporting requirement would not be materially more onerous, in form, procedure or substance, than comparable information or other reporting requirements imposed under U.S. tax law, regulation and administrative practice (such as IRS Forms W-8BEN, W-8BEN-E and W-9);

(iii) in respect of any estate, inheritance, gift, sales, transfer, personal assets or similar tax, assessment or other governmental charge;

(iv) to or on behalf of a holder or beneficial owner of Notes in respect of Argentine taxes payable other than by withholding from payment of principal of, premium, if any, or interest on the Notes;

(v) in respect of Taxes imposed by reason of the fact that Notes were presented for payment more than thirty (30) days after the later of the date on which such payment became due and the date on which payment thereof has been duly provided for and notice of such payment is given to the holders, except to the extent that the holder of such Notes would have been entitled to such Additional Amounts had such Notes been presented on any day during such 30-day period;

(vi) in respect of Taxes imposed on a payment to a resident of a member state of the European Union and required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive;

(vii) in respect of any Taxes imposed under Sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended (or any amended or successor version of such Sections that is substantively comparable and not materially more onerous to comply with) ("FATCA"), any regulations or other guidance thereunder, any agreement (including any intergovernmental agreement) entered into in connection therewith, or any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement in respect of FATCA; or

(viii) any combination of items (i) to (vii) above,

nor will additional amounts be paid with respect to any payment of the principal of, or any premium, if any, or interest on, any Notes to any holder or beneficial owner of Notes who is a fiduciary or partnership or other pass-through entity or other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of Argentina to be included in the income for tax purposes of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or other pass-through entity or beneficial owner who would not have been entitled to such Additional Amounts had it been the holder of such Notes.

## **Covenants**

For as long as any Note is outstanding, the Bank will comply and to the extent specified below will cause its Subsidiaries (as defined below) to, comply with the terms of the following covenants (the "Covenants").

### ***Payment of Principal and Interest***

The Bank will duly and punctually pay the principal of and interest and any Additional Amounts on the Notes in accordance with the terms of the Notes and the Indenture.

### ***Maintenance of Corporate Existence; Properties***

The Bank will (i) maintain in effect its corporate existence and all registrations necessary therefor, (ii) take all actions to maintain all rights, privileges, titles to property or franchises necessary in the normal conduct of its business and (iii) keep all its property used or useful in the conduct of its business in good working order and condition except in each case where the failure to so comply would not have a material adverse effect on the financial condition or results of operations of the Bank and its Subsidiaries taken as a whole; *provided* that this covenant shall not require the Bank to do so if the board of directors of the Bank shall determine in good faith that the maintenance or preservation thereof is no longer necessary or desirable in the conduct of the business of the Bank.

### ***Compliance with Law***

The Bank will, and will cause each of its Subsidiaries to, comply with all applicable laws, rules and regulations of each government agency having jurisdiction over it or its business except where the failure to so comply would not have a material adverse effect on the financial condition or results of operations of the Bank and its Subsidiaries taken as a whole.

### ***Reports to Trustee***

The Bank will furnish to the Trustee in English:

(i) within 120 days after the end of each fiscal year of the Bank (or, if later, the date on which the Bank is required to deliver to the CNV financial statements for the relevant fiscal period), a copy of the audited consolidated balance sheet of the Bank as of the end of such year and the related consolidated statements of income and retained earnings and of changes in financial position for such fiscal year;

(ii) within 90 days after the end of the first three fiscal quarters of each fiscal year of the Bank (or, if later, the date on which the Bank is required to deliver to the CNV financial statements for the relevant fiscal period), a copy of the unaudited consolidated balance sheet of the Bank as of the end of each such quarter and the related unaudited consolidated statements of income and retained earnings and changes in financial position for such quarter and the portion of the fiscal year through such date; all of the financial statements referred to in (i) and (ii) to be prepared in accordance with Central Bank Accounting Rules applied consistently throughout the periods reflected therein (except as otherwise expressly noted therein);

(iii) concurrently with the delivery of the financial statements referred to in clause (i) above, a certificate of an Authorized Person (as defined below) of the Bank or an external auditor stating that, to the best of such Authorized Person's knowledge, no Event of Default has occurred and is continuing except as specified in such certificate.

The Trustee shall have no obligation to determine if and when the Bank's financial statements or reports are publicly available and accessible electronically. Delivery of these reports, information and documents to the Trustee is for informational purposes only, and the Trustee's receipt of them will not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Bank's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on officer's certificates).

### ***Maintenance of Books and Records***

The Bank will maintain books, accounts and records in accordance in all material respects with the Rules and Regulations of the Central Bank, as amended from time to time.

### ***Notice of Default***

The Bank will give written notice to the Trustee, promptly after the Bank becomes aware thereof, of any Event of Default that has occurred and is continuing, accompanied by an officer's certificate setting forth the details of such Event of Default and stating what action the Bank proposes to take with respect thereto.

### ***Further Actions***

The Bank will use reasonable efforts to take any action or satisfy any condition (including seeking any necessary consent, approval, authorization, exemption, filing or license) at any time required by applicable laws and regulations to be taken, fulfilled or done in order to (i) enable it lawfully to perform its payment obligations under the Notes and the Indenture, (ii) ensure that those obligations are legally binding and enforceable and (iii) make the Notes and the Indenture admissible in evidence in the courts of Argentina.

### ***Mergers, Consolidations, Sales***

The Bank will not merge or consolidate with or into, or convey or transfer all or substantially all of its assets to any Person unless (i) immediately after giving effect to such transaction, no Event of Default shall have occurred and be continuing, (ii) any resulting, surviving or transferee Person (if other than the Bank) formed by any such merger or consolidation, or the Person which acquires by conveyance or transfer such assets (the "Successor Person") expressly assumes, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, the due and punctual payment of the principal of, and interest on (including Additional Amounts, if any, that may result due to withholding by any authority having the power to tax to which the Successor Person is or may be subject) all of the Notes and the Indenture, (iii) the Successor Person (except in the case of leases), if any, succeeds to and becomes substituted for the Bank with the same effect as if it had been named in the Notes as the Bank, and (iv) the Bank delivers to the trustee an officer's certificate, stating that such consolidation, merger or transfer and such supplemental indenture, if any, comply with the Indenture. Upon subscription of the Notes, holders irrevocably waive any and all rights that they may be entitled to under Argentine law to submit an opposition to any such merger or consolidation or transfer of assets in accordance with Argentine Business Companies Law No.19,550, as amended and supplemented, and other applicable Argentine laws and regulations and Bulk Transfer Law No.11,867, as amended from time to time.

### ***Negative Pledge***

The Bank will not, and will not permit any of its Significant Subsidiaries to, create, incur, assume or suffer to exist any Lien, except a Permitted Lien, upon its present or future assets, to secure any Indebtedness unless at the same time or prior thereto, the Bank's obligations under the Notes and the Indenture, as the case may be, are secured equally and ratably therewith.

### **Certain Definitions**

For the purposes of the covenants and the Events of Default:

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

“*Authorized Person*” means any officer of the Bank duly authorized in writing to take actions under the Indenture on behalf of the Bank.

“*Business Day*” means each day that is not a Saturday, Sunday or other day on which banking institutions in New York, New York and Buenos Aires, Argentina, are authorized or required by law, decree or otherwise to close.

“*Capital Stock*” means, with respect to any Person, any and all shares, interests, participations, warrants, options, rights or other equivalents of or interests in (however designated and whether voting or non-voting) corporate stock of a corporation and any and all equivalent ownership interests in a Person (other than a corporation), in each case whether now outstanding or hereafter issued, including any preferred stock.

“*Control*” of a Person by another means that the other Person (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove the majority of the members of the board of directors or other governing body of that Person or otherwise controls or has the power to control the affairs and policies of that Person, and the terms “*Controlling*” and “*Controlled*” have meanings correlative to the foregoing.

“*Governmental Authority*” means any government or any state, department or other political subdivision thereof, or any governmental body, agency, authority (including without limitation any central bank, taxing authority, court or tribunal) or agent or instrumentality exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any corporation, partnership or other entity directly or indirectly owned by or Controlled by any of the foregoing.

“*Hedging Obligations*” means, with respect to any Person, the obligations of such Person pursuant to any interest rate swap agreement, foreign currency exchange agreement, interest rate cap or collar agreement, option or futures contract or other agreement or arrangement designed to protect such Person against changes in interest rates or foreign exchange rates.

“*Indebtedness*” means with respect to any Person, without duplication: (i) all obligations of such Person for borrowed money; (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments; (iii) all obligations of such Person under any lease that are required to be classified and accounted for as capital lease obligations under the rules of the Central Bank; (iv) guarantees of such Person in respect of Indebtedness referred to in clauses (i) through (iii) above; (v) all Indebtedness of any other Person of the type referred to in clauses (i) through (iv) which is secured by any Lien on any property or asset of such Person; *provided* that the term “*Indebtedness*” will not include any of the following liabilities or obligations incurred by the Bank or any of its Subsidiaries: (a) any deposits with or funds collected by the Bank or any of its Subsidiaries, (b) any check, note, certificate of deposit, draft or bill of exchange or similar instrument issued, accepted or endorsed by us or any of our Subsidiaries, (c) any transaction in which the Bank or any of its Subsidiaries act in a fiduciary or agency capacity, (d) any banker’s acceptance or similar credit transaction, (e) any agreement to purchase or repurchase securities or loans or currency or to participate in loans and (f) any letters of credit issued by the Bank or any of its Subsidiaries.

“*Issue Date*” means November 30, 2015.

“*Lien*” means any mortgage, charge, security interest, pledge, hypothecation or similar encumbrance.

“*Permitted Lien*” means:

- (a) any Lien existing on the Issue Date;
- (b) any landlord’s, workman’s, carriers’, warehousemen’s, mechanics’, materialmen’s, repairmen’s or similar Liens arising in the ordinary course of business;

(c) any Lien on any asset (including Capital Stock) securing Indebtedness incurred or assumed for the purpose of financing all or any part of the cost of constructing, acquiring or improving such asset, which Lien attached to such asset concurrently with or within 180 days after the completion of construction, acquisition or improvement thereof;

(d) any Lien created in connection with: special lines of credit or advances granted to the Bank by or through local or foreign governmental entities (including, without limitation, the Central Bank, *Banco de Inversión y Comercio Exterior S.A.* (“BICE”), *Fondo Fiduciario de Asistencia a Entidades Financieras y de Seguros* (“FFA”), *Fondo Fiduciario para la Reconstrucción de Empresa* (“FFR”), *Seguro de Depósitos S.A.* (“SEDESA”), *Fondo de Liquidez Bancaria* (“FLB”), and export credit agencies) or any line of credit or loan granted by the International Bank for Reconstruction and Development and the Inter-American Development Bank, (the “*líneas especiales de crédito*”); rediscount loans (*redescuentos*) or advances granted by the Central Bank and by other Argentine government entities (including, without limitation, BICE, FFA, SEDESA, FFR and FLB) (the “*redescuentos*” or “*adelantos*”), each obtained in accordance with the applicable rules and regulations of the Central Bank or such other applicable rules and regulations governing *líneas especiales de crédito* or *redescuentos* or *adelantos*;

(e) any Lien on any asset and/or property (including Capital Stock) (i) existing thereon at the time of acquisition of such asset and/or property or (ii) of any Person, at the time such Person is acquired by, or is merged or otherwise consolidated or combined with or into, the Bank or any of its Subsidiaries;

(f) any Lien securing an extension, renewal or refunding of Indebtedness secured by a Lien referred to in (a), (c), (d), or (e) above; *provided* that such new Lien is limited to the property which was subject to the prior Lien immediately before such extension, renewal or refunding and *provided further* that the principal amount of Indebtedness secured by the prior Lien immediately before such extension, renewal or refunding is not increased;

(g) any (i) inchoate Lien for taxes, assessments or governmental charges or levies not yet due (including any relevant extensions) or contested in good faith, (ii) Lien arising or incurred in connection with judgments or assessments (including tax or other statutory Liens) under circumstances not constituting an Event of Default or (iii) Lien arising by operation of law;

(h) any Lien arising under any Permitted Receivables Financing;

(i) any Lien securing Hedging Obligations;

(j) any Lien the creation of which is permitted pursuant to applicable regulations issued by the Central Bank and/or by any other applicable governmental institution of Argentina permitted or created in the future by such entities, in connection with (i) repurchase agreements; (ii) our asset custody business; and (iii) our credit card business;

(k) any additional Lien; *provided* that on the date of the creation or assumption of such Lien, the Indebtedness secured by such Lien, together with all other Indebtedness of the Bank and its Significant Subsidiaries secured by a Lien under this clause, shall have an aggregate principal amount outstanding of no greater than 10% of the total consolidated assets of the Bank as set forth in the Bank’s most recent consolidated financial statements.

“*Permitted Receivable Financing*” means any receivables financing facility or arrangement pursuant to which an entity purchases or otherwise acquires accounts receivable of the Bank or any Significant Subsidiaries and enters into a third party financing thereof.

“*Person*” means any individual, corporation (including a business trust), limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization or other entity, or government or any agency or political subdivision thereof.

“*Significant Subsidiary*” means, at any time, any of the Bank’s subsidiaries which is a “significant subsidiary” of the Bank within the meaning of Rule 1-02(w) of the U.S. Securities and Exchange Commission’s Regulation S-X.

“*Subsidiary*” means, with respect to any Person, any corporation, association or other business entity of which more than 50% of the voting power of the Capital Stock thereof is at the time owned or Controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof; *provided* that the term “Subsidiary” shall not include any trust established by or at the direction of the Bank, other than a trust which is Controlled by the Bank, other than by virtue solely of general provisions relating to voting rights of holders of any relevant securities in their capacity as such or otherwise by virtue of any holding of a specific number or amount of any such securities.

## **Events of Default**

In case one or more of the following events (each an “Event of Default”) shall have occurred and be continuing with respect to the Notes:

(i) the Bank shall fail to pay any principal or interest (or Additional Amounts, if any) on the Notes on the date when it becomes due and payable in accordance with the terms thereof, and such failure continues for a period of ten (10) days (in the case of principal) or fifteen (15) days (in the case of interest or Additional Amounts, if any);

(ii) the Bank shall fail to duly perform or observe any other covenant applicable to the Notes in the Indenture and such failure shall continue unremedied for a period of 60 days after written notice specifying such default and requiring it to be remedied and stating that such notice is a “Notice of Default” has been received by the Bank from the Trustee and from the holders of at least 25% in aggregate principal amount of the outstanding Notes;

(iii) the Bank shall fail to pay at the final scheduled maturity thereof its Indebtedness, beyond the grace period, if any, provided in the agreement under which such Indebtedness was created, in a past due principal amount exceeding US\$30,000,000 (or the then equivalent thereof in another currency, each such equivalent to be determined by the Bank at the time of the relevant default and not be affected by subsequent changes in exchange rates at the time of determination), or any other event of default occurs under any agreement relating to any such Indebtedness which results in the acceleration of the final scheduled maturity of such Indebtedness in a past due principal amount exceeding US\$30,000,000 (or the equivalent thereof at the time of determination);

(iv) (a) a court having jurisdiction shall enter a final decree or order for (x) relief in respect of the Bank in an involuntary case under Argentine Law No. 21,526, as amended, Argentine Law No. 24,522 or any applicable bankruptcy, insolvency or similar law in effect from time to time or (y) the appointment under any applicable bankruptcy, insolvency or other similar law of an administrator, receiver or trustee for the Bank for all or substantially all of the assets of the Bank, and in each case such decree or order shall remain unstayed and in effect for a period of 60 consecutive days or (b) the Central Bank shall order a suspension of all or substantially all of the activities of the Bank pursuant to Article 49 of the charter of the Central Bank, and such suspension shall remain unstayed and in effect for a period of 60 consecutive days;

(v) the Bank shall (a) commence a voluntary case under Law No. 21,526, as amended, Law No. 24,522 or seeking liquidation or other relief with respect to its debts under any applicable bankruptcy, insolvency or similar law or (b) consent to the appointment under any applicable bankruptcy, insolvency or similar law of an administrator, receiver or trustee for the Bank for all or substantially all of the assets of the Bank;

(vi) either (a) the Bank shall liquidate or dissolve or permanently cease to carry on all or substantially all of its business and operations (in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganization, merger or consolidation, on terms approved by a resolution of an Extraordinary Meeting of the holders of the Notes) or (b) any one or more Governmental Authorities shall take the effective control of the Bank through a nationalization or expropriation of all or substantially all of the assets or Capital Stock of the Bank.

If any of the Events of Default described above occurs and is continuing, the holders of not less than 25% in aggregate principal amount of the Notes, by written notice to the Bank, may declare all the Notes then outstanding to be immediately due and payable; *provided* that in the case of the Events of Default described in (iv) and (v) above with respect to the Bank, the Notes shall, without any notice to the Bank or any other act by the Trustee or the

Holder of any Note, become immediately due and payable. If an Event of Default described in clause (iii) above has occurred and is continuing with respect to the Notes, such Event of Default will be automatically rescinded and annulled once the default triggering such Event of Default pursuant to clause (iii) is remedied or cured by the Bank or waived by the holders of the relevant Indebtedness. No such rescission and annulment will affect any subsequent Event of Default or impair any right consequent thereto.

Upon any such declaration of acceleration, the principal of the Notes so accelerated and the interest accrued thereon and all other amounts payable with respect to such Notes will become and be immediately due and payable. If the Event of Default or Events of Default giving rise to any such declaration of acceleration are cured following such declaration, such declaration may be rescinded by the holders of such Notes in the manner set forth in the Indenture.

The Trustee shall not be charged with knowledge of any Event of Default with respect to the Notes unless a written notice of such Event of Default shall have been given to an officer of the Trustee with direct responsibility for the administration of the Indenture and the Notes, by the Bank or any holder of Notes.

### **Meetings, Modification and Waiver**

The Bank and the Trustee may, without the vote or consent of any holder of Notes, modify or amend the Indenture or the Notes for the purpose of:

- adding to the covenants of the Bank such further covenants, restrictions, conditions or provisions as are for the benefit of the holders of such Notes;
- surrendering any right or power conferred upon the Bank;
- securing the Notes pursuant to the requirements thereof or otherwise evidencing the succession of another person to the Bank and the assumption by any such successor of the covenants and obligations of the Bank in the Notes and in the Indenture pursuant to any merger, consolidation or sale of assets;
- complying with any requirement of the CNV in order to effect and maintain the qualification of the Indenture;
- making any modification which is of a minor or technical nature or correcting or supplementing any ambiguous, inconsistent or defective provision contained in the Indenture or in such Notes; or
- making any other modification, or granting any waiver or authorization of any breach or proposed breach, of any of the terms and conditions of such Notes or any other provisions of the Indenture in any manner which does not adversely affect the interests of the holders of the Notes in any material respect.

Modifications to and amendments of the Indenture and the Notes may be made, and future compliance or past default by the Bank may be waived, by the Bank and the Trustee by the adoption of a resolution at a meeting of holders of a Note as set forth below, but no such modification or amendment and no such waiver may, without the unanimous consent of the holders of all Notes adversely affected thereby, (i) change the scheduled due date for the payment of principal of, premium, if any, or any interest on any such Note, (ii) reduce the principal amount of, the portion of such principal amount which is payable upon acceleration of the maturity of, the stated interest rate on or the premium payable upon redemption of any such Note, (iii) reduce the obligation of the Bank to pay Additional Amounts on any such Note, (iv) shorten the period during which the Bank is not permitted to redeem any such Note, (v) change the Specified Currency in which or the required places at which any such Note or the premium or interest thereon is payable, (vi) change the governing law under which the Indenture and the Notes are governed, (vii) reduce the percentage of the aggregate principal amount of such Notes necessary to modify, amend or supplement the Indenture or such Notes, or for waiver of compliance with certain provisions thereof or for waiver of certain defaults or (viii) reduce the percentage of aggregate principal amount of outstanding Notes required for the adoption of a resolution or the quorum required at any meeting of holders of such Notes at which a resolution is adopted.

The Indenture contains provisions for convening meetings of holders of Notes to consider matters affecting their interests. A meeting of the holders of Notes may be called by the Trustee or the Bank upon the request of the holders of at least 5.0% in aggregate principal amount of the outstanding Notes, or by the Bank at its discretion, pursuant to the Negotiable Obligations Law. The meetings will be held in the City of Buenos Aires; *provided* that the Bank or the Trustee may determine to hold any such meetings in New York City and/or London. In any case, meetings shall be held at such time and at such place in any such city as the Bank or the Trustee shall determine. Any resolution passed at a meeting convened in London or New York City shall be binding on all Holders of Notes (whether present or not at such meeting), only upon ratification by a meeting of such Holders held in the City of Buenos Aires in accordance with the Negotiable Obligations Law. The Indenture contains provisions for Holders present or represented at meetings of Holders convened in London or New York City to appoint representatives at meetings of Holders in the City of Buenos Aires. Subject as aforesaid, any resolution duly passed will be binding on all Holders of Notes (whether or not they were present at the meeting at which such resolution was passed).

Any such meeting will be held in accordance with the Negotiable Obligations Law in the City of Buenos Aires. If a meeting is held pursuant to the written request of holders of Notes, such meeting shall be convened within 40 days from the date such written request is received by the Bank. Notice of any meeting of holders of Notes (which shall include the date, place and time of the meeting, the agenda therefor and the requirements for attendance) shall be given not less than 10 nor more than 45 days prior to the date fixed for the meeting as set forth under “*Notices*” below and shall be published not less than five consecutive Business Days nor more than 30 days prior to the date fixed for the meeting in the *Boletín Oficial* (Official Gazette of Argentina) and in another widely circulated newspaper in Argentina.

Any holder of a Note may attend a meeting in person or by proxy. Amendments or supplements to the Indenture or to the Notes or waivers of any provision thereof approved at a meeting may only be approved at an extraordinary meeting. The quorum at any meeting called to adopt a resolution will be persons holding or representing a majority in aggregate principal amount of the outstanding Notes and at any reconvened adjourned meetings will be the person(s) present at such reconvened adjourned meeting. At a meeting or a reconvened adjourned meeting duly convened and at which a quorum is present, any resolution to modify or amend, or to waive compliance with, any provision of the Notes (other than the provisions referred to in the fourth preceding paragraph) shall be validly passed and decided if approved by the persons entitled to vote a majority in aggregate principal amount of the Notes then outstanding represented and voting at the meeting. Any instrument given by or on behalf of any holder of a Note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent holders of such Note. Any modifications, amendments or waivers to the Indenture or to the Notes shall be conclusive and binding upon all holders of Notes whether or not they have given such consent or were present at any meeting, and on all Notes of such series.

The Trustee will designate the record date for determining the holders of Notes entitled to vote at any meeting and will provide notice to holders of Notes in the manner set forth in the Indenture. The holder of a Note may, at any meeting of holders of Notes at which such holder is entitled to vote, cast one vote for each U.S. dollar in principal amount of the Notes.

For purposes of the above, any Note authenticated and delivered pursuant to the Indenture will, as of any date of determination, be deemed to be “outstanding”, except:

- Notes canceled by the Trustee or delivered to the Trustee for cancellation;
- Notes that have been called for redemption in accordance with their terms or which have become due and payable at maturity or otherwise and with respect to which monies sufficient to pay the principal thereof and any premium, interest, Additional Amounts or other amount thereon shall have been deposited with the Trustee; or
- Notes in lieu of or in substitution for which other Notes shall have been authenticated and delivered pursuant to the Indenture;



*provided* that in determining whether the holders of the requisite principal amount of outstanding Notes are present at a meeting of holders of Notes for quorum purposes or have consented to or voted in favor of any notice, consent, waiver, amendment, modification or supplement under the Indenture, Notes owned directly or indirectly by the Bank or any of its Affiliates, including any Subsidiary, shall be disregarded and deemed not to be outstanding.

Promptly after the execution by the Bank and the Trustee of any supplement or amendment to the Indenture, the Bank shall give notice thereof to the holders of the Notes and, if applicable, to the CNV, setting forth in general terms the substance of such supplement or amendment. If the Bank shall fail to give such notice to the holders of the Notes within 15 days after the execution of such supplement or amendment, the Trustee may give notice to the holders at the expense of the Bank. Any failure of the Bank or the Trustee to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplement or amendment.

#### **Enforcement by Holders of Notes**

No holder of Notes shall have any right by virtue of or by availing itself of any provision of the Indenture or such Note to institute any suit, action or proceeding in equity or at law upon or under or with respect to the Indenture or the Notes or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless (i) such holder previously shall have given to the Trustee written notice of a default with respect to the Notes, (ii) holders of not less than 25% in aggregate principal amount of the Notes shall have made a written request upon the Trustee to institute such action, suit or proceeding in its own name as Trustee under the Indenture and shall have offered the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby and (iii) the Trustee for 60 days after receipt of such notice, request and offer of indemnity, shall have failed to institute any such action, suit or proceeding and no direction inconsistent with such written request shall have been given to the Trustee pursuant to the Indenture.

#### **Defeasance**

The Bank may at any time terminate all of its obligations with respect to the Notes (“defeasance”), except for certain obligations, including those regarding any trust established for a defeasance and obligations to register the transfer or exchange of the Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain agencies in respect of Notes. The Bank may at any time terminate its obligations under certain covenants set forth in the indenture, and any omission to comply with such obligations will not constitute a Default or an Event of Default with respect to the Notes issued under the indenture (“covenant defeasance”). In order to exercise either defeasance or covenant defeasance, the Bank must irrevocably deposit in trust, for the benefit of the holders of the Notes, with the trustee money or U.S. government obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants expressed in a written certificate delivered to the trustee, without consideration of any reinvestment, to pay the principal of, the premium, if any, and interest on the Notes to redemption or maturity and comply with certain other conditions, including the delivery of opinions of counsel as to certain tax matters.

#### **Replacement of Notes**

Notes that become mutilated, destroyed, stolen or lost will be replaced upon delivery thereof to the Trustee, or delivery to the Bank and the Trustee of evidence of the loss, theft or destruction thereof satisfactory to the Bank and the Trustee. In the case of a lost, stolen or destroyed Note, an indemnity satisfactory to the Trustee and the Bank will be required at the expense of the holder of such Note before a replacement Note will be issued. Upon the issuance of any new Note, the Bank may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and the expenses of the Trustee, its counsel and its agents) connected therewith.

#### **Repayment of Monies; Prescription**

Any monies deposited with or paid to the Trustee or any Paying Agent for the payment of the principal of or interest or any other amounts payable on or in respect of any Note (including Additional Amounts) and not applied but remaining unclaimed for five years for principal or any other amount and two years for interest after the

date upon which such principal or interest or other amounts have become due and payable will, unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property law, be repaid to the Bank by the Trustee or such Paying Agent, and the holder of such Note shall, unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property laws, thereafter look only to the Bank for any payment that such holder may be entitled to collect, and all liability of the Trustee or any Paying Agent with respect to such monies will thereupon cease. All claims against the Bank for payment of principal of or interest or any other amounts payable on or in respect of any Note (including Additional Amounts) shall be prescribed unless such claims are made within five years for principal or any other amount and two years of interest from the date on which such payment first became due.

## **Notices**

Notices to holders of Notes will be deemed to be validly given: (i) if sent by first class mail to them (or, in the case of joint holders, to the first-named in the Register) at their respective addresses as recorded in the Register, and will be deemed to have been validly given on the fourth Business Day after the date of such mailing, (ii) for as long as such Notes are listed on the MBVA, upon publication in Official Gazette (*Boletín Diario*) of the BCBA, in accordance with the delegation of capacities of the MVBA set forth in Resolution No. 17,501 of the CNV, and (iii) for as long as such Notes are listed on the Euro MTF Market, upon publication in a leading daily newspaper of general circulation in Luxembourg. It is expected that notices in Luxembourg will be published in the *Luxemburger Wort*. If publication is impossible or impracticable in Luxembourg, then publication may, in lieu of publication in Luxembourg, be made in any English language newspaper having general circulation in Europe. Any such notice will be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the last date on which publication is required and made as so required. In the case of Global Notes, notices shall be sent to DTC or its nominee (or any successor thereto), as the holder thereof, and DTC or its nominee will communicate such notices to its participants in accordance with its standard procedures.

In addition, the Bank shall be required to cause all such other publications of such notices as may be required from time to time by applicable Argentine law. Neither the failure to give notice nor any defect in any notice given to any particular holder of a Note shall affect the sufficiency of any notice with respect to any other Notes.

## **Judgment Currency Indemnity**

If a judgment or order given or made by any court for the payment of any amount in respect of any Note is expressed in a currency (the “judgment currency”) other than the currency (the “denomination currency”) in which such Notes are denominated or in which such amount is payable, the Bank will indemnify the relevant holder against any deficiency arising or resulting from any variation in rates of exchange between the date as of which the amount in the denomination currency is notionally converted into the amount in the judgment currency for the purposes of such judgment or order and the date of actual payment thereof. This indemnity will constitute a separate and independent obligation from the other obligations contained in the terms and conditions of the Notes, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment or order for a liquidated sum or sums in respect of amounts due in respect of the relevant Note or under any such judgment or order.

The Bank agrees that, notwithstanding any restriction or prohibition on access to the foreign exchange market (*Mercado Único y Libre de Cambios*) in Argentina, any and all payments to be made under the Notes and the Indenture will be made in U.S. dollars. Nothing in the Notes and the Indenture shall impair any of the rights of the holders of the Notes or the Trustee or justify the Bank in refusing to make payments under the Notes and the Indenture in U.S. dollars for any reason whatsoever, including, without limitation, any of the following: (i) the purchase of U.S. dollars in Argentina becoming more onerous or burdensome for the Bank than as of the date hereof and (ii) the exchange rate in force in Argentina increasing significantly from that in effect as of the date hereof. To the extent permitted by law, the Bank waives the right to invoke any defense of payment impossibility (including any defense under Section 1091 of the Argentine Civil Code), impossibility of paying in U.S. dollars (assuming liability for any force majeure or act of God), or similar defenses or principles (including, without limitation, equity or sharing of efforts principles).

## **Governing Law, Judgments, Jurisdiction, Service of Process, Waiver of Immunities**

The Indenture and the Notes are governed by, and will be construed in accordance with, the law of the State of New York; *provided* that all matters relating to the due authorization, execution, issuance and delivery of the Notes by the Bank, and matters relating to the legal requirements necessary in order for the Notes to qualify as “negotiable obligations” under Argentine law, shall be governed by the Argentine Negotiable Obligations Law, as amended, together with Argentine Companies Law, as amended and other applicable Argentine laws and regulations.

The Bank shall irrevocably submit to the jurisdiction of any state or federal court sitting in the Borough of Manhattan, City and State of New York, any Argentine court sitting in the City of Buenos Aires and any competent court in the place of its corporate domicile for purposes of any action or proceeding arising out of or related to the Indenture or the Notes. The Bank shall irrevocably waive, to the fullest extent permitted by law, any objection which the Bank may have to the laying of the venue of any such action or proceeding brought in such a court and any claim that any such action or proceeding brought in such a court has been brought in an inconvenient forum. The Bank has also agreed that final judgment in any such action or proceeding brought in such court shall be conclusive and binding upon the Bank and may be enforced in any court to the jurisdiction of which the Bank is subject by a suit upon such judgment; *provided* that service of process is effected upon the Bank in the manner specified in the following paragraph or as otherwise permitted by law.

As long as any Note remains outstanding, the Bank will at all times have an authorized agent in the Borough of Manhattan in the City and State of New York upon whom process may be served in any legal action or proceeding arising out of or relating to the Notes or the Indenture. Service of process upon such agent and written notice of such service mailed or delivered to the party being joined in such action or proceeding shall, to the extent permitted by law, be deemed in every respect effective service of process upon such party in any such legal action or proceeding. The Bank has appointed CT Corporation System, 111 Eighth Avenue, New York, New York, 10011 as our agent for service of process in any proceedings in the Borough of Manhattan, City and State of New York.

In addition, pursuant to the Indenture, the Bank has acknowledged that the activities contemplated by the Indenture are commercial in nature and has irrevocably waived to the extent permitted by applicable law any right of immunity or claim thereto that may now or hereafter exist.

## **Trustee**

The Notes shall be issued in accordance with the Indenture. Deutsche Bank Trust Company Americas has been appointed as the Trustee under the Indenture. The Indenture contains provisions relating to the duties and responsibilities of the Trustee and its obligations to the holders of the Notes.

The Trustee may resign at any time and the holders of a majority in aggregate principal amount of the Notes may remove the Trustee at any time. The Bank may remove the Trustee if the Trustee becomes ineligible to serve as Trustee under the terms of the Indenture, becomes incapable of acting as Trustee, or is adjudged insolvent or bankrupt. If the Trustee resigns or is removed, a successor Trustee will be appointed in accordance with the terms of the Indenture. The Bank will give notice of any resignation, termination or appointment of the Trustee to the holders of the Notes and to the CNV.

In the Indenture, the Bank covenants to indemnify and defend the Trustee for, and to hold it harmless against, any loss, liability or expense (including the reasonable costs and expenses of its counsel) arising out of or in connection with the acceptance or administration of the Indenture or the trusts thereunder and the performance of its duties thereunder, except to the extent such loss, liability or expense is due to its own gross negligence or willful misconduct.

The Indenture provides that the Trustee or any affiliate or agent of the Trustee may become the owner or pledgee of securities with the same rights it would have if it were not the Trustee or any agent of the Trustee and may otherwise deal with the Bank and receive, collect, hold and retain collections from the Bank with the same rights it would have if it were not the Trustee or an affiliate or agent. The Trustee and its affiliates and agents are

entitled to enter into business transactions with the Bank or any of our affiliates without accounting for any profit resulting from such transactions.

### **Paying Agents; Transfer Agents; Registrars**

The registrars, paying agents and transfer agents appointed by the Bank are listed at the back of this Pricing Supplement. The Bank may at any time appoint additional or other registrars, paying agents and transfer agents and terminate the appointment thereof; *provided* that (i) while Notes are outstanding, the Bank will maintain a registrar, a paying agent and a transfer agent in New York City; (ii) as long as the Notes are listed on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, at least one paying agent and transfer agent will be located in Luxembourg; and (iii) as long as it is required by Argentine law or by the CNV, the Bank will maintain a co-registrar, a paying agent and a transfer agent in the City of Buenos Aires. In the event required by the Indenture, notice of any resignation, termination or appointment of any registrar, paying agent or transfer agent, and of any change in the office through which any registrar, paying agent or transfer agent will act, will be promptly given to the holders of the Notes in the manner described under “*Notices*” above and to the CNV.

The Trustee, the Paying Agents, the Transfer Agents and the Registrars make no representation regarding this Pricing Supplement, any or the matters contained herein.

## PLACEMENT EFFORTS AND ALLOCATION PROCESS

### *Placement Efforts*

We, the Initial Purchasers (directly or through any of their affiliates), and in Argentina, the Argentine Placement Agent plan to undertake a series of marketing and placement efforts to place the Notes offered hereby in an *oferta pública* under the Argentine Negotiable Obligations Law, the Capital Markets Law, the Joint Resolutions and the CNV Rules. Accordingly, we and the Argentine Placement Agent will offer the Notes to the public in Argentina and we, and the Initial Purchasers will offer the Notes outside Argentina to a broad group of investors in accordance with the applicable laws of the jurisdictions in which the Notes are offered (all such investors are referred to herein as “potential investors”). The Initial Purchasers will not offer Notes in Argentina.

The placement efforts may consist of a variety of marketing methods that have proven successful in past transactions, which we expect may include, among others, the following:

- a road show in which potential investors will be invited to participate;
- a global conference call where potential investors, including Argentine investors that may not have participated in the road show meetings, with the opportunity to ask questions of our management;
- our management will also be available to potential investors, both in Argentina and in other countries outside Argentina, via:
  - (i) one-on-one conference calls;
  - (ii) one-on-one meetings; and
  - (iii) group meetings;
- an “electronic road show”, an audio/visual presentation through the Internet which allows potential investors unable to attend the road show meetings and global conference call referred to above to have access to our road show presentation;
- distribution (in hard copy and/or electronically) of the Offering Memorandum and the Pricing Supplement, as the case may be, relating to the Notes and the Global Note Program, in the Spanish language in Argentina and in substantially similar offering documents in English in countries outside of Argentina;
- making available to potential Argentine investors, upon request, at our offices copies of the Offering Memorandum and the Pricing Supplement, and designating a contact person to respond to investor inquiries; and
- complying with the local communication and publication requirements of the CNV for a public offering in Argentina (including, without limitation, publications in Argentine newspapers of general circulation and in the Official Gazette (*Boletín Diario*) of the BCBA, in accordance with the delegation of powers of the MVBA set forth in Resolution No.17,501 of the CNV).

### *Global Offer*

Pursuant to this Pricing Supplement, we will offer up to US\$200,000,000 of Notes at the subscription price to be determined pursuant to the proceedings described herein.

The offer of the Notes shall comprise: (i) an offer to the public in Argentina (the “Local Offer”), which will be made through the Argentine Placement Agent; and (ii) an offer outside Argentina through the Initial Purchases, (x) within the United States or to any U.S. persons, only to QIBs within the meaning of Rule 144A, in reliance on

the exemption from the registration requirements of the Securities Act provided by Rule 144A, and (y) outside the United States to non-U.S. persons, only in compliance with Regulation S (the “International Offer” and, together with the Local Offer, the “Global Offer” and, each of the offers individually, an “Offer”), in each case, in accordance with Capital Markets Law and other applicable norms.

### **Initial Placement of the Notes**

Pursuant to Article 27, Section IV, Title II of the CNV Rules, the Notes will be placed in Argentina by means of a public auction (*subasta pública*) under the SIOPEL System, pursuant to the parameters and conditions set forth below:

- the auction process will be conducted through the SIOPEL System, which is owned and operated by the MAE;
- the registration of purchase orders (the “Registry”) under the initial placement of the Notes shall be made pursuant to the procedures adopted by the SIOPEL System;
- the purchase orders for the Notes may be submitted by investors to: (i) the Argentine Placement Agent, who will receive, process and load them onto the SIOPEL System immediately, or (ii) any MAE agent, who will receive, process and load them onto the SIOPEL System. In no case shall we or, if purchase orders are submitted pursuant to (ii) above, the Argentine Placement Agent be liable, for (x) the way in which orders have been registered in the SIOPEL System; or (y) compliance with the procedures required by any applicable anti-money laundering regulations. Neither we, nor the Argentine Placement Agent shall be liable for problems, failures, lost connections, application errors and/or any downtime in the SIOPEL System;
- the total orders registered in the SIOPEL System will be accessible by us and by the Argentine Placement Agent for review. With respect to each purchase order the Registry shall reflect: (i) the name of the agent that placed the order, and whether it was for its own account or for the account of a customer, (ii) the amount of Notes required, (iii) the minimum yield required, (iv) the date and hour of reception of the purchase order, (v) the order number, and (vi) any other material information;
- once the auction process has ended, we will determine the interest rate in accordance with the procedure detailed under “Process to Determine the Interest Rate” below; and
- finally, together with the Argentine Placement Agent, through the SIOPEL System, we will make the allocation of the Notes in accordance with the procedures under “Allocation Process” below.

Pursuant to Section 4 of Chapter IV, Title VI of the CNV Rules, the public notice and auction process consists of (i) a public notice period of four stock market business days in Argentina (the “Public Notice Period”) from the date on which this Pricing Supplement together with the applicable notice of subscription (the “Notice of Subscription”), has been published in the Official Gazette (*Boletín Diario*) of the BCBA, in accordance with the delegation of powers of the MVBA set forth in Resolution No.17,501 of the CNV and on the website of the CNV ([www.cnv.gob.ar](http://www.cnv.gob.ar)) under the item “*Información Financiera*”, and on the Bank’s website ([www.hipotecario.com.ar](http://www.hipotecario.com.ar)), which Public Notice Period, which may be terminated, suspended or extended at our discretion (with the prior agreement of the Argentine Placement Agent); and (ii) an auction process of one stock exchange business day in Argentina (the “Auction Period”) that will take place on the date and time informed in the Notice of Subscription (except in the case that the Public Notice Period is suspended or extended, in which case the Auction Period will take place on such other date indicated in the relevant suspension or extension notification), Auction period may be extended at our discretion (with the prior agreement of the Argentine Placement Agent). The termination, suspension and/or extension of the Public Notice Period and/or the Auction Period will not subject us or the Argentine Placement Agent to any liability and will not give investors with purchase orders any right to compensation or indemnity. In case the Auction Period is terminated, all of the purchase orders that were placed up until that point will become automatically void. In case the Auction Period is suspended or extended, the investors that made purchase orders during such period can, at their discretion and without any penalty, withdraw such

purchase orders at any time before the end of the Auction Period. If the Public Notice Period or Auction Period is suspended or extended, we shall publish, no later than the stock exchange business day immediately prior to the end of either the Public Notice Period or the suspended or extended Auction Period, a notice in the Official Gazette (*Boletín Diario*) of the BCBA, in accordance with the delegation of powers of the MVBA set forth in Resolution No.17,501 of the CNV, the website of the CNV (under the item “*Información Financiera*”) and on the website of the MAE.

During the Public Notice Period, we and the Argentine Placement Agent will undertake the placement efforts described herein; during the Auction Period, investors will be able to submit, through the Argentine Placement Agent and/or directly through any MAE agent, purchase orders for the Notes pursuant to the terms described above.

All MAE Agents that wish to participate in the auction, directly or on behalf of their clients, must request for permission to participate in the auction on, or before, 4:00 p.m. (Buenos Aires Time) on the first day of the Public Notice Period.

In addition, persons placing a bid in the auction may be required to furnish to the Argentine Placement Agent all information and documentation required to be filed by such investors, or which may otherwise be requested by the Argentine Placement Agent, in order to comply with applicable regulations, including without limitation, laws and regulations relating to money laundering. Furthermore, MAE agents and/or entities that adhere to the MAE must, immediately after loading any purchase order onto the SIOPEL System, provide to the Argentine Placement Agent all necessary information related to the origin of the funds to be used to subscribe the Notes pursuant to applicable anti money laundering regulations. The Argentine Placement Agent will analyze such information pursuant to, and in accordance with, applicable money laundering regulations. In such cases where such information (i) proves to be insufficient and/or (ii) is not provided to the Argentine Placement Agent in due time and form, the Argentine Placement Agent may reject such purchase order.

We and the Argentine Placement Agent reserve the right to reject any order if we or the Argentine Placement Agent believe that the applicable laws and regulations have not been complied with to our or their satisfaction. Any decision to reject an order will take into account the principle of fair treatment of all investors. MAE and/or MVBA agents that transfer purchase orders directly shall be responsible for the verification of the compliance of the regulations previously described. No MAE and/or MVBA agent that may transfer purchase orders will be entitled to any commission from us or from the Argentine Placement Agent.

The allocation of the Local Offer orders shall be made by virtue of the procedures described under “Allocation Process” below.

The Argentine Placement Agent can only accept purchase orders from Argentine residents (in all cases, the final beneficiary owner must be an Argentine resident), except for the purchase orders received from the Initial Purchasers.

### **International Offer**

The International Offer is made (a) within the United States or to any U.S. persons, only to QIBs within the meaning of Rule 144A, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A, and (b) outside the United States to non-U.S. persons, only in compliance with Regulation S.

During the Public Notice Period, the Initial Purchasers will receive purchase orders from investors outside Argentina. Once the Public Notice Period has ended and the Auction Period begins, the Initial Purchasers shall load through the Local Placement Agents one or more orders onto the SIOPEL System on behalf of those investors who placed purchase orders during the “book building” process. Such purchase orders, once loaded onto the SIOPEL System shall be considered firm purchase orders for all effects and will be granted equal treatment to other orders loaded onto the SIOPEL System according to the procedure described under “Initial Placement of the Notes” above.

The Initial Purchasers may require investors to furnish all information and documentation required to be filed by such investors in order to comply with applicable regulations, including without limitation laws and regulations relating to money laundering. The Initial Purchasers reserve the right to reject any order in their sole discretion. Any decision to reject an order will take into account the principle of fair treatment of all investors.

### **Process to Determine the Interest Rate**

Once the Auction Period has ended, after taking into account the results of the Global Offer, we and the Argentine Placement Agent will determine the applicable interest rate, and thus the price, at which all the Notes shall be subscribed (the “Closing Interest Rate”), which shall be disclosed by publishing a notice during one stock exchange business day in the Official Gazette (*Boletín Diario*) of the BCBA, in accordance with the delegation of powers of the MVBA set forth in Resolution No.17,501 of the CNV) and on the website of the CNV ([www.cnv.gob.ar](http://www.cnv.gob.ar)) under the item “*Información Financiera*” and on the Bank’s website ([www.hipotecario.com.ar](http://www.hipotecario.com.ar)).

The subscription price determined using the procedure described above shall be identical for all investors that have been allocated Notes, and therefore all investors that have been allocated Notes will pay the same subscription price.

### **Allocation Process**

Once the interest rate and the amount of Notes to be issued are determined, the Argentine Placement Agent will register such amount in the SIOPEL System as the “Issue Amount of the Notes” in order to perform the final allocation of the Global Offer automatically and transparently.

If the Notes are over-subscribed, the allocation of the Global Offer shall be made as follows in the SIOPEL System:

- investors that have submitted purchase orders offering to receive an interest rate lower than the Closing Interest Rate shall receive the total amount of Notes requested;
- investors that have submitted purchase orders offering to receive an interest rate equal to the Closing Interest Rate shall receive the total amount of Notes requested. If the total amount of orders exceeds the Issue Amount of the Notes, all the investors that have submitted orders offering to receive an interest rate equal to the Closing Interest Rate shall be allocated Notes on a pro rata basis among themselves; and
- orders submitted at an interest rate higher than the Closing Interest Rate shall not be allocated any Notes.

If as a result of applying the proration described above, the nominal amount of Notes to be assigned to an order contains amounts smaller than US\$500, such amounts shall be eliminated in order to round down the nominal value to be assigned. If an order (after being prorated) contains amounts smaller than US\$1,000 and greater than or equal to US\$500, the corresponding nominal amount to be assigned will be US\$1,000.

Orders excluded based on the application of the method for determining the Closing Interest Rate previously described will become automatically null and void and will neither result in any obligations for us or the Argentine Placement Agent nor grant to such investors any right to claim any compensation. Neither us nor the Argentine Placement Agent shall have any obligation to individually inform each investor whose purchase orders have been totally or partially excluded, that such offers had been totally or partially excluded.

### **Payment of the Subscription Price**

On or before the issue and settlement date of the Notes, which shall be on or about five business days after the pricing date and disclosed in due course in the Notice of Subscription and/or the Supplemental Notice, as the case may be (the “Issue and Settlement Date”), investors submitting purchase orders that have been allocated Notes



pursuant to the process previously described shall pay the price corresponding to such Notes in an account outside Argentina that the Argentine Placement Agent shall designate in the Notice of Subscription.

**Expenses to be Borne by the Noteholders**

The investors acquiring the Notes will not be under an obligation to pay any fee and/or commissions, except if such investor makes the transaction through its broker, operator, commercial bank, trust company or other entity, in which case such investor may have to pay commissions and/or fees to such entities, which shall be such investor's exclusive responsibility. Likewise, in the event of transfers or other acts or records with respect to the Notes, including in the system of collective deposits, *Caja de Valores S.A.* ("Caja de Valores") may charge fees to depositors, which may be transferred to the holders of the Notes (including with respect to the transfer from the collective deposit system to the registry under the responsibility of Caja de Valores).

## SUBSCRIPTION AND SALE

Subject to the terms and conditions set forth in the purchase agreement dated November 24, 2015 among us and the Initial Purchasers, each of the Initial Purchasers has agreed, severally and not jointly to purchase from us, the principal amount of Notes set forth opposite its name below:

<u>Initial Purchaser</u>	<u>Principal Amount of Notes</u>
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	US\$100,000,000
Itau BBA USA Securities, Inc.....	US\$100,000,000
Total.....	<u>US\$200,000,000</u>

Subject to the terms and conditions set forth in the purchase agreement, the Initial Purchasers have agreed, severally and not jointly, to purchase all of the Notes sold under the purchase agreement if any of these Notes are purchased. If an Initial Purchaser defaults, the purchase agreement provides that the purchase commitments of the nondefaulting Initial Purchasers may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

### Commissions and Discounts

The representatives have advised us that the Initial Purchasers propose initially to offer the Notes at the offering price set forth on the cover page of this Pricing Supplement. After the initial offering, the offering price or any other term of the offering may be changed. The Initial Purchasers may offer and sell Notes through certain of their affiliates.

### Notes Are Not Being Registered

The Notes have not been registered under the Securities Act or any state securities laws. The Initial Purchasers propose to offer the Notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The Initial Purchasers will not offer or sell the Notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under “Notice to Investors”.

The Notes will be a new issue of securities with no established trading market. Application has been made to list the Notes on the Luxembourg Stock Exchange and to admit the Notes for trading on the Euro MTF Market. Application has also been made to list and to admit the Notes for trading the Notes on the MVBA and on the MAE. We have been advised by the Initial Purchasers that they presently intend to make a market in the Notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without notice. We cannot assure the liquidity of the trading market for the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors. Moreover, the Initial Purchasers have informed us that they might not undertake any market-making activity with respect to the Notes until expiration of the confirmation period in Argentina.

## **Settlement**

We expect that delivery of the Notes will be made to investors on November 30, 2015, which will be the third business day following the date of this Pricing Supplement (such settlement being referred to as “T+3”).

We have agreed that we will not, for a period of 60 days after the date of this Pricing Supplement, without the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Itau BBA USA Securities Inc., which may not be unreasonably withheld, conditioned or delayed, issue or sell, or offer to contract or grant any option to issue or sell, any of our long-term debt securities, in each case in the international capital markets, except for the Notes sold to the initial purchasers pursuant to the purchase agreement.

## **Short Positions**

In connection with the offering, the Initial Purchasers may purchase and sell the Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater principal amount of Notes than they are required to purchase in the offering. The Initial Purchasers must close out any short position by purchasing Notes in the open market. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the Initial Purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor any of the Initial Purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

## **European Economic Area**

In relation to each member state of the European Economic Area, no offer of Notes which are the subject of the offering has been, or will be made to the public in that Member State, other than under the following exemptions under the Prospectus Directive:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Representatives for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

*provided* that no such offer of Notes referred to in (a) to (c) above shall result in a requirement for the Bank or any Representative to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

This Pricing Supplement has been prepared on the basis that any offer of Notes in any Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Member State of Notes which are the subject of the offering contemplated in this Pricing Supplement may only do so in circumstances in which no obligation arises for the Bank or any of the Representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Bank nor the Representatives have authorized, nor do they

authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Bank or the Representatives to publish a prospectus for such offer.

For the purposes of this provision, the expression “an offer of Notes to the public” in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive that Relevant Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (as amended) and includes any relevant implementing measure each Member State.

The above selling restriction is in addition to any other selling restrictions set out below.

### **Notice to Prospective Investors in the United Kingdom**

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are “qualified investors” (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

### **Republic of Argentina**

The Notes may be offered directly to the public in Argentina only through the Argentine Placement Agent, who is authorized under the laws and regulations of Argentina to offer or sell securities to the public in Argentina. The offering of the Notes in Argentina will be made by a substantially similar Pricing Supplement and Offering Memorandum in the Spanish language and in accordance with CNV Rules.

### **Relationship with the Initial Purchasers**

Some of the Initial Purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the Initial Purchasers or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**Banco Hipotecario S.A.**  
Reconquista 151  
(C1003ABC), Ciudad Autónoma de Buenos Aires  
Argentina

**TRUSTEE, CO-REGISTRAR, PAYING AGENT AND TRANSFER AGENT**  
**Deutsche Bank Trust Company Americas**  
60 Wall Street, 16th Floor  
New York, New York 10005  
United States of America

**REGISTRAR, LOCAL PAYING AGENT, LOCAL TRANSFER AGENT AND  
REPRESENTATIVE OF THE TRUSTEE IN ARGENTINA**  
**Deutsche Bank S.A.**  
Tucumán 1, Piso 13 (Edificio República)  
(C1049AAA), Ciudad Autónoma de Buenos Aires  
Argentina

**AUDITORS**  
**Price Waterhouse & Co. S.R.L.**  
Bouchard 557, Piso 7  
(C1106ABG), Ciudad Autónoma de Buenos Aires  
Argentina

**LUXEMBOURG PAYING AGENT AND TRANSFER AGENT AND LISTING AGENT**  
**Deutsche Bank Luxembourg S.A.**  
2, Boulevard Konrad Adenaur  
L-1115 Luxembourg

<b>LEGAL ADVISORS TO THE BANK</b>	
<i>In respect of U.S. Law</i>	<i>In respect of Argentine Law</i>
<b>Simpson Thacher &amp; Bartlett LLP</b>	<b>Zang, Bergel &amp; Viñes Abogados</b>
425 Lexington Avenue	Florida 537, Piso 18, Galería Jardín
New York, NY 10017	(C1005AAK), Ciudad Autónoma de Buenos Aires
United States of America	Argentina

<b>LEGAL ADVISORS TO THE INITIAL PURCHASERS</b>	
<i>In respect of U.S. Law</i>	<i>In respect of Argentine Law</i>
<b>Shearman &amp; Sterling LLP</b>	<b>Bruchou, Fernández Madero &amp; Lombardi</b>
599 Lexington Avenue	Ing. Enrique Butty 275, Piso 12
New York, NY 10022	(C1001AFA), Ciudad Autónoma de Buenos Aires
United States of America	Argentina



**Banco Hipotecario S.A.**  
**US\$800,000,000**  
**Global Note Program**

Under our US\$800,000,000 Global Note Program, which we refer to as the “Program”, we may from time to time issue notes (the “Notes”) denominated in any currency as may be set forth in a pricing supplement to this offering memorandum. We may issue Notes with maturities of not less than 30 days and not more than 30 years from the date of issue as may be set forth in the applicable pricing supplement, subject with respect to specific currencies and to compliance with applicable legal and regulatory requirements. The maximum principal amount of all Notes we may have outstanding at any time is limited to US\$800,000,000 (or its equivalent in Pesos).

The Notes issued under the Program may (i) bear a fixed rate of interest, (ii) bear a variable rate of interest or (iii) be issued at a discount and not bear interest. The principal amount, maturity, interest rate and interest payment dates of each series of Notes issued under the Program will be described in a pricing supplement to this offering memorandum related to such series. Specific terms and conditions applicable to the Notes that amend, supplement or otherwise modify the general terms and conditions of the Notes described in this offering memorandum will be described in the pricing supplement applicable to such series.

We may offer the Notes issued under the Program directly or through dealers and agents that we may designate from time to time and in exchange for cash or surrender of other securities. Any such dealers and agents will be set forth in the applicable pricing supplement. This offering memorandum may not be used to consummate sales of Notes issued under the Program unless accompanied by the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, the Notes will be unsecured, unsubordinated obligations and will rank at least *pari passu* in right of payment with our other unsecured and unsubordinated indebtedness (other than obligations preferred by statute or operation of law, including deposits).

**An investment in the Notes involves significant risks. See “Risk Factors” beginning on page 13 of this offering memorandum for a description of certain material risks related to an investment in the Notes. The applicable pricing supplement relating to any series of Notes may describe additional risks you should consider.**

Notes issued under the Program have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), any state securities laws, or the securities laws of any other jurisdiction (other than Argentina). Unless the Notes are registered under the Securities Act, the Notes may be offered only in transactions that are exempt from registration under the Securities Act and the securities laws of other jurisdictions. Accordingly, we will only offer and sell Notes in transactions exempt from registration under the Securities Act to “qualified institutional buyers” (as defined in Rule 144A under the Securities Act, “QIBs”) or “institutional accredited investors” (as defined in Rule 501(a)(1), (2) or (3) under the Securities Act) or outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act. For a description of certain restrictions on resale and transfer of the Notes, see “Subscription and Sale” and “Transfer Restrictions” in this offering memorandum. Each pricing supplement will detail the placement efforts to be undertaken pursuant to the applicable jurisdictions.

Notes issued under the Program will be listed on one or more markets authorized by the Argentine *Comisión Nacional de Valores* (the “CNV”) in Argentina or abroad, as set forth in the applicable pricing supplement relating to each series.

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF. This offering memorandum along with the pricing supplement constitute a prospectus for the purposes of part IV of the Luxembourg law on prospectuses for securities dated July 10, 2005, as amended.

To the best of our knowledge and belief, having taken all reasonable care to ensure such is the case, the information contained in this offering memorandum and the pricing supplement is in accordance with the facts and contains no omission likely to affect their import.

The date of this offering memorandum is November 24, 2015

The public offering has been authorized by the CNV pursuant to Resolutions No. 16,573 and 17,805, dated May 24, 2011 and September 9, 2015, respectively. Such authorizations mean only that the reporting requirements have been satisfied. The CNV has not rendered any opinion in respect of the information contained in this offering memorandum. The accuracy of the accounting, financial, economic and all other information contained in this offering memorandum is the sole responsibility of our Board of Directors and, to the extent applicable, its Supervisory Committee and other responsible persons as set forth in sections 119 and 120 of Law No. 26,831 on Capital Markets (as amended and supplemented, including, without limitation, Decree No. 1023/13, the “Capital Markets Law”). Our Board of Directors hereby represents and warrants that, as of the date hereof, this offering memorandum, along with the applicable pricing supplement, contains true and complete information regarding any material fact affecting our equity, economic and financial condition, as well as all other information that is required to be furnished to prospective investors in respect of the Notes in accordance with applicable laws and regulations.

The Notes will constitute non-convertible *obligaciones negociables* under the Argentine Negotiable Obligations Law No. 23,576, as amended by Argentine Law No. 23,962 (the “Negotiable Obligations Law”), issued and placed in accordance with such law, the Capital Markets Law, the Joint Resolution Nos. 470-1738/2004, 500-2222/2007 and 521-2352/2007, as amended, issued by the CNV, and the Argentine tax authority (the “AFIP”), which resolutions we refer to collectively as the “Joint Resolutions”, and the General Resolution No. 622/2013, as amended, issued by the CNV (the “CNV Rules”) and all other applicable regulations of the CNV, and will have the benefits provided thereby, and will be subject to the procedural requirements set forth therein.

## TABLE OF CONTENTS

<u>Page</u>	<u>Page</u>
Enforcement of Civil Liabilities.....iv	Selected Statistical Information..... 107
Disclosure Regarding Forward-Looking Statements.....v	Management..... 134
Available Information.....vi	Principal Shareholders..... 152
Presentation of Financial and Other Information.....vii	Related Party Transactions..... 154
Summary.....1	Argentine Banking System and Regulation..... 157
Risk Factors.....13	Argentine Insurance System and Regulation..... 187
Capitalization.....36	Description of the Notes..... 192
Use of Proceeds.....37	Subscription and Sale..... 208
Ratings.....37	Transfer Restrictions..... 212
Exchange Rates and Exchange Controls.....38	Description of Capital Stock..... 214
Selected Financial and Other Information.....43	Taxation..... 226
Management's Discussion and Analysis of Financial Condition and Results of Operations.....47	Independent Accountants..... 241
Quantitative and Qualitative Disclosures About Market Risk.....80	Legal Matters..... 241
The Argentine Banking Industry.....82	General Information..... 242
Business.....88	Form of Pricing Supplement..... 243
	Annex I – Summary of Significant Differences Between Central Bank Accounting Rules and IFRS.....A-1
	Index to the Financial Statements.....F -1



## **NOTICE TO NEW HAMPSHIRE RESIDENTS**

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE UNIFORM SECURITIES ACT (“RSA 421-B”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

## ENFORCEMENT OF CIVIL LIABILITIES

We are a corporation (*sociedad anónima*) organized and operating under the laws of Argentina. Substantially all of our assets are located outside the United States. The majority of our directors and all our officers and certain advisors named herein reside in Argentina or elsewhere outside the United States, and all, or a substantial portion of, their assets are also located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to force against them or against us judgments predicated upon the civil liability provisions of the U.S. federal securities laws or the laws of such other jurisdictions.

In the terms and conditions of the Notes, we will (i) agree that the courts of the State of New York and the federal courts of the United States, in each case sitting in the Borough of Manhattan, City and State of New York, will have non-exclusive jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with the Notes and, for such purposes, irrevocably submit to the jurisdiction of such courts and (ii) name an agent for service of process in the Borough of Manhattan, New York City. See “Description of the Notes”.

Enforcement of foreign judgments would be recognized and enforced by the courts in Argentina provided that the requirements of Article 517 and 519 of the National Civil and Commercial Procedure Code (*Código Procedural Civil y Comercial de la Nación*) (if enforcement is sought before federal courts) are met, such as (i) the judgment, which must be final in the jurisdiction where rendered, was issued by a court competent in accordance with Argentine principles regarding international jurisdiction and resulted from a personal action, or an *in rem* action with respect to personal property if such was transferred to Argentine territory during or after the prosecution of the foreign action, (ii) the defendant against whom enforcement of the judgment is sought was personally served with the summons and, in accordance with due process of law, was given an opportunity to defend against foreign action, (iii) the judgment must be valid in the jurisdiction where rendered and its authenticity must be established in accordance with the requirements of Argentine law, (iv) the judgment does not violate the principles of public policy of Argentine law and (v) the judgment is not contrary to a prior or simultaneous judgment of an Argentine court.

We have been advised by our Argentine counsel, Zang, Bergel & Viñes Abogados, that there is doubt as to the enforceability, in original actions in Argentine courts, of liabilities predicated solely upon the federal securities laws of the United States and as to the enforceability in Argentine courts of judgments of United States courts obtained in actions against us predicated upon the civil liability provisions of the federal securities laws of the United States.

## DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), principally under the captions “Summary”, “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business”. These forward-looking statements are based largely on our current beliefs, expectations and projections about future events and financial trends affecting or that may affect our business, results of operations and prospects. All statements other than statements of historical facts contained in this offering memorandum including statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “aim”, “forecast”, “foresee”, “understand”, “intend”, “estimate”, “anticipate”, “believe” or “continue” or the negative thereof or variations thereon or similar terminology. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we do not provide any assurance with respect to such statements. Because such statements are subject to risks and uncertainties, actual results may differ materially and adversely from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially and adversely include, but are not limited to:

- changes in general economic, financial, business, political, legal, social or other conditions in Argentina or elsewhere in Latin America or changes in either developed or emerging markets;
- downturns in the capital markets and changes in capital markets in general that may affect policies or attitudes toward Argentina or Argentine companies or securities issued by Argentine companies, including policies or attitudes relating to lending or investing;
- increased inflation;
- a devaluation of the Argentine peso;
- increases in interest rates and the cost of deposits which may adversely affect financial margins;
- governmental intervention and regulation (including banking and tax regulation);
- exchange controls, restrictions on transfers abroad and restrictions on capital inflows;
- adverse legal or regulatory disputes or proceedings;
- credit and other risk of lending, such as increases in defaults by borrowers and other delinquencies;
- increase in the allowances for loan losses;
- fluctuations and declines in the value of Argentine public debt;
- decrease in deposits, customers loss and revenue losses;
- competition in the banking, financial services and related industries, and loss of market share;
- increased cost of funding or our inability to obtain debt on attractive terms;
- technological changes, changes in consumer spending and saving habits, and our inability to implement new technologies;
- effects of the global financial markets and economic crisis;

- restrictions on the supply of energy that could adversely affect Argentina’s economy;
- consumer protection laws may limit the validity of some of our rights;
- the impact of actions taken by our competitors and other third parties;
- class actions against financial institutions for undetermined amounts can affect the profitability of the financial system and us in particular;
- the inability to retain certain personnel and the ability to hire additional key personnel;
- changes in the applicable laws and governmental regulations, particularly the Central Bank, the CNV Rules, and any other regulation related to us and our lending and other activities, tax matters and market conditions (including our fiduciary activities);
- disputes with holdouts in connection with the Republic of Argentina’s exchange offers in 2004 and 2010; and
- other risk factors discussed under “Risk Factors” beginning on page 13 of this offering memorandum.

You should not place undue reliance on such statements, which speak only as of the date that they were made. These cautionary statements should be considered in connection with any written or oral forward-looking statements that we may issue in the future. We do not undertake any obligation to release publicly any revisions to such forward-looking statements after completion of this offering to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

In light of these risks and uncertainties, the forward-looking information, events and circumstances discussed in this offering memorandum might not occur. Any such forward-looking statements are not guarantees of future performance. As a result, prospective investors should not make an investment decision based on any forward-looking statements contained in this offering memorandum and/or any pricing supplement.

### **AVAILABLE INFORMATION**

To permit compliance with Rule 144A in connection with resales of Notes that are “restricted securities”, we will furnish, upon the request of a holder of a Note or a prospective purchaser designated by such holder, the information required to be delivered by Rule 144A(d)(4) under the Securities Act unless, at the time of such request, we are either a reporting company under section 13 or section 15(d) of the Exchange Act, or are furnishing to the U.S. Securities and Exchange Commission (the “SEC”) the information required by Rule 12g3-2(b) under the Exchange Act.

Spanish copies of this offering memorandum, any supplements thereto and any pricing supplement related to the series to be issued thereunder, may be obtained on the CNV’s website ([www.cnv.gob.ar](http://www.cnv.gob.ar)).

The Bank has filed its consolidated financial results for the nine months ended September 30, 2015 with the CNV in early November. Such consolidated financial information is available on the CNV website ([www.cnv.gob.ar](http://www.cnv.gob.ar)) and on the Bank’s website ([www.hipotecario.com.ar](http://www.hipotecario.com.ar)), and the Bank has made such consolidated financial information available to investors. No information included on, or linked to or from, the CNV website or the Bank’s website, other than the Bank’s consolidated financial results for the nine months ended September 30, 2015, is or shall form a part of this offering memorandum.

## **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

### **Central Bank Accounting Rules**

We prepare our financial statements in conformity with the accounting rules established by the Central Bank, which we refer to as “Central Bank Accounting Rules”, through Circular CONAU 1, as supplemented and amended (“Central Bank Accounting Rules”), which differ in certain significant respects from the standards generally accepted as in effect in Argentina from time to time, which we refer to as “Argentine GAAP”, and from international financial reporting standards, which we refer to as “IFRS”. In the notes to the financial statements, we have identified and quantified the effect on the financial statements derived from the different valuation methods and exposure. Our audited and unaudited financial statements do not contain any reconciliation to Argentine GAAP, or to IFRS of our shareholders’ equity or our net income. Potential investors should consult their own professional advisors for an understanding of the differences between our accounting policies and Argentine GAAP and IFRS and how those differences affect the financial information herein.

Effective January 1, 1995 pursuant to Resolution No. 388 of the Central Bank’s Superintendence of Financial and Foreign Exchange Institutions (*Superintendencia de Entidades Financieras y Cambiarias*, hereinafter the “Financial Superintendence”), we discontinued our prior practice of adjusting our financial statements for inflation. Effective January 1, 2002, we resumed the application of the adjustment for inflation as a result of the application of Communication “A” 3702 of the Central Bank which repealed any regime that did not allow companies to restate their accounting balances at period-end currency values. On March 25, 2003, Decree No. 664/03 rescinded the requirement that financial statements be prepared in constant currency, effective for financial periods on or after March 1, 2003, and on April 8, 2003, the Central Bank issued Communication “A” 3921 discontinuing inflation accounting effective as of March 1, 2003. As a result, our unaudited financial statements as of June 30, 2014 and 2015 and our audited financial statements as of December 31, 2012, 2013 and 2014 do not include the effects of inflation. Our individual and consolidated financial statements as of June 30, 2015, prepared in accordance with the Central Bank Accounting Rules and with the accounting rules applicable in the Autonomous City of Buenos Aires (*Ciudad Autónoma de Buenos Aires*), consider all significant facts and circumstances of which we are aware.

### **Financial Statements**

This offering memorandum contains:

- our audited consolidated financial statements as of December 31, 2013 and 2014 and for the years ended December 31, 2012, 2013 and 2014. Our audited consolidated financial statements included in this offering memorandum have been audited by our independent accountants, Price Waterhouse & Co. S.R.L., City of Buenos Aires, Argentina, a member firm of PricewaterhouseCoopers, an independent registered public accounting firm, whose report is included herein; and
- our unaudited consolidated financial statements as of June 30, 2014 and 2015 and for the six months ended June 30, 2014 and 2015.

We refer to our audited consolidated financial statements and our unaudited consolidated financial statements collectively as our “financial statements”. Accounting and financial information included in this offering memorandum reflects our shareholders’ equity and the results of our consolidated position, including the consolidation of BACS Banco de Crédito y Securitización S.A. (“BACS”), BHN Sociedad de Inversión S.A. (“BHN Sociedad de Inversión”), BH Valores S.A. (“BH Valores”) and Tarshop S.A. (“Tarshop”) for the fiscal years ended December 31, 2012, 2013 and 2014 and for the six months ended June 30, 2014 and 2015.

### **General**

The term “Argentina” refers to the Republic of Argentina. The terms “Argentine government” or the “government” refer to the federal government of Argentina, and the term “Central Bank” refers to the Central Bank of Argentina (*Banco Central de la República Argentina*).

## **Currency**

Unless otherwise specified or the context otherwise requires, references in this offering memorandum to “peso”, “pesos” or “Ps.” are to Argentine pesos, the official currency of Argentina, and references to “dollar”, “dollars”, “U.S. dollars” or “US\$” are to United States dollars.

This offering memorandum contains translations of peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise indicated, our assets and liabilities in foreign currency are valued at the exchange rate as of each relevant date or period-end according to the Central Bank reference exchange rate for U.S. dollars. In the case of U.S. dollars, Central Bank quotes for such exchange rates were Ps.1.00 = US\$1.00 until December 23, 2001. From December 24, 2001 to January 10, 2002, the exchange market was officially suspended. On January 11, 2002, the exchange rate in the free market began to float for the first time since April 1991. At that time, the free market rate was Ps.1.70 = US\$1.00 while the official market rate was Ps.1.40 = US\$1.00. On February 3, 2002, the Argentine government repealed the dual exchange rate system, and since February 11, 2002, Argentina has had one freely floating exchange rate for all transactions. As of June 30, 2015, and November 23, 2015, the exchange rate reported by the free exchange market was Ps.9.0865 = US\$1.00 and Ps.9.6710 = US\$1.00, respectively.

You should not construe the translation of currency amounts in this offering memorandum to be representations that the peso amounts actually represent U.S. dollar amounts or that any person could convert the peso amounts into U.S. dollars at the rate indicated or at any other exchange rate. See “Exchange Rates and Exchange Controls” for information regarding recent developments in exchange rates.

## **Rounding**

Certain figures which appear in this offering memorandum (including percentage amounts) and in our financial statements have been subject to rounding adjustments for ease of presentation. Accordingly, figures shown for the same category presented in different tables or different parts of this offering memorandum and in our financial statements may vary slightly, and figures shown as totals in certain tables may not be arithmetic aggregation of the figures that precede them. In addition, certain market shares and other information included in this offering memorandum have been derived from information on the Argentine banking system published by the Central Bank. Information published by the Central Bank related to loans does not include information related to non-bank lenders such as provincial housing institutes and other non-banking institutions.

## **Economic and Market Data**

In this offering memorandum, unless otherwise indicated, macroeconomic data related to the Argentine economy is based on information published by the National Institute of Statistics (*Instituto Nacional de Estadísticas y Censos*, or the “INDEC”), and all market share and other data related to the Argentine financial system is based on information published by the Central Bank.

## SUMMARY

*This summary highlights selected information regarding us. It does not contain all of the information that an investor should consider before making an investment decision. For a complete understanding, you should read carefully this entire offering memorandum, including the information included in “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Business”, our financial statements, and the attached pricing supplement relating to the Notes.*

### Overview

Established in 1886 by the Argentine government and privatized in 1999, we are a full-service, inclusive commercial bank, offering a wide range of banking products such as personal and corporate loans, deposits, credit and debit cards, and activities and related financial services to individuals, small and medium-sized companies and large corporations. All of our operations are located in Argentina, where we operate through a nationwide network of 60 branches in all 23 provinces and the City of Buenos Aires, and 15 additional points of sale across Argentina. We seek to distinguish ourselves from other Argentine banks through our focus on household and consumer loans, which we believe offers attractive opportunities for continued growth.

We have historically been Argentina’s leading mortgage lender and provider of mortgage-related insurance and mortgage loan services, according to the Central Bank. As of December 31, 2014, we ranked 12<sup>th</sup> among Argentine banks in terms of total shareholders’ equity with Ps.4,396.9 million in total shareholders’ equity and 13<sup>th</sup> in terms of unconsolidated assets, with assets of Ps.29,336.1 million. Our unconsolidated net income for the years ended December 31, 2012, 2013 and 2014 was Ps.343.6 million, Ps.421.0 million and Ps.550.0 million, respectively, which represented a return on average equity of 10.3%, 11.5% and 13.3%, respectively, and a return on average assets of 2.4%, 2.3% and 2.1%, respectively. As of June 30, 2015, we had Ps.4,700.7 million of total shareholders’ equity and assets of Ps.33,321.4 million. Our consolidated net income for the six months ended June 30, 2015 was Ps.345.6 million.

In line with our strategy to continue diversifying our loan portfolio, our non-mortgage loans increased from Ps.7,676.1 million as of December 31, 2012 to Ps.10,708.0 million as of December 31, 2013 to Ps.14,845.9 million as of December 31, 2014, and Ps.16,551.9 million as of June 30, 2015, representing an increase in loans granted to the non-financial private sector from 80.4% to 87.0%, from December 31, 2012 to June 30, 2015, respectively. Non-performing loans represented 2.3% of our total loan portfolio as of December 31, 2012, 2.2% as of December 31, 2013, 2.3% as of December 31, 2014 and 2.3% as of June 30, 2015.

The table below shows our shareholders’ equity, assets and loan portfolio (unconsolidated) ranking compared to other Argentine commercial banks as of March 31, 2015.

Category	Amount as of March 31, 2015	Ranking as of March 31, 2015
	(in millions of pesos)	
Shareholders’ equity.....	Ps. 4,531.0	13 <sup>th</sup>
Assets .....	Ps. 28,549.9	13 <sup>th</sup>
Loan portfolio .....	Ps. 16,212.7	13 <sup>th</sup>

Source: Central Bank.

We have diversified our funding base, reduced our international financial borrowings and became one of the most frequent domestic issuers of corporate debt in Argentina in terms of our total funding by developing our presence in the domestic capital markets and increasing our deposit base. Our financial indebtedness as a percentage of our total funding was 22.4% as of December 31, 2012, 22.4% as of December 31, 2013, 20.7% as of December 31, 2014 and 22.5% as of June 30, 2015.

Our subsidiaries include BACS, a bank specialized in investment banking, assets securitization and asset management, BHN Vida S.A. (“BHN Vida”), a life insurance company, BHN Seguros Generales S.A. (“BHN Seguros Generales”), a homeowners’ insurance company, and Tarshop, a company focused on selling consumer finance products and making cash advances to unbanked clients.



Our principal shareholders are the Argentine government and IRSA Inversiones y Representaciones Sociedad Anónima (“IRSA”), a leading real estate company in Argentina listed on the Mercado de Valores de Buenos Aires S.A. (“MVBA”) and on the New York Stock Exchange (“NYSE”). See “Principal Shareholders”.

## **Our Strategy**

In 2004, we started refocusing our business, by developing and releasing new products, modernizing our systems and transforming our target markets. This has allowed us to evolve from a financial institution focused on mortgage loans to a full-service inclusive commercial bank. We intend to continue to strengthen our position as a leading universal bank in Argentina through the following strategic initiatives:

- *Continued Focus on Consumer Finance.* We intend to continue to enhance the scope and quality of the financial services provided to our individual clients and aim to acquire new clients. We intend to continue to use direct marketing to acquire new clients and improving our database processing to identify potential customers. We will also continue to develop e-channels in order to enhance our net distribution capabilities, such as home and internet banking.
- *Further Development of Corporate Banking Business.* We intend to complement our consumer finance activities with a substantial commercial loan portfolio. We seek to identify growth-oriented companies and to play an active role in their development by providing loans, cash management and other commercial banking services and assisting them to gain access to capital markets. We intend to increase our exposure to industry sectors that we believe have promising prospects for growth, such as the oil and gas sector.
- *Universal Banking with Continuing Focus on Housing Solutions.* We intend to maintain our leading position in the mortgage loan market and to offer a wide range of products to meet our customers’ mortgage finance needs. In addition to traditional mortgage lending and securitization activities, we intend to take advantage of new opportunities that arise in the mortgage finance sector such as acting as trustee for the government-sponsored Argentine Bicentennial Credit Program for Family Housing (*Programa Crédito Argentino del Bicentenario para la Vivienda Única Familiar*) program, which contemplates the promotion of up to 200,000 mortgage loans to individuals and the construction of new urban residential developments.
- *Diversifying Funding Sources.* We intend to continue to improve our funding mix by diversifying our short-term funding and to enhance long-term funding in order to align ourselves to the industry standards and take advantage of capital markets opportunities. In this regard, we will continue to focus on attracting demand deposits and issuing debt in capital markets.
- *Rigorous Risk Management.* Rigorous credit and risk management policies are essential for the successful implementation of our business strategy. We seek to continuously improve our risk management processes and overall asset quality by adopting and adhering to international best practices. We also intend to focus on monitoring the respective risks and profitability of our business units (applying *raroc* models), selectively originating new loans, segmenting our retail banking portfolio to identify client risks and price loans accordingly and maintaining a well-diversified portfolio of corporate loans. We are also Basel II compliant, and are in the process of implementing Basel III.
- *Enhance Profitability by Enhancing Customer Loyalty.* We seek to expand and strengthen our relationship with our existing customers which we believe represent a source of stable, recurring revenues and opportunities for further growth. We seek to establish ourselves as our customers’ preferred provider of diversified financial services by cross-selling a wide range of services and multi-product offerings and by focusing on opportunities to increase our income from fees.
- *Promotional Activities to Reinforce Brand.* We intend to emphasize promotional activities and loyalty campaigns to continue to foster our image as a contemporary, simple and inclusive bank. We will do



so by creative use of social media and marketing strategies designed to position us as a modern bank and to appeal to a younger client base.

- *Growth Opportunities.* In accordance with our internal growth plan, we expect to open at least six additional branches during 2015 also started an internal reorganization, reducing employee headcount in certain non-core activities, while increasing it in other core activities such as PROCLEAR and our main office. In addition, we continuously explore the possibility of selectively acquiring other banks or financial institutions to improve our distribution channels, diversify our sources of funding and take advantage of operational synergies, but we cannot assure you that we will be able to do so.

## SUMMARY OF THE PROGRAM

*This summary highlights important information regarding this Program. We urge you to read the entire offering memorandum. The terms and conditions contained in this section will govern the Notes to be issued under the Program, but the applicable pricing supplement will contain the specific terms and conditions of the particular Notes to be issued, which will supersede, supplement and/or modify these general terms and conditions, always safeguarding the investors' interests.*

In this offering memorandum, references to "Notes" are to any Notes that we may issue under the Program, unless the context otherwise requires.

Issuer .....	Banco Hipotecario S.A.
Dealers.....	The Notes may be offered directly by us or through such dealers and/or agents as appointed by us from time to time in each applicable pricing supplement. This offering memorandum may not be used to make sales of Notes unless it is accompanied by the applicable pricing supplement.
Amount of the Program.....	We may issue Notes provided that the outstanding amount under the Program does not exceed at any time the maximum principal amount of US\$800,000,000 (or its equivalent in pesos).
Program Duration .....	Five years from May 24, 2011.
Issuance in Series .....	<p>We may issue the Notes in series. Within each series, we may issue tranches of Notes, which shall be repaid within the time set forth in the applicable regulations, as long as the amount in circulation under the Program does not exceed the maximum principal amount of US\$800,000,000 (or its equivalent in pesos).</p> <p>We will set out the specific terms of each series and/or tranche in the applicable pricing supplement to this offering memorandum.</p>
Further Issues of Notes.....	If permitted by the banking regulations in Argentina and the CNV Rules, we may, from time to time, without the consent of, and/or notice to, the holders of any outstanding Notes, issue further Notes of the same or a new series.
Ranking .....	<p>The Notes issued under this Program will constitute <i>obligaciones negociables simples no convertibles en acciones</i> (simple, non-convertible notes) under Argentine law and will be issued pursuant to, and in compliance with, all of the requirements of the Negotiable Obligations Law and any other applicable Argentine laws and regulations.</p> <p>Unless otherwise specified in the applicable pricing supplement, the Notes will be unsecured, unsubordinated obligations and will rank at least <i>pari passu</i> in right of payment with our other unsecured and unsubordinated indebtedness (other than obligations preferred by statute or operation of law, including deposits).</p> <p>If so specified in the applicable pricing supplement, we may issue subordinated Notes, which will be junior in right of payment to our unsubordinated indebtedness, in accordance with the applicable laws (in such case, in accordance with the Rules of the Central Bank, we shall not be able to receive documents as collateral for funding or as countercollateral for guarantees given in favor of third parties or for eventual liabilities).</p>

assumed in representation of third parties) in right of payment with our other unsecured and unsubordinated indebtedness (other than obligations set forth by statute or by operation of law) (including deposits).

Placement of the Notes .....	<p>The public offering in Argentina and in particular the placement of the Notes will be made in accordance with the provisions of the Joint Resolutions and CNV Rules and any other applicable law and/or regulations. This offering memorandum will be available to the general public in Argentina. Placement of the Notes in Argentina will be made in accordance with the provisions of the Capital Markets Law, the Joint Resolution Nos. 470-1738/2004, 500-2222/2007 and 521-2352/2007, as amended, issued by the CNV and the AFIP and applicable CNV Rules and other laws and applicable regulations.</p> <p>The Notes have not been registered under the Securities Act, any state securities laws or the securities laws of any other jurisdiction (other than Argentina) and may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Bank will only offer and sell Notes in transactions exempt from registration under the Securities Act to QIBs or “institutional investors” (as defined in Rule 501(a)(1), (2) or (3) under the Securities Act) or outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act. Notwithstanding the foregoing, each pricing supplement will detail the placement efforts to be undertaken pursuant to the applicable jurisdictions.</p>
Repayment.....	We may issue Notes that are fully repayable upon maturity or with periodical repayment terms as specified in the applicable pricing supplement, such as annual, semi-annual or quarterly.
Issue Price .....	We may issue Notes at face value of their principal amount or at a discount or premium on their principal amount, as may be specified in the applicable pricing supplement.
Currencies .....	We may issue Notes in U.S. dollars or their equivalent in Argentine Pesos, as specified by the Bank in the applicable pricing supplement.
Maturities .....	The Notes will be issued subject to such terms and with such maturities as specified by the Bank in the applicable pricing supplement relating to each series and/or tranche, all subject to compliance with the laws and regulations that may be applicable from time to time. The maturity of the Notes may not be for less than 30 days nor more than 30 years from the issue date.
Issue Date .....	The issue date will be specified in the applicable pricing supplement.
Interest.....	Notes may bear interest at a fixed rate or at a margin above or below a floating rate based on LIBOR, U.S. Treasury rates or any other base rate, as we will specify in the applicable pricing supplement to the extent permitted by the applicable Argentine regulations including but not limited to the LEBAC’s discount rate (as defined under “Description of the Notes”), the BADLAR Rate (as defined under “Description of the Notes”) and the Reference Stabilization Index ( <i>Coeficiente de Estabilización de Referencia</i> , or the “CER”). We may also issue Notes on a non-interest bearing basis, as may be specified in the applicable pricing supplement.

Redemption .....	The applicable pricing supplement may provide that a series of Notes will be fully or partially redeemable (i) at our the option and/or (ii) at the option of the holder at a price or prices as set forth in the applicable pricing supplement. Partial redemption will be made on a pro rata basis, by lot or otherwise; <i>provided</i> that the applicable pricing supplements will establish the specific procedures for redemption of the particular notes that may be issued, which shall supersede, supplement and/or modify the general terms and conditions in this offering memorandum. In addition, any notices by us to the holders will also be made through the CNV's website ( <a href="http://www.cnv.gob.ar">www.cnv.gob.ar</a> ) as a "Material Event".
Early Redemption.....	Notes may be redeemed at our option, in whole but not in part, at a price equal to 100% of the principal amount plus accrued and unpaid interest for taxation reasons. See "Description of the Notes—Redemption and Repurchase—Redemption for Taxation Reasons". In addition, any notices by the Bank to the holders will be made through the CNV's website ( <a href="http://www.cnv.gob.ar">www.cnv.gob.ar</a> ) as a "Material Event".
Covenants .....	We may assume covenants in connection with each series and/or tranche of Notes to be issued, which will be specified in the applicable pricing supplement to each series and/or tranche.
Use of proceeds .....	We will use the proceeds from any issuance of Notes in compliance with the requirements set forth in article 36 of the Negotiable Obligations Law, Communication "A" 3046, as amended and supplemented by Communication "A" 5571, of the Central Bank and other applicable regulations, and as specified in the relevant pricing supplement issued in connection with the related series of Notes. Under current Argentine law and regulations, the use of proceeds is restricted to certain purposes, including working capital in Argentina; investments in tangible assets located in Argentina; refinancing of outstanding debt; contributions to the capital of a controlled or related corporation; <i>provided</i> that such corporation uses the proceeds of such contribution for the purposes specified above; or making loans in accordance with the Rules of the Central Bank and the Central Bank Accounting Rules; and <i>provided further</i> that the use of proceeds of such loans is one of the aforementioned purposes. See "Use of Proceeds".
Taxation.....	We will make payments in respect of the Notes without withholding or deduction for any taxes or other governmental charges imposed by Argentina, or any political subdivision or any taxing authority thereof. In the event that such withholdings or deductions are required by law, we will, subject to certain exceptions, pay such Additional Amounts (as defined under "Description of the Notes") to ensure that the holders receive the same amount as the holders would otherwise have received in respect of payments on the Notes in the absence of such withholdings or deductions. See "Description of the Notes—Additional Amounts".
Denominations .....	We may issue Notes in minimum denominations and other denominations as described in the applicable pricing supplement. We may adjust the minimum amount established by the Rules of the Central Bank, as set forth in Communication "A" 5034, as amended, which is currently Ps.400,000.
Form of Notes.....	Unless otherwise permitted by applicable law and specified in the applicable pricing supplement, the Notes will be issued in registered form

without interest coupons. Unless otherwise permitted by applicable law, we will only issue Notes in registered non-endorsable form or deposited with a custodian or a clearing system, not exchangeable for certificated bearer notes, as determined in the applicable pricing supplement. Any Notes sold in the United States to QIBs in reliance on Rule 144A under the Securities Act will be represented by one or more Rule 144A Global Notes. Any Notes sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act will be represented by one or more Regulation S Global Notes. See “Description of the Notes—Form and Denomination”.

Selling Restrictions .....	There are restrictions on the sale of the Notes and the distribution of this offering memorandum and any other offering material. See “Subscription and Sale” and “Transfer Restrictions”. Additional restrictions will be described in the applicable pricing supplement.
Transfer Restrictions .....	The Bank has not registered the notes under the Securities Act and, accordingly, the notes may not be transferred except in compliance with certain transfer restrictions. See “Transfer Restrictions.”
Registration Rights .....	If specified in the applicable pricing supplement, the Bank may grant registration rights to the holders of any series of Notes.
Listing .....	We may apply to have the Notes listed on the Luxembourg Stock Exchange to be admitted to trading on the Euro MTF Market and to be listed on the MVBA through the Bolsa de Comercio de Buenos Aires (the “BCBA”), as well as in any other authorized market in Argentina or abroad. However, the Bank cannot assure you that these applications will be accepted. Additionally, we may issue, under this Program, Notes which are not listed on any market, and the pricing supplement related to a class of Notes will specify whether the Notes of such class will be listed on the Luxembourg Stock Exchange to be admitted to trading on the Euro MTF Market or to be listed on the MVBA, or any other stock exchange or market authorized in Argentina or abroad.
Summary Action .....	Pursuant to section 29 of the Negotiable Obligations Law, Notes that qualify as <i>obligaciones negociables</i> entitle their holders to file a summary action ( <i>acción ejecutiva</i> ); therefore, in accordance with Article 129 of the Capital Markets Law, any depositary is entitled to issue certificates evidencing the Notes represented by global securities to any beneficial holder. These certificates entitle their beneficial holders to file a legal action before any competent court of Argentina, including a summary action, to enforce collection of any sums outstanding under the Notes.
Governing Law.....	The Negotiable Obligations Law establishes the requirements for the Notes to qualify as <i>obligaciones negociables</i> thereunder, and such law, together with the Argentine Companies Law, as amended, and other Argentine laws and regulations governs our capacity and corporate authorization to issue and deliver the Notes and authorization from the CNV to establish the Program and the offer of the Notes in Argentina. All other matters in respect to the terms and conditions of the Program and the Notes are governed by and construed in accordance with the Argentine laws. However, issues related with the Notes will be governed by the laws of the State of New York or Argentine law or by any other jurisdiction if so required in the applicable pricing supplement and, if so, should be

construed in accordance therewith.

Clearing Systems.....	To be specified in the applicable pricing supplement of each series.
Trustees and Agents .....	<p>The Notes may be issued or not under trust agreements and/or agency agreements. Such trust and/or agents will perform functions only in respect of such series of Notes specified in the applicable pricing supplement and shall have the rights and obligations specified therein.</p> <p>The appointment of trustees and agents will be detailed in the applicable pricing supplement.</p>
Risk Factors.....	See “Risk Factors” beginning on page 13 of this offering memorandum and the applicable pricing supplement for a description of certain significant risks involved in making an investment in the Notes.

## Summary Financial and Other Information

The following table presents our summary consolidated financial and other information as of and for the years ended December 31, 2010, 2011, 2012, 2013 and 2014 and as of and for the six months ended June 30, 2014 and 2015. This information should be read in conjunction with, and is qualified in its entirety by reference to, our financial statements included in this offering memorandum and the sections entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Selected Statistical Information”.

The summary consolidated financial information as of December 31, 2013 and 2014, and for each of the years ended December 31, 2012, 2013 and 2014 has been derived from our consolidated financial statements included in this offering memorandum which have been audited by Price Waterhouse & Co. S.R.L. The report of Price Waterhouse & Co. S.R.L. on our audited consolidated financial statements appears elsewhere in this offering memorandum. The summary consolidated financial information as of December 31, 2010, 2011 and 2012, and for the year ended December 31, 2010 and 2011 have been derived from our audited consolidated financial statements not included in this offering memorandum.

The consolidated financial information as of June 30, 2015 and for the six months ended June 30, 2014 and 2015 has been derived from our unaudited consolidated financial statements included in this offering memorandum. Our results of operations for the six months ended June 30, 2015 are not necessarily indicative of the results to be expected for year ended December 31, 2015 or for any other period.

Our audited and unaudited financial statements have been prepared in accordance with Central Bank Accounting Rules, which differ in certain significant respects from Argentine GAAP and IFRS. We have included a description of certain significant differences between IFRS and Central Bank Accounting Rules, as applied to us in “Annex 1—Summary of Significant Differences Between Central Bank Accounting Rules and IFRS”. Our financial statements do not contain any reconciliation to Argentine GAAP or IFRS of our shareholders’ equity or our net income. Potential investors should consult with their professional advisors for an understanding of the differences between our accounting policies and the Argentine GAAP and IFRS, and how those differences affect the financial information herein.

Effective January 1, 1995, pursuant to Resolution No. 388 of the Central Bank’s Financial Superintendence, we discontinued our prior practice of adjusting our financial statements for inflation. Effective January 1, 2002, we resumed the application of the adjustment for inflation, as a result of the application of Communication “A” 3702 of the Central Bank which repealed any regime that did not allow companies to restate their accounting balances at period-end currency values. On March 25, 2003, Decree No. 664/03 rescinded the requirement that financial statements be prepared in constant currency, effective for financial periods on or after March 1, 2003 and on April 8, 2003, the Central Bank issued Communication “A” 3921 discontinuing inflation accounting effective as of March 1, 2003. As a result, our unaudited financial statements as of June 30, 2014 and 2015 and our audited financial statements as of December 31, 2010, 2011, 2012, 2013 and 2014 do not include the effects of inflation.

The exchange rate used for purposes of translation of balances as of December 31, 2014 was Ps.8.5520=US\$1.00, in accordance with the Reference Exchange Rate published by the Central Bank as of such date.

The exchange rate used for purposes of translation of balances as of June 30, 2015 was Ps.9.0865=US\$1.00, in accordance with the Reference Exchange Rate published by the Central Bank as of such date.



	Year ended December 31,						Six months ended June 30,		
	2010	2011	2012	2013	2014	2014	2014	2015	2015
	(in thousands of pesos)						(US\$ <sup>(1)</sup> )	(in thousands of pesos)	
CONSOLIDATED BALANCE SHEET DATA									
Assets:									
Cash and due from banks .....	849,067	658,005	1,450,494	2,240,567	5,368,514	627,750	3,008,168	3,201,575	352,344
Government and corporate securities <sup>(2)</sup> .....	2,682,377	1,807,319	2,078,936	1,740,587	4,518,035	528,302	3,395,192	5,271,583	580,156
Loans:									
To the non-financial public sector....	49,856	50,768	91,806	139,373	112,131	13,112	130,925	90,231	9,930
To the financial sector .....	71,894	146,776	391,343	379,308	339,190	39,662	384,448	351,000	38,629
To the non-financial private sector and foreign residents:	5,651,221	7,540,694	9,544,383	12,928,639	17,195,344	2,010,681	15,060,872	19,025,739	2,093,847
Overdraft facilities .....	316,231	635,090	1,031,178	792,178	1,173,527	137,223	1,139,629	685,978	75,494
Promissory notes .....	159,629	250,736	229,629	371,267	369,360	43,190	257,286	238,162	26,211
Mortgage loans .....	1,741,901	1,705,635	1,868,330	2,220,627	2,349,468	274,727	2,202,867	2,473,874	272,258
Pledge loans .....	11,615	22,933	55,346	42,460	103,576	12,111	84,748	432,994	47,652
Personal loans .....	472,878	788,256	1,199,211	1,822,810	2,354,793	275,350	2,040,282	2,650,126	291,655
Credit card loans .....	1,813,442	2,701,531	3,551,203	5,181,068	7,155,260	836,677	5,950,266	8,500,601	935,520
Unallocated collections .....	(37,766)	(5,271)	(1,723)	(8,007)	(34,565)	(4,042)	(5,536)	(60,472)	(6,655)
Other loans .....	1,135,348	1,388,722	1,538,527	2,380,749	3,536,442	413,522	3,253,923	3,889,938	428,102
Accrued interest and quotation differences receivable .....	50,660	77,398	87,837	144,807	213,947	25,017	160,816	231,916	25,523
Documented interest .....	(12,717)	(24,336)	(15,155)	(19,320)	(26,464)	(3,094)	(23,409)	(17,378)	(1,913)
Allowances .....	(216,609)	(223,904)	(273,101)	(308,632)	(407,140)	(47,608)	(356,267)	(433,825)	(47,744)
Loans (net of allowances) .....	5,556,362	7,514,334	9,754,431	13,138,688	17,239,525	2,015,847	15,219,978	19,033,145	2,094,662
Other receivables from financial transactions .....	1,599,701	1,991,407	1,695,702	1,824,334	2,366,225	276,687	2,573,443	3,378,146	371,776
Assets under financial leases .....	—	—	10,810	58,851	107,520	12,572	71,907	125,461	13,807
Investments in other companies .....	4,066	4,066	4,066	19,241	47,918	5,603	19,241	70,806	7,792
Miscellaneous receivables .....	501,595	571,355	760,833	993,319	1,134,524	132,662	1,117,890	1,559,217	171,597
Bank premises and equipment .....	96,613	101,775	109,819	122,684	165,159	19,312	150,489	186,320	20,505
Miscellaneous assets .....	41,517	37,768	40,216	47,508	59,790	6,991	50,483	60,413	6,649
Intangible assets .....	85,303	76,929	96,602	198,587	342,928	40,099	244,540	426,148	46,899
Items pending allocation .....	761	684	1,765	3,527	1,373	161	4,254	8,542	940
Total assets .....	11,417,362	12,763,642	16,003,674	20,387,893	31,351,511	3,665,986	25,855,585	33,321,356	3,667,128
Liabilities									
Deposits:									
Non-financial public sector .....	1,900,857	2,378,275	2,990,892	4,142,809	9,100,822	1,064,175	6,108,730	6,597,313	726,057
Financial sector .....	12,341	11,540	8,563	8,109	7,416	867	7,252	10,783	1,187
Non-financial private sector and residents abroad:	2,924,966	3,061,948	5,011,674	6,738,876	9,225,875	1,078,798	7,791,172	11,820,735	1,300,912
Checking accounts .....	73,354	58,744	595,564	526,413	760,533	88,930	538,020	1,097,843	120,821
Savings accounts .....	362,596	505,781	741,892	1,443,467	2,479,643	289,949	1,662,444	2,953,065	324,995
Time deposits .....	2,405,033	2,407,108	3,355,131	4,265,680	4,983,820	582,767	4,579,249	6,518,386	717,370
Investment accounts .....	14,056	40	160,035	304,241	713,438	83,424	680,326	940,401	103,494
Others .....	44,754	65,526	101,650	126,748	156,068	18,249	170,234	174,986	19,258
Interest and quotation gains/(losses) payable .....	25,173	24,749	57,402	72,327	132,373	15,479	160,899	136,054	14,973
Total deposits .....	4,838,164	5,451,763	8,011,129	10,889,794	18,334,113	2,143,840	13,907,154	18,428,831	2,028,156
Other liabilities for financial transactions <sup>(3)</sup> .....	2,956,878	3,205,324	3,539,730	4,137,110	6,475,372	757,176	6,066,310	7,689,843	846,293
Miscellaneous liabilities .....	418,402	595,401	726,885	1,173,058	1,781,556	208,320	1,255,847	2,066,760	227,454
Provisions .....	166,283	203,312	158,274	148,340	236,117	27,610	152,789	221,950	24,426
Subordinated bonds .....	—	—	—	—	—	—	—	100,452	11,055
Items pending allocation .....	2,930	17,336	43,637	121,345	59,855	6,999	208,293	44,847	4,936
Non-controlling interest .....	60,472	78,131	68,034	71,311	67,591	7,904	59,849	67,957	7,479
Total liabilities .....	8,443,129	9,551,267	12,547,689	16,540,958	26,954,604	3,151,848	21,650,242	28,620,640	3,149,799
Shareholders' equity .....	2,974,233	3,212,375	3,455,985	3,846,935	4,396,907	514,138	4,205,343	4,700,716	517,329



	Year ended December 31,						Six months ended June 30,		
	2010	2011	2012	2013	2014	2014	2014	2015	2015
	(in thousands of pesos)						(in thousands of pesos)		
						(US\$ <sup>(1)</sup> )			(US\$ <sup>(1)</sup> )
<b>CONSOLIDATED INCOME STATEMENT DATA</b>									
Financial income.....	1,320,337	1,562,782	2,180,725	3,232,073	5,294,899	619,142	2,731,976	2,953,427	325,035
Financial expenses.....	(727,291)	(832,645)	(1,138,629)	(1,602,511)	(2,973,378)	(347,682)	(1,500,628)	(1,814,561)	(199,699)
Net financial income.....	593,046	730,137	1,042,096	1,629,562	2,321,521	271,459	1,231,348	1,138,866	125,336
Provision for loan losses.....	(96,783)	(119,292)	(200,922)	(264,290)	(343,437)	(40,159)	(166,646)	(198,479)	(21,843)
Income from services.....	609,861	974,098	1,172,154	1,737,320	2,609,450	305,127	1,079,248	1,753,821	193,014
Expenses for services.....	(162,847)	(182,859)	(191,331)	(518,039)	(699,632)	(81,809)	(274,797)	(344,035)	(37,862)
Administrative expenses.....	(709,009)	(1,104,980)	(1,440,391)	(1,896,956)	(2,855,738)	(333,926)	(1,293,865)	(1,805,016)	(198,648)
Net income from financial transactions.....	234,268	297,104	381,606	687,597	1,032,164	120,693	575,288	545,157	59,997
Miscellaneous income.....	151,486	276,935	209,427	177,082	280,534	32,803	130,830	218,742	24,073
Miscellaneous expenses.....	(162,642)	(272,390)	(182,761)	(242,428)	(361,738)	(42,299)	(137,937)	(245,533)	(27,022)
Income tax.....	(22,092)	(41,335)	(55,096)	(194,123)	(426,641)	(49,888)	(221,240)	(172,212)	(18,953)
Non-controlling interest.....	(5,705)	(8,797)	(9,569)	(7,178)	25,653	3,000	11,467	(528)	(58)
Net income.....	195,315	251,517	343,607	420,950	549,972	64,309	358,408	345,626	38,037
<b>CASH FLOW DATA</b>									
Cash flows from operating activities.....	553,144	(919,087)	(285,781)	(1,358,932)	(760,949)	(88,979)	(1,352,069)	(3,925,046)	(431,965)
Cash flows from investing activities.....	(100,734)	(1,413)	(8,044)	(20,157)	(54,757)	(6,403)	(30,780)	(21,784)	(2,397)
Cash flows from financing activities.....	(987,740)	58,758	165,203	604,752	1,698,654	198,627	853,282	669,554	73,687
Financial gain (loss), holding of cash and cash equivalents (including interest and monetary results).....	577,526	709,756	879,945	1,605,576	2,244,999	262,512	1,297,168	1,110,337	122,196
Net increase/(decrease) in cash and cash equivalents.....	42,196	(151,986)	751,323	831,239	3,127,947	365,756	767,601	(2,166,939)	(238,479)
<b>SELECTED RATIOS<sup>(4)</sup></b>									
<b>Profitability</b>									
Return on average assets <sup>(5)</sup> .....	1.71%	2.08%	2.39%	2.31%	2.13%	—	3.10%	2.14%	—
Return on average shareholders' equity <sup>(6)</sup> .....	6.79%	8.13%	10.31%	11.53%	13.34%	—	17.80%	15.20%	—
Net financial margin <sup>(7)</sup> .....	6.36%	6.04%	7.24%	8.96%	8.97%	—	10.65%	7.04%	—
Efficiency <sup>(8)</sup> .....	68.17%	72.63%	71.20%	66.59%	67.49%	—	63.56%	70.82%	—
<b>Capital</b>									
Total shareholders' equity as a % of total assets.....	26.05%	25.17%	21.59%	18.87%	14.02%	—	16.26%	14.11%	—
Total shareholders' equity as a % of total liabilities.....	35.48%	33.91%	27.69%	23.36%	16.35%	—	19.48%	16.46%	—
Other assets as a % of assets <sup>(9)</sup> .....	6.39%	6.21%	6.33%	6.79%	5.59%	—	6.14%	6.49%	—
<b>Liquidity</b>									
Cash and cash resources plus government and corporate securities as a % of deposits.....	72.99%	45.22%	44.06%	36.56%	53.92%	—	46.04%	45.98%	—
Net loans as a % of deposits.....	115.42%	138.34%	121.99%	121.30%	94.68%	—	110.04%	104.02%	—
<b>Asset Quality</b>									
Non-performing loans as a % of total loans.....	2.99%	2.28%	2.31%	2.17%	2.34%	—	2.40%	2.26%	—
Non-performing consumer loans as a % of total consumer loans <sup>(10)</sup> .....	3.62%	2.96%	3.20%	3.15%	3.41%	—	3.69%	3.16%	—
Non-performing commercial loans as a % of total commercial loans <sup>(11)</sup> .....	1.58%	0.84%	0.57%	0.51%	0.58%	—	0.39%	0.62%	—
Allowances as a % of total loans.....	3.28%	2.54%	2.37%	2.20%	2.24%	—	2.22%	2.17%	—
Allowances as a % of non-performing loans <sup>(12)</sup> .....	112.62%	111.42%	102.64%	101.62%	95.89%	—	92.52%	95.93%	—

	Year ended December 31,						Six months ended June 30,		
	2010	2011	2012	2013	2014	2014	2014	2015	2015
		(in thousands of pesos)				(US\$ <sup>(1)</sup> )	(in thousands of pesos)		(US\$ <sup>(1)</sup> )
OTHER DATA									
Operations									
Number of branches .....	50	50	55	60	60	—	60	60	—
Number of employees .....	1,766	1,892	1,980	2,488	2,608	—	2,577	2,497	—

- <sup>(1)</sup> The exchange rate used for purposes of translation of balances as of December 31, 2014 and as of June 30, 2015 was Ps.8.5520 = US\$1.00 and Ps. 9.0865 = US\$1.00, respectively, in accordance with the Reference Exchange Rate published by the Central Bank as of such date.
- <sup>(2)</sup> Includes Ps.1,008.3 million, Ps.1,049.6 million, Ps.972.1 million, Ps.29.9 million and Ps.2,524.7 million from instruments issued by the Central Bank as of December 31, 2010, 2011, 2012, 2013 and 2014, respectively and Ps.1,697.0 million and Ps.2,422.2 million as of June 30, 2014 and June 30, 2015, respectively.
- <sup>(3)</sup> Includes Ps.1,689.7 million, Ps.1,748.5 million, Ps.2,013.7 million, Ps.2,660.1 million and Ps.4,347.1 million in unsubordinated negotiable obligations as of December 31, 2010, 2011, 2012, 2013 and 2014, respectively and Ps.3,501.7 million and Ps.4,926.7 million as of June 30, 2014 and June 30, 2015, respectively.
- <sup>(4)</sup> Selected ratios were prepared in accordance with Central Bank Accounting Rules. Pursuant to those standards, current and non-current assets as well as current and non-current liabilities are not presented as separate line items. Consequently, it is impossible to calculate ratios such as “Capital Immobilization”, which differs from CNV Rules and Argentine GAAP.
- <sup>(5)</sup> Consists of net income as a percentage of average total assets. Average assets are a regular average between the balance of consolidated assets at the beginning of the period and the balance of consolidated assets at the end of the period, as it arises from our financial statements.
- <sup>(6)</sup> Consists of net income as a percentage of average total shareholders’ equity. Average net shareholders’ equity is a regular average between the balance of consolidated net shareholders’ equity at the beginning of the period and the balance of consolidated net shareholders’ equity at the end of the period, as it arises from our financial statements.
- <sup>(7)</sup> Consists of financial margin as a percentage of average assets.
- <sup>(8)</sup> Ratio of administrative expenses to the sum of net financial margin, net contribution from insurance and other income from services, net.
- <sup>(9)</sup> Other Assets consist of the sum of “Investments in other Companies”, “Miscellaneous Receivables”, “Bank Premises and Equipment”, “Miscellaneous Assets”, “Intangible Assets” and “Items pending Allocation”.
- <sup>(10)</sup> “Consumer loans” consist of our mortgage loans, personal loans and credit card loans. Non-performing consumer loans consist of those loans classified as “Medium Risk”, “High Risk”, “Uncollectible” and “Uncollectible for Technical Reasons” in accordance with the Central Bank loan classification standards.
- <sup>(11)</sup> “Commercial loans” consist of overdraft facilities loans, promissory notes loans, pledge loans and other loans. Non-performing commercial loans consist of those loans classified as “Problematic”, “High Risk of Insolvency”, “Uncollectible” and “Uncollectible for Technical Reasons” in accordance with the Central Bank loan classification standards.
- <sup>(12)</sup> Consists of allowances as a percentage of non-performing consumer and commercial loans which are those loans classified as “Problematic”, “High Risk of Insolvency”, “Uncollectible” and “Uncollectible for Technical Reasons”, in accordance with the Central Bank loan classification standards.

## RISK FACTORS

*Prior to investing in the Notes, you should carefully consider the risks described below and the remaining information included in the applicable pricing supplement and in this offering memorandum. We may face additional risks and uncertainties not currently known to us or which as of the date of this offering memorandum or as of the date of any applicable pricing supplement we might not consider significant, which may adversely affect our businesses. Overall, an investment in securities of issuers in an emerging market such as Argentina is subject to a higher degree of risk than an investment in securities of issuers in the United States and certain other markets.*

### **Risks Relating to Argentina**

#### ***We depend on macroeconomic and political conditions in Argentina.***

We are exposed to economic conditions in Argentina, considering that as of the date of this offering memorandum, substantially all of our total assets were located in Argentina and our activities are conducted in Argentina. The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high and variable levels of inflation and currency devaluation.

During 2001 and 2002, Argentina experienced a period of severe political, economic and social crisis, which caused a significant economic contraction and led to radical changes in government policies. Among other consequences, the crisis resulted in Argentina defaulting on its foreign debt obligations, introducing emergency measures and numerous changes in economic policies that affected the utility companies and many other sectors of the economy, and suffering a significant devaluation of the peso, which in turn caused numerous Argentine private sector debtors with foreign currency exposure to default on their outstanding debt. Although the economy has largely recovered from the crisis, during 2014, the Argentine economy has shown signs of slowdown due to the increase in the applicable exchange rates and decreases in commodity prices. The Argentine economy is suffering high inflation and has an increasing need of capital investment, with many sectors, particularly the energy sector, operating near full capacity.

The ongoing economic slowdown suggests uncertainty as to whether the economic growth experienced in the past decade is sustainable. This is mainly because economic growth was initially dependent on a significant devaluation of the Argentine peso, excess production capacity resulting from a long period of deep recession and high commodity prices. Furthermore, the economy has suffered a sustained erosion of direct investment and capital investment. After the 2001 economic crisis, Argentina recovered with significant increases in gross domestic product (“GDP”) at an average of 8.5% on annual basis between 2003 and 2008. As a result of the 2008 global financial crisis, Argentina GDP’s growth rate decreased to 0.9% in 2009, though growth rebounded to 9.2% in 2010 and 8.9% in 2011. During 2012, the Argentine economy experienced a slowdown, with GDP increasing at a rate of 1.9%. In March 2014, the Argentine government announced a new method of calculating GDP as requested by the International Monetary Fund (“IMF”) (using 2004 as the base year instead of 1993, which was the base reference year used in the prior method of GDP calculation). Following changes in the methodology used in calculating GDP, the INDEC reported that Argentina’s GDP’s growth rate for 2013 was 3% and 0.5% for 2014. This decrease was principally due to the deceleration of the global economy and macroeconomic conditions in Argentina during 2014. As of May 31, 2015, the Monthly Economic Activity Estimator (*Estimador Mensual de Actividad Económica*, or the “EMAE”) increased 2.2%, relative to the same period in the prior year, according to data published by the INDEC. Argentina’s relative stability since 2002 has been affected by increased social and political tension and government intervention in the economy.

Our business depends to a significant extent on macroeconomic and political conditions in Argentina. Deterioration of the country’s economy would likely have a significant adverse effect on our business, financial condition and results of operations.

#### ***Continuing inflation may have an adverse effect on the economy.***

According to the INDEC, the consumer price index increased 23.9%, 10.9% and 10.8% in 2014, 2013 and 2012, respectively. Uncertainty surrounding future inflation rates has slowed any potential recovery in the long-term

credit market. Private estimates, on average, refer to annual rates of inflation substantially in excess of those published by the INDEC.

In the past, inflation has materially undermined the Argentine economy and the government's ability to foster conditions that would permit stable growth. High inflation may also undermine Argentina's foreign competitiveness in international markets and adversely affect economic activity and employment, as well as our business and results of operation. In particular, the margin on our services is impacted by the increase in our costs in providing those services, which is influenced by wage inflation in Argentina, as well as other factors.

High inflation would also adversely affect economic activity, employment, real salaries, consumption and interest rates. In addition, the dilution of the positive effects of the peso devaluation on the export-oriented sectors of the Argentine economy will decrease the level of economic activity in the country. In turn, 5% of the Argentine debt is adjusted by the *Coeficiente de Estabilización de Referencia* ("CER", as per its acronym in Spanish), a currency index that is strongly tied to inflation. Therefore, any significant increase in inflation would cause an increase in Argentina's debt and, consequently, the country's financial obligations.

The government has taken certain measures in order to control inflation, such as implementing a fair price program, by virtue of which supermarkets have to offer certain products at a government-determined price, and sectorial agreements in order to implement salary increases. Additionally, the Argentine government has recently enacted Law No. 26,991 (the "Supply Law"), which amends Law No. 20,680, and enables the federal government to intervene in certain markets when it considers that any party to such market is trying to impose prices, or supply restrictions over such market. The Supply Law provides among others pecuniary sanctions, suspension, seizure of operations, and confiscation of goods.

If inflation remains high or continues to rise, Argentina's economy may be negatively impacted and our business could be adversely affected.

***There are concerns about the accuracy of Argentina's official inflation statistics.***

In January 2007, the INDEC modified its methodology used to calculate the consumer price index, which was calculated as the monthly average of a weighted basket of consumer goods and services that reflects the pattern of consumption of Argentine households. At the time that the INDEC adopted this change in methodology the Argentine government also replaced several key officers at the INDEC, prompting complaints of governmental interference from the technical staff at the INDEC. In addition, the International Monetary Fund ("IMF") requested to clarify its inflation rates several times.

On November 23, 2010, the Argentine government began consulting with the IMF for technical assistance in order to prepare a new national consumer price index with the aim of modernizing the current statistical system. During the first quarter of 2011, a team from the IMF started working in conjunction with the INDEC in order to create such an index. Notwithstanding such efforts, reports published by the IMF stated that its staff also used alternative measures of inflation for macroeconomic surveillance, including data produced by private sources, and such measures have shown inflation rates that are considerably higher than those issued by the INDEC since 2007. Consequently, the IMF called on Argentina to adopt measures to improve the quality of used data by the INDEC. In a meeting held on February 1, 2013, the Executive Board of the IMF emphasized that the progress in implementing remedial measures since September 2012 has not been sufficient. As a result, the IMF issued a declaration of censure against Argentina in connection with the breach of its related obligations to the IMF and called on Argentina to adopt remedial measures to address the inaccuracy of inflation and GDP data without further delay.

In order to address the quality of official data, a new consumer price index (the "IPCNu"), was enacted on February 13, 2014. For the year ended December 31, 2014 the IPCNu was 23.9%. The IPCNu represents the first national indicator to measure changes in prices of household goods for final consumption. While the previous price index only measured inflation in the Greater Buenos Aires, the IPCNu is calculated by measuring prices of goods across the entire urban population of the 23 provinces of Argentina and the City of Buenos Aires. The IMF has declared that it will review later in 2014 Argentina's reports on progress in revising its inflation and gross domestic product statistics which is still being reviewed by the IMF, as of the date of this offering memorandum. In addition, in February 2014, the INDEC released a new GDP index for 2013, equal to 3.0%, which differs from the GDP index

originally released by the INDEC for the same period which was 5.5%. In December 15, 2014, the IMF recognized the progress of Argentine authorities to remedy the inaccurate provision of data, but has delayed the definitive evaluation of the new index. If the IMF finds that the methodology of INDEC for calculating a new national consumer price index or GDP is inaccurate, or concludes that its methodology should be adjusted, that could result in financial and economic hazards for Argentina, including lack of financing from such organization. If these measures are adopted, the Argentine economy could suffer adverse effects, either by limiting access to international financial markets or increasing the financing cost associated therewith, which in turn would adversely affect our financial condition and results of operations.

Notwithstanding these measures to address appropriate inflation statistics, there are private reports implying significantly higher inflation rates than the official reports of the INDEC. Despite the changes adopted by the INDEC to the measurement procedure with the IPCNu, there are still some differences between the figures resulting from this indicator and those recorded by private consultants, the Argentine Congress and the provincial statistic agencies. If it is determined that it is necessary to unfavorably adjust the consumer price index and other INDEC indices, there could be a significant decrease in confidence in the Argentine economy, which could, in turn, have a material adverse effect on us.

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

Argentina's 2001 default and its failure to fully restructure its sovereign debt and negotiate with the holdout creditors has limited and may continue to limit Argentina's ability to access international capital markets. In 2005, Argentina completed the restructuring of a substantial portion of its indebtedness and settled all of its debt with the IMF. Additionally, in June 2010, Argentina completed the renegotiation of approximately 67% of the defaulted bonds that were not swapped in the 2005 restructuring. As a result of the 2005 and 2010 debt swaps, Argentina has restructured approximately 91% of its defaulted debt that was eligible for restructuring. Holdout creditors that declined to participate in the exchanges commenced numerous lawsuits against Argentina in several countries, including the United States, Italy, Germany, and Japan. Additionally, on May 29, 2014, the Argentine government and representatives of the Paris Club creditors reached an agreement to clear Argentina's debt due to the Paris Club creditors, in arrears, in the total amount of US\$9.7 billion as of April 30, 2014.

In related cases brought before the U.S. District Court for the Southern District of New York (the "District Court"), the plaintiffs argued that allowing Argentina to make payments under the new bonds issued pursuant to the debt swaps while it remained in default on its pre-2002 bonds violates the *pari passu* clause in the original bonds and entitles the plaintiffs to injunctive relief barring Argentina from making payments on the new bonds without making comparable payments on the original bonds. In late October 2012, the U.S. Court of Appeals for the Second Circuit in New York affirmed the District Court's ruling that the *pari passu* clause in the pre-2002 bonds prevents Argentina from making payments unless it makes ratable payments to the holdout creditors at the same time. On November 21, 2012, the District Court specified that ratable payments to the holdout creditors would be the full amount owed on the bonds (including interest) and ordered Argentina to pay approximately US\$1.3 billion plus interest owed to the holdout creditors party to such proceedings.

On appeal, the U.S. Court of Appeals for the Second Circuit ordered Argentina to submit a payment plan proposal for the holdout creditors, which Argentina did on March 29, 2013. On August 23, 2013, the U.S. Court of Appeals for the Second Circuit rejected Argentina's payment proposal and affirmed the District Court's November 21, 2012 injunctions (the "Injunction"). However, in the same ruling, the U.S. Court of Appeals for the Second Circuit stayed the enforcement of the injunctions pending the resolution by the U.S. Supreme Court of any timely petition for a writ of certiorari. In this regard, Argentina filed a petition for a writ of certiorari on June 24, 2013, which was denied as premature. Later, on February 18, 2014, Argentina and certain holders of the new bonds timely filed petitions for a writ of certiorari. On June 16, 2014, the U.S. Supreme Court denied Argentina's petition for a writ of certiorari in connection therewith and, subsequently, on June 18, 2014, the U.S. Court of Appeals for the Second Circuit lifted its stay on the District Court's Injunction. Separately, on June 16, 2014, the U.S. Supreme Court affirmed a District Court ruling to compel discovery from certain financial institutions concerning, among other things, Argentina's assets.



On June 23, 2014, the District Court appointed a special master to mediate settlement negotiations between Argentina and the litigating bondholders. On June 26, 2014, the District Court denied Argentina's request for a further stay of the Injunction. In addition, on or about June 27, 2014, Argentina transferred to The Bank of New York Mellon, in its capacity as trustee, amounts due June 30, 2014 in respect of certain of its restructured bonds. The District Court, however, prohibited such payment and ordered Argentina and the holders of its non-restructured bonds to agree on a payment schedule. Following negotiations between Argentina and the litigating bondholders, Argentina and such bondholders failed to reach an agreement in respect of its defaulted debt. By July 30, 2014, the end of the grace period provided under Argentina's relevant restructured bonds for the payment of debt service thereunder, Argentina and the holdout creditors had not arrived on an agreement and The Bank of New York Mellon complied with the order of the District Court to not deliver the funds previously deposited by Argentina for payment to the holders of the restructured bonds under foreign law. While Argentina asserted that it complied with its obligation to the holders of the restructured bonds by making such deposit, and that the indenture trustee had the obligation to deliver such payment, on such date Standard & Poor's Rating Services downgraded Argentina's foreign currency credit rating to "selective default", or "SD", while on July 31, 2014, Fitch Ratings Inc. downgraded Argentina's foreign currency issuer default rating to "restricted default", or "RD".

On September 11, 2014, the Argentine Congress enacted Law No. 26,984, with the purpose of implementing legal mechanisms to allow restructured bondholders to collect payments under such bonds. Law No. 26,984 established a new account in the name of Nación Fideicomisos S.A. with the Central Bank in order to make payments to restructured bondholders. Furthermore, Law No. 26,984 set forth that the executive branch could implement an exchange of restructured bonds for Argentine law-governed bonds and for French law-governed bonds. As of the date of this offering memorandum, no such mechanism has been implemented by the Argentine government. Separately, during August 2014 the Central Bank revoked The Bank of New York Mellon's authorization to operate in Argentina. In connection with these and other actions taken by the Argentine government, the District Court held Argentina in contempt on September 29, 2014.

The District Court authorized limited exceptions to the Injunction allowing certain custodians of Argentine law-governed bonds to process payments in August 2014, September 2014 and December 2014. Payments on the remaining restructured bonds have not been processed as a consequence of the Injunction and various restructured bondholders have been seeking the release of such payments in court. As of the date of this offering memorandum, the District Court has not authorized any other such releases or payments.

On January 2, 2015, approximately US\$1,000 million deposited by the Argentine government were available for the benefit of the restructured bondholders, corresponding to the payment dated December 31, 2014. In addition, the Argentine government deposited US\$539 million in Nación Fideicomisos S.A. to service interest of certain restructured bonds under foreign legislation and another amount reserved for payment to the holdouts, frozen as of the date of this offering memorandum, as ordered by the District Court, in the accounts of Bank of New York in the Central Bank. At the date of this offering memorandum, the consequences of the passage of the new sovereign payments law or the development and the effects of the NML Capital case could have on our business and operations are not clear.

On June 5, 2015, the District Court granted partial summary judgment to a group of 526 "me-too" plaintiffs in 36 separate lawsuits, finding that, consistent with the previous ruling of such court, Argentina violated a *pari passu* clause in bonds issued to the "me-too" bondholders. The decision obligates Argentina to pay the plaintiffs US\$5.4 billion before it can make payments on restructured debt.

The continuation and outcome of this litigation may continue to prevent Argentina from obtaining favorable terms or interest rates when accessing international capital markets. Litigation initiated by holdout creditors or other parties may result in material judgments against the Argentine government and could result in attachments of, or injunctions relating to, Argentina's assets, which could have a material adverse effect on the country's economy and affect our ability to access international financing. In addition, litigation initiated by holdouts could eventually bring Argentina to be considered in default of its obligations and cause acceleration of the existing exchange debt due to cross default clauses which could have a material adverse effect on the on the country's economy, and consequently, our business, financial condition and results of operations.

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

Foreign shareholders of several Argentine companies, including public utilities, and bondholders that did not participate in the exchange offers described above, have filed claims in excess of US\$20 billion in the aggregate with the International Centre for Settlement of Investment Disputes (the "ICSID") alleging that the emergency measures adopted by the government differ from the just and equal treatment standards set forth in several bilateral investment treaties to which Argentina is a party. During 2013, Argentina agreed to settle five separate investment treaty arbitration claims at a cost of around US\$500 million. As of December 31, 2014, there were ICSID judgments outstanding against Argentina for approximately US\$64 million, plus interest and expenses. On April 9, 2015, the ICSID held that Argentina must pay US\$405 million in damages for prejudices suffered in relation to the termination of the *Aguas Argentinas S.A.* water and waste water management concession contract for the Buenos Aires metropolitan area.

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

***The amendment of the Central Bank's Charter and the Convertibility Law may adversely affect the Argentine economy.***

On March 22, 2012, the Argentine Congress passed Law No. 26,739, which amended the charter of the Central Bank and Law No. 23,298 (the "Convertibility Law"). See "*Argentina's ability to obtain financing from international markets is limited, which may impair its ability to implement reforms and foster economic growth*" above. This new law amends the objectives of the Central Bank (established in its charter) and removes certain provisions previously in force. Pursuant to the amendment, the Central Bank focuses on promoting monetary and financial stability as well as development with social equity.

A key component of the amendment of the Central Bank charter relates to the use of international reserves. Pursuant to this amendment, the Central Bank reserves may be made available to the government for the repayment of debt or to finance public expenses. During 2013, the currency reserves in U.S. dollars held by the Argentine government in the Central Bank decreased significantly, from US\$43.3 billion in 2012 to US\$30.6 billion in 2013, while during 2014 the reserves increased slightly to US\$31.4 billion as of December 31, 2014. The Central Bank's stock of foreign currency reserves was US\$33.9 billion as of June 30, 2015. This use of the Central Bank reserves for expanded purposes by the Argentine government may result in Argentina being more vulnerable to inflation or external shocks, affecting the country's capacity to overcome the effects of an external crisis.

***Significant fluctuation in the value of the peso may adversely affect the Argentine economy as well as our financial performance.***

Despite the positive effects of the depreciation of the peso in 2002 on the competitiveness of certain sectors of the Argentine economy, it has also had a far-reaching negative impact on the Argentine economy and on businesses and individuals' financial condition. The devaluation of the peso has had a negative impact on the ability of Argentine businesses to honor their foreign currency-denominated debt, initially led to very high inflation, significantly reduced real wages, had a negative impact on businesses whose success is dependent on domestic market demand, such as utilities and the financial industry, and adversely affected the government's ability to honor its foreign debt obligations.

Since the strengthening of exchange controls began in late 2011, and upon the introduction of measures that have limited access to foreign currency by private companies and individuals, (such as requiring an authorization of tax authorities to access the foreign currency exchange market), the implied exchange rate, as reflected in the

quotations for Argentine securities that trade in foreign markets compared to the corresponding quotations in the local market, has increased significantly over the official exchange rate. These measures may prevent or limit us from offsetting the risk derived from our exposure to the U.S. dollar and, if so, we cannot predict the impact of these changes on our financial condition and results of operations.

If the peso continues to devalue, all of the negative effects on the Argentine economy related to such devaluation could reappear, with adverse consequences on our business. Moreover, it would likely result in a material adverse effect in our business as a result of the exposure to financial commitments in U.S. dollar.

On the other hand, a substantial increase in the value of the peso against the U.S. dollar also presents risks for the Argentine economy. The appreciation of the peso against the U.S. dollar negatively impacts the financial condition of entities whose foreign currency denominated assets exceed their foreign currency-denominated liabilities, such as us. In addition, in the short term, a significant real appreciation of the peso would adversely affect exports. This could have a negative effect on GDP growth and employment as well as reduce the Argentine public sector's revenues by reducing tax collection in real terms, given its current heavy reliance on taxes on exports. The appreciation of the peso against the U.S. dollar could have an adverse effect on the Argentine economy and our business.

***Certain measures that may be taken by the Argentine government may adversely affect the Argentine economy and, as a result, our business and results of operations***

During recent years, the Argentine government has increased its direct intervention in the economy through the implementation or change of laws and regulations, such as: nationalizations, or expropriations, among others; restrictions on production, imports and exports; exchange and/or transfer restrictions; direct and indirect price controls; tax increases, changes in the interpretation or application of tax laws and other retroactive tax claims or challenges; cancellation of contract rights; delays or denials of governmental approvals, among others.

In November 2008, the Argentine government enacted Law No. 26,425 which provided for the nationalization of the *Administradoras de Fondos de Jubilaciones y Pensiones* (the "AFJPs"). More recently, beginning in April 2012, the Argentine government provided for the nationalization of YPF S.A. and imposed major changes to the system under which oil companies operate, principally through the enactment of Law No. 26,741 and Decree No. 1277/2012. In February 2014, the Argentine government and Repsol, S.A. (the former principal shareholder of YPF S.A.) announced that they had reached agreement on the terms of the compensation payable to Repsol for the expropriation of the YPF S.A. shares. Such compensation totaled US\$5 billion, payable by delivery of Argentine sovereign bonds with various maturities. In April 23, 2014, the agreement with Repsol was approved by the Argentine Congress and accordingly, in May 8, 2014, Repsol, S.A. received the relevant Argentine government bonds.

There are other recent examples of government intervention. In December 2012 and August 2013, the Argentine Congress established new regulations relating to domestic capital markets. The new regulations generally provide for increased intervention in the capital markets by the government, authorizing, for example, the CNV to appoint observers with the ability to veto the decisions of the board of directors of companies admitted to the public offering regime under certain circumstances and suspend the board of directors for a period of up to 180 days.

We cannot assure you that these or other measures that may be adopted by the Argentine government, such as expropriation, nationalization, forced renegotiation or modification of existing contracts, new taxation policies, changes in laws, regulations and policies affecting foreign trade, investment, etc., will not have a material adverse effect on the Argentine economy and, as a consequence, adversely affect our financial condition, our results of operations and the market value of our securities.

Argentine presidential, congressional and certain municipal and state government elections were held in October and November 2015. Uncertainty as to whether the new Argentine government will implement changes in policy or regulation may adversely affect the Argentine economy. The President of Argentina and its Congress each have considerable power to determine governmental policies and actions that relate to the Argentine economy and, consequently, may affect our results of operations or financial condition. We can offer no assurances that the



policies that may be implemented by the Argentine government after such elections will not adversely affect our business, results of operations or financial condition.

***The Argentine government may order salary increases to be paid to employees in the private sector, which would increase our operating costs.***

In the past, the Argentine government has passed laws, regulations and decrees requiring companies in the private sector to maintain minimum wage levels and provide specified benefits to employees and may do so again in the future. In the aftermath of the Argentine economic crisis, employers both in the public and private sectors experienced significant pressure from their employees and labor organizations to increase wages and to provide additional employee benefits. In August 2012, the Argentine government established a 25% increase in minimum monthly salary to Ps.2,875, effective as of February 2013. The Argentine government increased the minimum salary to Ps.3,300 in August 2013, to Ps.3,600 in January 2014, to Ps.4,400 in September 2014, to Ps.4,716 in January 2015, to Ps. 5,588 in August 2015 and to Ps. 6,060 as from January 2016. Due to ongoing high levels of inflation, employers in both the public and private sectors continue to experience significant pressure from unions and their employees to increase salaries. During the year ended December 31, 2014, various unions have agreed with employers' associations on salary increases between 25% and 30%. In June 2015, the union and the Association of Public and Private Banks ("ABAPRA" per its acronym in Spanish) reached an agreement by the virtue of which bank employees' salaries shall be increased in a 27.8% as from January 1, 2015 and also employees will receive a compensatory amount for income tax paid by such employees, among other benefits. It is possible that the Argentine government could adopt measures mandating salary increases and/or the provision of additional employee benefits in the future. Any such measures could have a material and adverse effect on our business, results of operations and financial condition.

***Exchange controls and restrictions on transfers abroad and capital inflow restrictions have limited, and can be expected to continue to limit, the availability of international credit.***

In 2001 and 2002, Argentina imposed exchange controls and transfer restrictions substantially limiting the ability of companies to retain foreign currency or make payments abroad. In June 2005, the government issued Decree No. 616/2005, which established additional controls on capital inflow, including the requirement that, subject to limited exemptions, 30% of all funds remitted to Argentina remain deposited in a domestic financial institution for one year without earning any interest. In October 2011, new exchange controls measures that restrict foreign exchange inflows and outflows of capital were implemented, including, establishing as a requirement for the repatriation of the direct investment of non-residents (purchase of shares of local companies and real estate), the inflow of foreign currency and its settlement in the Mercado Único y Libre de Cambios (the "MULC" per its acronym in Spanish). This measure increases the cost of obtaining foreign funds and limits access to such financing.

Additionally, on July 12, 2012, the Central Bank issued Communication "A" 5318, which among others suspended the access to MULC for residents for external assets without a specific purpose.

Through resolution 3210/2011 of the AFIP and the Communications "A" 5239, 5240, 5242 and 5245 and its amendments of the Central Bank, the "Consultation of Exchange Operations Programme", was established, a system by which an assessment is made at the time of each transaction, in order to allow for acquiring U.S. dollars for tourism purposes. The system analyzes the transaction for consistency with each currency buyer's tax information, and validates or invalidates the transaction.

In January 2014, the Central Bank established by Communication "A" 5526 that resident individuals in the country will be able to access the local exchange market for purchases made in line with the "buy for the possession of foreign currency in the country" concept according to their income declared to the AFIP and other quantitative parameters established in the framework of exchange rate policy. In this sense, the AFIP established through its General Resolution No. 3583/2014 a parameter of 20% of the monthly income of the taxpayer validating the exchange transaction, with a minimum amount of monthly income of two minimum mobile wages) and a monthly cap of US\$2,000. The purchase amount that individuals can access under this provision can be found through the "Exchange Operations Consultation Program", available on the corporate website of the AFIP.

Additionally, on May 21, 2015 pursuant to Communication “A” 5757, the Central Bank amended Communication “A” 5526, which regulates residents’ access to the MULC for the acquisition of foreign currency for their application to specific uses and/or purposes in local assets. The amendment permits simultaneous access to the MULC for the acquisition of foreign currency for its deposit in local financial institutions up to an amount agreed with the MULC for a term no higher than 270 calendar days, deriving from the issuance of new debt securities with public offering issued by local governments and/or residents of the non-financial private sector. Such funds can only be allocated for their deposit in local financial institutions as a fixed-term deposit, or in a special account in foreign currency, which can be withdrawn only for its settlement through the MULC. These funds are exempt from the mandatory deposit of 30% imposed by Decree No.616/2005. At least 80% of residents’ foreign currency demands of residents must be covered by the funds obtained from this mechanism for specific purposes in local assets.

The Argentine government may, in the future, impose additional controls on the foreign exchange market and on capital flows from and into Argentina, in response to capital flight or depreciation of the peso. These restrictions may have a negative effect on the economy and on our business if imposed in an economic environment where access to local capital is constrained. For more information, please see “Exchange Rates and Exchange Controls”.

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

Financial and securities markets in Argentina are influenced, to varying degrees, by economic and market conditions in other global markets. The international scenario shows contradictory signals of global growth, as well as high financial and exchange uncertainty. Most emerging economies have been affected by the change in the U.S. monetary policy, resulting in the sharp unwinding of speculative asset positions, depreciations and increased volatility in the value of their currencies and higher interest rates. The general appreciation of the U.S. dollar resulting from a more restrictive U.S. monetary policy contributed to the fall of the international price of raw materials, increasing the difficulties of emerging countries which are exporters of these products. There is global uncertainty about the degree of economic recovery in the United States, with no substantial positive signals from other developed countries and an increased risk of a general deceleration in developing countries, specifically China.

Moreover, the recent challenges faced by the European Union to stabilize certain of its member economies, such as Greece, have had international implications affecting the stability of global financial markets, which has hindered economies worldwide. The Eurozone finance ministers, at a meeting held in August 2015, agreed a third bailout deal for Greece, which required the approval of several countries such as Germany, one of its main creditors.

Although economic conditions vary from country to country, investors’ perception of the events occurring in one country may substantially affect capital flows into other countries. International investors’ reactions to events occurring in one market sometimes demonstrate a “contagion” effect in which an entire region or class of investment is disfavored by international investors. Argentina could be adversely affected by negative economic or financial developments in other countries, which in turn may have an adverse effect on our financial condition and results of operations. Lower capital inflows and declining securities prices negatively affect the real economy of a country through higher interest rates or currency volatility. The Argentine economy was adversely impacted by the political and economic events that occurred in several emerging economies in the 1990s, including those in Mexico in 1994, the collapse of several Asian economies between 1997 and 1998, the economic crisis in Russia in 1998 and the Brazilian devaluation in January 1999.

In addition, Argentina is also affected by the economic conditions of its major trade partners, such as Brazil, which devalued its currency in early February 2015, causing the *real* to suffer the steepest depreciation in over a decade. In September 2015, Standard & Poor’s downgraded Brazil’s credit rating to BB+. Moreover, Argentina may also be affected by other countries that have influence over world economic cycles, such as the United States or China. Particularly, recently, China has devaluated the *yuan*, which has adversely affected companies with a substantial exposure to that country.

If interest rates rise significantly in developed economies, including the United States, Argentina and other emerging market economies could find it more difficult and expensive to borrow capital and refinance existing debt, which would negatively affect their economic growth. In addition, if these developing countries, which are also

Argentina's trade partners, fall into a recession; the Argentine economy would be affected by a decrease in exports. All of these factors would have a negative impact on us, our business, operations, financial condition and prospects.

The effect of global economic conditions on Argentina could cause a reduction in exports and foreign direct investment, and a decline in national tax revenues and the inability to access to the international capital markets, which could adversely affect our business and results of operations.

***A decline in the international prices for Argentina's main commodity exports could have an adverse effect on Argentina's economic growth.***

High commodity prices have contributed significantly to the increase in Argentine exports since the third quarter of 2002 as well as in governmental revenues from export taxes (withholdings). However, this reliance on the export of certain commodities, such as soy, has made the Argentine economy more vulnerable to fluctuations in their prices.

If international commodity prices decline, the Argentine government's revenues would decrease significantly affecting Argentina's economic activity. Accordingly, a decline in international commodity prices could adversely affect Argentina's economy, which in turn would produce a negative impact on our financial condition and results of operations.

In addition, adverse weather conditions can affect the production of commodities by the agricultural sector, which account for a significant portion of Argentina's export revenues. These circumstances would have a negative impact on the levels of government revenues, available foreign exchange and the government's ability to service its sovereign debt, and could either generate recessionary or inflationary pressures, depending on the government's reaction. Either of these results would adversely impact Argentina's economy growth and, therefore, our business, financial condition and results of operations.

***Restrictions on the supply of energy could negatively affect Argentina's economy.***

As a result of prolonged recession, and the forced conversion into pesos and subsequent freeze of natural gas and electricity tariffs in Argentina, there has been a lack of investment in natural gas and electricity supply and transport capacity in Argentina in recent years. At the same time, demand for natural gas and electricity has increased substantially, driven by a recovery in economic conditions and price constraints, which has prompted the government to adopt a series of measures that have resulted in industry shortages and/or costs increase. In particular, Argentina has been importing natural gas in order to compensate for shortages in local production. In order to pay for natural gas imports the Argentine government has frequently used the Central Bank reserves due to absence of incoming currencies from investment. If the government is unable to pay for the natural gas imported in order to produce electricity, business and industries may be affected.

The Argentine government has been taking a number of measures to alleviate the short-term impact of energy shortages on residential and industrial users. If these measures prove to be insufficient, or if the investment that is required to increase natural gas production and transportation capacity and energy generation and transportation capacity over the medium-and long-term fails to materialize on a timely basis, economic activity in Argentina could be curtailed which may have a significant adverse effect on our business.

As a first step of these measures, subsidies on energy tariffs were withdrawn to industries and high income consumers. Additionally, since 2011, a series of rate increases and the reduction of subsidies mainly among industries and high-income consumers were implemented. As a result, energy costs increased significantly, which could substantially and adversely affect the Argentine economy, as well as our business operations.

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

During the last few years, the Argentine government has substantially increased public expenditures. In 2014, public sector expenditures increased by 43% year over year and the government reported a primary fiscal deficit of 0.9%. During recent years, the Argentine government has resorted to the Central Bank and to the

*Administración Nacional de la Seguridad Social* (Federal Social Security Agency, or “ANSES”, per its acronym in Spanish) to source part of its funding requirements.

Recently, the Argentine government has begun adjusting its subsidy policies, particularly those related to energy, electricity and gas, water and public transportation. Changes in these policies could materially and adversely impact consumer purchase capacity and economic activity and may lead to an increase in prices.

Moreover, the primary fiscal balance could be negatively affected in the future if public expenditures continue to increase at a rate higher than revenues due to subsidies to lower-income sectors, social security benefits, financial assistance to provinces with financial problems, increased spending on public works and subsidies to the energy and transportation sectors. A further deterioration in fiscal accounts could negatively affect the government’s ability to access the long-term financial markets and could in turn result in more limited access to such markets by Argentine companies.

### **Risks Relating to the Argentine Financial System**

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

After the Argentine crisis, the volume of financial activity regarding deposits and loans was severely reduced. Between 2003 and 2007, a gradual and increasing recovery of deposits levels took place. But because of the global financial crisis, these levels were reduced during 2008 only to be further improved during the last half of 2009, until the present date. The Argentine financial system growth strongly depends on deposits levels, due to the small size of its capital markets and the absence of foreign financings during recent years. In the medium term, the growth of credit could depend on the growth of the deposits levels. During 2011-2013 credit was able to grow at a higher rate than deposits, by consuming liquidity excess of financial institutions. Notwithstanding that, in 2014, this scenario started to change, and reasonable deposits started to grow at a faster rate than credits. The liquidity of the Argentine financial system is currently reasonable, due to the high level of mandatory deposits reserves of Argentine financial entities, among other short-term investments, which represent 43% of total deposits. Notwithstanding that, because most deposits are short term, a substantial part of the credits are also short-term maturity, and there are a small proportion of long term credit lines, such as mortgages. Moreover, the restrictions on the purchase of foreign currency naturally reduce the volatility of local currency deposits. Although liquidity levels are currently reasonable, no assurance can be given that these levels will not be reduced due to a future negative economic scenario. Therefore, there is still a risk of low liquidity levels that could increase funding cost in the event of a withdrawal of a significant amount of the deposit base of the financial system, and limit the long-term expansion of financial intermediation including us.

***Future governmental measures may adversely affect the economy and the operations of financial institutions.***

The Argentine government has historically exercised significant influence over the economy, and financial institutions, in particular, have operated in a highly regulated environment. We cannot assure that the laws and regulations currently governing the economy or the banking sector will remain unaltered in the future. We cannot assure you that changes will not adversely affect our business, financial condition or results of operations and our ability to honor our debt obligations in foreign currency, including the Notes.

As of the date of this offering memorandum, there are three legislative bills to amend the Financial Institutions Law which have been sent to the Argentine Congress seeking to modify different aspects of the Financial Institutions Law. If the law currently in force were to be comprehensively modified, the financial system as a whole could be substantially and adversely affected. If any of these legislative bills were to be enacted or if the Financial Institutions Law were amended in any other way, there is no prediction on the impact of the subsequent amendments to the regulations on the financial institutions in general, our business, our financial condition and the results of our operations.

Law No. 26,739 was enacted to amend the Central Bank's charter, the principal aspects of which are: (i) to broaden the scope of the Central Bank's mission (by establishing that such institution shall be responsible for financial stability and economic development while pursuing social equity); (ii) to change the obligation to maintain an equivalent ratio between the monetary base and the amount of international reserves; (iii) to establish that the board of directors of the institution will be the authority responsible for determining the level of reserves required to guarantee normal operation of the foreign exchange market based on changes in external accounts; and (iv) to empower the monetary authority to regulate and provide guidance on credit through the financial system institutions, so as to "promote long-term production investment".

In addition, pursuant to Law No. 26,994, sanctioned by the Argentine Congress on October 1, 2014, a new Civil and Commercial Code (the "Civil and Commercial Code") became effective on August 1, 2015. The Civil and Commercial Code, among other things, modifies the applicable regime for contractual provisions relating to foreign currency payment obligations by establishing that foreign currency payment obligations may be discharged in Pesos. This amends the legal framework, pursuant to which debtors could only discharge their foreign currency payment obligations by making payment in the specific foreign currency agreed upon in their agreements; provided however that the option to discharge in Pesos a foreign currency obligation may be waived by the debtor is still under discussion.

We are not able to ensure that any current or future laws and regulations (including, in particular, the amendment to the Financial Institutions Law and the amendment to the Central Bank's charter) will not result in significant costs to us, or will otherwise have an adverse effect on our operations.

***The stability of the financial system depends upon the ability of financial institutions, including ours, to maintain and increase the confidence of depositors.***

The measures implemented by the Argentine government in late 2001 and early 2002, in particular the restrictions imposed on depositors to withdraw money freely from banks and the "pesification" and restructuring of their deposits, were strongly opposed by depositors due to the losses on their savings and undermined their confidence in the Argentine financial system and in all financial institutions operating in Argentina.

If depositors once again withdraw their money from banks in the future, there may be a substantial negative impact on the manner in which financial institutions, including ours, conduct their business, and on their ability to operate as financial intermediaries. Loss of confidence in the international financial markets may also adversely affect the confidence of Argentine depositors in local banks.

In the future, an adverse economic situation, even if it is not related to the financial system, could trigger a massive withdrawal of capital from local banks by depositors, as an alternative to protect their assets from potential crises. Any massive withdrawal of deposits could cause liquidity issues in the financial sector and, consequently, a contraction in credit supply.

The occurrence of any of the above could have a material and adverse effect on our expenses and business, results of operations and financial condition.

***The asset quality of financial institutions is exposed to the non-financial public sector's and Central Bank's indebtedness.***

Financial institutions carry significant portfolios of bonds issued by the Argentine government and by provincial governments as well as loans granted to these governments. The exposure of the financial system to the non-financial public sector's indebtedness had been shrinking steadily, from 48.9% of total assets in 2002 to 9.1% in 2014. To an extent, the value of the assets held by Argentine banks, as well as their capacity to generate income, is dependent on the creditworthiness of the non-financial public sector, which is in turn tied to the Government's ability to foster sustainable long-term growth, generate fiscal revenues and cut back on public expenditure.

In addition, financial institutions currently carry securities issued by the Central Bank in their portfolios, which generally are short-term. Such securities issued by the Central Bank represents approximately 19.5% of the



total assets of the Argentine financial system. As of June 30, 2015, our total exposure to the public sector was Ps.2,286.4 million, which represented 7.6% of our assets as of that date, and our total exposure to securities issued by the Central Bank was Ps. 2,422.2 million, which represented 7.3% of our total assets as of June 30, 2015.

***Summary actions for collection as a means of enforcing creditors' rights in Argentina may be limited.***

In order to protect debtors affected by the 2001 economic crisis, starting in 2002 the Government adopted measures that suspended proceedings to enforce creditors' rights (mortgage foreclosures and bankruptcy petitions) in the event of defaults by debtors.

Although at the date of this offering memorandum those measures are no longer in force, we cannot assure you that the measures will not be reinstated in the future, or that the Government will not take other measures that limit creditors' rights. Any such measures could have a material adverse effect on the enforceability of creditor's rights.

***The Consumer Protection Law may limit some of the rights afforded to us.***

Argentine Law No. 24,240 (the "Consumer Protection Law") sets forth a series of rules and principles designed to protect consumers, which include our customers. The Consumer Protection Law was amended by Law No. 26,361 on March 12, 2008 to expand its applicability and the penalties associated with violations thereof. Additionally, Law No. 25,065 (as amended by Law No. 26,010 and Law No. 26,361, the "Credit Card Law") also sets forth public policy regulations designed to protect credit card holders.

In addition, the Civil and Commercial Code has a chapter on consumer protection, stressing that the rules governing consumer relations should be applied and interpreted in accordance with the principle of consumer protection and that a consumer contract should be interpreted in the sense most favorable to it.

The application of both the Consumer Protection Law and the Credit Card Law by administrative authorities and courts at the federal, provincial and municipal levels has increased. This trend has increased general consumer protection levels. 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, for example, with respect to our ability to collect payments due from services and financing provided by us, and adversely affect our financial results of operations. We cannot assure you that court and administrative rulings based on the newly-enacted regulation or measures adopted by the enforcement authorities will not increase the degree of protection given to our debtors and other customers in the future, or that they will not favor the claims brought by consumer groups or associations. This may prevent or hinder the collection of payments resulting from services rendered and financing granted by us, which may have an adverse effect on our business and results of operations.

***Class actions against financial institutions for unliquidated amounts may adversely affect the financial system's profitability.***

Certain public and private organizations have initiated class actions against financial institutions in Argentina. The National Constitution and the Consumer Protection Law contain certain provisions regarding class actions. However, their guidance with respect to procedural rules for instituting and trying class action cases is limited. Nonetheless, through an *ad hoc* doctrine, Argentine courts have admitted class actions in some cases, including various lawsuits against financial entities related to "collective interests" such as alleged overcharging on products, interest rates and advice in the sale of public securities, etc. If class action plaintiffs were to prevail against financial institutions, their success could have an adverse effect on the financial industry in general and indirectly on our business.

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

Financial institutions are subject to a major number of regulations concerning functions historically determined by the Central Bank and other regulatory authorities. The Central Bank may penalize us in the event that

we breach any applicable regulation. Similarly, the CNV, which authorizes securities offerings and regulates the capital markets in Argentina, has the authority to impose sanctions on us and our Board of Directors for breaches of corporate governance established in the capital markets laws and CNV Rules. The Financial Information Unit (*Unidad de Información Financiera*, or “UIF”) regulates matters relating to the prevention of asset laundering and has the ability to monitor compliance with any such regulations by financial institutions and, eventually, impose sanctions.

We cannot assure you whether such regulatory authorities will commence proceedings against us, our shareholders or directors or penalize us. This notwithstanding, and in addition to “Know Your Customer” compliance, we have implemented other policies and procedures to comply with our duties under currently applicable rules and regulations.

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. We cannot assure that existing or future legislation and regulation will not require material expenditures by us or otherwise have a material adverse effect on our consolidated operations.

***A highly volatile regulatory framework could affect the country’s economy in general, the financial institutions and us.***

Since the beginning of Cristina Kirchner’s second term as President, a series of new regulations have been issued, mainly regulating the foreign exchange market and new capital requirements for financial institutions. In this regard, Communications “A” 5272 and 5273 of the Central Bank, dated February 1, 2012, increased the capital requirements for financial institutions carrying out activities in Argentina. These Communications require certain minimum capital levels in order to support operational risks and the distribution of dividends, and an additional capital buffer equivalent to 75% of the total capital requirements. The Central Bank has stated that these new requirements are based on the credit risk measure required by Basel II.

Moreover, a new law was approved by the Congress introducing amendments to the Central Bank’s charter. The principal issues addressed by this bill are the use of Central Bank’s reserves for the cancellation of public debt together with the implementation of policies by the Central Bank in order to interfere in the fixing of interest rates, and terms of loans to financial institutions.

On April 24, 2015, the Central Bank issued Communication “A” 5747 extending the lines of credit protecting productive investment in Argentina. For more information, see “Argentine Banking System and Regulation”.

On October 1, 2013, the Central Bank issued Communication “A” 5460, as amended, granting a broad protection to consumers of financial services including among other aspects, the regulations of fees and commissions charged by financial institutions for services provided. Therefore, fees and charges must represent a real, direct and demonstrable cost and should have technical and economic justification. Moreover, Communication “A” 5514 issued an exception for the enforcement of Communication “A” 5460, for certain credit agreements which have pledges as collateral and are issued before September 30, 2019.

On February 4, 2014, the Central Bank issued Communication “A” 5536 limiting foreign currency positions of financial entities at a 30% of the adjusted stockholder’s equity of each entity. On August 4, 2014, Central Bank issued Communication “A” 5611 and decreased such limit to 15%.

In June 2014, the Central Bank issued new regulations regarding the interest rate of loans given by financial entities. Such rates, according to Communication “A” 5590 and its current amendments, shall not exceed the result that arises from the internal rate of return of *Letras del Banco Central* or Treasury Securities (“LEBAC”) with a 90 days maturity multiplied by a factor set between 1.25 and 2 depending on the particular kind of loan involved and the type of financial institution. As a result, these yearly rates usually will be set between 33% and 54%. As there is a cap on the rate that banks can charge on their clients, their profit margin might be consequently

affected. In order to compensate that, others areas of the financial system might have their rates increased. As a result, the financial system may suffer material adverse consequences.

On July 23, 2015, the Central Bank issued Communication “A” 5781, as amended, which set a minimum interest rate ranging from 91% to 99% of the applicable LEBAC rate (as determined, depending on the term on which the relevant deposits were made) that banks must offer for deposits of up to Ps.1,000,000.

The laws and regulations that currently govern the economy and the financial sector may change in the future. We cannot assure that any changes in the regulations and the policies of the Argentine government will not adversely affect financial institutions in Argentina, including us, our business, financial condition, our results of operations or our ability to service foreign debt denominated in foreign currency. A non-stable regulatory framework would impose significant limitations on the activities of the financial system, including ours, and it would give rise to uncertainty in regards to our future financial condition and the result of our operations.

***If Argentina’s implementation of certain anti-money laundering and combating the financing of terrorism (“AML/CFT”) recommendations is insufficient or incorrect, Argentina may have difficulties in obtaining international financing and/or attracting direct foreign investments.***

In October 2010, the Financial Action Task Force (“FATF”) issued a Mutual Evaluation Report (the “Mutual Report”) on Anti-Money Laundering and Combating the Financing of Terrorism in Argentina, including the evaluation of Argentina as of the time of the on-site visit which took place in November 2009. This report stated that since the latest evaluation, finalized in June 2004, Argentina had not made adequate progress in addressing a number of deficiencies identified at the time, and the FATF has since placed Argentina on an enhanced monitoring process.

Moreover, in February 2011, Argentina, represented by the Minister of Justice, attended the FATF Plenary, in Paris, in order to present a preliminary action plan. FATF granted an extension to implement changes. In June, 2011 Argentina made a high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies. In compliance with recommendations made by the FATF on money laundering prevention, on June 1, 2011 the Congress enacted Law No. 26,683. Under this law, money laundering is now a crime per se, and self-laundering money is also considered a crime.

Additionally, in June 2012, the Plenary meeting of the FATF held in Rome highlighted the progress made by Argentina but also urged the country to make further progress regarding its AML/CFT deficiencies.

Notwithstanding the improvements that Argentina made, in October 2012 the FATF determined that certain strategic AML/CFT deficiencies continued, and that Argentina would be subject to continued monitoring.

Since October 2013, Argentina has taken steps towards improving its AML/CFT regime, including issuing new regulations strengthening suspicious transaction reporting requirements and expanding the financial sector regulator’s existing powers to apply sanctions for AML/CFT deficiencies. Such progress has been recognized by the FATF. In this regard, the FATF (pursuant to its report dated June 27, 2014) stated that Argentina had made significant progress in addressing the deficiencies in its AML/CFT measures as identified in the Mutual Report, and that subsequent to the adoption of such measures, Argentina had strengthened its legal and regulatory framework, including (i) reforming and strengthening money laundering penalties by enhancing the scope of reporting parties covered and transferring AML/CFT supervision to the UIF; (ii) enhancing terrorist financing penalties, in particular by criminalizing the financing of terrorist acts, terrorists, and terrorist organizations; (iii) issuing, through the UIF, a series of resolutions concerning customer due diligence (CDD) and record-keeping requirements as well as other AML/CFT measures to be taken by reporting parties; and (iv) creating a framework to comply with United Nations Security Council Resolutions 1267 and 1373. As a result of such progress, the FATF Plenary decided that Argentina had taken sufficient steps in addressing technical compliance with the core and key recommendations to be removed from the monitoring process. In addition, on October 24, 2014 the FATF welcomed Argentina’s significant progress in improving its AML/CFT regime and noted that Argentina had established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had previously identified in June 2011 and stated that Argentina would no longer be subject to the FATF’s AML/CFT compliance monitoring process and that Argentina would work with the FATF and the Financial Action Task Force of Latin America



(Grupo de Acción Financiera de América del Sur, or “GAFISUD”) as it continued to address the full range of AML/CFT issues identified in its Mutual Report.

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

## **Risks Relating to Our Business**

***The quality of our loan portfolio could be impaired if the Argentine private sector continues to be affected in the event of a decrease in the level of activity.***

Our loan portfolio is concentrated in recession-sensitive segments and it is to a large extent dependent upon local and international economic conditions. This in turn might affect the creditworthiness of our loan portfolio and our results of operations.

***Increased competition and merger activity in the Argentine banking industry may adversely affect us.***

We foresee increased competition in the banking sector. If the trend towards decreasing spreads is not offset by an increase in lending volumes, the ensuing losses could lead to mergers in the industry. These mergers could lead to the establishment of larger, stronger banks with more resources than us. Therefore, although the demand for financial products and services in the market continues to grow, competition may adversely affect our results of operations, shrinking spreads and commissions. For more information, see “The Argentine Banking Industry”.

***Reduced spreads between interest rates received on loans and those paid on deposits without corresponding increases in lending volumes could adversely affect our profitability.***

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

Since 2009, the interest rate spreads throughout the Argentine financial system have generally increased. This increase was sustained by a steady demand for consumer loans in recent years. In 2013 and 2014, borrowing and lending rates increased significantly. However, the net interest margin of the financial system remained stable due to a substantial growth both in the loan and deposit portfolios.

In June 2014, the Central Bank established a system of maximum active benchmark rates for consumer loans and secured loans and additionally, in October 2014, established a new mechanism of regulation by setting a minimum deposit rate for certain deposits of natural persons.

We cannot guarantee that interest rate spreads will remain stable unless increases in lending or additional cost-cutting takes place. A reversal of this trend, or a new regulation imposing maximum active benchmark rates, could adversely affect our profitability.

***Differences in the accounting standards between Argentina and certain countries with developed capital markets, such as the United States, may make it difficult to compare our financial statements and those prepared by companies from these other countries.***

Publicly available information about us in Argentina is presented differently from the information available for registered public companies in certain countries with highly developed capital markets, such as the United States. Except as otherwise described herein, we prepare our financial statements in accordance with Central Bank Accounting Rules, which differs in certain significant respects from Argentine GAAP and from IFRS. As a result,

our financial statements and reported earnings are not directly comparable to those of banks in the United States. See “Annex I – Summary of Significant Differences Between Central Bank Accounting Rules and IFRS” for a description of the principal differences between Central Bank Accounting Rules and IFRS and how they may affect our financial statements.

***Given the potential mismatch between assets and liabilities in terms of foreign currency, we may have significant exposure.***

As of June 30, 2015, our foreign-denominated liabilities exceed our foreign-denominated assets by Ps.141.7 million. In order to hedge such exposure, we maintain locally traded foreign currency futures. Any potential mismatch could leave us exposed to the risk of volatility in foreign exchange which could adversely affect our financial results in the event of a depreciation of the peso. For example, a reduction of our ability to maintain an adequate foreign currency futures position, due to regulatory changes or to market conditions, may increase the potential mismatch increasing the foreign currency exposure.

***Our exposure to individuals could lead to higher levels of past due loans, allowances for loan losses and charge-offs.***

A substantial majority of our loans consists of loans to individual customers in the lower-middle to middle income segments of the Argentine population. As of June 30, 2015, loans to individuals represented 59.3%, of our loan portfolio at such date. In addition, important features of our strategy are to increase lending and the provision of other services to, and gain new customers in, these customer segments. The quality of our portfolio of loans to individuals is dependent to a significant extent on economic conditions prevailing from time to time in Argentina. Lower-middle to middle income individuals are more likely to be more severely affected by adverse developments in the Argentine economy than large corporations and high-income individuals. As a result, lending to these segments represents a higher degree of risk than lending to such other market segments. Consequently, we may experience higher levels of past due amounts, which could result in higher provisions for loan losses. Therefore, there can be no assurance that the levels of past due amounts and subsequent charge-offs will not be materially higher in the future.

***Our obligations as trustee of the Programa de Crédito Argentino del Bicentenario para la Vivienda Única Familiar (“PROCREAR”) trust are limited.***

We currently act as trustee of the PROCREAR Trust, which aims to facilitate access to housing solutions by providing mortgage loans for construction and developing housing complexes across Argentina. Under the terms and conditions of the PROCREAR Trust, all the duties and obligations under the trust have to be settled with the trust estate. Notwithstanding, if the aforementioned is not met, we could have our reputation affected. In addition, if the Argentine government decides to terminate the PROCREAR Trust and/or terminate our role as trustee of the PROCREAR Trust, this may adversely affect our results of operations. For more information, see “Business—Lines of Business—Trustee Services for PROCREAR Trust”.

***The growth of our loan portfolio may expose us to increased loan losses.***

During the period from December 31, 2011 to June 30, 2015, our aggregate loan portfolio grew 160.1% from Ps.7,316.8 million at December 31, 2011 to Ps.19,033.1 million at June 30, 2015. During that period, our commercial loan portfolio grew 126.3% from Ps.2,292.2 million to Ps.5,186.6 million and our consumer loan portfolio grew 219.5% from Ps.3,489.8 million to Ps.11,150.7 million. The expansion of our loan portfolio (particularly in the commercial and consumer segments) can be expected to expose us to a higher level of loan losses and require us to establish higher levels of provisions for loan losses, particularly if our loans to borrowers in certain riskier industries do not perform as we expect.

***The Argentine government might prevail at our general shareholders’ meetings.***

By virtue of Law No. 23,696 (the “Privatization Law”) there are no restrictions on the Argentine government’s ability to dispose of its Class A shares and all those shares minus one could be sold to third parties

through public offering. Our bylaws set forth that if at any time Class A shares were to represent less than 42% of our shares with right to vote, Class D shares automatically lose their triple vote right, which could result in the main shareholders losing control. Should any such situation materialize and should the Argentine government retain a sufficient number of Class A shares, the Argentine government could prevail in shareholders' meetings (except for some decisions that call for qualified majorities) and could thus exert actual control on the decisions that must be submitted to consideration by the shareholders' meeting.

***In the future, we might consider new business opportunities which could turn out to be unsuccessful.***

In recent years we have considered some business acquisitions or combinations and we plan to continue considering acquisitions that offer appealing opportunities and that are in line with our commercial strategy. However, we cannot assure you that such businesses could deliver sustainable outcomes or that we will be able to consummate the acquisition of financial institutions in favorable conditions. Additionally, our ability to obtain the desired outcome as a result of said acquisitions will be partly dependent upon our ability to follow through with the successful integration of the businesses. To integrate any acquired business entails major risks, including unforeseen difficulties in integrating operations and systems; problems inherent in assimilating or retaining the target's employees; challenges associated with keeping the target's customers; unforeseen liabilities or contingencies associated with the target; and the likelihood of management having to take time and attention out of the business's day-to-day to focus on the integration activities and the resolution of associated problems.

***We may incur losses associated with counterparty exposure risks.***

We may incur losses if any of our counterparties fails to meet its contractual obligations, due to bankruptcy, lack of liquidity, operational failure or other reasons that are exclusively attributable to that counterparty. This counterparty risk may arise, for example, from our entering into reinsurance agreements or credit agreements pursuant to which counterparties have obligations to make payments to us and are unable to do so, carrying out transactions in the foreign currency market (or other markets) that fail to be settled at the specified time due to non-delivery by the counterparty, clearing house or other financial intermediaries. We may transact with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients, and their failure to meet their contractual obligations may adversely affect us.

***Our ability to generate cash depends on many factors beyond our control, and we may not be able to generate cash required to service our debt.***

Our ability to make scheduled payments on the Notes and to meet our other debt service obligations or to refinance our debt depends on our future operating and financial performance and our ability to generate cash. This will be affected by our ability to implement successfully our business strategy, as well as general economic, financial, competitive, regulatory, technical and other factors beyond our control. If we cannot generate sufficient cash to meet our debt service obligations or fund our other business needs, we may, among other things, need to refinance all or a portion of our debt, including the Notes, obtain additional financing, delay capital expenditures or sell assets.

We may not be able to generate sufficient cash through any of the foregoing ways. If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially favorable terms or at all, we may not be able to satisfy our obligations with respect to our debt, including the Notes. If this were to occur, holders of the relevant debt would be able to declare the full amount of that debt due and payable. Our assets may not be sufficient to pay such amounts.

***If we should fail to comply with all applicable banking and securities laws and regulations or detect money laundering and other illegal or inappropriate activities in a comprehensive or timely manner, our business interests and reputation may be harmed.***

We must be in compliance with all applicable banking and securities laws and regulations. In recent years, the Argentine government and relevant governmental agencies have modified policies and mechanisms of control over financial activity, as well as the parameters surrounding monetary and disciplinary penalties that may affect our results of operations and reputation.

For example, on November 29, 2012, the Argentine Congress passed the “Capital Markets Law”, which modified the public offer regime set forth by Law No. 17,811, as amended. One of the most significant amendments introduced by such law refers to the powers of the CNV. The incorporation of Section 20 raises concern in the market, especially among listed companies, since it entitles the CNV to (i) appoint supervisors with powers of veto on resolutions adopted by a company’s board of directors and (ii) disqualify a company’s board of directors for a period of 180 days when, as determined by the CNV, the interests of the minority shareholders and/or security holders are infringed. In addition, pursuant to section 51 of the Capital Markets Law, the CNV may suspend registered broker agents on a preventive basis, as occurred during the first quarter of 2015 to several financial system entities.

In addition, anti-money laundering laws and regulations require, among other things, that we adopt and implement control policies and procedures which involve “*know your customer*” principles that comply with the applicable regulations and reporting suspicious or unusual transactions to the applicable regulatory authorities. While we have adopted policies and procedures intended to detect and prevent the use of our network for money laundering activities and by terrorists, terrorist organizations and other types of organizations, those policies and procedures may fail to fully eliminate the risk that we have been or are currently being used by other parties, without our knowledge, to engage in activities related to money laundering or other illegal activities.

To the extent that we do not comply with banking and securities laws and regulations or we do not detect illegal activities from an anti-money laundering or other standpoint, the relevant governmental agencies (including the Central Bank, the CNV and the UIF) are authorized and empowered to impose fines, suspensions and other penalties on us.

We cannot assure you that relevant governmental agencies will not impose penalties or that such penalties, if imposed, will not adversely affect our business, reputation, financial condition and results of operations.

***The effects of legislation that restricts our ability to pursue mortgage foreclosure proceedings could adversely affect us.***

Our ability to pursue foreclosure proceedings through completion, in order to recover on defaulted mortgage loans, has an impact on our activities. On December 13, 2006 and pursuant to Law No. 26,177, the “Restructuring Unit Law” was created to allow all mortgage loans to be restructured between debtors and the former Banco Hipotecario Nacional, insofar as such mortgages had been granted prior to the effectiveness of the Convertibility Law.

Law No. 26,313, the “Pre-convertibility Mortgage Loans Restructuring Law”, was enacted by the Argentine Congress on November 21, 2007 and partially signed into law on December 6, 2007 to provide the procedure to be followed in restructuring the mortgage loans within the scope of Section 23 of the Mortgage Refinancing System Law in accordance with the guidelines established by the Restructuring Unit Law. To this end, a new recalculation was established for certain mortgage loans originated by the former Banco Hipotecario Nacional before April 1, 1991.

Executive Branch Decree No. 2107/08 issued on December 19, 2008 regulated the Pre-convertibility Mortgage Loans Restructuring Law and established that the recalculation of the debt applies to the individual mortgage loans from global operations in effect on December 31, 2008 and agreed upon prior to April 1, 1991, and in arrears at least since November 2007 and remaining in arrears on December 31, 2008. In turn, the Executive

Branch Decree No. 1366/10, published on September 21, 2010, expanded the universe of Pre-convertibility loans subject to restructuring to include the individual mortgage loans not originating in global operations insofar as they met the other requirements imposed by Executive Branch Decree No. 2107/08. In addition, Law No. 26,313 and its regulatory decrees also condoned the debts on mortgage loans granted before the Convertibility Law in so far as they had been granted to deal with emergency situations and in so far as they met the arrears requirement imposed on the loans subject to recalculation.

Subject to the Central Bank's supervision, we have implemented the recalculation of mortgage loans within the scope of the aforementioned rules by adjusting the value of the new installments to a maximum amount not in excess of 20% of household income. In this respect, we estimate that it has sufficient loan loss provisions to face any adverse economic impact on the portfolio involved.

We may not assure you that the Argentine government will not enact new additional laws restricting our ability to enforce our rights as a creditor and/or imposing a condition or a reduction of principal on the amounts unpaid in our mortgage loan portfolio. Any such circumstance might have a significant adverse effect on our financial condition and results of our operations.

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

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

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

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

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

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

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

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



In addition, contingency plans in place may not be sufficient to cover liabilities associated with any such events and, therefore, applicable insurance coverage may be deemed inadequate, preventing us from receiving full compensation for the losses sustained as a result of such a disruption.

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

***A disruption or failure in any of our information technology systems could adversely affect our business.***

We depend on the efficient and uninterrupted operation of internet-based data processing, communication and information exchange platforms and networks, including those systems related to the operation of our ATM network. Our operations depend on our ability to manage our information technology systems and communications efficiently and without interruption. Our communications, systems or transactions could be harmed or disrupted by fire, floods, power failures, defective telecommunications, computer viruses, electronic or physical theft and similar events or disruptions. In addition, our information technology systems and operations may suffer if its suppliers do not meet the delivery of products in a timely manner or decide to end the relationship with us.

Any of the foregoing events may cause disruptions in our information technology systems, delays and the loss of critical data, and could prevent us from operating at optimal levels. In addition, the contingency plans in place may not be sufficient to cover all those events and, therefore, this may mean that the applicable insurance coverage is limited or inadequate, preventing us from receiving full compensation for the losses sustained as a result of such a disruption. Also, our recovery of losses plan may not be enough to prevent damage resulting from all the cases and our insurance coverage could be inadequate to cover losses from interruptions. If any of these assumptions occur our reputation, business, results of operations and financial condition could be adversely affected.

**Risks Relating to the Notes**

***In the event of our insolvency, the Notes will rank junior to claims from depositors and other privileged creditors.***

The Financial Institutions Law, as amended, provides that in the event of our bankruptcy or liquidation, all depositors, whether individuals or legal entities, and whichever the type, amount or currency of their deposits, will have general and absolute priority over any other of our creditors, including the holders of the Notes, except for labor creditors, creditors secured by a pledge or mortgage, or facilities granted by the Central Bank or by the Argentine bank liquidity fund (as defined on the Decree 32/2001) and secured by a pledge or mortgage collateral, to be paid with 100% of the proceeds of the liquidation of our assets. Holders of any deposits have special priority rights with respect to our remaining creditors, including the holders of the Notes, except with respect to labor claims and claims secured by a pledge or mortgage, to be paid out of (i) our funds held in reserves by the Central Bank; (ii) other funds existing at the date when our authorization is revoked; or (iii) the proceeds of the mandatory transfer of our assets as determined by the Central Bank, in the following order of priority: (a) deposits of up to Ps.120,000 per person or corporation (considering all amounts of such person/corporation deposited in one financial institution) or its equivalent amount in foreign currency, with priority right granted to one person per deposit (in the case of more than one account holder, the amount is pro-rated among such account holders); (b) any deposits greater than Ps.50,000 or its equivalent in foreign currency, for the amounts exceeding such sum; and (c) liabilities derived from credit facilities granted to us, which directly affect international trade. Under section 53 of the Financial Institutions Law, any claims of the Central Bank will have priority over any other creditors including the holders of the Notes, except for creditors secured by a pledge or mortgage, certain labor creditors and depositors (in the terms set forth above), facilities granted pursuant to the Central Bank's charter (rediscounts granted to financial entities in the event of a temporary lack of liquidity, advances to financial entities under a bond, bond assignment, pledge or special assignment of certain assets), and facilities granted by the Argentine bank liquidity fund and secured by a pledge or mortgage collateral.

***As a financial institution, any insolvency proceeding against us would be subject to intervention by the Central Bank, which may limit remedies otherwise available and delay noteholder recoveries in respect of their claims.***

If we become insolvent, we would not automatically be subject to insolvency proceedings under Law No. 24,522 (the “Argentine Bankruptcy Law”). Instead, we would be subject to a prior administrative proceeding in accordance with the Financial Institutions Law, pursuant to which the Central Bank would typically intervene by appointing a reviewer, requiring that we file a reorganization plan, transferring certain of our assets and liabilities and possibly suspending or revoking our banking license. Only upon the revocation of our banking license may we be subject to a bankruptcy proceeding and/or judicial liquidation pursuant to Argentine Bankruptcy Law. Consequently, noteholders will receive the amounts of their claims after a longer period of time than they would under a normal bankruptcy proceeding in Argentina (other than a financial institution’s bankruptcy proceeding) or the United States.

***The Notes will be unsecured and effectively subordinated to our secured indebtedness.***

The Notes will not be secured by any of our assets. Pursuant to the indenture or agency agreement, if any, governing the Notes, we are permitted to incur a substantial amount of additional secured indebtedness, and there is no limit on the amount of secured indebtedness that our subsidiaries may incur. Holders of our secured debt will have claims that are effectively senior to your claims as holders of the Notes, to the extent of the value of the assets securing the secured debt.

If we become insolvent or are liquidated, or if payment under any secured debt is accelerated, the lenders thereunder would be entitled to exercise the remedies available to a secured lender. Accordingly, the lender will have priority over any claim for payment under the Notes to the extent of the value of the assets that constitute its collateral. If this were to occur, it is possible that there would be no assets remaining from which claims of the holders of the Notes could be satisfied. Further, if any assets did remain after payment of these lenders, the remaining assets would be available to creditors preferred by statute and might be insufficient to satisfy the claims of the holders of the Notes and holders of other unsecured debt including trade creditors that rank equal to holders of the Notes.

In addition, our creditors may hold negotiable instruments or other instruments governed by local law that grant rights to attach our assets at the inception of judicial proceedings in the relevant jurisdiction, which attachment is likely to result in priorities benefitting those creditors when compared to the rights of holders of the Notes.

***An active trading market for the Notes may not develop.***

The Notes under this program are new securities for which there is currently no active trading market. We may apply to have the Notes of a series listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market and on the MVBA and to have the Notes accepted for trading in the MAE.

Moreover, we may not list the Notes of a series on any securities exchange or quotation system. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and our financial performance.

There can be no assurance that an active trading market for the Notes of any series will develop, or, if one does develop, that it will be maintained. If a trading market does not develop or is not maintained, holders of the Notes may experience difficulty in reselling the Notes or may be unable to sell them at an attractive price or at all. Further, even if a market develops, the liquidity of any market for the Notes will depend on the number of holders of the Notes, the interest of securities dealers in making a market in the Notes and other factors; therefore, a market for the Notes may develop though it may not be liquid. Moreover, if the Notes are traded, they may trade at a discount from their initial offering price depending upon prevailing interest rates, the market for similar securities, general economic conditions, our performance and business prospects and other factors.

***Exchange controls and restrictions on transfers abroad may impair your ability to receive payments on the Notes.***

In 2001 and 2002 Argentina imposed exchange controls and transfer restrictions, substantially limiting the ability of companies to retain foreign currency or make payments abroad. These restrictions have been substantially eased, including those requiring the Central Bank's prior authorization for the transfer of funds abroad in order to pay principal and interest on debt obligations. Furthermore, new regulations were issued in 2012 and 2013, which are still in place, pursuant to which certain foreign exchange transactions cannot be effected unless they are previously approved by Argentine tax authorities. Argentina may impose stricter exchange controls and transfer restrictions in the future, among other things, in response to capital flight or a significant depreciation of the peso. In such event, our ability to make payments abroad may be affected and therefore your ability to receive payments on the Notes may be impaired.

***The Notes will be subject to transfer restrictions which could limit your ability to resell your Notes.***

The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be altered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Such exemptions include offers and sales that occur outside the United States in compliance with Regulation S and in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A. For a discussion of certain restrictions on resale and transfer, see "Subscription and Sale" and "Transfer Restrictions". Consequently, a holder of Notes must be able to bear the economic risk of its investment in the Notes for the term of the Notes.

***Developments in other countries may adversely affect the market value of the Notes.***

The market price of the Notes may be adversely affected by developments in the international financial markets and world economic conditions. Argentine securities markets are influenced, to varying degrees, by economic and market conditions in other countries, especially those in Latin America and other emerging markets. Although economic conditions are different in each country, investor reaction to the developments in one country may affect the securities of issuers in other countries, including Argentina. We cannot assure you that the market for the securities of Argentine issuers will not be affected negatively by events elsewhere or that such developments will not have a negative impact on the market value of the Notes. For example, an increase in the interest rates in a developed country, such as the United States, or a negative event in an emerging market, may induce a significant capital outflows from Argentina and depress the Notes price of the Notes.

***We cannot assure you that the credit ratings of the Notes will not be lowered, suspended or withdrawn by the rating agencies.***

The credit ratings of the Notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the Notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. Moreover, the methods of assigning ratings used by Argentine rating agencies may differ in important aspects from those used by the rating agencies in the United States or other countries. The ratings of the Notes are not a recommendation to buy, sell or hold the Notes, and the ratings do not comment on market prices or suitability for a particular investor. An explanation of the significance of such ratings may be obtained from the rating agencies. We cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the Notes.

Negative developments in our business, results of operations and financial condition or other factors could cause the ratings agencies to lower the credit ratings, or ratings outlook, of our short- and long-term debt and consequently, impair our ability to raise new financing or refinance our current borrowings and increase our costs of issuing any new debt instruments. Any of these factors could adversely affect our business.



***We may redeem the Notes prior to maturity.***

The Notes are redeemable at our option in the event of certain changes in Argentine taxes and, if the applicable pricing supplement so specifies, the Notes may also be redeemable at our option for any other reason. We may choose to redeem those Notes at times when prevailing interest rates may be relatively low. Accordingly, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes.

***Holders of Notes may find it difficult to enforce civil liabilities against us or our directors, officers and controlling persons.***

We are organized under the laws of Argentina and our principal place of business (*domicilio social*) is in the Ciudad Autónoma de Buenos Aires, Argentina. Most of our directors, officers and controlling persons reside outside the United States. In addition, all or a substantial portion of our assets and the assets of our directors, officers and controlling persons are located outside of the United States. As a result, it may be difficult for holders of Notes to effect service of process within the United States on such persons or to enforce judgments against them, including any action based on civil liabilities under the U.S. federal securities laws. Based on the opinion of our Argentine counsel, there is doubt as to the enforceability against such persons in Argentina, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws. See “Enforcement of Civil Liabilities”.

***The obligations under the Notes will be subordinated to certain statutory liabilities.***

Under Argentine bankruptcy law, the obligations under the Notes are subordinated to certain statutory preferences. In the event of liquidation, such statutory preferences, including claims for salaries, wages, secured obligations, social security, taxes and court fees and expenses, will have preference over any other claims, including claims by any investor in respect of the Notes. Furthermore, obligations under the Notes will rank junior to certain of our outstanding demand obligations to depositors.

## CAPITALIZATION

The following table sets forth our capitalization and indebtedness as of June 30, 2015, in thousands of pesos and U.S. dollars, presented in accordance with Central Bank Accounting Rules. This table should be read in conjunction with, and is qualified in its entirety by “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and related notes, all included in this offering memorandum. There have been no material changes in our capitalization since June 30, 2015.

	<b>As of June 30, 2015</b>	
	(in thousands of Ps.)	(in thousands of US\$ <sup>(1)</sup> ) (unaudited)
<b>Short-term<sup>(2)</sup></b>		
Deposits.....	18,291,512	2,013,043
Notes .....	3,667,236	403,592
Financial institutions .....	297,357	32,725
Interest payable .....	271,977	29,932
Total short-term debt.....	22,528,082	2,479,292
<b>Long-term<sup>(2)</sup></b>		
Deposits.....	1,265	139
Notes .....	1,359,458	149,613
Total long-term debt.....	1,360,723	149,752
<b>Capital:</b>		
Capital stock <sup>(3)</sup> .....	1,500,000	165,080
Non-capitalized contributions .....	834	92
Adjustments to shareholders’ equity .....	717,115	78,921
Statutory reserves <sup>(4)</sup> .....	789,733	86,913
Other reserves .....	1,052,465	115,827
Accumulated profit.....	640,569	70,497
<b>Total shareholders’ equity</b> .....	4,700,716	517,330
<b>Total capitalization</b> .....	28,589,521	3,146,374

<sup>(1)</sup> The exchange rate used for purposes of translation of balances as of June 30, 2015 was Ps.9.0865 = US\$1.00 in accordance with the reference exchange rate published by the Central Bank as of such date.

<sup>(2)</sup> Short-term debt is indebtedness the residual maturity of which is within one year of the balance sheet date. Long-term debt is any debt the maturity of which exceeds such period.

<sup>(3)</sup> Includes subscribed and paid-in capital in the amount of 1.5 billion common shares, the par value of which is Ps.1.00 per share.

<sup>(4)</sup> Consists primarily of non-distributable legal reserves established pursuant to Central Bank regulations in an annual amount equal to 20.0% of net income plus any adjustments in prior years. The earnings reserves may only be used during periods when we have net losses and have depleted our reserves. Consequently, no dividends may be distributed if the legal reserve has been changed.

## USE OF PROCEEDS

We will use the proceeds from the issuance of Notes in compliance with the requirements of article 36 of the Negotiable Obligations Law, Communication “A” 3046, as amended and supplemented by Communication “A” 5571, of the Central Bank and other applicable regulations, and as specified in the relevant pricing supplement issued in connection with the related series of Notes.

Article 36 of the Negotiable Obligations Law and the Central Bank Communication referred to above require that we use any proceeds for:

- working capital in Argentina;
- investments in tangible assets located in Argentina;
- refinancing of outstanding debt;
- contributions to capital of a controlled or related corporation; *provided* that such corporation uses the proceeds of such contribution for the purposes specified above; or
- loan origination in accordance with Central Bank regulations and Central Bank Accounting Rules; *provided* that the proceeds from such loans are used for any of the above purposes.

Pending their application as specified above, we may also invest the proceeds of the Notes in government securities and short-term investments.

## RATINGS

As authorized by the Capital Markets Law, the Program has no rating. Ratings may be requested upon issuance of each series or tranche, as determined in the applicable pricing supplement.

## EXCHANGE RATES AND EXCHANGE CONTROLS

### Exchange Rates

In April 1991, a fixed exchange rate regime was established by law, according to which the Central Bank would have to sell U.S. dollars to any person or entity at a fixed exchange rate of Ps.1.00 per US\$1.00. On January 6, 2002, Law No. 25,561 of Public Emergency and Exchange Regime Reform (*Ley de Emergencia Pública y de Reforma del Régimen Cambiario*) was passed and the fixed exchange rate regime was terminated allowing for a controlled devaluation of the peso. After devaluing the peso and setting the official exchange rate at Ps.1.40 per US\$1.00, on February 11, 2002, the government allowed the peso to float. The increased demand for, and shortage of, U.S. dollars caused the peso to devalue significantly in the first half of 2002. Since June 30, 2002, the peso has depreciated against the U.S. dollar from an exchange rate of Ps.3.80 = US\$1.00 at June 30, 2002 to an exchange rate of Ps.9.0865 = US\$1.00 at June 30, 2015. The Central Bank has indirectly affected (and may continue to do so in the future) this market through its active participation in the sale and purchase of U.S. dollars.

During the calendar years 2011, 2012, 2013 and 2014, the Central Bank exerted an indirect influence on the foreign exchange market in order to insulate it against external shocks and maintain a relatively stable peso-dollar parity. On January 22, 2014, the official exchange rate was Ps.6.912 per US\$1.00, which represented the most significant devaluation of the peso since the 2002 crisis. On January 23, 2014, the value of the peso declined even further to an exchange rate of Ps.8.00 per US\$1.00, thereafter strengthening and stabilizing at an exchange rate of Ps.7.79 per US\$1.00 due to the intervention of the Central Bank. On December 31, 2014, the exchange rate between the peso and the U.S. dollar declined Ps.8.552 to US\$1.00, representing a devaluation of the peso of approximately 30.8% since January 2014.

On November 23, 2015, the exchange rate between the peso and the U.S. dollar was at Ps.9.6710 per US\$1.00, according to the quotation released by the Central Bank for the exchange rate known as “foreign currency offer rate for the U.S. dollar”.

The following table shows the maximum, minimum, average and closing exchange rates for each period applicable to purchases of U.S. dollars.

	Exchange Rates			
	Maximum <sup>(1)(2)</sup>	Minimum <sup>(1)(3)</sup>	Average <sup>(1)(4)</sup>	At closing <sup>(1)</sup>
Fiscal year ended on December 31, 2011.....	4.3035	3.9715	4.1302	4.3032
Fiscal year ended on December 31, 2012.....	4.9173	4.3048	4.5515	4.9173
Fiscal year ended on December 31, 2013.....	6.5180	4.9228	5.4789	6.5180
Fiscal year ended on December 31, 2014.....	8.5555	6.5430	8.1188	8.5520
January 2015 .....	8.6395	8.5537	8.6024	8.6395
February 2015 .....	8.7260	8.6488	8.6859	8.7243
March 2015 .....	8.8197	8.7310	8.7790	8.8197
April 2015 .....	8.9047	8.8260	8.8657	8.9047
May 2015 .....	8.9893	8.9103	8.9487	8.9893
June 2015 .....	9.0865	8.9965	9.0416	9.0865
July 2015 .....	9.1873	9.0920	9.1425	9.1873
August 2015 .....	9.2955	9.1937	9.2433	9.2955
September 2015.....	9.4192	9.3020	9.3652	9.4192
October 2015.....	9.5460	9.4273	9.4896	9.5460
November 2015 (through November 23, 2015) .....	9.6710	9.5540	9.6129	9.6710

Source: Central Bank.

(1) Average between the offer exchange rate and the bid exchange rate according to Central Bank’s “foreign currency exchange rate”.

(2) The maximum exchange rate appearing in the table was the highest end-of-month exchange rate in the year or shorter period, as indicated.

(3) The minimum exchange rate appearing in the table was the lowest end-of-month exchange rate in the year or shorter period, as indicated.

(4) Average exchange rates at the end of the month.

## **Exchange Controls**

Due to the deterioration of the economic and financial situation in Argentina during 2001, the inability of Argentina to service its public external debt and the decreased level of deposits in the financial system, the Argentine government issued Decree No. 1570/2001 on December 3, 2001, which established a number of monetary and currency exchange control measures, including restrictions on the free disposition of funds deposited in banks and restrictions on the transfer of funds abroad, subject to certain exceptions.

In addition to the above measures, on February 8, 2002, the Central Bank issued strong restrictions which required the prior authorization of the Central Bank with respect to transfers of funds abroad for the purpose of servicing principal and/or interest payments on foreign indebtedness.

Since October 2011, the Argentine government has expanded the restrictions on access to the foreign exchange market and transfers of foreign currency abroad. Through a combination of foreign exchange and tax regulations, the Argentine authorities have significantly curtailed access to foreign exchange by individuals and private sector entities. Current foreign exchange regulations include, among others, the obligation to obtain prior approval by the Central Bank of certain foreign exchange transactions such as payments relating to royalties, services or fees payable to related parties of Argentine companies outside Argentina (pursuant to section 3.4 of Central Bank Communication “A” 5264, issued January 3, 2012, as amended and supplemented), the ability of individuals to purchase foreign currency, subject to the limits set forth by the Argentine tax authority, restrictions for legal entities to purchase foreign currency to create or increase portfolio investments outside of Argentina, and limits to the net position in foreign exchange holdings of financial institutions (pursuant to Central Bank Communication “A” 5611, issued on August 4, 2014).

Although Argentine financial institutions are not permitted to do so, it is possible to obtain foreign currency through the capital markets by trading certain foreign currency denominated sovereign securities listed in Argentina and abroad. The implied exchange rate by this activity may differ from the quotation of the Central Bank.

The Central Bank has issued regulations regarding the registration, disbursement, payment of principal and interest and prepayments, among other exchange control measures related to foreign indebtedness, including:

### ***Registration Requirements***

A debtor must inform the Central Bank of any foreign indebtedness (financial and commercial) it incurs and must register and validate such indebtedness in accordance with Communication “A” 3602. Compliance with this duty to inform is required in order to enable such debtor to purchase foreign currency in the Argentine foreign exchange market for the purpose of servicing such foreign indebtedness, among others.

### ***Disbursements***

Proceeds received from the incurrence of foreign indebtedness by Argentine residents must be transferred and sold in the Argentine foreign exchange market within 30 calendar days following the date of disbursement thereof. The free disposition of part of these funds is currently subject to certain restrictions pursuant to Decree No. 616/05, unless the transaction qualifies for an exemption. For a description of such restrictions, see “—Restrictions on Foreign Indebtedness” below. In addition, all new foreign indebtedness of Argentine residents, as well as any refinancing of existing foreign debt, must provide that principal repayments thereunder are subject to a 365-day waiting period in which principal cannot be paid unless the transaction qualifies for an exemption, as analyzed in “—Restrictions on Foreign Indebtedness” below.

### ***Interest Payments***

Foreign currency necessary to pay interest on foreign indebtedness can be purchased:

- (i) up to 10 business days in advance of the relevant payment date;

- (ii) to pay interest accrued as from the date of settlement of the disbursed funds in the Argentine foreign exchange market; or
- (iii) to pay interest accrued during the period between the date of disbursement of the funds and the date of settlement of the disbursed funds through the Argentine foreign exchange market; provided that the funds disbursed abroad are credited in correspondent accounts of entities authorized to settle such funds in the local exchange market, within 48 business hours from the date of their initial disbursement.

In addition, from time to time the Central Bank may require to split certain foreign currency purchases in order to manage foreign currency inflows and outflows, which would be inefficient from our liquid asset investments standpoint.

### ***Principal Repayments***

Foreign currency used to pay principal on foreign indebtedness of the private non-financial sector can be acquired:

- (i) within 10 business days of the stated maturity date of the applicable obligation; provided that the funds disbursed under such obligation have remained in Argentina for at least 365 days; or
- (ii) within the term necessary for performing the payment obligations, when such payment obligations depend on the occurrence of specific conditions set forth in the related contracts, such as a cash flow excess clause or automatic cash reinvestment clause.
- (iii) In advance to periods longer than 10 business days; *provided* that (i) the 365-day waiting period has elapsed, and (ii) the payment is entirely financed with: (a) foreign funds destined to capital contributions, or (b) new loans granted by international financial institutions and agencies, official foreign credit agencies and foreign banks, to the extent that: (x) such payment were expressly established as a condition to grant the new credits, (y) the average term of the new loan is longer than the average remaining term of the loan that is to be cancelled in advance considering in both cases the principal and interest payments, and (z) such payment does not result in an increase in the present value of the foreign indebtedness of the debtor.

### ***Corporate Profits and Dividends***

Pursuant to foreign exchange regulations, Argentine companies may freely access the Argentine foreign exchange market for remittances abroad to pay earnings and dividends as long as they arise from closed and fully audited balance sheets and have satisfied applicable certification requirements. However, Argentina has been experiencing informal foreign exchange restrictions to the purchase of foreign currency to be transferred abroad. As a consequence, although purchase of foreign currency to pay dividends is allowed under Argentine foreign exchange regulations, foreign exchange transactions are being delayed or denied as a result of the *de facto* restrictions.

### ***Restrictions on Foreign Indebtedness***

In June 2005, the Argentine government imposed certain additional restrictions on inflows and outflows of foreign currency to the Argentine foreign exchange market through Decree No. 616/05 as amended and supplemented, such as:

#### ***Minimum Term of Indebtedness***

Financial indebtedness incurred by Argentine residents with foreign creditors (including refinancings) must be agreed upon and cancelled within terms of no less than 365 calendar days (waiting period), whatever the form of repayment thereof. Additionally, no prepayment of such indebtedness may be made prior to the expiration of such

term, irrespective of the payment method and whether or not termination entails the execution of a foreign exchange trade in the local market.

#### *Non-Interest-Bearing Deposits*

A nominative, non-transferable and non-interest-bearing deposit must be maintained in Argentina for a term of 365 calendar days, in an amount equal to the 30.0% of any inflow of funds to the Argentine foreign exchange market arising from the following transactions:

- (i) incurrence of foreign indebtedness;
- (ii) offerings involving primary private stock issued by companies domiciled in Argentina which are not listed on self-regulated markets, to the extent they do not constitute direct investments;
- (iii) non-residents' portfolio investments made for the purpose of holding Argentine currency and assets and liabilities in the financial and non-financial private sector, to the extent that such investments are not the result of primary subscriptions of debt securities issued pursuant to a public offering and listed in self-regulated markets and/or primary subscriptions of capital stock of companies domiciled in Argentina issued pursuant to a public offering and listed in self-regulated markets;
- (iv) non-residents' portfolio investments made for the purpose of purchasing any right on securities in the secondary market issued by the public sector;
- (v) non-residents' portfolio investments made for the purpose of purchasing primary offers of Central Bank securities issued in primary offerings;
- (vi) inflows of funds to the Argentine foreign exchange market derived from the sale of foreign investments of Argentine residents within the private sector in an amount in excess of US\$2.0 million per calendar month; and
- (vii) any inflow of funds to the Argentine foreign exchange market derived from primary offers of bonds and other securities issued by a trust, whether or not issued pursuant a public offering and whether or not they are listed in self-regulated markets when the funds to be used for the purchase of any of the underlying assets would be subject to the 30.0% non-transferable and non-interest bearing deposit.

The following transactions, among others, are exempt from the deposit requirements described above:

- (i) primary offerings of debt securities issued pursuant to a public offering and listed on a self-regulated market;
- (ii) foreign currency indebtedness granted by a local financial entity under certain conditions;
- (iii) indebtedness with multilateral organizations and other international credit agencies;
- (iv) the proceeds of foreign financial indebtedness; provided that (a) the proceeds from the exchange settlement, net of taxes and expenses are used to purchase foreign currency in order to pay principal on foreign debt and/or to invest in long-term foreign assets; or (b) the foreign indebtedness incurred has an average life of not less than two years, including payments of principal and interest contemplated in the calculation, and as long as the proceeds of such indebtedness are applied to make investments in non-financial assets such as investments registered as "property, plant and equipment" (*bienes de uso*) or "research/exploration costs" (*gastos de investigación, prospección y exploración*), among others, or registered as "intangible assets" (*activos intangibles*) on the relevant debtor's balance sheet; and

- (v) foreign trade financings.

***Restrictions on residents relating to the purchase of foreign currency***

Individuals are entitled to access the local exchange market to purchase foreign currency, subject to the limits set forth by the Argentine tax authority. Access to the local exchange market to purchase foreign currency without specific allocation by Argentine residents that are legal persons is subject to prior authorization by the Central Bank.

***Other Exchange Controls Measures***

Subject to certain conditions, Central Bank regulations allow the purchase of foreign currency in the Argentine foreign exchange market for purposes of making payments on account of financial derivatives.



## SELECTED FINANCIAL AND OTHER INFORMATION

The following table presents our selected consolidated financial and other information as of and for the years ended December 31, 2010, 2011, 2012, 2013 and 2014 and as of and for the six months ended June 30, 2014 and 2015. This information should be read in conjunction with, and is qualified in its entirety by reference to, our financial statements included in this offering memorandum and the sections entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Selected Statistical Information”.

The selected consolidated financial information as of December 31, 2013 and 2014, and for each of the years ended December 31, 2012, 2013 and 2014 has been derived from our consolidated financial statements included in this offering memorandum which have been audited by Price Waterhouse & Co. S.R.L. The report of Price Waterhouse & Co. S.R.L. on our audited consolidated financial statements appears elsewhere in this offering memorandum. The summary consolidated financial information as of December 31, 2010, 2011 and 2012, and for the year ended December 31, 2010 and 2011 have been derived from our audited consolidated financial statements not included in this offering memorandum.

The selected consolidated financial information as of June 30, 2015 and for the six months ended June 30, 2014 and 2015 has been derived from our unaudited consolidated financial statements included in this offering memorandum. Our results of operations for the six months ended June 30, 2015 are not necessarily indicative of the results to be expected for year ended December 31, 2015 or for any other period.

Our audited and unaudited financial statements have been prepared in accordance with Central Bank Accounting Rules, which differ in certain significant respects from Argentine GAAP and IFRS. We have included a description of certain significant differences between IFRS and the Central Bank Accounting Rules, as applied to us in “Annex I— Summary of Significant Differences Between Central Bank Accounting Rules and IFRS”. Our financial statements do not contain any reconciliation to Argentine GAAP or IFRS of our shareholders’ equity or our net income. Potential investors should consult with their professional advisors for an understanding of the differences between our accounting policies and the Argentine GAAP and IFRS, and how those differences affect the financial information herein.

Effective January 1, 1995, pursuant to Resolution No. 388 of the Central Bank’s Financial Superintendence, we discontinued our prior practice of adjusting our financial statements for inflation. Effective January 1, 2002, we resumed the application of the adjustment for inflation, as a result of the application of Communication “A” 3702 of the Central Bank which repealed any regime that did not allow companies to restate their accounting balances at period-end currency values. On March 25, 2003, Decree No. 664/03 rescinded the requirement that financial statements be prepared in constant currency, effective for financial periods on or after March 1, 2003 and on April 8, 2003, the Central Bank issued Communication “A” 3921 discontinuing inflation accounting effective as of March 1, 2003. As a result, our unaudited financial statements as of June 30, 2014 and 2015 and our audited financial statements as of December 31, 2010, 2011, 2012, 2013 and 2014 do not include the effects of inflation.

The exchange rate used for purposes of translation of balances as of December 31, 2014 was Ps.8.5520=US\$1.00, in accordance with the Reference Exchange Rate published by the Central Bank as of such date.

The exchange rate used for purposes of translation of balances as of June 30, 2015 was Ps.9.0865=US\$1.00, in accordance with the Reference Exchange Rate published by the Central Bank as of such date.

	Year ended December 31,						Six months ended June 30,		
	2010	2011	2012	2013	2014	2014	2014	2015	2015
	(in thousands of pesos)						(US\$ <sup>(1)</sup> )	(in thousands of pesos)	
CONSOLIDATED BALANCE SHEET DATA									
Assets:									
Cash and due from banks .....	849,067	658,005	1,450,494	2,240,567	5,368,514	627,750	3,008,168	3,201,575	352,344
Government and corporate securities <sup>(2)</sup> .....	2,682,377	1,807,319	2,078,936	1,740,587	4,518,035	528,302	3,395,192	5,271,583	580,156
Loans:									
To the non-financial public sector....	49,856	50,768	91,806	139,373	112,131	13,112	130,925	90,231	9,930
To the financial sector .....	71,894	146,776	391,343	379,308	339,190	39,662	384,448	351,000	38,629
To the non-financial private sector and foreign residents:	5,651,221	7,540,694	9,544,383	12,928,639	17,195,344	2,010,681	15,060,872	19,025,739	2,093,847
Overdraft facilities .....	316,231	635,090	1,031,178	792,178	1,173,527	137,223	1,139,629	685,978	75,494
Promissory notes .....	159,629	250,736	229,629	371,267	369,360	43,190	257,286	238,162	26,211
Mortgage loans .....	1,741,901	1,705,635	1,868,330	2,220,627	2,349,468	274,727	2,202,867	2,473,874	272,258
Pledge loans .....	11,615	22,933	55,346	42,460	103,576	12,111	84,748	432,994	47,652
Personal loans .....	472,878	788,256	1,199,211	1,822,810	2,354,793	275,350	2,040,282	2,650,126	291,655
Credit card loans .....	1,813,442	2,701,531	3,551,203	5,181,068	7,155,260	836,677	5,950,266	8,500,601	935,520
Unallocated collections .....	(37,766)	(5,271)	(1,723)	(8,007)	(34,565)	(4,042)	(5,536)	(60,472)	(6,655)
Other loans .....	1,135,348	1,388,722	1,538,527	2,380,749	3,536,442	413,522	3,253,923	3,889,938	428,102
Accrued interest and quotation differences receivable .....	50,660	77,398	87,837	144,807	213,947	25,017	160,816	231,916	25,523
Documented interest .....	(12,717)	(24,336)	(15,155)	(19,320)	(26,464)	(3,094)	(23,409)	(17,378)	(1,913)
Allowances .....	(216,609)	(223,904)	(273,101)	(308,632)	(407,140)	(47,608)	(356,267)	(433,825)	(47,744)
Loans (net of allowances) .....	5,556,362	7,514,334	9,754,431	13,138,688	17,239,525	2,015,847	15,219,978	19,033,145	2,094,662
Other receivables from financial transactions .....	1,599,701	1,991,407	1,695,702	1,824,334	2,366,225	276,687	2,573,443	3,378,146	371,776
Assets under financial leases .....	—	—	10,810	58,851	107,520	12,572	71,907	125,461	13,807
Investments in other companies .....	4,066	4,066	4,066	19,241	47,918	5,603	19,241	70,806	7,792
Miscellaneous receivables .....	501,595	571,355	760,833	993,319	1,134,524	132,662	1,117,890	1,559,217	171,597
Bank premises and equipment .....	96,613	101,775	109,819	122,684	165,159	19,312	150,489	186,320	20,505
Miscellaneous assets .....	41,517	37,768	40,216	47,508	59,790	6,991	50,483	60,413	6,649
Intangible assets .....	85,303	76,929	96,602	198,587	342,928	40,099	244,540	426,148	46,899
Items pending allocation .....	761	684	1,765	3,527	1,373	161	4,254	8,542	940
Total assets .....	11,417,362	12,763,642	16,003,674	20,387,893	31,351,511	3,665,986	25,855,585	33,321,356	3,667,128
Liabilities									
Deposits:									
Non-financial public sector .....	1,900,857	2,378,275	2,990,892	4,142,809	9,100,822	1,064,175	6,108,730	6,597,313	726,057
Financial sector .....	12,341	11,540	8,563	8,109	7,416	867	7,252	10,783	1,187
Non-financial private sector and residents abroad:	2,924,966	3,061,948	5,011,674	6,738,876	9,225,875	1,078,798	7,791,172	11,820,735	1,300,912
Checking accounts .....	73,354	58,744	595,564	526,413	760,533	88,930	538,020	1,097,843	120,821
Savings accounts .....	362,596	505,781	741,892	1,443,467	2,479,643	289,949	1,662,444	2,953,065	324,995
Time deposits .....	2,405,033	2,407,108	3,355,131	4,265,680	4,983,820	582,767	4,579,249	6,518,386	717,370
Investment accounts .....	14,056	40	160,035	304,241	713,438	83,424	680,326	940,401	103,494
Others .....	44,754	65,526	101,650	126,748	156,068	18,249	170,234	174,986	19,258
Interest and quotation gains/(losses) payable .....	25,173	24,749	57,402	72,327	132,373	15,479	160,899	136,054	14,973
Total deposits .....	4,838,164	5,451,763	8,011,129	10,889,794	18,334,113	2,143,840	13,907,154	18,428,831	2,028,156
Other liabilities for financial transactions <sup>(3)</sup> .....	2,956,878	3,205,324	3,539,730	4,137,110	6,475,372	757,176	6,066,310	7,689,843	846,293
Miscellaneous liabilities .....	418,402	595,401	726,885	1,173,058	1,781,556	208,320	1,255,847	2,066,760	227,454
Provisions .....	166,283	203,312	158,274	148,340	236,117	27,610	152,789	221,950	24,426
Subordinated bonds .....	—	—	—	—	—	—	—	100,452	11,055
Items pending allocation .....	2,930	17,336	43,637	121,345	59,855	6,999	208,293	44,847	4,936
Non-controlling interest .....	60,472	78,131	68,034	71,311	67,591	7,904	59,849	67,957	7,479
Total liabilities .....	8,443,129	9,551,267	12,547,689	16,540,958	26,954,604	3,151,848	21,650,242	28,620,640	3,149,799
Shareholders' equity .....	2,974,233	3,212,375	3,455,985	3,846,935	4,396,907	514,138	4,205,343	4,700,716	517,329

	Year ended December 31,						Six months ended June 30,		
	2010	2011	2012	2013	2014	2014	2014	2015	2015
	(in thousands of pesos)					(US\$ <sup>(1)</sup> )	(in thousands of pesos/ percentage)		(US\$ <sup>(1)</sup> )
CONSOLIDATED INCOME STATEMENT DATA									
Financial income.....	1,320,337	1,562,782	2,180,725	3,232,073	5,294,899	619,142	2,731,976	2,953,427	325,035
Financial expenses .....	(727,291)	(832,645)	(1,138,629)	(1,602,511)	(2,973,378)	(347,682)	(1,500,628)	(1,814,561)	(199,699)
Net financial income .....	593,046	730,137	1,042,096	1,629,562	2,321,521	271,459	1,231,348	1,138,866	125,336
Provision for loan losses .....	(96,783)	(119,292)	(200,922)	(264,290)	(343,437)	(40,159)	(166,646)	(198,479)	(21,843)
Income from services.....	609,861	974,098	1,172,154	1,737,320	2,609,450	305,127	1,079,248	1,753,821	193,014
Expenses for services.....	(162,847)	(182,859)	(191,331)	(518,039)	(699,632)	(81,809)	(274,797)	(344,035)	(37,862)
Administrative expenses .....	(709,009)	(1,104,980)	(1,440,391)	(1,896,956)	(2,855,738)	(333,926)	(1,293,865)	(1,805,016)	(198,648)
Net income from financial transactions.....	234,268	297,104	381,606	687,597	1,032,164	120,693	575,288	545,157	59,997
Miscellaneous income .....	151,486	276,935	209,427	177,082	280,534	32,803	130,830	218,742	24,073
Miscellaneous expenses .....	(162,642)	(272,390)	(182,761)	(242,428)	(361,738)	(42,299)	(137,937)	(245,533)	(27,022)
Income tax .....	(22,092)	(41,335)	(55,096)	(194,123)	(426,641)	(49,888)	(221,240)	(172,212)	(18,953)
Non-controlling interest .....	(5,705)	(8,797)	(9,569)	(7,178)	25,653	3,000	11,467	(528)	(58)
Net income .....	195,315	251,517	343,607	420,950	549,972	64,309	358,408	345,626	38,037
CASH FLOW DATA									
Cash flows from operating activities .....	553,144	(919,087)	(285,781)	(1,358,932)	(760,949)	(88,979)	(1,352,069)	(3,925,046)	(431,965)
Cash flows from investing activities .....	(100,734)	(1,413)	(8,044)	(20,157)	(54,757)	(6,403)	(30,780)	(21,784)	(2,397)
Cash flows from financing activities.....	(987,740)	58,758	165,203	604,752	1,698,654	198,627	853,282	669,554	73,687
Financial gain (loss), holding of cash and cash equivalents (including interest and monetary results) .....	577,526	709,756	879,945	1,605,576	2,244,999	262,512	1,297,168	1,110,337	122,196
Net increase/(decrease) in cash and cash equivalents.....	42,196	(151,986)	751,323	831,239	3,127,947	365,756	767,601	(2,166,939)	(238,479)
SELECTED RATIOS <sup>(4)</sup>									
Profitability									
Return on average assets <sup>(5)</sup> .....	1.71%	2.08%	2.39%	2.31%	2.13%	—	3.10%	2.14%	—
Return on average shareholders' equity <sup>(6)</sup> .....	6.79%	8.13%	10.31%	11.53%	13.34%	—	17.80%	15.20%	—
Net financial margin <sup>(7)</sup> .....	6.36%	6.04%	7.24%	8.96%	8.97%	—	10.65%	7.04%	—
Efficiency <sup>(8)</sup> .....	68.17%	72.63%	71.20%	66.59%	67.49%	—	63.56%	70.82%	—
Capital									
Total shareholders' equity as a % of total assets.....	26.05%	25.17%	21.59%	18.87%	14.02%	—	16.26%	14.11%	—
Total shareholders' equity as a % of total liabilities.....	35.48%	33.91%	27.69%	23.36%	16.35%	—	19.48%	16.46%	—
Other assets as a % of assets <sup>(9)</sup> .....	6.39%	6.21%	6.33%	6.79%	5.59%	—	6.14%	6.49%	—
Liquidity									
Cash and cash resources plus government and corporate securities as a % of deposits .....	72.99%	45.22%	44.06%	36.56%	53.92%	—	46.04%	45.98%	—
Net loans as a % of deposits.....	115.42%	138.34%	121.99%	121.30%	94.68%	—	110.04%	104.02%	—
Asset Quality									
Non-performing loans as a % of total loans.....	2.99%	2.28%	2.31%	2.17%	2.34%	—	2.40%	2.26%	—
Non-performing consumer loans as a % of total consumer loans <sup>(10)</sup> .....	3.62%	2.96%	3.20%	3.15%	3.41%	—	3.69%	3.16%	—
Non-performing commercial loans as a % of total commercial loans <sup>(11)</sup> .....	1.58%	0.84%	0.57%	0.51%	0.58%	—	0.39%	0.62%	—
Allowances as a % of total loans.....	3.28%	2.54%	2.37%	2.20%	2.24%	—	2.22%	2.17%	—
Allowances as a % of non-performing loans <sup>(12)</sup> .....	112.62%	111.42%	102.64%	101.62%	95.89%	—	92.52%	95.93%	—

	Year ended December 31,						Six months ended June 30,		
	2010	2011	2012	2013	2014	2014	2014	2015	2015
		(in thousands of pesos)				(US\$ <sup>(1)</sup> )	(in thousands of pesos)		(US\$ <sup>(1)</sup> )
OTHER DATA									
Operations									
Number of branches .....	50	50	55	60	60	—	60	60	—
Number of employees .....	1,766	1,892	1,980	2,488	2,608	—	2,577	2,497	—

- <sup>(1)</sup> The exchange rate used for purposes of translation of balances as of December 31, 2014 and as of June 30, 2015 was Ps.8.5520 = US\$1.00 and Ps. 9.0865 = US\$1.00, respectively, in accordance with the Reference Exchange Rate published by the Central Bank as of such date.
- <sup>(2)</sup> Includes Ps.1,008.3 million, Ps.1,049.6 million, Ps.972.1 million, Ps.29.9 million and Ps.2,524.7 million from instruments issued by the Central Bank as of December 31, 2010, 2011, 2012, 2013 and 2014, respectively and Ps.1,697.0 million and Ps.2,422.2 million as of June 30, 2014 and June 30, 2015, respectively.
- <sup>(3)</sup> Includes Ps.1,689.7 million, Ps.1,748.5 million, Ps.2,013.7 million, Ps.2,660.1 million and Ps.4,347.1 million in unsubordinated negotiable obligations as of December 31, 2010, 2011, 2012, 2013 and 2014, respectively and Ps.3,501.7 million and Ps.4,926.7 million as of June 30, 2014 and June 30, 2015, respectively.
- <sup>(4)</sup> Selected ratios were prepared in accordance with Central Bank Accounting Rules. Pursuant to those standards, current and non-current assets as well as current and non-current liabilities are not presented as separate line items. Consequently, it is impossible to calculate ratios such as “Capital Immobilization”, which differs from CNV Rules and Argentine GAAP.
- <sup>(5)</sup> Consists of net income as a percentage of average total assets. Average assets are a regular average between the balance of consolidated assets at the beginning of the period and the balance of consolidated assets at the end of the period, as it arises from our financial statements.
- <sup>(6)</sup> Consists of net income as a percentage of average total shareholders’ equity. Average net shareholders’ equity is a regular average between the balance of consolidated net shareholders’ equity at the beginning of the period and the balance of consolidated net shareholders’ equity at the end of the period, as it arises from our financial statements.
- <sup>(7)</sup> Consists of financial margin as a percentage of average assets.
- <sup>(8)</sup> Ratio of administrative expenses to the sum of net financial margin, net contribution from insurance and other income from services, net.
- <sup>(9)</sup> Other Assets consist of the sum of “Investments in other Companies”, “Miscellaneous Receivables”, “Bank Premises and Equipment”, “Miscellaneous Assets”, “Intangible Assets” and “Items pending Allocation”.
- <sup>(10)</sup> “Consumer loans” consist of our mortgage loans, personal loans and credit card loans. Non-performing consumer loans consist of those loans classified as “Medium Risk”, “High Risk”, “Uncollectible” and “Uncollectible for Technical Reasons” in accordance with the Central Bank loan classification standards.
- <sup>(11)</sup> “Commercial loans” consist of overdraft facilities loans, promissory notes loans, pledge loans and other loans. Non-performing commercial loans consist of those loans classified as “Problematic”, “High Risk of Insolvency”, “Uncollectible” and “Uncollectible for Technical Reasons” in accordance with the Central Bank loan classification standards.
- <sup>(12)</sup> Consists of allowances as a percentage of non-performing consumer and commercial loans which are those loans classified as “Problematic”, “High Risk of Insolvency”, “Uncollectible” and “Uncollectible for Technical Reasons”, in accordance with the Central Bank loan classification standards.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*This discussion should be read in conjunction with our audited and unaudited financial statements which are included in this offering memorandum. We maintain our financial books and records in Pesos and prepare our audited and unaudited financial statements in accordance with Central Bank Accounting Rules which prescribe the reporting and disclosure requirements for banks and financial institutions in Argentina. These rules differ in certain significant respects from Argentine GAAP and IFRS.*

*Our audited and unaudited financial statements do not contain reconciliation to Argentine GAAP or to IFRS of our shareholders' equity as of June 30, 2014 and 2015 or as of December 31, 2012, 2013 and 2014. Potential investors should consult with their professional advisors for an understanding of the differences between the accounting policies used by us and Argentine GAAP and IFRS and how those differences affect the financial information herein contained.*

### Principal Factors Affecting our Business

#### *Impact of Economic Conditions in Argentina*

Our business and results of operations are dependent on, and significantly impacted by, the macroeconomic situation prevailing in Argentina. During 2012 and in line with global macroeconomic environment, growth of the Argentine economy slowed, and the GDP increased 0.8%.

Private consumption and the increase in credit supply and government transfers continued to be the mainstay of economic activity. Despite the deterioration in the level of investment figures, it accounted for 21% of GDP in 2012.

Seeking to instrument further active policies in this context, the Argentine government enacted Law No. 26.739 which reformulated the Central Bank's Charter. It was intended to allow the Central Bank to implement a number of measures aimed at improving conditions for access to banking services and credit, particularly loans for application to use in productive activities and to encourage the territorial deployment of financial institutions.

There were two main sections that guided the principles of these objectives: (1) Article 3 broadened the Central Bank's main mandate, adding to monetary stability, the objective of financial stability, employment and economic development plus social equality; and (2) Article 14 strengthened the powers of the Central Bank's Board of Directors to decide on: (i) the ability to open branches in view of the objective of enhancing the system's geographical coverage, serving areas with lower economic potential and lower population density and (ii) the promotion of universal access to financial services. In particular, Law No. 26.739 redefined the zoning scheme applicable to the Argentine territory. A renewed set of criteria has been laid down seeking to promote the establishment of branches and ATMs in regions that have relatively smaller financial system infrastructure.

Therefore, the Central Bank implemented a readjustment of the rules regarding minimum cash requirements which entailed a gradual decrease in such requirements based on the degree of development of the location of the branch where the deposit has been made and also reduced liquidity requirements based on the weighting of loans to micro enterprises and small and medium-sized businesses over the total loans to the private sector in each entity. To strengthen loans for productive activities, by mid-2012 the Central Bank established that the larger relative size banks of the Argentine financial system must offer credit lines equivalent to 5% of their deposits to fund investment projects, acquisition of capital goods and/or the construction of the premises required to produce goods and/or services. These loans were granted at a fixed interest rate of up to 15.01% per annum and half this amount was required to be lent to micro enterprises and small and medium-sized companies.

In November 2012, the Central Bank issued new regulations to determine minimum capital requirements enforced in January 2013. These regulations arise from the solvency standards issued by the Basel Committee on Banking Supervision.

In 2013, the Argentine economy grew 2.9%, mainly driven by the improvement in the performance of the aggregate services sector —dynamism in trade, transportation and financial intermediation gave special emphasis— which came along with an increase in the farming industry's output, an increase in the supply of some industrial sectors.

With regards to the local capital markets, debt issuance maintained its growth, where the most significant instrument being trusts associated to infrastructure, homes and consumption, in addition to bonds issued by the financial sector.

In 2014, the Argentine economy reported GDP growth of 0.5%. Although external demand decreased and private consumption slowed, investment was more dynamic. The rest of the services continued to show an upward trend, driven mainly by communications, civil and oil infrastructure.

The main indicators in the labor market reflected the trend shown by the economy in 2014. There was a year-over-year slight decrease in the unemployment rate, which was 6.9% in 2014.

The consumer price index known as IPCNu (*Índice de Precios al Consumidor Nacional urbano*) stabilized its monthly rate of growth as from mid-2014 after the slow-down seen in the preceding months. This dynamic has also been influenced by seasonal factors, the monetary and foreign exchange policy and the price agreements in a framework of an aggregate demand that performed weakly.

Also the Central Bank took a set of measures that helped to reduce volatility in the foreign exchange rate. Starting in February 2011, the Central Bank reinstated the limit on the global net position of foreign currency that financial institutions were allowed to hold at a level equivalent to 30% of their capital. This was subsequently reduced to 20% in September 2014. This measure helped to increase the supply of foreign currency and contributed to greater activity in the foreign exchange markets. Additionally, the Central Bank reduced the interest rate on Peso-denominated term deposits placed by individuals and increased the amount covered by the deposit guarantee.

The prices of Argentine government securities and Argentine companies' shares overall has been strengthening since May 2014 in spite of increases in volatility caused by both internal and external factors, such as the controversy surrounding the amounts owed by Argentina being litigated in the courts of New York and the drop in the implicit foreign exchange rates used. With respect to funding through capital market instruments, there has been increased activity seen in the past months although at a lower price compared to previous months.

Argentina's GDP increased 2.3% in the six months ended June 30, 2015 compared to the corresponding period in 2014.

IPCNu grew 6.7% in the six months ended June 30, 2015, reaching a ratio of annualized inflation of 13.9%, while the primary fiscal balance showed a deficit of Ps.46,595 million for the same six-month period.

In the external sector, the accumulated trade balance reached US\$1,232.1 million in the six months ended June 30, 2015, a 63% decrease compared with the corresponding period in 2014, resulting from a decrease in both exports and imports of 17.9% and 13.5%, respectively.

In the foreign currency exchange market, the exchange rate (according to the Central Bank) was at Ps.9.0865 per U.S. dollar at June 30, 2015, representing a decrease of 11.01% compared to December 31, 2014 when the exchange rate was Ps.8.5510 per U.S. dollar.

### ***Argentine Financial System***

In 2014, a slight demonetization of the economy was observed due to a shift from an expansive monetary policy between 2010 and 2013 to a moderate monetary policy after the devaluation. The placement of Central Bank debt instruments absorbed a significant portion of the monetary expansion derived from fiscal assistance to the Argentine government and the purchase of foreign currency from the private sector.



The reserves of the Central Bank as of December 31, 2014 amounted to US\$31.4 billion, an increase of approximately US\$844 million over the prior year. This increase was primarily the result of certain swap transactions entered into with China and the issuance and placement of U.S. dollar-denominated LEBACs and *Notas del Banco Central* (“NOBAC”).

In line with the reduced growth of the monetary base, financial activity slowed during 2014. The average total deposits and the average total credits increased by 27% and 24% respectively, as compared to the 27% and 30% increase reported in average in 2013.

With respect to deposits, the trend of the last years continued in 2014, with private sector deposits growing more than public sector deposits as a result of the fiscal deficit of the national and provincial governments.

With respect to interest-earning assets, the growth rate of total loans in the financial system was lower than the previous year, despite the fact that LEBAC holdings doubled. The LEBAC/Loan ratio increased from 19% in 2013 to 32% in 2014.

System-wide liquidity grew from 30% to 43% with respect to deposits in December 2014 due to increased holdings of LEBAC.

In general, increases in prevailing interest rates may result in more interest revenue from loans. An increase of prevailing interest rates may, however, adversely affect us as a result of reduced overall demand for our loans and greater risk of default by our clients. In addition, relatively high interest rates affect our funding costs, and can adversely affect spreads on our loan portfolio if we are unable to pass on the increased funding costs to our clients. On the other hand, a decrease in interest rates may reduce our revenue from our loan portfolio. This revenue decrease could be offset by an increase in the volume of loans resulting from a higher demand and/or a decrease in our funding costs.

Interest rates also rose during the year, offsetting the reduction in the monetary base. In 2014, the Central Bank implemented a scheme of maximum reference lending rates for consumer and secured loans in order to increase the demand for credit.

During 2014, borrowing rates decreased due to excess funds. With respect to borrowing rates, the Central Bank implemented a control mechanism, establishing a minimum deposit rate for certain term deposits.

In 2014, the soundness of the financial system improved, increasing its capacity to overcome potential economically volatile scenarios. Changes were implemented in the operation of the financial system as a result of the monetary and sector-specific policies of the Central Bank. In 2014, after nine years of positive results, the strength of the financial system increased, with a net worth of Ps.168.2 million (a 38% increase as compared to the previous year).

With respect to the six months ended June 30, 2015, the Badlar Privada rate grew 65 basis points averaging 20.55%, compared to an average of 19.9% in the fourth quarter of 2014. Peso-denominated private sector loans increased 8.32% in the six months ended June 30, 2015, while peso-denominated deposits grew 19.56% in the same period due to an increase in the overall money supply in the Argentine economy.

## **Inflation**

Historically, inflation in Argentina has played a significant role in influencing, often negatively, the economic conditions in Argentina and, in turn, the operations and financial results of companies operating in Argentina, such as the Bank.

IPCNu has stabilized its growth rate since mid-2014, after the slowdown seen in previous months. For more information, see “—Impact of Economic Conditions in Argentina”.

## **Critical Accounting Policies**

We believe that the following are the critical accounting policies under Central Bank Accounting Rules, as they are important to the portrayal of our financial condition and results of operations and require our most difficult, subjective and complex judgment and the need to make estimates about the effect of matters that are inherently uncertain.

### ***Government and Corporate Securities***

Securities classified as “Holdings booked at fair value”, “Investment in listed corporate securities” and “Securities issued by the Central Bank—quoted bills and notes issued by the Central Bank” with volatility published by the Central Bank are recorded at quoted market prices.

We record investment securities classified as “Holdings booked at cost plus return” and “Securities issued by the Central Bank —unquoted bills and notes issued by the Central Bank” for which market prices are not published by the Central Bank, at their acquisition cost subject to an exponential increase based on their internal rate of return.

As of December 31, 2014 and June 30, 2015, we maintained overdue interest coupons in our investments portfolio from the Discount Bond due 2033, issued by the Republic of Argentina (“DICY”), and the Par Bond due 2038, issued by the Republic of Argentina (the “PARY”), bonds to be collected for an amount of Ps.8.8 million and Ps.9.4 million, respectively

### ***Loans***

We record our loans at their outstanding principal amounts, adjusted by *Coeficiente de Estabilización de Referencia* (“CER”), and *Coeficiente de Variación Salarial* (“CVS”), where applicable, plus accrued interest and net of allowance for loan losses. We suspend the accrual of interest on loans which are past due more than 90 days.

Loans to the non-financial private sector originally granted in foreign currency prior to December 2001 have been converted into pesos at the exchange rate of Ps.1.00 per U.S. dollar, as established by Law No. 25,561, Decree 214 and complementary rules and amendments. Since February 3, 2002, the CER and CVS have been applied to the amount of those loans and maximum rates have been established, depending on the borrower.

### ***Interest Accruals and Adjustments of Principal Amounts***

In general for lending and certain borrowing transactions in local and foreign currency, interest is recognized on a compounded basis, which provides for an increasing effective rate over the life of the loan. Interest accruals for loans past due more than 90 days, are discontinued.

Adjustments of principal amounts from the application of the CER, were accrued as established by Central Bank regulations. As of December 31, 2014 and June 30, 2015, the CER adjustments reported under financial income was Ps.32.4 million and Ps.6.6 million, respectively.

### ***Allowance for Loan Losses***

We provide for estimated losses on loans and the related accrued interest by establishing an allowance for loan losses. The allowance charged to expense is determined by our management based upon loan classification, actual loss experience, current and expected economic conditions, delinquency aging and an evaluation of potential losses in the current loan portfolio. We give specific attention to loans with evidence that may negatively affect our ability to recover the loan and accrued interest.



### ***Insurance***

We record provisions for incurred, but not reported, insurance claims and pending insurance claims based on historical loss experience. We provide property damage, life and unemployment insurance for our customers. We recognize income from insurance premiums as it is charged as a component of the monthly loan installment under “Income from services” in the accompanying consolidated income statement.

We discontinue accruing insurance premiums for individual loans when the related loan is over 90 days past due.

### ***Assets under Financial Leases***

We record assets under financial leases at the net investment in the lease less unearned income and calculated in accordance with the conditions agreed upon in the respective agreements, by applying the interest rate imputed therein, and net of loan loss reserves.

### ***Derivative Financial Instruments***

Currency swaps were recorded on the basis of the net asset or liability derived from the accrual of amount receivable in euros or U.S. dollar, minus the accrual of interest payable in U.S. dollar or euros (both derived from the current coupon of the swap).

Forward transactions have been recorded by the difference between the agreed foreign currency exchange rate and the spot exchange rate at the end of the year.

Future contracts to buy or sell foreign currency are recorded at fair value. The settlement of these contracts is carried on a daily basis for the difference, if any, between the closing price of the underlying asset and the closing price or value of the underlying asset corresponding to the previous day.

Changes in these values, for all derivative instruments, are recognized as a gain or loss under the caption “Financial Income — Other” or “Financial Expenses — Other”, respectively, in our consolidated income statements.

As of June 30, 2015, there were proceedings before administrative authorities because of certain derivative transactions. See “Business—Litigation”.

### ***Securizations of Loans***

We account for the transfer of loans to trusts and the issuance of mortgage bonds, as a sale and record its retained interest (Certificate of Participation) in the securitization trusts at their principal amounts. We recognize a gain or loss for the difference between the cash proceeds received and the principal balance of the loans underlying the bonds or trust sold. We adjust retained interests relating to certificates of participation on a monthly basis to reflect the net results of our residual interest in the trusts.

The certificates of participation have been recorded according to the equity method of accounting, written down, to reflect any allowances for impairment. In addition, debt securities issued by the trust are recorded at face value, adjusted by CER, when applicable, plus accrued interest, written down, if applicable, to reflect any allowances for impairment and less the negative amount of the equity method applied to the certificates of participation, when applicable.

We may sell the retained interest in our trusts in the future.

### ***Loans in Trust Pending Securitization***

We have executed various financial trust agreements under which we have transferred the fiduciary ownership of certain of our mortgage loans to other financial entities as trustees for the benefit of a trust. Once the

mortgage loans have been transferred, the trust fund issues the corresponding debt securities and certificates of participation and remits the cash proceeds to us. We may retain an ownership interest in the trust in the form of debt securities or certificates of participation.

These receivables, corresponding to “pesified” mortgage loans registered in the name of the trustee, are recorded as an asset, since the trustee has not issued the corresponding debt securities and/or certificates participation, and therefore we maintain the dual roles of trustor and sole beneficiary.

### ***Investments in Other Companies***

Investments in other companies include equity interest in companies where a non-controlling interest is held. Under Central Bank Accounting Rules, the equity method is used to account for investments where a significant influence in the corporate decision making process exists.

We account for permanent equity investments in companies where we do not influence corporate decisions at the lower value between the cost and the estimated value of recovery. As of December 31, 2013 and 2014 these investments were recorded at cost.

### ***Bank Premises and Equipment and Miscellaneous Assets***

Bank premises and equipment are recorded at cost, adjusted for inflation (as described in note 1.d of the Financial Statements), less accumulated depreciation.

Depreciation is computed under the straight-line method over the estimated useful lives of the related assets. The estimated useful lives for our premises and equipment are as follows:

Buildings .....	50 years
Furniture and fixtures .....	10 years
Machinery and equipment .....	5 years
Other .....	5 years

The cost of maintenance and repairs of these properties is charged to expense as incurred. The cost of significant renewals and improvements is added to the carrying amount of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the consolidated income statement.

We have recorded properties received in lieu of payment of loans under “Miscellaneous assets”. These assets are initially recognized at the lower of market value or the value of the loan, net of allowances and subsequently, adjusted for inflation (as described in note 1.d), and depreciation. Depreciation of Miscellaneous assets is also computed under the straight-line method over the estimated useful of the related assets.

### ***Intangible Assets, Net***

Software expenses as well as start-up costs are carried at cost, adjusted for inflation (as described in note 1.d of our audited consolidated financial statements), less accumulated amortization. These intangible assets are amortized under the straight-line method over their estimated useful life.

Goodwill is recorded by the difference between the purchase price and the book value of the net assets acquired in accordance with the Central Bank Accounting Rules, and subsequently amortized in a straight line basis over the estimated useful life of 120 months.

Given our role as trustee of the PROCLEAR Trust, we have capitalized increased direct expenses incurred in the mortgage loan origination process, which disbursements would not have been incurred by it had it not been for the grant of the related loans in accordance with the provisions of Communication “A” 5392. Such origination expenses are amortized in 60 monthly installments.

### ***Non-controlling Interest***

The breakdown of supplementary equity interests recorded in “non-controlling interest” in our consolidated balance sheets is as follows:

	<b>As of December 31,</b>		<b>As of June 30,</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	(in thousands of pesos)		
BACS Banco de Crédito y Securitización S.A. ....	Ps. 23,359	Ps. 30,603	Ps. 32,610
BHN Sociedad de Inversión S.A. ....	45	—	—
Tarshop S.A. ....	47,907	36,988	35,347
Total.....	Ps. 71,311	Ps. 67,591	Ps. 67,957

### ***Dismissal Indemnities***

We record disbursements in respect of dismissal indemnities in the year in which they occur.

### ***Deposits***

We record deposits at their value, plus adjustments from application of the CER and accrued interest, when applicable.

### ***Provisions***

We record provisions when a loss is probable, and the amount of loss can be reasonably estimated. We record these provisions as liabilities in “Provisions”. These reserves cover various items such as insurance risk, provisions for lawsuits and other contingencies.

We have established provisions in an amount equal to the present value of our remaining payment obligations under our employees’ retirement plans.

### ***Other Liabilities from Financial Transactions***

We record unsubordinated negotiable obligations at their outstanding principal amount plus accrued interest.

### ***Income Tax***

We recognize income tax charges and liabilities on the basis of the tax returns corresponding to each fiscal year at the statutory tax rates. As of December 31, 2012, 2013 and 2014, the corporate tax rate was 35%. Under Central Bank Accounting Rules we do not recognize deferred income taxes.

### **Six Months Ended June 30, 2014 and 2015**

The following table sets forth the principal components of our net income for the six months ended June 30, 2014 and 2015.

	<b>Six months ended</b>		<b>% Change</b>
	<b>2014</b>	<b>2015</b>	<b>2014/2015</b>
	(in millions of pesos, except for percentages)		
Financial income .....	2,732.0	2,953.4	8.1%
Financial expenses .....	(1,500.6)	(1,814.6)	20.9%

	Six months ended June 30,		% Change
	2014	2015	2014/2015
	(in millions of pesos, except for percentages)		
Net financial income.....	1,231.3	1,138.9	(7.5)%
Provision for loan losses .....	(166.6)	(198.5)	19.1%
Income from services, net:			
Net contribution from insurance <sup>(1)</sup> .....	367.8	595.6	62.0%
Other income from services, net <sup>(2)</sup> .....	436.6	814.1	86.4%
Subtotal income from services, net .....	804.4	1,409.7	75.2%
Administrative expenses .....	(1,293.9)	(1,805.0)	39.5%
Non-controlling interest .....	11.5	(0.5)	(95.4)%
Miscellaneous expenses, net <sup>(3)</sup> .....	(7.1)	(26.8)	NM
Income tax .....	(221.2)	(172.2)	(22.2)%
Net income .....	358.4	345.6	(3.6)%

<sup>(1)</sup> Insurance premiums minus insurance claims.

<sup>(2)</sup> Other income from services minus other expenses for services.

<sup>(3)</sup> Miscellaneous income minus miscellaneous expenses.

### ***Net Income***

Our net income for the six months ended June 30, 2015 decreased 3.6%, from Ps.358.4 million for the six months ended June 30, 2014 to Ps.345.6 million for the six months ended June 30, 2015, primarily as a result of:

- a 39.5% increase in administrative expenses of Ps.511.1 million; and
- a 20.9% increase in financial expenses of Ps.314.0 million.

These increases were partially offset by:

- a 75.2% increase in income from services, net of Ps.605.3 million; and
- a 8.1% increase in financial income of Ps.221.4 million.

### ***Financial Income***

The following table sets forth the principal components of our financial income for six months ended June 30, 2014 and 2015.

	Six months ended June 30,		% Change
	2014	2015	2014/2015
	(in millions of pesos, except for percentages)		
Interest on cash and due from banks .....	7.8	1.0	(87.0)%
Interest on loans to the financial sector .....	28.5	32.1	12.4%
Interest on overdraft facilities .....	142.1	117.5	(17.3)%
Interest on promissory notes .....	58.2	51.1	(12.1)%
Interest on mortgage loans .....	173.1	204.2	17.9%
Interest on pledge loans.....	9.6	51.0	NM
Interest on credit card loans .....	642.0	969.7	51.0%
Interest on financial leases .....	6.2	13.2	112.6%

	Six months ended June 30,		% Change
	2014	2015	2014/2015
	(in millions of pesos, except for percentages)		
Interest on other loans .....	704.4	855.6	21.5%
Interest on other receivables for financial transactions .....	12.6	5.7	(54.9)%
Net income from government and corporate securities .....	489.6	627.5	28.2%
CER adjustments .....	18.7	6.6	(64.9)%
Other .....	439.2	18.2	(95.8)%
Total financial income .....	2,732.0	2,953.4	8.1%

The following table sets forth the effects of the changes in average volume of interest-bearing assets and average nominal interest rates on our financial income between the six months ended June 30, 2014 and 2015.

	Increase/(decrease) June 30, 2014/June 30, 2015 (in millions of pesos)
Due to changes in average volumes of interest-bearing assets .....	241.2
Due to changes in average nominal interest rates .....	(19.8)
Net change .....	221.4

Our financial income increased 8.1% in the six months ended June 30, 2015, from Ps.2,732.0 million for the six months ended June 30, 2014 to Ps.2,953.4 million for the six months ended June 30, 2015, primarily as a result of a 28.2% increase in average interest-earning assets, from Ps.20,954.1 million for the six months ended June 30, 2014 to Ps.26,868.2 million for the six months ended June 30, 2015, partially offset by a 3.7% decrease in average interest rates, from 24.3% for the six months ended June 30, 2014 to 23.4% for the six months ended June 30, 2015.

The increase in our financial income was driven by:

- a 51.0% increase in income on credit card loans, from Ps.642.0 million for the six months ended June 30, 2014 to Ps.969.7 million for the six months ended June 30, 2015, primarily as a result of a 37.4% increase in the average volume of our credit card balances;
- a 21.5% increase in income on other loans, from Ps.704.4 million for the six months ended June 30, 2014 to Ps.855.6 million for the six months ended June 30, 2015, primarily as a result of a 35.6% increase in the average volume of our commercial loans; and
- a 28.2% increase in net income from government and corporate securities, from Ps.489.6 million for the six months ended June 30, 2014 to Ps.627.5 million for the six months ended June 30, 2015, reflecting increased income from our trading activities due to a 30.9% increase in our average holdings of government and corporate securities.

These increases were partially offset by:

- a 95.8% decrease in “other” income, from Ps.439.2 million for the six months ended June 30, 2014 to Ps.18.2 million for the six months ended June 30, 2015, primarily as a result of Ps.423.0 million of income derived from hedging instruments acquired to hedge our foreign currency exposure during the six months period ended June 30, 2014, which was not incurred in 2015.

### ***Financial Expenses***

The following table sets forth the principal components of our financial expenses for the six months ended June 30, 2014 and 2015.

	Six months ended June 30,		% Change
	2014	2015	2014/2015
	(in millions of pesos, except for percentages)		
Interest on savings account deposits.....	0.9	1.4	66.1%
Interest on time deposits.....	740.4	946.3	27.8%
Interest on inter-financial loans received.....	11.9	8.7	(27.0)%
Interest on other loans from financial institutions .....	46.2	27.7	(40.2)%
Interest on other liabilities from financial transactions .....	272.4	406.4	49.2%
Other interest.....	80.0	63.0	(21.2)%
Gold and foreign currency quotation differences .....	84.5	35.1	(58.5)%
Contributions to the deposits security fund .....	10.3	56.8	NM
Others .....	254.0	268.7	5.8%
Total financial expenses .....	1,500.6	1,814.6	20.9%

The following table sets forth the effects of the changes in average volume of interest-bearing liabilities and average nominal interest rates on our financial expenses between the six months ended June 30, 2014 and 2015.

	Increase/(decrease) June 30, 2014/June 30, 2015 (in millions of pesos)
Due to changes in average volumes of interest-bearing liabilities .....	364.6
Due to changes in average nominal interest rates .....	(50.6)
Net change .....	314.0

Our financial expenses increased 20.9% for the six months ended June 30, 2015 compared to the six months ended June 30, 2014, from Ps.1,500.6 million for the six months ended June 30, 2014 to Ps.1,814.6 million for the six months ended June 30, 2015, primarily as a result of a 27.3% increase in average interest-bearing liabilities, from Ps.14,638.2 million for the six months ended June 30, 2014 to Ps.18,631.0 million for the six months ended June 30, 2015, and a 4.3% decrease in average interest rates, from 17.4% for the six months ended June 30, 2014 to 16.6% for the six months ended June 30, 2015.

The increase in financial expenses was driven by:

- a 27.8% increase in interest on time deposits, from Ps.740.4 million for the six months ended June 30, 2014 to Ps.946.3 million for the six months ended June 30, 2015, primarily as a result of a 24.3% increase in the average volume of our time deposits; and
- a 49.2% increase in interest on other liabilities from financial transactions, primarily as a result of an increase on the interest accrued on our outstanding bonds from Ps.272.4 million for the six months ended June 30, 2014 to Ps.406.4 million for the six months ended June 30, 2015.
- a 6.7% increase in turnover tax (recorded under the caption “Others”), from Ps.183.7 million for the six months ended June 30, 2014 to Ps.196.0 million for the six months ended June 30, 2015, as a result of the increase of tax rates in certain provinces.

### ***Provision for Loan Losses***

The following table sets forth our provision for loan losses for the six months ended June 30, 2014 and 2015.

	<b>Six months ended June 30,</b>		<b>% Change</b>
	<b>2014</b>	<b>2015</b>	<b>2014/2015</b>
	(in millions of pesos, except for percentages)		
Provision for loan losses.....	166.6	198.5	19.1%

Our provision for loan losses increased 19.1% for the six months ended June 30, 2015, from Ps.166.6 million for the six months ended June 30, 2014 to Ps.198.5 million for the six months ended June 30, 2015 primarily as a result of the 25.1% growth in our total loan portfolio between June 30, 2014 and 2015.

### ***Income from Services, Net***

Our income from services, net, increased 75.2% for the six months ended June 30, 2015, from Ps.804.4 million in 2014 to Ps.1,409.7 million for the six months ended June 30, 2015, primarily as a result of:

- a Ps.377.5 million, or 86.4%, increase in other income from services, net; and
- a Ps.227.8 million, or 62.0%, increase in net contribution from insurance.

### ***Net Contribution from Insurance***

The following table sets forth the principal components of our net contribution from insurance for the six months ended June 30, 2014 and 2015.

	<b>Six months ended June 30,</b>		<b>% Change</b>
	<b>2014</b>	<b>2015</b>	<b>2014/2015</b>
	(in millions of pesos, except for percentages)		
<b>Insurance premiums earned</b>			
Life .....	14.8	9.8	(33.9)%
Property damage.....	5.7	6.2	9.6%
Unemployment.....	0.1	0.1	(31.5)%
Others .....	33.2	49.9	50.2%
Subsidiaries .....	374.7	629.0	67.9%
Total insurance premiums earned.....	428.5	695.0	62.2%
<b>Insurance claims</b>			
Life .....	2.2	1.9	(12.9)%
Property damage.....	0.1	0.0	(94.4)%
Others .....	0.2	0.3	(6.3)%
Subsidiaries .....	58.2	97.2	67.0%
Total insurance claims .....	60.7	99.4	63.6%
Net contribution from insurance activity .....	367.8	595.6	62.0%

Our net contribution from insurance activities increased 62.0% for the six months ended June 30, 2015 compared to the six months ended June 30, 2014, from Ps.367.8 million to Ps.595.6 million primarily as a result of a Ps.266.5 million increase in insurance premiums earned for the six months ended June 30, 2015, which was greater

than the total insurance claims, which increased Ps.38.7 million in such period. The growth of our insurance premiums earned for the six months ended June 30, 2015 was primarily due to higher sales activity of our subsidiary BHN Sociedad de Inversión (recorded under the caption “Subsidiaries”), mainly due to life and property damage insurance products sold to clients of the PROCREAR Trust due to an increase in PROCREAR Trust mortgage loans granted, which require life insurance.

### ***Other Income from Services, Net***

The following table sets forth the principal components of our other income from services, net, for the six months ended June 30, 2014 and 2015.

	<b>Six months ended June 30,</b>		<b>% Change</b>
	<b>2014</b>	<b>2015</b>	<b>2014/2015</b>
	(in millions of pesos, except for percentages)		
<b>Other income from services</b>			
Loan servicing fees from third parties.....	31.1	35.1	12.9%
Liability products fees.....	51.7	75.4	45.9%
Credit card fees .....	385.3	561.5	45.7%
Other fees .....	182.6	386.8	111.8%
Total other income from services.....	650.7	1,058.8	62.7%
<b>Other expenses for services</b>			
Loan fees.....	25.7	29.2	13.7%
Structuring and underwriting fees.....	6.3	9.0	43.3%
Contributions and taxes on income from services.....	24.6	43.4	76.3%
Borrowing transactions .....	15.6	17.0	9.2%
Credit card fees .....	103.6	151.9	46.6%
Other fees .....	38.3	(5.8)	(115.3)%
Total other expenses for services .....	214.1	244.7	14.3%
Total net income from services .....	436.6	814.1	86.4%

Our income from services, net increased 86.4%, from Ps.436.6 million for the six months ended June 30, 2014 to Ps.814.1 million for the six months ended June 30, 2015, primarily as a result of a Ps.127.9 million increase in fees due to credit card origination both from us as well as Tarshop and, to a lesser extent, a Ps.44.5 million increase in fees due to our activities as trustee for the PROCREAR Trust (recorded under “Other fees” in other income from services).

### ***Administrative Expenses***

The following table sets forth the principal components of our administrative expenses for the six months ended June 30, 2014 and 2015.

	<b>Six months ended June 30,</b>		<b>% Change</b>
	<b>2014</b>	<b>2015</b>	<b>2014/2015</b>
	(in millions of pesos, except for percentages)		
Personnel expenses.....	754.7	1,027.8	36.2%
Other fees <sup>(1)</sup> .....	116.2	174.5	50.2%
Directors’ and syndics’ fees .....	25.8	35.6	38.1%
Advertising and publicity .....	64.8	72.5	11.8%
Value added tax and other taxes.....	72.8	94.5	29.9%
Depreciation and amortization .....	35.9	62.5	74.1%
Other operating expenses .....	126.1	200.7	59.1%



	Six months ended June 30,		% Change
	2014	2015	2014/2015
	(in millions of pesos, except for percentages)		
Others .....	97.6	136.9	40.4%
Total administrative expenses .....	1,293.9	1,805.0	39.5%

<sup>(1)</sup> Consists primarily of: legal, notarial, accounting and tax consulting services, temporary personnel, consulting services and collection services.

Our administrative expenses increased 39.5% for the six months ended June 30, 2015 compared to the six months ended June 30, 2014, from Ps.1,293.9 million to Ps.1,805.0 million primarily as a result of:

- a 36.2% increase in personnel expenses, from Ps.754.7 million for the six months ended June 30, 2014 to Ps.1,027.8 million for the six months ended June 30, 2015, primarily as a result of higher salaries and social security contributions required under applicable regulations in Argentina mainly as a result of salary adjustments negotiated between banks and labor unions; and
- a 50.2% increase in other fees, from Ps.116.2 million for the six months ended June 30, 2014 to Ps.174.5 million for the six months ended June 30, 2015 primarily as a result of higher operational expenses associated with higher business volume.

#### ***Miscellaneous Income, net***

The following table sets forth our miscellaneous income, net for the six months ended June 30, 2014 and 2015.

	Six months ended June 30,		% Change
	2014	2015	2014/2015
	(in millions of pesos, except for percentages)		
<b>Miscellaneous Income</b>			
Results from permanent equity interests .....	—	2.9	NM
Penalty interest .....	40.8	50.3	23.4%
Loans recovered and allowances reversed.....	46.9	113.3	141.7%
Others .....	43.1	52.2	20.9%
Total miscellaneous income .....	130.8	218.7	67.2%
<b>Miscellaneous Expenses</b>			
Penalty interest and charges in favor of Central Bank .....	0.7	—	(95.7)%
Loan loss provision for miscellaneous receivables and other provisions.....	23.4	39.4	68.5%
Depreciation and loss of miscellaneous assets .....	0.2	0.2	(2.9)%
Amortization of goodwill .....	1.7	1.7	0.0%
Others .....	111.9	204.2	82.4%
Total miscellaneous expenses .....	137.9	245.5	78.0%
Total miscellaneous income, net.....	(7.1)	(26.8)	NM

Our total miscellaneous income, net decreased Ps. 19.7 million for the six months ended June 30, 2015 compared to the six months ended June 30, 2014, from a net expense of Ps.7.1 million for the six months ended June 30, 2014 to a net expense of Ps.26.8 million for the six months ended June 30, 2015, primarily as a result of:

- a 82.4% increase in other miscellaneous expenses, from Ps.111.9 million for the six months ended June 30, 2014 to Ps.204.2 million for the six months ended June 30, 2015, primarily as a result of higher activity levels of our subsidiaries and the payment of a Ps.53.6 million penalty related to the summary Resolution No. 685/14. See “Business—Litigation— Proceedings before Courts.

This increase in miscellaneous expenses was partially offset by:

- a 141.7% increase in our loans recovered and allowances reversed, from Ps.46.9 million for the six months ended June 30, 2014 to Ps.113.3 million for the six months ended June 30, 2015, primarily as a result of a reversal of income tax provision for fiscal year 2015; and
- a 20.9% increase in other miscellaneous income from Ps.43.1 million for the six months ended June 30, 2014 to Ps.52.2 million for the six months ended June 30, 2015, primarily as a result of higher income generated from loans disbursed to our employees and higher total miscellaneous income from our subsidiaries.

#### Years Ended December 31, 2013 and 2014

The following table sets forth the principal components of our net income for the years ended December 31, 2013 and 2014.

	<b>Year ended December 31,</b>		<b>% Change</b>
	<b>2013</b>	<b>2014</b>	<b>2013/2014</b>
	(in millions of pesos, except for percentages)		
Financial income .....	3,232.1	5,294.9	63.8%
Financial expenses.....	(1,602.5)	(2,973.4)	85.5%
Net financial income .....	1,629.6	2,321.5	42.5%
Provision for loan losses.....	(264.3)	(343.4)	29.9%
Income from services, net:			
Net contribution from insurance <sup>(1)</sup> .....	501.0	840.6	67.8%
Other income from services, net <sup>(2)</sup> .....	718.3	1,069.3	48.9%
Subtotal income from services, net .....	1,219.3	1,909.9	56.6%
Administrative expenses.....	(1,897.0)	(2,855.7)	50.5%
Non-controlling interest.....	(7.2)	25.7	NM
Miscellaneous income, net <sup>(3)</sup> .....	(65.3)	(81.2)	24.3%
Income tax .....	(194.1)	(426.6)	119.8%
Net income .....	421.0	550.0	30.7%

<sup>(1)</sup> Insurance premiums minus insurance claims.

<sup>(2)</sup> Other income from services minus other expenses for services.

<sup>(3)</sup> Miscellaneous income minus miscellaneous expenses.

#### *Net Income*

Our net income increased 30.7%, from Ps.421.0 million in 2013 to Ps.550.0 million in 2014, primarily as a result of:

- a 63.8% increase in financial income of Ps.2,062.8 million; and

- a 56.6% increase in income from services, net of Ps.690.6 million.

These increases were partially offset by:

- a 85.5% increase in financial expenses of Ps.1,370.9 million;
- a 50.5% increase in administrative expenses of Ps.958.7 million; and
- a 119.8% increase income tax of Ps.232.5 million.

### ***Financial Income***

The following table sets forth the principal components of our financial income for the years ended December 31, 2013 and 2014.

	<b>Year ended December 31,</b>		<b>% Change</b>
	<b>2013</b>	<b>2014</b>	<b>2013/2014</b>
	(in millions of pesos, except for percentages)		
Interest on cash and due from banks .....	9.8	—	(99.8)%
Interest on loans to the financial sector .....	54.1	61.9	14.4%
Interest on overdraft facilities.....	191.8	286.3	49.3%
Interest on promissory notes.....	74.9	109.0	45.5%
Interest on mortgage loans .....	280.8	358.2	27.6%
Interest on pledge loans.....	10.1	25.6	152.9%
Interest on credit card loans.....	817.6	1,462.0	78.8%
Interest on financial leases .....	6.8	16.5	143.8%
Interest on other loans .....	868.1	1,527.8	76.0%
Interest on other receivables for financial transactions .....	26.0	24.3	(6.5)%
Net income from government and corporate securities .....	580.4	974.6	67.9%
CER adjustments .....	8.3	32.4	291.6%
Other .....	303.4	416.3	37.2%
Total financial income .....	3,232.1	5,294.9	63.8%

The following table sets forth the effects of the changes in average volume of interest-earning assets and average nominal interest rates on our financial income between 2013 and 2014. See “Selected Statistical Information—Changes in Interest Income and Interest Expenses; Volume and Rate Analysis”.

	<b>Increase/(decrease)</b>
	<b>2013/2014</b>
	(in millions of pesos)
Due to changes in average volume of interest-earning assets .....	1,455.8
Due to changes in average nominal interest rate .....	607.0
Net change .....	2,062.8

Our financial income increased 63.8%, from Ps.3,232.1 million in 2013 to Ps.5,294.9 million in 2014, primarily as a result of a 36.7% increase in average interest-earning assets, from Ps.16,555.7 million in 2013 to Ps.22,623.3 million in 2014, and a 22.7% increase in average interest rates, from 17.8% in 2013 to 21.8% in 2014.

Our increase in financial income was driven by:

- a 76.0% increase in income on other loans, from Ps.868.1 million in 2013 to Ps.1,527.8 million in 2014, primarily as a result of a 60.4% increase in the average volume of our commercial loans;

- a 78.8% increase in income on credit card loans, from Ps.817.6 million in 2013 to Ps.1,462.0 million in 2014, primarily as a result of a 41.7% increase in the average volume of our credit card loans; and
- a 67.9% increase in net income from government and corporate securities, from Ps.580.4 million in 2013 to Ps.974.6 million in 2014, reflecting increased income from our trading activities due to a 44.2% increase in the average volume of our holdings of government and corporate securities.

### ***Financial Expenses***

The following table sets forth the principal components of our financial expenses for the years ended December 31, 2013 and 2014.

	<b>Year ended December 31,</b>		<b>% Change</b>
	<b>2013</b>	<b>2014</b>	<b>2013/2014</b>
	(in millions of pesos, except for percentages)		
Interest on savings account deposits.....	1.9	2.0	4.5%
Interest on time deposits.....	817.4	1,507.0	84.4%
Interest on inter-financial loans received.....	5.3	14.6	176.0%
Interest on other loans from financial institutions .....	55.9	84.3	50.8%
Interest on other liabilities from financial transactions .....	348.2	602.7	73.1%
Other interest.....	21.6	152.1	NM
Gold and foreign currency quotation differences .....	74.0	108.9	47.2%
Contributions to the deposits security fund .....	16.8	35.1	108.9%
Others .....	261.4	466.6	78.5%
Total financial expenses .....	1,602.5	2,973.3	85.5%

The following table sets forth the effects of the changes in average volume of interest-bearing liabilities and average nominal interest rates on our financial expenses between 2013 and 2014. See “Selected Statistical Information—Changes in Interest Income and Interest Expenses; Volume and Rate Analysis”.

	<b>Increase/(decrease)</b>
	<b>2013/2014</b>
	(in millions of pesos)
Due to changes in average volumes of interest-bearing liabilities .....	865.4
Due to changes in average nominal interest rates .....	505.4
Net change .....	1,370.8

Our financial expenses increased 85.5%, from Ps.1,602.5 million in 2013 to Ps.2,973.3 million in 2014, primarily as a result of a 38.3% increase in average interest-bearing liabilities, from Ps.11,223.8 million in 2013 to Ps.15,520.5 million in 2014, and a 38.9% increase in average interest paid, from 11.1% in 2013 to 15.4% in 2014.

Our increase in financial expenses was driven by:

- an 84.4% increase in interest on time deposits, from Ps.817.4 million in 2013 to Ps.1,507.0 million in 2014, primarily as a result of a 39.2% increase in the average volume of our time deposits;
- a 58.1% increase in turnover tax (recorded under the caption “Others”), from Ps.220.8 million in 2013 to Ps.349.0 million in 2014, as a result of higher taxable financial income and an increase in tax rates in certain provinces; and

- a 73.1% increase in interest on other liabilities from financial intermediation, primarily related to an increase on the interest accrued on our outstanding bonds from Ps.323.6 million in 2013 to Ps.585.2 million in 2014.

### ***Provision for Loan Losses***

The following table sets forth our provision for loan losses for the years ended December 31, 2013 and 2014.

	<b>Year ended December 31,</b>		<b>% Change</b>
	<b>2013</b>	<b>2014</b>	<b>2013/2014</b>
	(in millions of pesos, except for percentages)		
Provision for loan losses.....	264.3	343.4	29.9%

Our provision for loan losses increased 29.9%, from Ps.264.3 million in 2013 to Ps.343.4 million in 2014, primarily as a result of the 31.4% growth in our total loan portfolio between December 31, 2013 and December 31, 2014.

### ***Income from Services, Net***

Our income from services, net, increased 56.6% in 2014, from Ps.1,219.3 million in 2013 to Ps.1,909.9 million in 2014, primarily as a result of:

- a 67.8% increase in net contribution from insurance of Ps.339.6 million; and
- a 48.9% increase in other income from services, net of Ps.351.0 million.

### ***Net Contribution from Insurance***

The following table sets forth the principal components of our net contribution from insurance for the years ended December 31, 2013 and 2014.

	<b>Year ended December 31,</b>		<b>% Change</b>
	<b>2013</b>	<b>2014</b>	<b>2013/2014</b>
	(in millions of pesos, except for percentages)		
<b>Insurance premiums earned</b>			
Life .....	38.0	25.6	(32.5)%
Property damage.....	13.0	11.9	(8.8)%
Unemployment .....	0.3	0.2	(37.1)%
Others .....	47.6	72.8	53.0%
Subsidiaries .....	491.1	868.3	76.8%
Total insurance premiums earned.....	590.0	978.8	65.9%
<b>Insurance claims</b>			
Life .....	5.1	3.7	(26.5)%
Property damage.....	0.2	0.3	6.4%
Others .....	1.1	0.6	(48.8)%
Subsidiaries .....	82.5	133.7	62.0%
Total insurance claims .....	89.0	138.2	55.4%
Net contribution from insurance activity .....	501.0	840.6	67.8%

Our net contribution from insurance activities increased 67.8%, from Ps.501.0 million in 2013 to Ps.840.6 million in 2014 primarily, as a result of an increase in insurance premiums earned in 2014, at a greater rate (65.9%) than total insurance claims, which increased 55.4% in 2014. The growth of our insurance premiums earned in 2014 was primarily due to the higher activity level of our subsidiary BHN Sociedad de Inversión (recorded under “Subsidiaries”), as a result of an increase in life and property damage insurance products sold to clients of the PROCREAR Trust. The growth of the PROCREAR Trust is due to an increase in mortgage loans granted, which require life insurance. For more information, see “Business—Lines of Business—Trustee Services for PROCREAR Trust”.

### ***Other Income from Services, Net***

The following table sets forth the principal components of our other income from services, net for the years ended December 31, 2013 and 2014.

	<b>Year ended December 31,</b>		<b>% Change</b>
	<b>2013</b>	<b>2014</b>	<b>2013/2014</b>
	(in millions of pesos, except for percentages)		
<b>Other income from services</b>			
Loan servicing fees from third parties.....	99.4	67.0	(32.6)%
FONAVI fees .....	0.4	—	(100.0)%
Liability products fees.....	65.6	116.6	77.7%
Credit card fees .....	610.4	874.2	43.2%
Other fees .....	371.6	572.9	54.2%
Total other income from services .....	1,147.4	1,630.7	42.1%
<b>Other expenses for services</b>			
Loan fees .....	41.1	47.8	16.2%
Structuring and underwriting fees .....	11.9	13.9	16.8%
Contributions and taxes on income from services.....	55.2	56.3	2.0%
Borrowing transactions .....	20.0	32.1	60.5%
Credit card fees .....	166.8	236.3	41.7%
Other fees .....	134.1	175.0	30.5%
Total other expenses for services.....	429.1	561.4	30.8%
Total net other income from services .....	718.3	1,069.3	48.9%

Our other income from services, net increased 48.9%, from Ps.718.3 million in 2013 to Ps.1,069.3 million in 2014, primarily as a result of a Ps.194.3 million increase in fees due to credit card origination both from us as well as Tarshop and fees due to our activities as trustee in the PROCREAR Trust (recorded under “Other fees” in other income from services).

### ***Administrative Expenses***

The following table sets forth the principal components of our administrative expenses for the years ended December 31, 2013 and 2014.

	<b>Year ended December 31,</b>		<b>% Change</b>
	<b>2013</b>	<b>2014</b>	<b>2013/2014</b>
	(in millions of pesos, except for percentages)		
Personnel expenses.....	1,070.4	1,579.6	47.6%
Other fees <sup>(1)</sup> .....	185.6	293.2	58.0%
Directors’ and syndics’ fees .....	54.6	56.0	2.5%
Advertising and publicity .....	97.0	171.9	77.2%

	Year ended December 31,		% Change
	2013	2014	2013/2014
	(in millions of pesos, except for percentages)		
Value added tax and other taxes .....	106.2	145.5	37.0%
Depreciation and amortization .....	45.9	84.4	84.1%
Other operating expenses .....	195.5	321.2	64.3%
Others .....	141.8	203.9	43.9%
Total administrative expenses .....	1,897.0	2,855.7	50.5%

<sup>(1)</sup> Consists primarily of: legal, notarial, accounting and tax consulting services, temporary personnel, consulting services and collection services.

Our administrative expenses increased 50.5%, from Ps.1,897.0 million in 2013 to Ps.2,855.7 million in 2014, primarily as a result of:

- a 47.6% increase in personnel expenses, from Ps.1,070.4 million in 2013 to Ps.1,579.6 million in 2014, primarily as a result of higher salaries and social security contributions required under applicable regulations in Argentina mainly as a result of salary adjustments negotiated between banks and the union;
- a 64.3% increase in other operating expenses, from Ps.195.5 million in 2013 to Ps.321.2 million in 2014, primarily as a result of higher operational expenses associated with higher business volume; and
- a 77.2% increase in advertising and publicity expenses, from Ps.97.0 million in 2013 to Ps.171.9 million in 2014, primarily as a result of investments in reinforcing our brand in the market.

#### ***Miscellaneous Income, Net***

The following table sets forth our miscellaneous income, net, for the years ended December 31, 2013 and 2014.

	Year ended December 31,		% Change
	2013	2014	2013/2014
	(in millions of pesos, except for percentages)		
<b>Miscellaneous Income, Net</b>			
Results from permanent equity interests .....	—	3.7	NM
Penalty interest .....	48.3	77.3	59.9%
Loans recovered and allowances reversed.....	69.6	105.3	51.4%
Others .....	59.2	94.2	59.1%
Total miscellaneous income .....	177.1	280.5	58.4%
<b>Miscellaneous Expenses</b>			
Penalty interests and charges in favor of the Central Bank .....	—	0.9	NM
Loan loss provision for miscellaneous receivables and other provisions.....	63.7	116.6	82.9%
Depreciation and loss of miscellaneous assets .....	0.4	0.3	(3.6)%
Amortization of goodwill .....	3.4	3.4	0.0%
Others .....	174.9	240.5	37.5%
Total miscellaneous expenses.....	242.4	361.7	49.2%
Total net miscellaneous income .....	(65.3)	(81.2)	(24.3)%

Our total miscellaneous income, net, decreased 24.3%, from a net loss of Ps.65.3 million in 2013 to a net loss of Ps.81.2 million in 2014, primarily as a result of:

- an 82.9% increase in loan loss provision for miscellaneous receivables and other provisions, from Ps.63.7 million in 2013 to Ps.116.6 million in 2014, primarily as a result of provisions related to salary adjustments negotiated between banks and the union; and
- a 37.5% increase in other miscellaneous expenses, from Ps.174.9 million in 2013 to Ps.240.5 million in 2014, primarily as a result of higher activity levels of our subsidiaries.

These increases in miscellaneous income, net, were partially offset by:

- a 51.4% increase in our loans recovered and allowances reversed, from Ps.69.6 million in 2013 to Ps.105.3 million in 2014, primarily as a result of an increase in the loans portfolio and higher allowances; and
- a 59.1% increase in other miscellaneous income from Ps.59.2 million in 2013 to Ps.94.2 million in 2014, primarily as a result of (i) higher income from loans granted to employees and (ii) higher total miscellaneous income generated by our subsidiaries.

#### Years ended December 31, 2012 and 2013

The following table sets forth the principal components of our net income for the years ended December 31, 2012 and 2013.

	Year ended December 31,		% Change
	2012	2013	2012/2013
	(in millions of pesos, except for percentages)		
Financial income .....	2,180.7	3,232.1	48.2%
Financial expenses .....	(1,138.6)	(1,602.5)	40.7%
Net financial income .....	1,042.1	1,629.6	56.4%
Provision for losses on loans .....	(200.9)	(264.3)	31.5%
Income from services, net:			
Net contribution from insurance <sup>(1)</sup> .....	314.0	501.0	59.5%
Other income from services, net <sup>(2)</sup> .....	666.8	718.3	7.7%
Subtotal income from services, net .....	980.8	1,219.3	24.3%
Administrative expenses .....	(1,440.4)	(1,897.0)	31.7%
Non-controlling interest .....	(9.6)	(7.2)	(25.0)%
Miscellaneous income, net <sup>(3)</sup> .....	26.7	(65.3)	NM
Income tax .....	(55.1)	(194.1)	252.3%
Net income .....	343.6	421.0	22.5%

<sup>(1)</sup> Insurance premiums minus insurance claims.

<sup>(2)</sup> Other income from services minus other expenses for services.

<sup>(3)</sup> Miscellaneous income minus miscellaneous expenses.

#### *Net Income*

Our net income increased 22.5%, from Ps.343.6 million in 2012 to Ps.421.0 million in 2013, primarily as a result of:

- a 48.2% increase in financial income of Ps.1,051.4 million; and



- a 24.3% increase in income from services, net of Ps.238.5 million.

These increases were partially offset by:

- a 40.7% increase in financial expenses of Ps.463.9 million;
- a 31.7% increase in administrative expenses of Ps.456.6 million; and
- a 252.3% increase in income tax of Ps.139.0 million.

### ***Financial Income***

The following table sets forth the principal components of our financial income for the years ended December 31, 2012 and 2013.

	<b>Year ended December 31,</b>		<b>% Change</b>
	<b>2012</b>	<b>2013</b>	<b>2012/2013</b>
	(in millions of pesos, except for percentages)		
Interest on cash and due from banks .....	4.9	9.8	102.4%
Interest on loans to the financial sector .....	40.5	54.1	33.6%
Interest on overdraft facilities.....	153.3	191.8	25.1%
Interest on promissory notes.....	48.3	74.9	55.1%
Interest on mortgage loans .....	207.6	280.8	35.3%
Interest on pledge loans.....	10.3	10.1	(2.2)%
Interest on credit card loans.....	559.4	817.6	46.2%
Interest on financial leases .....	0.6	6.8	NM
Interest on other loans .....	588.0	868.1	47.6%
Interest on other receivables for financial transactions .....	29.6	26.0	(12.2)%
Net income from government and corporate securities .....	463.7	580.4	25.2%
CER adjustments .....	16.5	8.3	(50.0)%
Other .....	58.0	303.4	NM
Total financial income .....	2,180.7	3,232.1	48.2%

The following table sets forth the effects of the changes in average volume of interest-earning assets and average nominal interest rates on our financial income between 2012 and 2013. See “Selected Statistical Information—Changes in Interest Income and Interest Expenses; Volume and Rate Analysis”.

	<b>Increase/(decrease)</b>
	<b>2012/2013</b>
	(in millions of pesos)
Due to changes in average volume of interest-earning assets .....	1,000.3
Due to changes in average nominal interest rate .....	51.1
Net change .....	1,051.4

Our financial income increased 48.2%, from Ps.2,180.7 million in 2012 to Ps.3,232.1 million in 2013, primarily as a result of a 30.1% increase in average interest-earning assets, from Ps.12,724.6 million in 2012 to Ps.16,555.7 million in 2013, and a 6.5% increase in average interest rates, from 16.7% in 2012 to 17.8% in 2013.

Our increase in financial income was driven by:

- a 46.2% increase in income on credit card loans, from Ps.559.4 million in 2012 to Ps.817.6 million in 2013, primarily as a result of a 34.0% increase in the average volume of our credit card loans;
- a 47.6% increase in income on other loans, from Ps.588.0 million in 2012 to Ps.868.1 million in 2013, primarily as a result of a 34.7% increase in the average volume of our overdraft facilities;
- a 25.2% increase in net income from government and corporate securities, from Ps.463.7 million in 2012 to Ps.580.4 million in 2013, reflecting increased income from our trading activities due to a 33.7% increase in our average holdings of government and corporate securities;
- an increase in “other” income, from Ps.58.0 million in 2012 to Ps.303.4 million in 2013, primarily as a result of an increase of Ps.255.7 million of income from hedging instruments acquired to hedge our foreign currency exposure.

### ***Financial Expenses***

The following table sets forth the principal components of our financial expenses for the years ended December 31, 2012 and 2013.

	<b>Year ended December 31,</b>		<b>% Change</b>
	<b>2012</b>	<b>2013</b>	<b>2012/2013</b>
	(in millions of pesos, except for percentages)		
Interest on savings account deposits.....	1.2	1.9	54.4%
Interest on time deposits.....	574.3	817.4	42.3%
Interest on inter-financial loans received.....	2.2	5.3	138.5%
Interest on other loans from financial institutions .....	35.9	55.9	55.7%
Interest on other liabilities from financial transactions .....	223.0	348.2	56.1%
Other interest.....	9.8	21.6	119.9%
Gold and foreign currency quotation differences .....	137.6	74.0	(46.2)%
Contributions to the deposits security fund .....	11.0	16.8	52.7%
Others .....	143.6	261.4	82.2%
Total financial expenses .....	1,138.6	1,602.5	40.7%

The following table sets forth the effects of the changes in average volume of interest-bearing liabilities and average nominal interest rates on our financial expenses between 2012 and 2013. See “Selected Statistical Information—Changes in Interest Income and Interest Expenses; Volume and Rate Analysis”.

	<b>Increase/(decrease)</b>
	<b>2012/2013</b>
	(in millions of pesos)
Due to changes in average volume of interest-bearing liabilities .....	369.4
Due to changes in average nominal interest rates .....	94.5
Net change .....	463.9

Our financial expenses increased 40.7%, from Ps.1,138.6 million in 2012 to Ps.1,602.5 million in 2013, primarily as a result of a 30.9% increase in average interest-bearing liabilities, from Ps.8,576.0 million in 2012 to Ps.11,223.8 million in 2013, and a 13.2% increase in average interest paid, from 9.8% in 2012 to 11.1% in 2013.

Our increase in financial expenses was driven by:

- a 42.3% increase in interest on time deposits, from Ps.574.3 million in 2012 to Ps.817.4 million in 2013, primarily as a result of a 31.4% increase in the average volume of our time deposits;
- a 56.1% increase in interest on other liabilities from financial transactions, from Ps.223.0 million in 2012 to Ps.348.2 million in 2013, primarily related to an increase on the interest accrued by our bonds from Ps.200.6 million in 2012 to Ps.323.6 million in 2013; and
- a 79.5% increase in turnover tax (recorded under the caption “Others”), from Ps.123.0 million in 2012 to Ps.220.8 million in 2013, as a result of higher taxable financial income and an increase in tax rates in certain provinces.

#### ***Provision for Loan Losses***

The following table sets forth our provision for loan losses for the years ended December 31, 2012 and 2013.

	<b>Year ended December 31,</b>		<b>% Change</b>
	<b>2012</b>	<b>2013</b>	<b>2012/2013</b>
	(in millions of pesos, except for percentages)		
Provision for loan losses.....	200.9	264.3	31.5%

Our provision for loan losses increased 31.5%, from Ps.200.9 million in 2012 to Ps.264.3 million in 2013, primarily as a result of a 35.0% growth in our total loan portfolio between December 31, 2012 and December 31, 2013.

#### ***Income from Services, Net***

Our income from services, net, increased 24.3%, from Ps.980.8 million in 2012 to Ps.1,219.3 million in 2013, primarily as a result of:

- a 59.5% increase in net contribution from insurance of Ps.187.0 million; and
- a 7.7% increase in other income from services of Ps.51.5 million.

#### ***Net Contribution from Insurance***

The following table sets forth the principal components of our net contribution from insurance for the years ended December 31, 2012 and 2013.

	<b>Year ended December 31,</b>		<b>% Change</b>
	<b>2012</b>	<b>2013</b>	<b>2012/2013</b>
	(in millions of pesos, except for percentages)		
<b>Insurance premiums earned</b>			
Life .....	52.8	38.0	(28.0)%
Property damage.....	15.2	13.0	(14.8)%
Unemployment .....	0.4	0.3	(27.8)%
Others .....	33.4	47.6	42.7%
Subsidiaries .....	280.9	491.1	74.8%
Total insurance premiums earned .....	382.7	590.0	54.1%

#### **Insurance claims**

	Year ended December 31,		% Change
	2012	2013	2012/2013
	(in millions of pesos, except for percentages)		
Life .....	5.4	5.1	(6.5)%
Property damage.....	0.6	0.2	(60.7)%
Others .....	1.2	1.2	(4.7)%
Subsidiaries .....	61.5	82.5	34.2%
Total insurance claims .....	68.7	89.0	29.5%
Net contribution from insurance activity .....	314.0	501.0	59.5%

Our net contribution from insurance activities increased 59.5%, from Ps.314.0 million in 2012 to Ps.501.0 in 2013, primarily as a result of an increase in insurance premiums earnings in 2013, at a greater rate (54.1%) than total insurance claims which increased 29.5% in 2013. The growth of our insurance premiums earned in 2013 was driven primarily due to higher sales activity level of our subsidiary BHN Sociedad de Inversión (recorded under the caption “Subsidiaries”), mainly to life and property damage insurance products sold to clients of the PROCREAR Trust. The growth of the PROCREAR Trust is due to an increase in mortgage loans granted, which require life insurance.

#### *Other Income from Services, Net*

The following table sets forth the principal components of our other income from services, net, for the years ended December 31, 2012 and 2013.

	Year ended December 31,		% Change
	2012	2013	2012/2013
	(in millions of pesos, except for percentages)		
<b>Other income from services</b>			
Loan servicing fees from third parties.....	99.8	99.4	(0.4)%
FONAVI fees .....	20.5	0.4	(98.3)%
Liability products fees .....	46.8	65.6	40.2%
Credit card fees.....	500.6	610.4	21.9%
Other fees .....	218.8	371.6	69.8%
Total other income from services.....	886.5	1,147.4	29.4%
<b>Other expenses for services</b>			
Loan fees .....	30.1	41.1	36.4%
Structuring and underwriting fees .....	8.2	11.9	45.5%
Contributions and taxes on income from services .....	29.4	55.2	87.7%
Borrowing transactions.....	13.8	20.0	44.5%
Credit card fees.....	106.5	166.8	56.6%
Other fees .....	31.7	134.1	NM
Total other expenses for services.....	219.7	429.1	95.3%
Total net other income from services .....	666.8	718.3	7.7%

Our other income from services, net increased 7.7%, from Ps.666.8 million for 2012 to Ps.718.3 million for 2013, primarily as a result of a Ps.49.5 million increase in credit card fees derived from an increase in credit card origination by both ourselves and our subsidiary, Tarshop and fees due to our insurance activities as trustee in the PROCREAR Trust (recorded under “Other fees” in other income from services).

#### *Administrative Expenses*

The following table sets forth the principal components of our administrative expenses for the years ended December 31, 2012 and 2013.

	Year ended December 31,		% Change
	2012	2013	2012/2013
	(in millions of pesos, except for percentages)		
Personnel expenses.....	773.5	1,070.4	38.4%
Other fees <sup>(1)</sup> .....	149.1	185.6	24.5%
Directors' and syndics' fees.....	35.3	54.6	54.8%
Advertising and publicity.....	85.9	97.0	12.9%
Value added tax and other taxes.....	91.8	106.2	15.6%
Depreciation and amortization.....	32.8	45.9	39.9%
Other operating expenses.....	145.2	195.5	34.7%
Others.....	126.8	141.8	11.7%
Total administrative expenses.....	1,440.4	1,897.0	31.7%

<sup>(1)</sup> Consists primarily of: legal, notarial, accounting and tax consulting services, temporary personnel, consulting services and collection services.

Our administrative expenses increased 31.7% in 2013, from Ps.1,440.4 million in 2012 to Ps.1,897.0 million in 2013, primarily as a result of:

- a 38.4% increase in personnel expenses, from Ps.773.5 million in 2012 to Ps.1,070.4 million in 2013, primarily as a result of higher salaries and social security contributions required under applicable regulations in Argentina mainly as a result of salary adjustments negotiated between the banks and the union; and
- a 34.7% increase in other operating expenses, from Ps.145.2 million in 2012 to Ps.195.5 million in 2013, primarily as a result of higher administrative services associated with actions adopted in developing our retail banking business.

#### ***Miscellaneous Income, Net***

The following table sets forth our miscellaneous income, net, for the years ended December 31, 2012 and 2013.

	Year ended December 31,		% Change
	2012	2013	2012/2013
	(in millions of pesos, except for percentages)		
<b>Miscellaneous income</b>			
Penalty interest.....	52.0	48.3	(7.0)%
Loans recovered and allowances reversed.....	109.2	69.6	(39.5)%
Others.....	48.3	59.2	22.5%
Total miscellaneous income.....	209.5	177.1	(15.4)%
<b>Miscellaneous expenses</b>			
Loan loss provision for miscellaneous receivables and other provisions.....	62.8	63.7	1.4%
Depreciation and loss of miscellaneous assets.....	0.4	0.4	0.0%
Amortization of goodwill.....	3.3	3.4	3.0%
Others.....	116.3	174.9	50.4%
Total miscellaneous expenses.....	182.8	242.4	32.6%
Total net miscellaneous income.....	26.7	(65.3)	NM

Our total miscellaneous income, net decreased Ps.92.0 million, from a net gain of Ps.26.7 million in 2012 to a net loss of Ps.65.3 million in 2013, primarily as a result of:

- a 39.5% decrease in our loans recovered and allowances reversed, from Ps.109.2 million in 2012 to Ps.69.6 million in 2013, primarily as a result of an increase in our non-performing loans portfolio.
- a 50.4% increase in other miscellaneous expenses, from Ps.116.3 million in 2012 to Ps.174.9 million in 2013, primarily as a result of higher activity levels of our subsidiaries.

## **Financial Condition**

### ***Total Assets***

#### ***June 30, 2015***

As of June 30, 2015 we had total assets of Ps.33,321.4 million, which represented a 6.3% increase from Ps.31,351.5 million as of December 31, 2014.

This increase was mainly due to: (i) a 10.4% increase in loans from Ps.17,329.5 million as of December 31, 2014 to Ps.19,033.1 million as of June 30, 2015; (ii) a 16.7% increase in government and corporate securities from Ps.4,518.0 million as of December 31, 2014 to Ps.5,271.6 million as of June 30, 2015; (iii) a 42.8% increase in other receivables from financial transactions from Ps.2,366.2 million as of December 31, 2014 to Ps.3,378.1 million as of June 30, 2015; (iv) a 37.4% increase in miscellaneous assets from Ps.1,134.5 million as of December 31, 2014 to Ps.1,559.2 million as of June 30, 2015; (v) a 24.3% increase in intangible assets from Ps.342.9 million as of December 31, 2014 to Ps.426.1 million as of June 30, 2015; and (vi) a 16.7% increase in receivables from financial leases from Ps.107.5 million as of December 31, 2014 to Ps.125.5 million as of June 30, 2015, partially offset by a 40.4% decrease in cash and due from banks from Ps.5,368.5 million as of December 31, 2014 to Ps.3,201.6 million as of June 30, 2015.

#### ***2013/2014***

As of December 31, 2014 we had total assets of Ps.31,351.5 million, which represented a 53.8% increase from Ps.20,387.9 million as of December 31, 2013.

The increase was mainly due to: (i) a 139.6% increase in cash and due from banks from Ps.2,240.6 million as of December 31, 2013 to Ps.5,368.5 million as of December 31, 2014; (ii) a 159.6% increase in government and corporate securities from Ps.1,740.6 million as of December 31, 2013 to Ps.4,518.0 million as of December 31, 2014; (iii) a 31.2% increase in loans net of allowances from Ps.13,138.7 million as of December 31, 2014 to Ps.17,239.5 million as of December 31, 2014; (iv) a 29.7% increase in other receivables from financial transactions from Ps.1,824.3 million as of December 31, 2013 to Ps.2,366.2 million as of December 31, 2014; (v) a 14.2% increase in miscellaneous assets from Ps.993.3 million as of December 31, 2013 to Ps.1,134.5 million as of December 31, 2014; (vi) an 82.7% increase in receivables from financial leases from Ps.58.8 million as of December 31, 2013 to Ps.107.5 million as of December 31, 2014; (vii) a 32.2% increase in our premises and equipment and miscellaneous assets from Ps.170.2 million as of December 31, 2013 to Ps.224.9 million as of December 31, 2014; (viii) a 149.0% increase in investments in other companies from Ps.19.2 million as of December 31, 2013 to Ps.47.9 million as of December 31, 2014; (ix) and a 72.7% increase in intangible assets from Ps.198.6 million as of December 31, 2013 to Ps.342.9 million as of December 31, 2014, partially offset by a 61.1% decrease in items in process from Ps.3.5 million as of December 31, 2013 to Ps.1.4 million as of December 31, 2014.

### ***Total Liabilities and Stockholders' Equity***

#### ***June 30, 2015***

As of June 30, 2015, we had total liabilities and non-controlling interest in subsidiaries of Ps.28,620.6 million, which represented a 6.2% increase from Ps.26,954.6 million as of December 31, 2014.

The increase was mainly due to: (i) a 0.5% increase in deposits from Ps.18,334.1 million as of December 31, 2014 to Ps.18,428.8 million as of June 30, 2015; (ii) an 18.8% increase in other liabilities from financial transactions from Ps.6,475.4 million as of December 31, 2014 to Ps.7,689.8 million as of June 30, 2015; (iii) a

16.0% increase in miscellaneous liabilities from Ps.1,781.6 million as of December 31, 2014 to Ps.2,066.8 million as of June 30, 2015; and (iv) the issue of subordinated bonds which amounted Ps.100.5 million as of June 30, 2015.

Our deposits increased Ps.94.7 million from December 31, 2014 to June 30, 2015. Savings accounts and time deposits increased 19.1% and 30.8%, respectively, during the same period.

Our other liabilities from financial transactions increased Ps.1,214.5 million from December 31, 2014 to June 30, 2015, mainly as a result of an increase in issued bonds.

Shareholders' equity increased from Ps.4,396.9 million as of December 31, 2014 to Ps.4,700.7 million as of June 30, 2015. The 6.9% increase represents net income of Ps.345.6 million for the first semester, which was partially offset by a dividend payment of Ps.42.0 million.

#### *2013/2014*

As of December 31, 2014, we had total liabilities and non-controlling interest in subsidiaries of Ps.26,954.6 million, which represented a 63.0% increase from Ps.16,541.0 million as of December 31, 2013.

The increase was mainly due to: (i) a 68.4% increase in deposits from Ps.10,889.8 million as of December 31, 2013 to Ps.18,334.1 million as of December 31, 2014; (ii) a 56.5% increase in other liabilities from financial transactions from Ps.4,137.1 million as of December 31, 2013 to Ps.6,475.4 million as of December 31, 2014; (iii) a 51.9% increase in miscellaneous liabilities from Ps.1,173.1 million as of December 31, 2013 to Ps.1,781.6 million as of December 31, 2014; and (iv) a 59.2% increase in provisions from Ps.148.3 million as of December 31, 2013 to Ps.236.1 million as of December 31, 2014, which was partially offset by a 5.2% decrease in non-controlling interests in subsidiaries from Ps.71.3 million as of December 31, 2013 to Ps.67.6 million as of December 31, 2014 and a 50.7% decrease in items in process from Ps.121.3 million as of December 31, 2013 to Ps.59.9 million as of December 31, 2014.

Shareholders' equity increased from Ps.3,846.9 million as of December 31, 2013 to Ps.4,396.9 million as of December 31, 2014. The 14.3% increase contributed net income of Ps.550.0 million for the year. In addition, we increased our legal reserves by Ps.84.2 million with counterpart in retained earnings.

#### ***Significant Changes in Financial Condition***

##### *June 30, 2015*

Cash and due from banks decreased 40.4% from Ps.5,368.5 million as of December 31, 2014 to Ps.3,201.6 million as of June 30, 2015, mainly due to certain overnight deposits made on the last day of 2014 which were withdrawn on the first business day of 2015.

Government and corporate securities increased 16.7% between December 31, 2014 and June 30, 2015, primarily due to the increase in instruments issued by the Central Bank.

Our loans to the corporate sector totaled Ps.5,186.6 million as of June 30, 2015, which represented an increase of 0.7% compared to December 31, 2014. Both credit card loans and personal loans grew 18.8% and 12.5%, respectively from December 31, 2014.

Our deposits increased to Ps.94.7 million from December 31, 2014 to June 30, 2015. Savings and time deposits increased 19.1% and 30.8%, respectively, over the same period.

Other liabilities from financial transactions increased Ps.1,214.5 from December 31, 2014 to June 30, 2015, primarily as a result of a higher amount of outstanding negotiable obligations.

##### *2013/2014*

Cash and due from banks increased from Ps.1,399.9 million in 2013 and Ps.4,157.4 million in 2014 due to deposits made in the Central Bank.

Government and corporate securities increased 159.6% between 2013 and 2014, primarily due to the increase in instruments issued by the Central Bank.



Our loans to the corporate sector totaled Ps.17,195.3 million as of December 31, 2014, which represented an increase of 33.0% compared to December 31, 2013. Both credit card loans and personal loans grew 38.1% and 29.2%, respectively from 2013 to 2014.

Our deposits increased during 2014 to Ps.7,444.3 million. Savings and time deposits increased 71.8% and 16.8%, respectively, in 2014.

Other liabilities from financial transactions increased Ps.1,687 million in 2014, primarily as a result of a higher amount of outstanding negotiable obligations, which increased 63.4% from 2013 to 2014.

## Liquidity and Capital Resources

### *Funding*

We finance our lending operations primarily through:

- deposits, principally time deposits;
- the issuance of fixed and floating rate securities in the domestic and international capital markets;
- the securitization of loans; and
- cash flow from existing loans.

The table below sets forth our outstanding liabilities with respect to each of our principal sources of funding as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(in millions of pesos)			
Deposits .....	8,011.1	10,889.8	18,334.1	18,428.8
Borrowings from financial institutions .....	267.2	424.7	327.5	300.8
Negotiable obligations .....	2,049.7	2,721.5	4,460.0	5,026.7
Shareholders' equity .....	3,456.0	3,846.9	4,396.9	4,700.7
Total funding .....	13,784.0	17,882.9	27,518.5	28,457.0

### *Deposits*

We did not historically rely upon deposits as a principal source of funding, as we engaged in limited deposit taking activities. Our deposits consisted of checking accounts maintained by different provincial housing funds, and agencies representing Argentine government contributions from the collection of federal taxes which were set aside for use by the provinces for special purposes and transferred to these accounts. In 2004, we started to take deposits from private and public investors.

After several years of continuous growth, deposits constitute our principal source of funding as of June 2015. As of the dates indicated, our total deposits consisted of the following:

	Year ended December 31,			As of
	2012	2013	2014	June 30,
	(in millions of pesos)			2015
Non-financial public sector .....	2,990.9	4,142.8	9,100.8	6,597.3
Financial sector .....	8.6	8.1	7.4	10.8



	Year ended December 31,			As of
	2012	2013	2014	June 30, 2015
	(in millions of pesos)			
Non-financial private sector and residents abroad.....	5,011.6	6,738.9	9,225.9	11,820.7
Checking accounts.....	595.6	526.4	760.5	1,097.8
Savings accounts .....	741.9	1,443.5	2,479.6	2,953.1
Term deposits .....	3,355.1	4,265.7	4,983.8	6,518.4
Investment accounts .....	160.0	304.2	713.4	940.4
Other.....	101.6	126.8	156.2	175.0
Interest and foreign currency gains/(losses) payable.....	57.4	72.3	132.4	136.0
Total deposits.....	8,011.1	10,889.8	18,334.1	18,428.8

### *Our Notes*

The table below sets forth the issue dates, maturity dates, interest rates and the outstanding principal amounts of the notes issued by us and our subsidiaries as of June 30, 2015 and December 31, 2014:

	As of June 30, 2015			
	Issue Date	Maturity Date	Interest Rate	Outstanding Principal Amount (in millions of pesos)
<b>BH Program US\$1,200 million</b>				
Series 5 (US\$250,000,000).....	4/27/2006	4/27/2016	9.75%	1,914.5
<b>BH Program US\$500 million</b>				
Series XII (US\$44,508,000) .....	8/14/2013	8/14/2017	3.95%	359.0
Series XIV (Ps.115,400,000) .....	11/11/2013	11/11/2015	Badlar + 3.75%	115.4
Series XVI (Ps.89,683,000) .....	1/31/2014	1/31/2016	Badlar + 4.25%	89.7
Series XIX (Ps.275,830,000) .....	5/16/2014	11/16/2015	Badlar + 3.75%	275.8
Series XXI (Ps.222,345,000) .....	7/30/2014	1/30/2016	Badlar + 2.75%	222.3
Series XXII (Ps.253,152,000).....	11/5/2014	8/5/2015	LEBAC * 0.95%	253.2
Series XXIII (Ps.119,386,000) .....	11/5/2014	5/5/2016	Badlar + 3.25%	119.4
Series XXIV (Ps.27,505,000) .....	2/5/2015	1/31/2016	LEBAC x 0.95	27.5
			27.5% for 9 months, then	
Series XXV(Ps.308,300,000).....	2/5/2015	8/5/2016	Badlar + 4.50%	298.5
			28.0% for 9 months, then	
Series XXVII(Ps.281,740,000).....	5/22/2015	11/22/2016	Badlar + 4.50%	260.1
<b>Tarshop Program US\$100 million</b>				
Series XI (Ps.10,837,187) .....	5/23/2013	5/23/2016	Badlar + 5.80%	10.8
Series XII (Ps.83,588,235).....	8/9/2013	8/9/2015	15.00%	83.1
Series XV (Ps.119,775,000) .....	4/21/2014	10/21/2015	Badlar + 4.90%	114.0
Series XVII (Ps.41,065,777).....	11/26/2014	8/26/2015	LEBAC * 0.95	40.8
Series XVIII (Ps.69,291,713) .....	11/26/2014	5/26/2016	Badlar + 4.25%	68.9
Series XIX (Ps.6,315,789) .....	11/26/2014	11/26/2017	Badlar + 5.25%	6.3
Series XX (Ps.69,100,000) .....	4/24/2015	1/24/2016	27.5%	68.7
Series XXI (Ps.80,500,000) .....	4/24/2015	10/24/2016	28.5%	80.0
<b>BACS Program US\$150 million*</b>				
Series I (Ps.130,435,000).....	2/19/2014	8/19/2015	Badlar + 4.50%	130.4
Series III (Ps.132,726,000) .....	8/19/2014	5/19/2016	Badlar + 2.75%	132.7

As of June 30, 2015				
	Issue Date	Maturity Date	Interest Rate	Outstanding Principal Amount (in millions of pesos)
Series IV (Ps.105,555,000).....	11/21/2014	8/21/2016	Badlar + 3.50% 27.48% for 9 months, then	105.6
Series V (Ps.150,000,000) .....	4/17/2015	1/17/2017	Badlar + 4.50%	150.0
				<u>4,926.7**</u>

\* At the extraordinary general shareholders' meeting of BACS held on December 12, 2013, the issuance of convertible subordinated negotiable obligations through private offerings was approved for an aggregate total amount of Ps.100 million. On June 22, 2015, BACS issued the aforementioned negotiable obligations which are convertible into the company's ordinary book-entry shares for a principal amount of Ps.100 million. The offering of the convertible negotiable obligations was private and solely addressed to the company's shareholders. As of June 30, 2015, IRSA Inversiones y Representaciones S.A. subscribed all the convertible negotiable obligations. As of June 30, 2015, our subordinated and unsubordinated notes amounted Ps.5,026.7 million.

\*\* This figure does not include the BACS subordinated bonds issued for an aggregate amount of Ps.100.0 million.

As of December 31, 2014				
	Issue Date	Maturity Date	Interest Rate	Outstanding Principal Amount (in millions of pesos)
<b>BH Program US\$1,200 million</b>				
Series 5 (US\$250,000,000).....	4/27/2006	4/27/2016	9.75%	1,800.0
<b>BH Program US\$500 million</b>				
Series IX (Ps.258,997,000).....	4/25/2013	1/25/2015	Badlar + 2.80%	202.8
Series XI (Ps.146,137,000).....	8/14/2013	5/14/2015	Badlar + 3.75%	146.1
Series XII (US\$44,508,000) .....	8/14/2013	8/14/2017	3.95%	322.8
Series XIV (Ps.115,400,000).....	11/11/2013	11/11/2015	Badlar + 3.75%	115.4
Series XV (Ps.12,340,000) .....	1/31/2014	1/26/2015	27.00%	12.3
Series XVI (Ps.89,683,000) .....	1/31/2014	1/31/2016	Badlar + 4.25%	89.7
Series XVIII (Ps.20,046,000) .....	5/16/2014	2/16/2015	27.00%	20.0
Series XIX (Ps.275,830,000).....	5/16/2014	11/16/2015	Badlar + 3.75%	275.8
Series XX (Ps.45,241,000) .....	7/30/2014	4/30/2015	25.50%	45.2
Series XXI (Ps.222,345,000).....	7/30/2014	1/30/2016	Badlar + 2.75%	222.3
Series XXII (Ps.253,152,000).....	11/5/2014	8/5/2015	LEBAC * 0.95%	253.2
Series XXIII (Ps.119,386,000) .....	11/5/2014	5/5/2016	Badlar + 3.25%	119.4
<b>Tarshop Program US\$100 million</b>				
Series XI (Ps.10,837,187).....	5/23/2013	5/23/2016	Badlar + 5.80%	10.8
Series XII (Ps.83,588,235).....	8/9/2013	8/9/2015	15.00%	77.8
Series XIV (Ps.30,245,000) .....	4/21/2014	1/21/2015	30.00%	30.0
Series XV (Ps.119,775,000) .....	4/21/2014	10/21/2015	Badlar + 4.90%	118.8
Series XVII (Ps.41,065,777).....	11/26/2014	8/26/2015	LEBAC * 0.95	40.8
Series XVIII (Ps.69,291,000) .....	11/26/2014	5/26/2016	Badlar + 4.25%	68.8
Series XIX (Ps.6,315,789).....	11/26/2014	11/26/2017	Badlar + 5.25%	6.3
<b>BACS Program US\$150 million</b>				
Series I (Ps.130,435,000).....	2/19/2014	8/19/2015	Badlar + 4.50%	130.4
Series III (Ps.132,726,000) .....	8/19/2014	5/19/2016	Badlar + 2.75%	132.7
Series IV (Ps.105,555,000).....	11/21/2014	8/21/2016	Badlar + 3.50%	105.6
				<u>4,347.0</u>

The following table sets forth the scheduled maturities of our unsubordinated notes as of June 30, 2015 and December 31, 2014:

		As of June 30, 2015						
	Immediate	Less than a year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
(in millions of pesos)								
Banco Hipotecario.....	—	3,017.8	917.6	—	—	—	—	3,935.4
Tarshop.....	—	386.3	86.3	—	—	—	—	472.6
BACS.....	—	263.1	255.6	—	—	—	—	518.7
Total indebtedness .....	—	<b>3,667.2</b>	<b>1,259.5</b>	—	—	—	—	<b>4,926.7*</b>

\*This figure does not include the BACS subordinated bonds issued for an aggregate amount of Ps.100 million

		As of December 31, 2014						
	Immediate	Less than a year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
(in millions of pesos)								
Banco Hipotecario.....	—	1,070.8	2,231.4	322.8	—	—	—	3,625.0
Tarshop.....	—	267.4	79.6	6.3	—	—	—	353.3
BACS.....	—	130.4	238.3	—	—	—	—	368.7
Total indebtedness.....	—	<b>1,468.6</b>	<b>2,549.3</b>	<b>329.1</b>	—	—	—	<b>4,347.0</b>

### *Minimum Capital Requirements*

The table below sets forth our excess capital, which represents our capital that exceeds the Central Bank's minimum reserve requirements, as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(in millions of pesos)			
Credit risk.....	800.3	1,128.6	1,450.9	1,527.8
Market risk.....	43.0	154.6	88.6	80.3
Operational risk.....	154.8	210.2	309.2	360.0
Interest rate risk.....	461.1	—	—	—
Other .....	—	53.0	—	—
<b>Required minimum capital under Central Bank Accounting Rules.....</b>	<b>1,459.2</b>	<b>1,546.4</b>	<b>1,848.7</b>	<b>1,968.1</b>
Ordinary capital level 1 .....	3,112.4	3,786.3	4,373.8	4,578.7
Deductible concepts .....	(220.7)	(356.8)	(538.6)	(610.9)
Capital level 2 .....	389.0	124.0	162.8	173.4
<b>Total capital under Central Bank Accounting Rules .....</b>	<b>3,280.7</b>	<b>3,553.5</b>	<b>3,998.0</b>	<b>4,141.2</b>
<b>Excess capital over required capital .....</b>	<b>1,821.5</b>	<b>2,007.1</b>	<b>2,149.3</b>	<b>2,173.1</b>

### ***Loan Securitization Program***

We and our subsidiaries, BACS and Tarshop, have entered into several financial trust agreements whereby we, as trustor, assign the fiduciary ownership of mortgage and consumer loans to different financial institutions, who act as trustee. Once the loans are assigned to the trust, the trust proceeds are used to issue debt securities and participation certificates in the amount of the assigned loan.

The trustee is generally responsible for the management of the trust formed in accordance with the terms and conditions of each trust agreement.

### Interest Rate Sensitivity

A key element of our asset and liability policy is the management of interest rate sensitivity. Interest rate sensitivity measures the change in net financial income as assets and liabilities re-price following a change in market interest rates. An asset and liability structure is matched when an equal amount of assets and liabilities re-price as a result of a change in interest rates. Any difference between re-pricing assets and liabilities results in a gap or mismatch and a change in net financial income when interest rates change.

The following table shows our interest-earning assets and interest-bearing liabilities positions by re-pricing period as of June 30, 2015. The table shows the impact that an increase in short-term interest rates (less than twelve months) results in a reduction in our net interest income as a higher amount of liabilities than assets reprices, while a decrease in short-term interest rates has the opposite effect.

	As of June 30, 2015									
	Immediate	1 Through 6 Months	6 Through 12 Months	1 Through 3 Years	3 Through 5 Years	5 to 10 Years	10 to 15 Years	Over 15 Years	Without Maturity	Total
	(in millions of pesos, except for percentages)									
INTEREST EARNING ASSETS										
Cash and due from banks.....	492.2	—	—	—	—	—	—	—	2,709.3	3,201.5
Government and corporate securities .....	299.7	2,200.5	961.9	1,208.7	150.0	107.3	—	233.4	110.1	5,271.6
Loans.....	3,714.4	4,739.6	3,297.3	5,158.9	726.0	604.4	326.4	65.8	360.0	18,992.8
Mortgage loans.....	50.4	57.9	70.0	285.8	272.9	596.7	326.4	65.8	6.1	1,732.0
Personal loans .....	72.8	364.0	414.4	1,272.2	364.7	0.6	—	—	101.8	2,590.5
Credit card loans .....	1,457.4	2,096.8	1,857.3	2,642.5	1.3	5.7	—	—	248.3	8,309.3
Overdraft facilities.....	390.0	277.5	—	—	—	—	—	—	3.1	670.6
Other loans .....	1,740.1	1,924.1	930.6	918.2	87.1	1.4	—	—	0.7	5,602.2
Public sector loans.....	3.7	19.3	25.0	40.2	—	—	—	—	—	88.2
OCIF .....	—	31.2	21.9	1,603.8	162.3	90.7	90.1	10.7	—	2,010.7
Other assets .....	—	162.8	—	—	—	—	—	—	—	162.8
Total interest earning assets.....	4,506.3	7,134.1	4,281.1	7,971.4	1,038.3	802.4	416.5	309.9	3,179.4	29,639.4
Cumulative interest earning assets...	4,506.3	11,640.4	15,921.5	23,892.9	24,931.2	25,733.6	26,150.1	26,460.0	29,639.4	—
INTEREST-BEARING LIABILITIES										
Bonds .....	37.5	1,075.8	2,654.5	925.6	365.3	—	—	—	—	5,058.7
Subordinated bonds .....	—	—	—	100.5	—	—	—	—	—	100.5
Other banks and international entities.....	300.8	—	—	—	—	—	—	—	—	300.8
Central Bank .....	—	—	—	—	0.1	—	—	—	—	0.1
Deposits .....	14,052.6	4,308.8	66.1	1.2	0.1	—	—	—	—	18,928.8
Total interest bearing liabilities .....	14,390.9	5,384.6	2,720.6	1,027.3	365.5	—	—	—	—	23,888.9
	(9,884.6)	1,749.5	1,560.5	6,944.1	672.8	802.4	416.5	309.9	3,179.4	5,750.5
Asset/liability gap.....	(9,884.6)	(8,135.1)	(6,574.6)	369.5	1,042.3	1,844.7	2,261.1	2,571.1	5,750.5	—
Cumulative gap .....										
Ratio of cumulative gap to cumulative total interest earning assets.....	(219)%	(81)%	(41)%	2%	4%	7%	9%	10%	19%	

### Off-Balance Sheet Arrangements

We enter into various transactions involving off-balance sheet financial instruments and we use these instruments to meet the risk management, trading and financing needs of clients or for our proprietary trading and asset and liability management purposes.

These instruments are subject to varying degrees of credit and market risk. We monitor credit risk and market risk associated with on- and off-balance sheet financial instruments on an aggregate basis. We use the same credit policies in determining whether to enter or extend call and put option contracts, commitments, conditional obligations and guarantees as we do for granting loans. We believe that our outstanding off-balance sheet items do not represent an unusual credit risk.

For additional information of financial instruments with off-balance sheet risk see Note 9 “Financial instruments with off-balance sheet risk” to our audited consolidated financial statements included elsewhere in this offering memorandum.

### ***Payment of Cash Dividends***

On January 7, 2015, following the approval by our shareholders at the General Ordinary Shareholders' Meeting dated April 24, 2014, our Board of Directors approved that (i) cash dividends with respect to the fiscal year ended December 31, 2013 in the amount of Ps.42.0 million be distributed to our shareholders on January 16, 2015; and (ii) any amounts paid as Personal Asset Tax by us in 2013 and any amounts required to be paid by us under Law No.26,893 be deducted from the cash dividends.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Market Risk

Market risk is the risk of loss arising from fluctuations in financial markets variables such as interest rates, foreign exchange rates and other rates or prices. This risk is a consequence of our lending, trading and investments businesses and mainly consists of interest rate risk, foreign exchange risk and financial asset quotes.

In order to measure significant market risks (whether they arise in trading or non-trading portfolios), we use the Value at Risk (“VaR”) methodology. This methodology is based on statistical methods that take into account many variables that may cause a change in the value of our portfolios, including interest rates, foreign exchange rates, securities prices, volatility and any correlation among them.

VaR is an estimation of potential losses that could arise from reasonably likely adverse changes in market conditions. It expresses the maximum amount of loss expected (given confidence interval) over a specified time period, or “time horizon”, if that portfolio were held unchanged over that time period.

All VaR models, while forward-looking, are based on past events and are dependent upon the quality of available market data. The quality of our VaR models is therefore continuously monitored, by a back testing process made at least on a quarterly basis, which compares the actual daily income statement with an estimated daily VaR. As calculated by us, VaR is an estimate of the expected maximum loss in the market value of a given portfolio over a ten-day horizon at a one-tailed 99% confidence interval. We assume a ten day holding period and adverse market movements of 2.32 standard deviations as the standard for risk measurement and comparison.

VaR is calculated daily using an analytical method using covariance matrix, which is completed with an exponentially weighted moving average (“EWMA”) model. Also, a periodically stress-VaR by a scenario analysis method is performed considering the worst price variation in the last ten years.

In order to take advantage of good trading opportunities, we have sometimes increased risk, however during periods of uncertainty have also reduced it. During 2014, the main source of our VaR was the securities portfolio.

The following tables show the VaR for trading portfolio by categories for the periods indicated (in millions of pesos):

<b><u>Market risk for securities position</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>Change 2013/2014</u></b>	<b><u>June 30, 2015</u></b>
Minimum.....	4.0	33.6	29.2	(4.4)	31.6
Maximum.....	53.8	120.7	290.8	170.1	106.3
Average.....	20.1	76.2	92.5	16.5	60.9
As of the end of the period.....	30.4	68.3	111.7	43.4	50.9

  

<b><u>Currency risk for foreign currency position</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>Change 2013/2014</u></b>	<b><u>June 30, 2015</u></b>
Minimum.....	16.7	0.0	(16.7)	0.0
Maximum.....	71.2	275.1	203.9	0.4
Average.....	47.5	55.3	7.8	0.2
As of the end of the period.....	64.4	1.4	(63.0)	0.0

In respect of currency risk for foreign exchange position, our yearly maximum increased significantly due to a higher volatility of the U.S. Dollar, from 0.0010 for January 2014 to 0.0050 for February 2014. This increased VaR was later offset by a reduction of the portfolio in line with the new limits established by Communication “A” 5536 of the Central Bank.

The market risk for securities position increased significantly during the year due to the increase in the volatility for that period.

### Equity and Commodity Price Risk

Equity and commodity risks are the risks associated with adverse movements in the value of equity securities and commodities or related indexes. We do not have any material exposure to either of them, but we may take significant positions in equity or commodities mainly through derivatives (e.g., gold).

### Interest Rate Risk

Interest-rate risk is the effect on our net interest income of the fluctuations of market interest rates. Sensitivity to interest rate arises in our normal course of business as the re-pricing characteristics of its interest-earning assets do not necessarily match those of its interest-bearing deposits and other borrowings. The re-pricing structure of assets and liabilities is matched when an equal amount of assets and liabilities re-price for any given period. Any excess of assets or liabilities over these matched items results in a gap or mismatch.

Our interest rate sensitivity analysis measures the risk arising from the different sensitivity of assets and liabilities when interest rate changes occur (“duration” approach). It covers all the assets and liabilities.

The interest rate risk is calculated by two methodologies:

- Earnings at risk (“EaR”), which measures the potential adverse impact in the results of financial intermediation measured in cash terms.
- Economic Value at Risk (“eVaR”), which measures the potential unfavorable change in the present value of the portfolio of assets and liabilities due to interest rate risk increases.

Both of them are measured by a Monte Carlo simulation approach, considering a 12-month horizon and with a confidence level of 99%.

Our methodology also captures the real interest rate risk, which is the risk arising from the mismatch produced as a consequence of an imperfect correlation between inflation rate movements and financing interest rate variations, considering also basis risk.

The following table shows the 12-month 99% confidence VaR for our combined interest rate position for the periods indicated (in millions of pesos):

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Change 2013/2014</b>	<b>June 30, 2015</b>
Minimum.....	28	261	379	118	505
Maximum.....	1,104	403	521	118	567
Average.....	363	359	430	71	540
As of the end of the period.....	428	403	521	118	567

## THE ARGENTINE BANKING INDUSTRY

### Overview

As of March 2015, the Argentine financial system consisted of 81 financial institutions (banks, finance companies and credit unions), 69 of which were domestic or foreign owned private institutions and 12 of which were Argentine government-owned financial institutions.

As of March 2015, out of the 69 private financial institutions, 33 were privately-owned financial institutions, Argentine financial institutions (i.e., *sociedades anónimas*); 20 were privately-owned foreign (i.e., branches or subsidiaries of foreign financial institutions); and one was a privately owned cooperative bank (*banco cooperativo limitado*).

The ten largest privately-owned commercial banks, in terms of total assets, as of March 31, 2015, were: Banco Santander Río S.A.; Banco de Galicia y Buenos Aires S.A.; BBVA Banco Francés S.A.; Banco Macro S.A.; HSBC Bank Argentina S.A.; Banco Credicoop Coop. Ltda.; Citibank, N.A.; Banco Patagonia S.A.; Industrial and Commercial Bank of China (Argentina) S.A.; and Banco Hipotecario S.A. According to Central Bank information, as of March 31, 2015, privately-owned commercial banks accounted for approximately 53% of deposits and approximately 60% of loans in the Argentine financial system. The largest foreign banks operating in Argentina in terms of deposits at such date were Banco Santander Río S.A.; BBVA Banco Francés S.A.; HSBC Bank Argentina S.A.; Banco Patagonia S.A.; Industrial and Commercial Bank of China (Argentina) S.A.; and Citibank, N.A. Foreign banks established in Argentina are subject to the same regulatory conditions applicable to Argentine banks. Cooperative banks are active principally in consumer banking, with a special emphasis on the retail segment of the market. As of March 31, 2015, financial institutions (other than banks) accounted for approximately 0.4% of deposits and 2.5% of loans in the Argentine financial system.

The largest Argentine government-owned banks, in terms of total assets, are Banco de la Nación Argentina and Banco de la Provincia de Buenos Aires. Under the provisions of the Financial Institutions Law, public banks have comparable rights and obligations as private banks, except that public banks manage public revenues and promote regional development and certain public banks have preferential tax treatment. The bylaws of some Argentine government-owned banks provide that the governments that own them (national and provincial) guarantee their commitments. Under current law, Banco de la Provincia de Buenos Aires will not be subject to taxes, levies or contributions that the Argentine government may impose. According to information published by the Central Bank, as of March 31, 2015, government-owned commercial banks and commercial banks in which the Argentine government had a majority equity interest accounted for approximately 48% of deposits and approximately 38% of loans in the Argentine financial system.

### Financial System Size in Argentina and the Region

The Argentine financial system is relatively small in size compared to that of other countries in the region. The following table sets out the percentage of loans and deposits compared to GDP in other countries of the region as of March 31, 2015.

<u>Country</u>	<u>Loans / GDP</u>	<u>Deposits / GDP</u>
Chile.....	76.2%	62.2%
Brazil .....	58.6%	38.0%
Peru.....	44.7%	52.3%
Average for Chile, Brazil and Peru.....	59.8%	50.8%
Argentina.....	14.3%	22.3%



## Market for Banking Services in Argentina

Historically, leading Argentine banks focused on servicing the leading corporations and higher net worth individuals. Over several decades, the Argentine economy suffered from volatility in macroeconomic conditions that resulted in the 2001 financial crisis, which led to the concentration of the financial system.

Over the last decade, the substantial growth of the economy increased the demand for banking services from both corporate and consumer clients. Nevertheless, the Argentine financial system can be considered as a purely transactional system, where demand deposits and short-term time deposits (mainly less than 60 days) finance short-term asset loans (mainly credit cards, personal loans and overdrafts).

The banks that outlived the 2001 crisis and the Central Bank regulations enforced since then provided for a financial system with sound ratios of capitalization, liquidity, loan quality and profitability. The Argentine financial system is Basel II compliant and is in the process of implementing Basel III. As such, the main challenge as well as the main opportunity is to grow relative to the gross domestic product by extending the tenor of liabilities that allow an extension of assets tenor.

## Competition

As a major commercial bank, offering a full range of banking services to all types of businesses and individual customers, we face a strong competition from other large commercial banks. Commercial banks also face increasing competition from other financial intermediaries that can provide larger companies with access to the domestic capital markets as an alternative to bank loans.

The following table sets forth certain statistics on the Argentine financial system as of March 31, 2015.

	As of March 31, 2015							
	Total Assets		Total Loans		Total Deposits		Shareholders' Equity	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
(in millions of pesos, except percentages)								
Domestic private-sector banks.....	389,989.3	27.66%	205,308.3	29.79%	279,042.1	27.21%	53,083.6	29.03%
Foreign-owned banks.....	397,037.5	28.16%	210,557.0	30.56%	264,339.8	25.78%	56,960.9	31.15%
Private-sector total.....	787,026.9	55.82%	415,865.3	60.35%	543,381.9	52.99%	110,044.5	60.17%
Government-owned banks.....	602,834.2	42.76%	256,742.8	37.26%	478,165.3	46.63%	67,681.3	37.01%
Other financial Institutions.....	19,963.7	1.42%	16,472.6	2.39%	3,827.0	0.37%	5,161.8	2.82%
Argentine financial system.....	1,409,824.8	100.00%	689,080.6	100.00%	1,025,374.2	100.00%	182,887.6	100.00%

Source: Central Bank.

## Total Net Loans

The following table sets forth the market shares in terms of total loans (net of provisions) for the ten largest banks in the Argentine financial system as of the dates indicated.

Ranking	Bank	As of December 31,						As of March 31,	
		2012		2013		2014		2015	
		Amount	Share	Amount	Share	Amount	Share	Amount	Share
		(in millions of pesos, except percentages)							
1	Banco de la Nación Argentina.....	92,851.2	21.88%	113,453.5	20.59%	121,172.2	18.66%	132,141.6	19.18%
2	Banco de la Provincia de Buenos Aires .....	28,993.4	6.83%	42,691.5	7.76%	58,959.9	9.08%	60,645.7	8.80%
3	Banco Santander Río.....	33,480.4	7.89%	45,048.9	8.19%	54,936.7	8.46%	58,907.3	8.55%
4	Banco de Galicia y Buenos Aires .....	31,974.7	7.54%	41,141.1	7.48%	49,034.9	7.55%	53,779.4	7.80%
5	BBVA Francés .....	27,518.5	6.49%	34,981.1	6.36%	40,411.2	6.22%	42,099.8	6.11%
6	Banco Macro .....	28,788.5	6.78%	35,837.4	6.51%	39,759.1	6.12%	43,385.2	6.30%
8	Banco Credicoop.....	19,179.9	4.52%	24,535.9	4.46%	28,063.3	4.32%	21,342.2	3.10%
7	HSBC Bank Argentina.....	18,465.7	4.35%	22,396.2	4.07%	26,484.9	4.08%	27,918.0	4.05%

Ranking	Bank	As of December 31,						As of March 31,	
		2012		2013		2014		2015	
		Amount	Share	Amount	Share	Amount	Share	Amount	Share
		(in millions of pesos, except percentages)							
9	Banco Ciudad de Buenos Aires.....	16,031.4	3.78%	19,187.8	3.49%	22,759.9	3.51%	29,402.7	3.27%
10	Banco Patagonia.....	11,924.8	2.81%	16,190.3	2.94%	19,831.3	3.05%	22,554.6	3.23%
	Total for ten banks.....	309,209.0	72.87%	394,734.0	71.74%	461,413.0	71.07%	492,176.5	71.43%
14	<b>Banco Hipotecario</b> .....	<b>9,109.5</b>	<b>2.15%</b>	<b>12,444.9</b>	<b>2.26%</b>	<b>16,238.9</b>	<b>2.50%</b>	<b>16,212.7</b>	<b>2.35%</b>
	Argentine financial system.....	424,328.8	100.00%	550,222.9	100.00%	649,206.2	100.00%	689,080.6	100.00%

Source: Central Bank.

### Total Net Assets

The following table sets forth the total assets (net of provisions) and market shares for the ten largest banks in the Argentine financial system as of the dates indicated.

Ranking	Bank	As of December 31,						As of March 31,	
		2012		2013		2014		2015	
		Amount	Share	Amount	Share	Amount	Share	Amount	Share
(in millions of pesos, except percentages)									
1	Banco de la Nación Argentina .....	222,413.7	28.14%	274,690.3	27.31%	380,190.7	28.35%	380,061.6	26.96%
2	Banco de la Provincia de Buenos Aires.....	55,621.1	7.04%	77,129.6	7.67%	106,547.3	7.95%	108,527.8	7.70%
3	Banco Santander Río.....	53,225.9	6.74%	70,615.5	7.03%	95,298.1	7.11%	105,417.5	7.48%
4	Banco de Galicia y Buenos Aires .....	52,556.6	6.65%	69,000.2	6.87%	88,745.9	6.62%	97,744.6	6.93%
5	BBVA Francés.....	43,784.1	5.54%	57,005.1	5.67%	73,284.4	5.47%	80,199.3	5.69%
6	Banco Macro.....	43,998.7	5.57%	53,904.0	5.36%	68,239.0	5.09%	74,272.7	5.27%
7	HSBC Bank Argentina.....	34,121.1	4.32%	39,732.8	3.95%	49,933.5	3.72%	53,763.5	3.81%
8	Banco Credicoop.....	27,440.6	3.47%	33,254.5	3.31%	43,201.5	3.22%	45,702.9	3.24%
9	Banco Ciudad de Buenos Aires .....	26,006.3	3.29%	33,167.7	3.30%	43,151.0	3.22%	46,011.4	3.26%
10	Citibank, N.A.....	25,823.4	3.27%	30,146.4	3.00%	39,332.5	2.93%	42,429.7	3.01%
	Total for ten banks .....	584,642.0	74.01%	737,646.1	73.44%	986,723.9	73.68%	1,034,131.0	73.35%
13	<b>Banco Hipotecario.....</b>	<b>15,191.1</b>	<b>1.92%</b>	<b>19,283.0</b>	<b>1.92%</b>	<b>29,336.1</b>	<b>2.19%</b>	<b>28,549.9</b>	<b>2.03%</b>
	Argentine financial system....	790,375.2	100.00%	1,005,679.9	100.00%	1,340,879.6	100.00%	1,409,824.8	100.00%

Source: Central Bank.

### Asset Quality

The following table sets forth the ratio of non-performing loans to total loans, net of provisions for the ten largest banks in the Argentine financial system as of the dates indicated.

Ranking	Bank	As of December 31,			As of March 31,
		2012	2013	2014	2015
		(as a percentage)			
1	Banco de la Nación Argentina.....	0.40%	0.53%	0.80%	0.74%
2	Banco de la Provincia de Buenos Aires.....	1.87%	1.74%	1.84%	2.00%
3	Banco Santander Río.....	1.11%	1.11%	1.26%	1.22%
4	Banco de Galicia y Buenos Aires.....	1.54%	1.65%	1.53%	1.71%
5	BBVA Francés.....	0.54%	0.66%	0.87%	0.81%
6	Banco Macro.....	1.81%	1.71%	1.96%	1.97%
8	HSBC Bank Argentina.....	2.00%	1.95%	1.95%	1.87%
7	Banco Ciudad de Buenos Aires.....	1.29%	1.41%	1.46%	1.36%

Ranking	Bank	As of December 31,			As of March 31,
		2012	2013	2014	2015
		(as a percentage)			
9	Banco Credicoop.....	1.23%	1.24%	1.30%	1.21%
10	Citibank, N.A. ....	1.08%	0.87%	1.07%	1.00%
	Average for ten banks.....	1.37%	1.39%	1.50%	1.48%
13	<b>Banco Hipotecario</b> .....	<b>1.71%</b>	<b>1.50%</b>	<b>1.92%</b>	<b>1.87%</b>
	Argentine financial system.....	1.46%	1.44%	1.66%	1.64%

Source: Central Bank.

### Deposits

The following table sets forth the deposits levels and market shares for the ten largest banks in the Argentine financial system as of the dates indicated.

Ranking	Bank	As of December 31,						As of March 31,	
		2012		2013		2014		2015	
		Amount	Share	Amount	Share	Amount	Share	Amount	Share
		(in millions of pesos, except percentages)							
1	Banco de la Nación Argentina .....	178,293.1	29.93%	220,416.0	29.29%	293,931.1	30.01%	292,819.9	28.56%
2	Banco de la Provincia de Buenos Aires.....	49,093.3	8.24%	68,201.5	9.06%	90,407.3	9.23%	96,050.0	9.37%
3	Banco Santander Río .....	40,734.0	6.84%	53,240.0	7.08%	69,737.9	7.12%	75,663.6	7.38%
4	Banco de Galicia y Buenos Aires.....	39,188.3	6.58%	50,897.3	6.76%	63,778.2	6.51%	67,732.6	6.61%
5	BBVA Francés.....	34,171.0	5.74%	43,774.8	5.82%	51,435.7	5.25%	55,345.8	5.40%
6	Banco Macro.....	32,494.0	5.45%	38,647.2	5.14%	48,214.4	4.92%	51,676.1	5.04%
8	Banco Credicoop .....	23,512.3	5.08%	28,403.3	4.89%	37,604.9	3.84%	40,011.8	3.90%
7	HSBC Bank Argentina.....	26,135.4	4.39%	28,782.8	3.83%	35,492.4	3.62%	38,184.0	3.72%
9	Banco Ciudad de Buenos Aires.....	20,836.0	3.50%	26,471.6	3.52%	34,094.8	3.48%	36,935.5	3.60%
10	Banco Patagonia .....	18,645.2	3.13%	22,067.0	2.93%	27,466.7	2.80%	29,191.4	2.85%
	Total for ten banks .....	463,102.4	77.73%	580,901.5	77.20%	752,163.4	76.80%	783,610.7	76.42%
14	Banco Hipotecario.....	8,135.1	1.37%	11,076.4	1.47%	18,361.4	1.87%	16,953.1	1.65%
	Argentine financial system.....	595,763.8	100.00%	752,421.9	100.00%	979,387.1	100.00%	1,025,374.2	100.00%

Source: Central Bank.

### Shareholders' Equity

The following table sets forth the shareholders' equity and market shares for the ten largest banks in the Argentine financial system as of the dates indicated.

Ranking	Bank	As of December 31,						As of March 31,	
		2012		2013		2014		2015	
		Amount	Share	Amount	Share	Amount	Share	Amount	Share
		(in millions of pesos, except percentages)							
1	Banco de la Nación Argentina	19,352.4	21.31%	26,914.5	22.10%	39,338.4	23.39%	44,533.1	24.35%
2	Banco Santander Río	6,693.5	7.37%	8,983.2	7.38%	11,956.3	7.11%	12,816.8	7.01%
3	Banco Macro	6,199.1	6.83%	8,627.4	7.08%	11,491.8	6.83%	12,606.0	6.89%
4	BBVA Francés	5,131.9	5.65%	7,156.2	5.88%	10,331.9	6.14%	11,262.8	6.16%
5	Banco de Galicia y Buenos Aires	4,903.9	5.40%	6,740.8	5.53%	9,899.3	5.89%	10,780.2	5.89%
6	Banco de la Provincia de Buenos Aires	3,422.8	3.77%	4,873.4	4.22%	7,891.2	4.69%	8,419.5	4.60%
7	Citibank, N.A.	3,615.6	3.98%	4,528.7	4.00%	6,499.5	3.94%	7,128.4	3.90%
8	HSBC Bank Argentina	3,992.0	4.40%	5,139.7	3.77%	6,635.5	3.86%	6,938.4	3.79%
9	Banco Patagonia	3,366.8	4.40%	4,596.5	3.72%	6,320.6	3.76%	6,896.1	3.77%
10	Banco Ciudad de Buenos Aires	3,547.0	3.91%	4,374.8	3.59%	5,423.5	3.22%	5,760.7	3.15%
	Total for ten banks	60,314.2	66.41%	81,935.2	67%	115,788	68.84%	127,142.0	69.52%
13	<b>Banco Hipotecario</b>	<b>3,456.0</b>	<b>3.81%</b>	<b>3,846.9</b>	<b>3.16%</b>	<b>4,396.9</b>	<b>100.00%</b>	<b>4,531.0</b>	<b>2.48%</b>
	Argentine financial system	90,823.1	100.00%	121,689.4	100.00%	168,204.5	100.00%	182,887.6	100.00%

Source: Central Bank.

### *Return on Assets*

The following table sets forth the return on assets for the ten largest banks in the Argentine financial system for the dates indicated.

Ranking	Bank	As of December 31,			As of March, 31
		2012	2013	2014	2015
1	Banco de la Nación Argentina	2.47%	3.32%	4.15%	4.21%
2	Banco de la Provincia de Buenos Aires	1.34%	2.10%	3.28%	2.39%
3	Banco Santander Río	4.22%	3.83%	4.03%	3.60%
4	Banco de Galicia y Buenos Aires	2.84%	3.12%	4.01%	3.91%
5	BBVA Francés	3.20%	4.22%	4.97%	4.08%
6	Banco Macro	3.76%	5.10%	5.61%	5.22%
7	HSBC Bank Argentina	3.39%	3.32%	3.35%	2.04%
8	Banco Ciudad de Buenos Aires	2.82%	2.80%	2.73%	2.23%
9	Banco Credicoop	2.36%	1.72%	1.90%	1.89%
10	Citibank, N.A.	5.00%	6.48%	8.16%	7.13%
	Average for ten banks	3.12%	3.57%	4.23%	3.86%
13	Banco Hipotecario	2.55%	2.40%	2.31%	2.07%
	Argentine financial system	3.06%	3.58%	4.28%	3.84%

Source: Central Bank.

### *Return on Equity*

The following table sets forth the return on equity for the ten largest banks in the Argentine financial system for the dates indicated.

Ranking	Bank	As of December 31,			As of March 31,
		2012	2013	2014	2015
		(as a percentage)			
1	Banco de la Nación Argentina .....	27.14%	34.93%	36.97%	36.97%
	Banco de la Provincia de Buenos Aires .....	21.53%	38.19%	48.19%	33.08%
2	Banco Santander Río .....	36.16%	30.67%	32.21%	28.96%
3	Banco de Galicia y Buenos Aires.....	32.12%	33.57%	40.00%	37.72%
4	BBVA Francés.....	29.40%	35.75%	37.41%	29.78%
5	Banco Macro .....	28.58%	35.34%	35.36%	32.35%
6	Banco Ciudad de Buenos Aires .....	21.27%	21.30%	21.58%	15.31%
7	HSBC Bank Argentina.....	22.48%	35.18%	25.65%	17.88%
8	Banco Patagonia .....	31.61%	32.58%	41.13%	25.31%
9	ICBC.....	31.14%	29.03%	32.18%	41.74%
10	Average for ten banks .....	28.14%	32.65%	35.07%	29.38%
13	<b>Banco Hipotecario</b> .....	<b>10.43%</b>	<b>11.75%</b>	<b>13.31%</b>	<b>12.31%</b>
	Argentine financial system .....	26.77%	30.64%	34.10%	30.15%

Source: Central Bank.

### *Branch Networks*

The following table sets forth the number of full service branch offices for the ten largest banks in the Argentine financial system as of the dates indicated.

Ranking	Bank <sup>(1)</sup>	As of December 31,						As of March 31,	
		2012		2013		2014		2015	
		Number	Share	Number	Share	Number	Share	Number	Share
		(number of branches, except percentages)							
1	Banco de la Nación Argentina	628	14.67%	632	14.56%	632	14.36%	633	14.33%
	Banco de la Provincia de Buenos Aires	401	9.37%	401	9.24%	405	9.20%	342	7.74%
2									
3	Banco Santander Río	330	7.71%	337	7.76%	356	8.09%	368	8.33%
4	Banco de Galicia y Buenos Aires	342	7.99%	341	7.86%	342	7.77%	260	5.89%
5	BBVA Francés	258	6.03%	261	6.01%	261	5.93%	251	5.68%
6	Banco Macro	251	5.86%	254	5.85%	256	5.82%	405	9.17%
7	HSBC Bank Argentina	158	3.69%	173	3.99%	173	3.93%	139	3.15%
8	Banco Ciudad de Buenos Aires	61	1.42%	61	1.41%	61	1.39%	61	1.38%
9	Banco Credicoop	251	5.86%	254	5.85%	256	5.82%	256	5.79%
10	Citibank, N.A.	70	1.64%	71	1.64%	71	1.61%	71	1.61%
	Total for ten banks	2,851	66.60%	2,887	66.52%	2,919	66.33%	2,786	63.06%
13	Banco Hipotecario	55	1.28%	60	1.38%	60	1.36%	60	1.36%
	Argentine financial system	4,281	100.00%	4,340	100.00%	4,401	100.00%	4,418	100.00%

Source: Central Bank.

<sup>(1)</sup> The information presented by the Central Bank does not include all of our “points of contact”, some of which are not considered branches by the Central Bank.

## BUSINESS

### Overview

Established in 1886 by the Argentine government and privatized in 1999, we are a full-service, inclusive commercial bank, offering a wide range of banking products such as personal and corporate loans, deposits, credit and debit cards, and activities and related financial services to individuals, small and medium-sized companies and large corporations. All of our operations are located in Argentina, where we operate through a nationwide network of 60 branches in all 23 provinces and the City of Buenos Aires, and 15 additional points of sale across Argentina. We seek to distinguish ourselves from other Argentine banks through our focus on household and consumer loans, which we believe offers attractive opportunities for continued growth.

We have historically been Argentina's leading mortgage lender and provider of mortgage-related insurance and mortgage loan services, according to the Central Bank. As of December 31, 2014, we ranked 12th among Argentine banks in terms of total shareholders' equity with Ps.4,396.9 million in total shareholders' equity and 13th in terms of unconsolidated assets, with assets of Ps.29,336.1 million. Our unconsolidated net income for the years ended December 31, 2012, 2013 and 2014 was Ps.343.6 million, Ps.421.0 million and Ps.550.0 million, respectively, which represented a return on average equity of 10.3%, 11.5% and 13.3%, respectively, and a return on average assets of 2.4%, 2.3% and 2.1%, respectively. As of June 30, 2015, we had Ps.4,700.7 million of total shareholders' equity and assets of Ps.33,321.4 million. Our consolidated net income for the six months ended June 30, 2015 was Ps.345.6 million.

In line with our strategy to continue diversifying our loan portfolio, our non-mortgage loans increased from Ps.7,676.1 million as of December 31, 2012 to Ps.10,708.0 million as of December 31, 2013 to Ps.14,845.9 million as of December 31, 2014, and Ps.16,551.9 million as of June 30, 2015, representing an increase in loans granted to the non-financial private sector from 80.4% to 87.0%, from December 31, 2012 to June 30, 2015, respectively. Non-performing loans represented 2.3% of our total loan portfolio as of December 31, 2012, 2.2% as of December 31, 2013, 2.3% as of December 31, 2014 and 2.3% as of June 30, 2015.

The table below shows our shareholders' equity, assets and loan portfolio (unconsolidated) ranking compared to other Argentine commercial banks as of March 31, 2015.

Category	Amount as of March 31, 2015	Ranking as of March 31, 2015
	(in millions of pesos)	
Shareholders' equity.....	Ps. 4,531.0	13 <sup>th</sup>
Assets .....	Ps. 28,549.9	13 <sup>th</sup>
Loan portfolio .....	Ps. 16,212.7	13 <sup>th</sup>

Source: Central Bank.

We have diversified our funding base, reduced our international financial borrowings and became one of the most frequent domestic issuers of corporate debt in Argentina in terms of our total funding by developing our presence in the domestic capital markets and increasing our deposit base. Our financial indebtedness as a percentage of our total funding was 22.4% as of December 31, 2012, 22.4% as of December 31, 2013, 20.7% as of December 31, 2014 and 22.5% as of June 30, 2015.

Our subsidiaries include BACS, a bank specialized in investment banking, assets securitization and asset management, BHN Vida, a life insurance company, BHN Seguros Generales, a homeowners' insurance company, and Tarshop, a company focused on selling consumer finance products and making cash advances to unbanked clients.

Our principal shareholders are the Argentine government and IRSA, a leading real estate company in Argentina listed on the MVBA and on the NYSE. See "Principal Shareholders".

## Our Strategy

In 2004, we started refocusing our business, by developing and releasing new products, modernizing our systems and transforming our target markets. This has allowed us to evolve from a financial institution focused on mortgage loans to a full-service inclusive commercial bank. We intend to continue to strengthen our position as a leading universal bank in Argentina through the following strategic initiatives:

- *Continued Focus on Consumer Finance.* We intend to continue to enhance the scope and quality of the financial services provided to our individual clients and aim to acquire new clients. We intend to continue to use direct marketing to acquire new clients and improving our database processing to identify potential customers. We will also continue to develop e-channels in order to enhance our net distribution capabilities, such as home and internet banking.
- *Further Development of Corporate Banking Business.* We intend to complement our consumer finance activities with a substantial commercial loan portfolio. We seek to identify growth-oriented companies and to play an active role in their development by providing loans, cash management and other commercial banking services and assisting them to gain access to capital markets. We intend to increase our exposure to industry sectors that we believe have promising prospects for growth, such as the oil and gas sector.
- *Universal Banking with Continuing Focus on Housing Solutions.* We intend to maintain our leading position in the mortgage loan market and to offer a wide range of products to meet our customers' mortgage finance needs. In addition to traditional mortgage lending and securitization activities, we intend to take advantage of new opportunities that arise in the mortgage finance sector such as acting as trustee for the government-sponsored Argentine Bicentennial Credit Program for Family Housing (*Programa Crédito Argentino del Bicentenario para la Vivienda Única Familiar*) program, which contemplates the promotion of up to 200,000 mortgage loans to individuals and the construction of new urban residential developments.
- *Diversifying Funding Sources.* We intend to continue to improve our funding mix by diversifying our short-term funding and to enhance long-term funding in order to align ourselves to the industry standards and take advantage of capital markets opportunities. In this regard, we will continue to focus on attracting demand deposits and issuing debt in capital markets.
- *Rigorous Risk Management.* Rigorous credit and risk management policies are essential for the successful implementation of our business strategy. We seek to continuously improve our risk management processes and overall asset quality by adopting and adhering to international best practices. We also intend to focus on monitoring the respective risks and profitability of our business units (applying *raroc* models), selectively originating new loans, segmenting our retail banking portfolio to identify client risks and price loans accordingly and maintaining a well-diversified portfolio of corporate loans. We are also Basel II compliant, and are in the process of implementing Basel III.
- *Enhance Profitability by Enhancing Customer Loyalty.* We seek to expand and strengthen our relationship with our existing customers which we believe represent a source of stable, recurring revenues and opportunities for further growth. We seek to establish ourselves as our customers' preferred provider of diversified financial services by cross-selling a wide range of services and multi-product offerings and by focusing on opportunities to increase our income from fees.
- *Promotional Activities to Reinforce Brand.* We intend to emphasize promotional activities and loyalty campaigns to continue to foster our image as a contemporary, simple and inclusive bank. We will do so by creative use of social media and marketing strategies designed to position us as a modern bank and to appeal to a younger client base.



- *Growth Opportunities.* In accordance with our internal growth plan, we expect to open at least six additional branches during 2015 also started an internal reorganization, reducing employee headcount in certain non-core activities, while increasing it in other core activities such as PROCLEAR and our main office. In addition, we continuously explore the possibility of selectively acquiring other banks or financial institutions to improve our distribution channels, diversify our sources of funding and take advantage of operational synergies, but we cannot assure you that we will be able to do so.

## Lines of Business

### Loan Portfolio

The table below sets forth the composition of our loan portfolio as of the dates indicated.

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(in thousands of pesos)			
<b>Loans:</b>				
To the non-financial public sector .....	91,806	139,373	112,131	90,231
To the financial sector .....	391,343	379,308	339,190	351,000
To the non-financial private sector and residents broad:				
Overdrafts .....	1,031,178	792,178	1,173,527	685,978
Promissory notes .....	229,629	371,267	369,360	238,162
Mortgage loans .....	1,868,330	2,220,627	2,349,468	2,473,874
Pledge loans .....	55,346	42,460	103,576	432,994
Personal loans .....	1,199,211	1,822,810	2,354,793	2,650,126
Credit card loans .....	3,551,203	5,181,068	7,155,260	8,500,601
Unapplied collections .....	(1,723)	(8,007)	(34,565)	(60,472)
Other loans .....	1,538,527	2,380,749	3,536,442	3,889,938
Accrued interest and trading differences receivable .....	87,837	144,807	213,947	231,916
Documented interest .....	(15,155)	(19,320)	(26,464)	(17,378)
Total loans to the non-financial private sector and residents abroad .....	9,544,383	12,928,639	17,195,344	19,025,739
Provisions .....	(273,101)	(308,632)	(407,140)	(433,825)
Loans, net of provisions .....	9,754,431	13,138,688	17,239,525	19,033,145
Loans pending securitization <sup>(1)</sup> .....	18,238	12,154	10,436	10,328
Receivables for financial leases <sup>(1)</sup> .....	10,576	58,175	106,740	124,514
Accrued interest receivable <sup>(1)</sup> .....	3,978	3,925	4,561	5,860
Provisions <sup>(1)</sup> .....	(3,660)	(3,450)	(3,415)	(3,484)
Total loans .....	9,783,563	13,209,492	17,357,847	19,170,363

(1) For clarity, loans pending securitization (including related interest accrued and provisions) are presented separately. As a result, "Loans" and "Other Receivables for Financial Transactions" differ from the amounts presented in our consolidated financial statements.

### Consumer Loans (Credit Card Loans and Personal Loans)

In recent years, we have dedicated significant resources to the implementation of a new business strategy oriented towards universal banking. We believe that we have made major progress in our goal to reposition our retail business by launching new products, customizing and updating our systems and processes and strengthening our market positioning. We aspire to segment our consumer loans not only by socioeconomic status but also based on consumption habits or affinity groups, in order to offer a variety of products tailored to our consumers' needs.

We market our personal loans through our branches and alternative sales channels. We offer personal loans at a fixed rate, for up to 60 months and for a maximum amount generally not exceeding the lower of (i) the applicant's eight months' net income and (ii) Ps.400,000. In 2012, 2013, 2014 and as of June 30, 2015, we originated a total of Ps.751.5 million, Ps.1,135.9 million, Ps.1,279.1 million and Ps.663.7 million of personal loans, respectively.



For our credit card business, we have entered into a contract with Visa Argentina S.A. (“Visa Argentina”) to issue Visa-branded credit cards. We have implemented a number of promotional measures and certain lines of business and products, alliances with different sought-after retailers as well as co-branding arrangements (Hipermercados Libertad since 2007 and Aerolíneas Argentinas since 2012). We undertook these actions to increase client loyalty and retention which we believe leads to increased revenues from fees.

As a result of, and our acquisition of an 80% ownership interest in Tarshop, our credit card loans grew from Ps.3,551.2 million as of December 31, 2012 to Ps.5,181.1 million as of December 31, 2013, Ps.7,155.3 million as of December 31, 2014 and Ps.8,500.6 million as of June 30, 2015.

As of June 30, 2015, our total consumer loans represented approximately 59.3% of our total loans, and as of June 30, 2015, our consumer loans generated 61.8% of our consolidated financial income. As of June 30, 2015, 3.6% of our consumer loans were non-performing, accounting for 88.2% of our total non-performing loans at such date.

As of June 30, 2015, we had issued 719,718 active credit cards, while Tarshop had issued 389,487 active credit cards.

### ***Corporate Banking***

Our objective is to consolidate our presence as a major player within the corporate banking segment. Additionally, we plan to further develop our strategy of active involvement in syndicated loan structuring and as active arranger for capital market transactions in the domestic market. At the same time, we plan to further develop more product and services, extending credit under the “Communities” concept (i.e., extending credit not only to our clients but also to our clients’ suppliers) and rendering comprehensive financial advice to Argentine entrepreneurs. To achieve our objectives, we plan to tailor our structure to the new businesses through the creation of a team that specializes in different industries and sectors, with a view to improving penetration in each industry and better understanding the needs and risks inherent to each particular industry. We will continue to target the most appealing sectors that have favorable growth prospects and require major investments, focusing mainly on sectors such as exports, energy, agribusiness, real estate and consumption.

We intend to further our strategy of granting short and medium term loans to companies, including syndicated financings. In order to enhance profitability and to maintain a balanced credit exposure, we will seek to expand longer term financing provided to our clients, where collateral and payments are tied to clients’ cash flows. Thus, we will focus on concentrating our portfolio of short, medium, and long-term transactions to enable us to make timely adjustments in the event of changes in market conditions.

Additionally, we plan to enter the small and medium-sized company loan market looking to address the funding needs of companies with an annual income ranging from Ps.6.0 million to Ps.60 million and with attractive growth prospects.

In order to enhance our comprehensive offering, we will continue to develop products to help companies optimize their cash flow management thus contributing to our objective of increasing our deposit base and increasing number of the transactions made by our clients. Along these lines, we launched a new checking collection and custody system, and in this quarter we expect to begin offering leasing products.

We will continue to originate structured financing together with other banks by organizing and placing syndicated loans. The proceeds from these deals are to be applied to capital expenditures for working capital in companies that we believe provide excellent growth prospects.

In addition, to comply with our commercial strategy of growing our deposit base, we will continue to attract deposits from companies, including demand deposits and time deposits, to the extent this mechanism matches our funding needs.

As a result of the implementation of measures to expand our corporate business, our balances for these loans have increased from Ps.2,853.0 million as of December 31, 2012 to Ps.3,578.6 million as of December 31, 2013 and Ps.5,148.3 million as of December 31, 2014 and as of June 30, 2015 to Ps.5,186.6 million.

As of June 30, 2015, our corporate loans represented approximately 27.8% of our total loans, and our corporate loans generated 7.4% of our consolidated financial income. As of June 30, 2015, 0.5% of our corporate loans were non-performing, accounting for 6.4% of our total non-performing loans at such date.

### ***Mortgage Loans***

Notwithstanding our expansion and growth in different financial products, we strive to maintain our leading position in the mortgage loan market and look to offer a wide array of products to meet our customers' mortgage financing needs.

We currently offer peso-denominated mortgage loans at a fixed interest rate for up to a maximum term of 20 years. As a general condition, we offer mortgage loans in an amount up to 70% of the property value when the property is to be used as a primary home. When properties are acquired for construction purposes, we generally finance up to 75% of the value of the property, while we may finance up to 100% of the value of the property for home expansions and completions. For the wage plan segment (*cuentas sueldo*), which includes clients who are employed by companies that signed agreements to deposit the employees' wages with us, a credit facility is offered at a fixed rate with step-up repayment installments subject to a single ten-year term for home construction, expansion or completion, and in all cases up to 100% of the development project may be financed.

The maximum loan amount for purchases and construction is generally Ps.500,000 and Ps.250,000 for expansions and/or completion. The mortgage payment installment may never exceed 30% of the household income, with household understood as comprising both marriage and cohabitation arrangements. We rely on a pre-qualification process to inform applicants as early as possible following initial application of the maximum amount they may borrow if they meet all requirements in terms of personal conditions, credit history and the property to be used as collateral.

Our mortgage loan origination for 2012, 2013, 2014 and as of June 30, 2015 amounted to Ps.264.7 million, Ps.155.1 million, Ps.140.4 million and Ps.47.1 million, respectively. At June 30, 2015, our mortgage loans represented approximately 13.0% of our total loans, and our mortgage loans generated 5.2% of our consolidated financial income. At June 30, 2015, 1.0% of our mortgage loans were non-performing, accounting for 5.4% of our total non-performing loans at such date.

### ***Trustee Services for PROCREAR Trust***

On June 12, 2012, the Argentine government issued Decree No. 902/2012 providing for the creation of PROCREAR program. On July 18, 2012, the PROCREAR Administrative and Financial Trust (the "PROCREAR Trust") was established through the execution of a trust agreement between the Argentine government, as Trustor, and us, as trustee.

The PROCREAR program contemplates the government-sponsored granting of up to 200,000 new loans in an aggregate amount of up to Ps.78,400 million. The PROCREAR program also intends to promote the development of urban construction projects through awards for the development of new urban residential complexes. The loans contemplated by the PROCREAR program are to be funded by, among others, contributions made by the National General Treasury of Argentina. As of June 30, 2015, Ps.39,414.5 million of loans had been disbursed, and an additional Ps.18,769.5 million was available for disbursement, subject to satisfaction of the conditions specified in the program.

The PROCREAR Trust has two type of credit lines:

- "*Credit with land*": individual construction loans, where the borrower owns the land and takes a loan to finance construction of the borrower's own house.

- “*Credit without land*”: the PROCREAR Trust develops an urban project on land deeded by the Argentine government, and once the project is completed, individuals are able to buy units with mortgage loans to be granted by the PROCREAR Trust.

We act as the sole trustee for, and the sole administrator of the PROCREAR Trust. All loans made pursuant to the PROCREAR Trust are funded by the National General Treasury of Argentina. As a result, the loans granted through the PROCREAR Trust are not reflected as assets on our balance sheet and do not create any credit or interest rate risk for us. In our capacity as trustee and originator of the loans granted by the PROCREAR Trust and receive a fee of Ps.400,000 per month for such services. In our capacity as loan administrator, we receive a fee of 0.5% of loan installments collected from low-income clients and a fee of 2% of loan installments collected from clients in other segments.

Additionally, by originating the loan we create cross-selling opportunities by offering to capture new clients other financial products, such as insurance services through our insurance subsidiary, BHN Vida.

Through our insurance subsidiaries BHN Vida and BHN Seguros Generales we provide insurance related products to the loans originated by the Trust. During the year ended December 31, 2014 and for the six months ended June 30, 2015, our insurance activities relating to the PROCREAR Trust generated fees of Ps.231.3 million and Ps.201.6 million, respectively, representing 27.5% and 33.9%, respectively, of our consolidated insurance premiums earned in such periods.

During the year ended December 31, 2014 and for the six months ended June 30, 2015, our activities as trustee of the PROCREAR Trust generated fees of Ps.62.1 million and Ps.60.4 million, respectively, representing 3.8% and 5.7% of our consolidated income from services other than insurance services.

On February 13, 2015, we reported that disbursements under the PROCREAR Trust had reached the amount of Ps.30.0 billion.

### ***BH Valores***

On May 13, 2015, our Board of Directors and the board of directors of BH Valores approved the transfer of the majority of BH Valores’ customer accounts to the Bank as part of the strategy to transfer all such accounts in the near future and cause the Bank’s investment department to develop these operations under the scope of its customary activities.

### **Distribution Channels**

Our network consists of 60 branches and 15 sales offices throughout Argentina. Our product distribution is based on four principal pillars:

- branches,
- points of sales,
- telemarketing, and
- our own sales force.

Our direct marketing strategy is designed to reach our existing clients and potential new clients through cross-selling opportunities. This strategy is supported by the use of technological tools specifically designed for processes to incorporate more intelligence, segmenting databases for improved communication efficiency and product acceptance. Responsibility for selling our products to new clients lies mainly with the sales force teams at the head office and the branches.

We seek to steer our distribution and sales channels to succeed in reaching a greater number of prospective customers by offering a larger selection of products. In addition to the traditional sales platform at the branches, we have forged business alliances seeking to supplement our functions with strategic partners who add value to the distribution chain with the overarching objective being a decrease in the costs incurred in client acquisition and new product placement.

The table below sets forth the geographical distribution of our branches as of June 30, 2015:

	<u>As of June 30, 2015</u>
Ciudad Autónoma de Buenos Aires .....	7
Provincia de Buenos Aires .....	17
Catamarca .....	1
Córdoba.....	5
Corrientes.....	1
Chaco .....	1
Chubut.....	2
Entre Ríos .....	2
Formosa .....	1
Jujuy.....	1
La Pampa .....	2
La Rioja .....	1
Mendoza .....	2
Misiones.....	1
Neuquén.....	1
Río Negro.....	1
Salta .....	1
San Juan .....	1
San Luis .....	1
Santa Cruz.....	2
Santa Fe .....	5
Santiago del Estero .....	1
Tucumán .....	2
Tierra del Fuego .....	1
Total.....	<u>60</u>

## Information Technology

We use world-class applications to support our core banking, e-channels and front office applications.

In core banking, we use Cobis, an advanced tool developed in advanced technology (Visual Basic & Sybase database). During 2016, we plan to upgrade our Cobis systems in order to add new functionalities and technology (.net / apps) to support our business growth. All of our back-office transactions run in SAP (finance / procurement and human resources) and Cobis.

With respect to customer relationship, we run market applications and Oracle BPM (business process management) for all origination processes. Since November 2014, we entered into a license agreement with Oracle to implement a Self-Inquiry module at the Cloud (now operative), a new CRM solution (Rightnow) and several Oracle products to get a 360-degree relationship with our customers.

We also work with a service-oriented architecture (SOA), which allows us to run third party and our application developments. Over 500 SOA services have been developed to date. In addition, we are migrating our current Sonic platform to a more evolved platform called Oracle Service Bus (OSB).

With respect to information management, we use SAS as a data warehouse, with Click View, Cognos and Power Center technologies to simplify the user experience. We are also currently defining the big data strategy for the next years.

With respect to infrastructure, we use SUNM800 with OS Solaris 10C technology to run the core banking, (Cobis) and we are migrating to Oracle Super Cluster Technology (T5-8 processors – Exadata).

Bank applications run on Intel (HP/Dell) equipment with Blade technology, Microsoft Windows Server OS and SQL Database. 75% of total servers are virtualized and the storage platform is being migrated from EMC CX4-960 equipment to a EMC VNX7600 equipment, which was recently acquired. This department is also completing the Active-Active Data Center migration (current mirror Data Center at Telefonica) and it is exploring unify communications and desktops virtualization strategies to implement next year.

We are expanding the Architecture team by hiring a big data and digitalization leaders and implementing a new operating model organized by business processes balancing the mix between core banking and e-channels resources, investments and exploring sourcing alternatives as well.

## Funding

### Deposits

In order to diversify our sources of funding, we have been focusing on attracting deposits from both the public and private sectors in recent years. Our main source of deposits currently consists of peso-denominated term deposits. We also offer term deposits in U.S. dollars and deposits in savings and checking accounts. The following table sets forth our sources of founding as of the dates indicated:

	As of December 31,			As of
	2012	2013	2014	June 30,
				2015
	(in thousands of pesos)			
<b>Deposits</b>				
Non-financial public sector .....	2,990,892	4,142,809	9,100,822	6,597,313
Financial sector .....	8,563	8,109	7,416	10,783
Non-financial private sector and residents abroad.....	5,011,674	6,738,876	9,225,875	11,820,735
Checking accounts.....	595,564	526,413	760,533	1,097,843
Savings accounts .....	741,892	1,443,467	2,479,643	2,953,065
Time deposits .....	3,355,131	4,265,680	4,983,820	6,518,386
Investment accounts .....	160,035	304,241	713,438	940,401
Other.....	101,650	126,748	156,068	174,986
Interest and foreign exchange gains/(losses) payable....	57,402	72,327	132,373	136,054
Total deposits .....	8,011,129	10,889,794	18,334,113	18,428,831

### Notes

Although deposits represent our most significant funding source (64.5% of our total liabilities at June 30, 2015), we have also issued bonds in the domestic capital markets. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Our Notes”.

## Subsidiaries

### *BACS Banco de Crédito y Securitización S.A.*

We are the principal shareholder of BACS, a bank that provides primarily investment banking, assets securitization and asset management services. The following table sets forth the shareholders of BACS as of June 30, 2015:

Shareholder	Shares	Votes	%
Banco Hipotecario .....	54,687,500	54,687,500	87.500
IRSA Inversiones y Representaciones Sociedad Anónima .....	3,984,375	3,984,375	6.375
Quantum Industrial Partners LDC .....	3,828,125	3,828,125	6.125
Total .....	62,500,000	62,500,000	100.000

BACS conducts activities separately from us because it focuses mostly on corporate loans, in the investment banking segment, while the majority of our clients are in the retail segment. As of December 31, 2014, BACS's total assets and net income represented 2.9% and 10.1% of our consolidated assets and net income, respectively.

In addition BACS controls Toronto Trust, an investment fund manager with more than Ps.2,105 million in assets under management and a market share of 1.24% as of June 30, 2015.

### *Insurance Subsidiaries: BHN Vida and BHN Seguros Generales*

We offer insurance coverage for the financial products we offer (loans, checking accounts and credit cards) through our wholly-owned subsidiaries BHN Vida (life insurance products) and BHN Seguros Generales (homeowners' insurance products). As a result, the contribution of our insurance business to our results of operations is linked to the origination of those financial products. In all these cases, we assume the insured risk, collect the premiums and paying on the claims. We offer these types of coverage only to our current clients or to clients whose homes have been financed by us.

We currently operate both as a policy-owner and as an insurance broker. The following is a description of the insurance provided in these two capacities:

#### *Insurance Related to Financial Products*

This coverage is designed to minimize the risk of uncollectability in the event of the debtor's death and to preserve the value of collateral. In this respect, the two main product offerings are:

*Life insurance:* applicable to personal loans, mortgage loans, credit cards and accounts for the repayment of debt balances in the event of the death of the insured debtor. Type of contract: group life insurance policy whereby we are both policy-owner and beneficiary for the amount established and covered by each financial product.

*Fire insurance:* applicable to mortgage loans and accounts (or any other product) secured by mortgages. Type of contract: insurance policy against fire and other damages to property, in which we are the policy-owner.

#### *Coverage Offered to Clients in which we act as Part of the Distribution Channel*

These products supplement a client's loan insurance coverage or meet its insurance needs and are voluntarily acquired by clients. We earn fees in proportion to the portfolio of insurance products generated by us as a distribution channel. The products are designed together with insurance companies in accordance with the guidelines established by us, based on the price-benefit ratios that best fit each client segment. In this business segment, we act as an insurance broker pursuant to agreements made with various insurance companies. The risks

are assumed and managed by the insurance companies based on rates, coverage, requirements, standards and procedures regulated by the Superintendence of Insurance. Main insurance products include: life, personal accidents, homeowners, health, motor vehicle, protected purchase for products and/or services acquired with credit cards and ATM robbery.

During the six months ended June 30, 2015 and the year ended December 31, 2014, the consolidated net income from services from BHN Inversión S.A. represented 37.0% and 37.6%, respectively, of our consolidated income from services, net for such periods.

### ***Tarshop***

To further our strategy on developing our consumer finance activities, we acquired 80% of the capital stock of Tarshop in September 2009. The remaining 20% is owned by our affiliate, IRSA Propiedades Comerciales S.A. (“IRSA PC”). Tarshop’s business is based on selling consumer finance products, mainly its own *Tarjeta Shopping* credit card, and making cash advances to unbanked entry-level clients, which we do not service directly. At June 30, 2015, Tarshop’s loan portfolio balance was Ps. 1,314,8 million and managed an additional portfolio of Ps. 876.2 million.

In September 2014, Tarshop entered into an agreement with Visa Argentina to expand the network of stores that accept the Tarshop *Tarjeta Shopping* credit card. As a result, Tarshop has achieved national coverage by increasing its network from 40,000 to 350,000 stores.

On October 22, 2014, our Board of Directors approved an irrevocable capital contribution to Tarshop in the amount of Ps.110.0 million to be made by us and IRSA PC in proportion to our shareholdings in order for Tarshop to operate effectively and to comply with its business plan for 2015.

As of June 30, 2015 and December 31, 2014, Tarshop’s loans represented approximately 5.5% and 4.3%, respectively, of our total consolidated loans. As of June 30, 2015 and December 31, 2014, 10.2% and 13.0%, respectively, of Tarshop’s loans were non-performing, accounting for 24.3% and 23.6%, respectively, of our total non-performing loans at such date. During the six months ended June 30, 2015 and the year ended December 31, 2014, Tarshop’s financial income accounted for 4.3% and 4.5%, respectively, of our consolidated financial income and Tarshop’s net income from services represented 25.1% and 19.3%, respectively, of our consolidated net income from services for such periods.

### **Securities Position**

We maintain a position in government and corporate securities, mainly to implement our liquidity policy and to optimize our capital administration. These positions are exposed to market risk. The instruments are mainly securities issued by the Central Bank, bills and securities issued by the Argentine government and provincial governments in Argentina and corporate securities listed on the domestic capital market. In order to manage market risk, our Finance Committee and the Risk Management Committee sets limits according to the VaR of those positions subject to price risk and for type of instrument. In this regard, our VaR of positions in public and corporate securities as of June 30, 2015 was Ps.50.9 million, while the approved limit was Ps.172.9 million.

As a result of this position, we recorded gross profits of Ps. 627.5 million as of the six months period ended June 30, 2015 and Ps.974.6 million for the year ended December 31, 2014.



## Employees

The following table shows the number of our employees as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
Main office .....	1,320	1,571	1,625	1,554
Branches .....	660	917	983	943
Total .....	1,980	2,488	2,608	2,497

Our employees are represented by a federal union and union membership is optional. As of June 30, 2015, approximately 1,252 of our employees were members of the federal union. We have not experienced significant conflicts with the federal union and believe that relationships with our employees are highly satisfactory. No employee holding managerial positions is a member of a federal union.

## Foreign Currency Exposure

In the normal course of our business, we have both assets and liabilities denominated in foreign currency. As of June 30, 2015, our foreign currency denominated liabilities exceed our foreign currency denominated assets by Ps.141.7 million. In order to hedge such exposure, we maintain locally traded foreign currency futures.

Additionally, from time to time we might over-hedge or under-hedge this exposure in order to take advantage of market opportunities.

The following table shows our assets and liabilities denominated in foreign currency as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(pesos in millions)			
Cash and cash resources (+) .....	374.7	561.8	1,014.1	820.5
Government and corporate securities (+) .....	481.5	506.3	680.2	608.4
Loans (+) .....	840.0	768.9	929.3	1,200.9
Other receivables from financial transactions (+) .....	414.9	706.0	379.9	333.1
Deposits (-) .....	(857.0)	(950.3)	(549.0)	(594.4)
Other liabilities for financial transactions (-) .....	(1,655.7)	(1,784.9)	(2,242.3)	(2,510.2)
Subtotal .....	(401.5)	(192.2)	212.4	(141.7)
Forward purchases marked to market (+) .....	2,086.8	6,764.3	2,625.1	2,043.5
Forward sales marked to market (-) .....	(434.8)	(4,657.8)	(2,630.9)	(1,694.9)
Subtotal .....	1,651.9	2,106.5	(5.7)	348.6
Net global foreign currency position .....	1,250.4	1,914.3	206.6	206.9

## Competition

As a major commercial bank, offering a full range of financial services to all types of businesses and individual customers, we face strong competition from the other large commercial and retail banks. Commercial banks also face increasing competition from other financial intermediaries that can provide larger companies with access to the domestic capital markets as an alternative to bank loans. For further information, see “The Argentine Banking Industry”.



## Litigation

### *Overview*

As of June 30, 2015, we had recorded approximately Ps.91.8 million in provisions for pending lawsuits. We determined the amount of provisions based on the amounts claimed and the estimated likelihood of loss. We believe that these legal actions are part of our ordinary course of business, none of which is likely to have a material and adverse effect on our business activities or financial condition.

### *Proceedings before Administrative Authorities*

As of June 30, 2015, we had registered provisions in respect of pending lawsuits for approximately Ps.4.2 million. The amount of provisions was determined on the basis of the amounts claimed and the estimated likelihood of loss. We believe that these legal actions are part of our ordinary course of business, and we do not believe that any of these claims is likely to materially and adversely affect our business activities or consolidated financial condition.

#### *Resolution No. 76/15: Unidad de Información Financiera*

On August 11, 2015, we were notified of Resolution No. 76/15 adopted by the chairman of the *Unidad de Información Financiera*, which initiated a summary proceeding (*sumario*) against us, our Board of Directors (Eduardo Sergio Elsztain, Mario Blejer, Diego Luis Bossio, Mariana González, Edgardo Luis José Fornero, Ada Mercedes Maza, Mauricio Elías Wior, Saúl Zang, Ernesto Manuel Viñes, Gabriel Adolfo Gregorio Reznik, Jacobo Julio Dreizzen, Pablo Daniel Vergara del Carril and Carlos Bernardo Pisula) and our compliance officer for an alleged violation of section 21 a) of Law No.25,246 and to Resolution No.121/11 primarily as a result of failing to properly identify certain clients, comply with certain monitoring requirements, adequately assess risk and update certain client profiles and background information in some instances. The UIF initiated the proceeding after an audit by the Central Bank in 2013 detected certain weaknesses in our internal anti-money laundering controls. As of the date of this offering memorandum, we have not established any provisions in connection with this proceeding.

#### *Resolution No. 416/14: Office of the Superintendent of Financial and Foreign Exchange Institutions*

On August 26, 2014, we were notified of the Resolution No. 416/14 adopted by the Office of the Superintendent of Financial and Foreign Exchange Institutions of the Central Bank which initiated a summary proceeding (*sumario*) against us, our Board of Directors (Eduardo S. Elsztain; Jacobo J. Dreizzen; Edgardo L. Fornero; Carlos B. Pisula; Gabriel G. Resnik; Pablo D. Vergara del Carril; Ernesto M. Viñes; Saúl Zang; and Mauricio E. Wior), our former directors (Clarisa D. Lifsic de Estol and Federico L. Bensadon), and two former managers (Gabriel G. Saidon and Enrique L. Benítez) for an alleged failure to comply with the rules announced by Communication “A” 3471 and Communication “A” 4805 issued by the Central Bank due to certain transfers of foreign currency abroad between August and October 2008 to secure a swap transaction entitled “CER Swap Linked to PG08 and External Debt” totaling US\$45,968,000 without the authorization of the Central Bank, which is being dealt with by the Department of Contentious Foreign Exchange Matters of the Central Bank. On March 16, 2015, we filed a petition for an extension in the term for filing all defenses.

Based on the advice of our counsel, and in view of certain arguments of law and fact available to us, we believe that it is not likely that we will face material penalties (including those set forth by the Foreign Exchange Criminal Law). As a result, we have not established any provisions in respect of this proceeding.

### *Proceedings before Courts*

As of June 30, 2015, we had registered provisions in respect of pending proceedings before the courts for approximately Ps.87.6 million. The amount of provisions was determined on the basis of the amounts claimed and the estimated likelihood of loss. We believe that these legal actions are part of our ordinary course of business, and we do not believe that any of these claims is likely to materially and adversely affect our business activities or consolidated financial condition.

#### *Resolution No. 685/14*

On October 31, 2014, we were notified of Resolution No. 685, by the Office of the Superintendent of Financial and Foreign Exchange Institutions of the Central Bank, whereby us and our directors were charged with alleged breaches of the rules and regulations enacted by the Central Bank concerning financial aid to the Non-Financial Public Sector, exceeding the limits of credit risk ratios *vis-à-vis* the non-financial public sector, exceeding in the assets applied as collateral, failure to abide by the minimum capital requirements and objections to the accounting treatment afforded to the transaction entitled “Cer Swap Linked to PG08 and External Debt”; and also, delays in communicating the appointment of new directors and delay in the supply of documentation related to the new directors appointed by the shareholders’ meetings.

By virtue of the above-mentioned resolution, a Ps.4,040,000 fine was imposed on us, and fines aggregating Ps.51,581,790 were imposed on our directors (Eduardo S. Elsztain; Jacobo J. Dreizzen; Carlos B. Pisula; Edgardo L. Fornero; Gabriel G. Resnik; Pablo D. Vergara del Carril; Ernesto M. Viñes; Saúl Zang; Mauricio E. Wior), our former directors (Clarisa D. Lifsic de Estol; Federico L. Bensadon; Jorge L. March and Jaime A. Grinberg), our members of the Supervisory Committee (Ricardo Flammini; José D. Abelovich; Marcelo H. Fuxman; Alfredo H. Groppo; and Martín E. Scotto), the Area Manager Gustavo D. Efkhonian and our former managers (Gabriel G. Saidon and Enrique L. Benítez). By virtue of this resolution, the former trustee, Silvia M. Gentile, was acquitted.

On November 25, 2014, we and the individual defendants filed an appeal pursuant to Section 42 of the Law of Financial Institutions. The Central Bank sent the appeal to the Federal Court of Appeals in Contentious and Administrative Matters. Also pending before the same court are the remedies filed by us and the individual defendants on December 30, 2014 to stay the collection proceedings brought by the Central Bank to collect the fines.

On June 30, 2015, the Federal Court of Appeals issued a resolution dismissing the requests for injunction filed by the Bank and several of our Directors, statutory auditors and managers, aimed at suspending the payment of the penalties imposed by the Central Bank, pending the resolution of the appeal against such measures. For the purpose of avoiding any further conflicts and monetary damages, our Executive Committee decided to enforce the indemnity rules applicable to the current and former directors, statutory auditors and senior officers as approved by our Board of Directors at their meetings dated August 2, 2002 and May 8, 2013, and deposited the relevant penalties, including the monetary sanction imposed on the Bank for Ps.57,671.9 thousand, without deducting the sum covered under the D&O insurance policy or the sum of the indemnity guarantee set forth under Decree No. 196/2015 concerning the Directors appointed by the Argentine Government.

Although we believe that the fine imposed by the Central Bank should be revoked by the Court, as of June 30, 2015 we had established a provision equal to full amount of the fine imposed by Resolution No. 685/14 against us.

#### **Property**

As of June 30, 2015, we owned 19 of our branches, and we leased the remaining 41 branches. On May 1, 1997, we purchased and refurbished a building in downtown Buenos Aires for a total cost of approximately US\$32.0 million to replace the building where our headquarters were located, which had been transferred to the Argentine government under the Privatization Law. We may engage in new real estate projects in the future in order to increase the efficiency of our operations.

The following charts, which have been prepared on an individual and consolidated basis and are based on our internal information, set forth changes in our property, plant and equipment and miscellaneous properties as of the relevant period.

**Changes in Property, Plant and Equipment and Miscellaneous Properties of the Bank on an Individual Basis**

Item	Residual value at the beginning of the period ended December 31, 2014	Additions	Transfers	Retirements	Impairment Losses	Depreciation for Year	
						Years of useful life	Amount
<b>Property, Plant and Equipment</b>							
– Real Property .....	79,058	—	—	—	—	50	2,000
– Fitting and Fixture .....	13,523	8,104	—	—	—	10	2,000
– Machinery and equipment .....	13,832	7,402	—	(42)	—	5	4,000
– Computing equipment .....	6,536	34,667	—	—	—	3	9,000
– Vehicles .....	54	—	—	—	—	5	—
– Others .....	1,474	989	—	—	—	5	—
<b>Total .....</b>	<b>114,477</b>	<b>51,162</b>	<b>—</b>	<b>(42)</b>	<b>—</b>	<b>—</b>	<b>19,000</b>
<b>Miscellaneous Equipment</b>							
– Works in progress .....	2,100	876	—	—	—	—	—
– Artworks and collectible works .....	226	—	—	—	—	—	—
– Leased property .....	2,731	—	—	—	—	50	—
– Property taken in defense of loans .....	2,554	1,003	—	(2,129)	—	50	—
– Stationary and tools .....	14,075	7,479	—	—	—	—	—
– Other miscellaneous property .....	21,863	135	—	—	—	50	—
<b>Total .....</b>	<b>43,549</b>	<b>9,493</b>	<b>—</b>	<b>(2,129)</b>	<b>—</b>	<b>—</b>	<b>—</b>

### Changes in Property, Plant and Equipment and Miscellaneous Properties of the Bank's Subsidiaries

Item	Residual value at the beginning of the period ended December 31, 2014	Additions	Transfers	Retirements	Impairment Losses	Depreciation for Year	
						Years of useful life	Amount
<b>Property, Plant and Equipment</b>							
– Real Property .....	—	—	—	—	—	50	—
– Fitting and Fixture .....	2,806	3,748	—	(140)	—	10	1,300
– Machinery and equipment .....	1,180	2,767	—	—	—	5	—
– Computing equipment .....	3,940	626	6,188	—	—	3	3,940
– Vehicles .....	—	—	—	—	—	5	—
– Others .....	281	4,247	—	—	—	5	1,143
<b>Total</b> .....	<b>8,207</b>	<b>11,388</b>	<b>6,188</b>	<b>(140)</b>	<b>—</b>	<b>—</b>	<b>6,383</b>
<b>Miscellaneous Equipment</b>							
– Works in progress .....	—	—	—	—	—	—	—
– Artworks and collectible works .....	—	—	—	—	—	—	—
– Leased property .....	—	—	—	—	—	50	—
– Property taken in defense of loans .....	—	—	—	—	—	50	—
– Stationary and tools .....	—	—	—	—	—	—	—
– Other miscellaneous property .....	3,959	6,082	943	—	—	50	1,143
<b>Total</b> .....	<b>3,959</b>	<b>6,082</b>	<b>943</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,143</b>

### Changes in Property, Plant and Equipment and Miscellaneous Properties on a Consolidated Basis

Item	Residual value at the beginning of the period ended June 30, 2015	Additions	Transfers	Retirements	Impairment Losses	Depreciation for Period	
						Years of useful life	Amo
In thousands of pesos							
Property, Plant and Equipment							
– Real Property.....	76,982	—	—	—	—	50	1,03
– Fitting and Fixture.....	24,119	7,949	140	—	—	10	2,43
– Machinery and equipment.....	19,935	4,688	—	—	—	5	3,64
– Computing equipment.....	39,022	18,256	346	(13)	—	3	9,75
– Vehicles.....	27	182	—	(172)	—	5	2
– Others.....	5,074	4,067	4,318	(281)	—	5	1,33
Total .....	165,159	35,142	4,804	(466)	—	—	18,3
Miscellaneous Equipment							
– Works in progress .....	2,976	2,292	—	—	—	—	—
– Artworks and collectible works.....	226	—	—	—	—	—	—
– Leased property.....	2,647	—	—	—	—	50	4
– Property taken in defense of loans.....	1,402	—	—	(53)	—	50	—
– Stationary and tools.....	21,554	1,792	—	—	—	—	—
– Other miscellaneous property.....	30,985	2,959	(6,668)	—	—	50	(3)
Total .....	59,790	7,043	(6,668)	(53)	—	—	(3)

**Changes in Property, Plant and Equipment and Miscellaneous Properties of the Bank on an Individual Basis**

Item	Residual value at the beginning of the period ended June 30, 2015	Additions	Transfers	Retirements	Impairment Losses	Depreciation for Year	
						Years of useful life	Am
<b>Property, Plant and Equipment</b>							
– Real Property.....	76,982	—	—	—	—	50	1,
– Fitting and Fixture.....	18,933	6,900	—	—	—	10	1,
– Machinery and equipment.....	16,781	2,972	—	—	—	5	2,
– Computing equipment.....	31,501	7,562	—	(13)	—	3	7,
– Vehicles.....	27	182	—	(172)	—	5	
– Others.....	1,959	271	—	(20)	—	5	
<b>Total .....</b>	<b>146,183</b>	<b>17,967</b>	<b>—</b>	<b>(205)</b>	<b>—</b>	<b>—</b>	<b>13,</b>
<b>Miscellaneous Equipment</b>							
– Works in progress .....	2,976	2,292	—	—	—	—	
– Artworks and collectible works.....	226	—	—	—	—	—	
– Leased property.....	2,647	—	—	—	—	50	
– Property taken in defense of loans.....	1,402	—	—	(53)	—	50	
– Stationary and tools.....	21,554	1,792	—	—	—	—	
– Other miscellaneous property.....	21,763	—	—	—	—	50	
<b>Total .....</b>	<b>50,568</b>	<b>4,084</b>	<b>—</b>	<b>(53)</b>	<b>—</b>	<b>—</b>	

### Changes in Property, Plant and Equipment and Miscellaneous Properties of the Bank's Subsidiaries

	Residual value at the beginning of the period ended June 30, 2015					Depreciation for Period	
Item		Additions	Transfers	Retirements	Impairment Losses	Years of useful life	Am
Property, Plant and Equipment							
– Real Property.....	—	—	—	—	—	50	
– Fitting and Fixture.....	5,186	969	140	—	—	10	
– Machinery and equipment.....	3,154	1,716	—	—	—	5	
– Computing equipment.....	7,521	10,694	346	—	—	3	2,
– Vehicles.....	—	—	—	—	—	5	
– Others.....	3,115	3,796	4,318	(261)	—	5	1,
Total .....	18,976	17,175	4,804	(261)	—	—	5,
Miscellaneous Equipment							
– Works in progress .....	—	—	—	—	—	—	
– Artworks and collectible works.....	—	—	—	—	—	—	
– Leased property.....	—	—	—	—	—	50	
– Property taken in defense of loans.....	—	—	—	—	—	50	
– Stationary and tools.....	—	—	—	—	—	—	
– Other miscellaneous property.....	9,222	2,959	(6,668)	—	—	50	(
Total .....	9,222	2,959	(6,668)	—	—	—	(

### Changes in Property, Plant and Equipment and Miscellaneous Properties on a Consolidated Basis

	Residual value at the beginning of the year ended December 31, 2014					Depreciation for Year	
Item		Additions	Transfers	Retirements	Impairment Losses	Years of useful life	Am



## SELECTED STATISTICAL INFORMATION

We included the following information for analytical purposes and you should read it in conjunction with our audited financial statements, appearing elsewhere in this offering memorandum, as well as with the sections “Presentation of Financial and Other Information”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Selected Financial and Other Information”.

### **Average Balances, Interest Earned on Interest-Earning Assets and Interest Paid on Interest-Bearing Liabilities; Average Nominal and Real Rates**

The tables below set forth by the currency of denomination, average balances and, where applicable, interest earned on interest-earning assets and interest paid on interest-bearing liabilities for the years ended December 31, 2012, 2013 and 2014. The average balances for interest-earning assets and interest-bearing liabilities have been calculated on the basis of our daily balances. Average balances have been presented in Argentine pesos and in U.S. Dollars because of the different rates of interest that have historically been earned and paid in Argentina on assets and liabilities denominated in those currencies. Average yields have been calculated by dividing interest earned on assets or paid on liabilities by the corresponding average balances on such assets or liabilities.

For the year ended December 31,							
	2012			2013			
	Average balance	Interest earned/paid	Average yields	Average balance	Interest earned/paid	Average yields	Average balance
(in thousands of pesos, except for percentages)							
<b>INTEREST-EARNING ASSETS</b>							
<b>Cash and due from banks</b>							
Pesos .....	609,890	4,851	0.80%	1,141,770	11,372	1.00%	1,611,798
U.S. dollars .....	272,727	(1,060)	(0.39)%	322,429	(4,454)	(1.38)%	605,296
Total .....	882,617	3,791	0.43%	1,464,199	6,918	0.47%	2,217,094
<b>Government and corporate securities</b>							
Pesos .....	1,744,243	234,040	13.42%	1,737,002	285,852	16.46%	3,003,755
U.S. dollars .....	317,602	89,308	28.12%	1,019,086	88,138	8.65%	971,719
Total .....	2,061,845	323,348	15.68%	2,756,088	373,990	13.57%	3,975,474
<b>Mortgage loans</b>							
Pesos .....	1,753,141	209,866	11.97%	2,050,519	282,731	13.79%	2,251,240
U.S. dollars .....	—	—	—	—	—	—	—
Total .....	1,753,141	209,866	11.97%	2,050,519	282,731	13.79%	2,251,240
<b>Personal loans</b>							
Pesos .....	1,071,956	331,917	30.96%	1,511,757	527,158	34.87%	2,152,665
U.S. dollars .....	—	—	—	—	—	—	—
Total .....	1,071,956	331,917	30.96%	1,511,757	527,158	34.87%	2,152,665
<b>Credit card loans</b>							
Pesos .....	2,973,430	650,162	21.87%	3,969,624	889,212	22.40%	5,642,947
U.S. dollars .....	16,280	—	0.00%	36,529	—	0.00%	32,306
Total .....	2,989,710	650,162	21.75%	4,006,153	889,212	22.40%	5,675,253
<b>Overdraft facilities</b>							
Pesos .....	865,220	153,322	17.72%	984,536	191,829	19.48%	984,158
U.S. dollars .....	—	—	—	—	—	—	—
Total .....	865,220	153,322	17.72%	984,536	191,829	19.48%	984,158
<b>Other loans</b>							
Pesos .....	701,071	150,648	21.49%	1,267,761	291,293	22.98%	2,393,101
U.S. dollars .....	833,134	63,341	7.60%	799,480	53,518	6.69%	921,779
Total .....	1,534,205	213,989	13.95%	2,067,241	344,811	16.68%	3,314,880
<b>Public sector loans</b>							
Pesos .....	51,007	18,867	36.99%	91,204	20,446	22.42%	128,461
U.S. dollars .....	—	—	—	—	—	—	—
Total .....	51,007	18,867	36.99%	91,204	20,446	22.42%	128,461
<b>Interbank loans</b>							
Pesos .....	228,070	40,464	17.74%	346,029	58,253	16.83%	352,614
U.S. dollars .....	—	—	—	—	—	—	—
Total .....	228,070	40,464	17.74%	346,029	58,253	16.83%	352,614
<b>Financial trusts</b>							
Pesos .....	659,044	122,320	18.56%	652,211	152,620	23.40%	834,595
U.S. dollars .....	10,259	98	0.96%	18,372	664	3.61%	18,614
Total .....	669,303	122,418	18.29%	670,583	153,284	22.86%	853,209

	For the year ended December 31,						
	2012			2013			
	Average balance	Interest earned/paid	Average yields	Average balance	Interest earned/paid	Average yields	Average balance
	(in thousands of pesos, except for percentages)						
<b>Bonds</b>							
Pesos .....	65,727	13,159	20.02%	109,432	30,745	28.10%	116,444
U.S. dollars .....	139,203	7,154	5.14%	226,174	40,279	17.81%	241,287
Total .....	204,930	20,313	9.91%	335,606	71,024	21.16%	357,731
<b>Repurchase agreements of government securities</b>							
Pesos .....	412,562	39,099	9.48%	250,141	27,080	10.83%	326,110
U.S. dollars .....	—	—	0.00%	21,594	11	0.05%	34,456
Total .....	412,562	39,099	9.48%	271,735	27,091	9.97%	360,566
<b>Total interest-earning assets</b>							
Pesos .....	11,135,361	1,968,715	17.68%	14,111,986	2,768,591	19.62%	19,797,888
U.S. dollars .....	1,589,205	158,841	9.99%	2,443,664	178,156	7.29%	2,825,457
Total .....	12,724,566	2,127,556	16.72%	16,555,650	2,946,747	17.80%	22,623,345

		For the year ended December 31,					
		2012			2013		
	Average balance	Interest earned/paid	Average yields	Average balance	Interest earned/paid	Average yields	Average balance
(in thousands of pesos, except for percentages)							
<b>NON-INTEREST-EARNING ASSETS</b>							
<b>Cash</b>							
Pesos .....	187,204	—	—	392,704	—	—	571,941
U.S. dollars .....	140,017	—	—	220,495	—	—	279,589
Total .....	327,221	—	—	613,199	—	—	851,530
<b>Fixed assets</b>							
Pesos .....	147,059	—	—	158,211	—	—	196,697
U.S. dollars .....	—	—	—	—	—	—	—
Total .....	147,059	—	—	158,211	—	—	196,597
<b>Other</b>							
Pesos .....	1,071,176	—	—	1,246,323	—	—	2,259,689
U.S. dollars .....	700,620	—	—	391,672	—	—	312,582
Total .....	1,771,796	—	—	1,637,995	—	—	2,572,271
<b>Reserve for loan losses</b>							
Pesos .....	(230,206)	—	—	(288,950)	—	—	(343,633)
U.S. dollars .....	(10,684)	—	—	(11,444)	—	—	(12,422)
Total .....	(240,890)	—	—	(300,394)	—	—	(356,055)
<b>Total non-interest-earning assets, net</b>							
Pesos .....	1,175,233	—	—	1,508,288	—	—	2,684,694
U.S. dollars .....	829,953	—	—	600,723	—	—	579,749
Total .....	2,005,186	—	—	2,109,011	—	—	3,264,443
<b>TOTAL ASSETS</b>							
Pesos .....	12,310,594	—	—	15,620,274	—	—	22,482,582
U.S. dollars .....	2,419,158	—	—	3,044,387	—	—	3,405,206
Total .....	14,729,752	—	—	18,664,661	—	—	25,887,788

	For the year ended December 31,						
	2012			2013			
	Average balance	Interest earned/paid	Average yields	Average balance	Interest earned/paid	Average yields	Average balance
	(in thousands of pesos, except for percentages)						
<b>INTEREST-BEARING LIABILITIES</b>							
<b>Savings accounts</b>							
Pesos .....	285,624	1,025	0.36%	720,872	1,884	0.26%	1,100,302
U.S. dollars .....	72,895	57	0.08%	53,926	40	0.07%	74,901
Total .....	358,519	1,082	0.30%	774,798	1,924	0.25%	1,175,203
<b>Checking accounts</b>							
Pesos .....	850,144	0	0.00%	1,149,351	—	0.00%	1,035,803
U.S. dollars .....	—	—	0.00%	—	—	0.00%	—
Total .....	850,144	0	0.00%	1,149,351	—	0.00%	1,035,803
<b>Time deposits</b>							
Pesos .....	4,142,734	574,544	13.87%	5,752,035	829,321	14.42%	8,413,502
U.S. dollars .....	844,557	9,139	1.08%	799,656	9,657	1.21%	707,841
Total .....	4,987,291	583,683	11.70%	6,551,691	838,978	12.81%	9,121,343
<b>Central Bank</b>							
Pesos .....	—	24	NM	—	—	NM	—
U.S. dollars .....	—	—	NM	—	—	NM	—
Total .....	—	24	NM	—	—	NM	—
<b>Other banks and international entities</b>							
Pesos .....	247,142	50,373	20.38%	270,085	76,211	28.22%	353,580
U.S. dollars .....	—	—	—	142	14	10.02%	37,514
Total .....	247,142	50,373	20.38%	270,227	76,225	28.21%	391,094
<b>Bonds</b>							
Pesos .....	460,996	84,852	18.41%	922,878	187,330	20.30%	1,587,760
U.S. dollars .....	1,548,840	115,730	7.47%	1,498,613	136,340	9.10%	1,939,013
Total .....	2,009,836	200,582	9.98%	2,421,491	323,670	13.37%	3,526,773
<b>Reverse repurchase agreements of government securities</b>							
Pesos .....	37,085	3,294	8.88%	55,469	6,853	12.35%	270,306
U.S. dollars .....	82,979	2,752	3.32%	—	—	—	—
Total .....	120,064	6,046	5.04%	55,469	6,853	12.35%	270,306
<b>Other deposits</b>							
Pesos .....	3,022	9	0.30%	811	6	0.69%	668
U.S. dollars .....	—	—	—	—	—	—	—
Total .....	3,022	9	0.30%	811	6	0.69%	668
<b>Total interest-bearing liabilities</b>							
Pesos .....	6,026,737	714,121	11.85%	8,871,501	1,101,605	12.42%	12,761,201
U.S. dollars .....	2,549,271	127,678	5.01%	2,352,337	146,051	6.21%	2,759,269
Total .....	8,576,008	841,799	9.82%	11,223,838	1,247,656	11.12%	15,520,470

	For the year ended December 31,						
	2012			2013			
	Average balance	Interest earned/paid	Average yields	Average balance	Interest earned/paid	Average yields	Average balance
	(in thousands of pesos, except for percentages)						
<b>NON-INTEREST BEARING LIABILITIES</b>							
<b>Deposits</b>							
Pesos .....	675,418	—	—	1,446,212	—	—	2,454,073
U.S. dollars .....	33,468	—	—	37,423	—	—	58,387
Total .....	708,886	—	—	1,483,635	—	—	2,512,460
<b>Other deposits</b>							
Pesos .....	1,578,183	—	—	1,895,332	—	—	3,231,534
U.S. dollars .....	443,969	—	—	331,180	—	—	304,269
Total .....	2,022,152	—	—	2,226,512	—	—	3,535,803
<b>Shareholders' equity</b>							
Pesos .....	3,353,890	—	—	3,660,358	—	—	4,258,027
U.S. dollars .....	—	—	—	—	—	—	—
Total .....	3,353,890	—	—	3,660,358	—	—	4,258,027
<b>Non-controlling interest</b>							
Pesos .....	68,816	—	—	70,318	—	—	61,028
U.S. dollars .....	—	—	—	—	—	—	—
Total .....	68,816	—	—	70,318	—	—	61,028
<b>Total non-interest bearing liabilities and shareholders' equity</b>							
Pesos .....	5,676,307	—	—	7,072,220	—	—	10,004,662
U.S. dollars .....	477,437	—	—	368,603	—	—	362,656
Total .....	6,153,744	—	—	7,440,823	—	—	10,367,318
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>							
<b>Pesos</b> .....	11,703,044	—	—	15,943,721	—	—	22,765,863
U.S. dollars .....	3,026,708	—	—	2,720,940	—	—	3,121,925
Total .....	14,729,752	—	—	18,664,661	—	—	25,887,788

## Changes in Interest Income and Interest Expenses; Volume and Rate Analysis

The following table sets forth, by currency of denomination changes in our financial income and interest expense on deposits and other liabilities from financial transactions between changes in the average volume of interest-earning assets and interest-bearing liabilities from December 31, 2012 to December 31, 2013 and from December 31, 2013 to December 31, 2014. Volume and interest rate variances were calculated based on movements in average monthly balances and changes in nominal interest rates on average interest-earning assets and average interest-bearing liabilities. The net change attributable to changes in both volume and interest rate were allocated proportionately between volume and rate.

	For the year ended December 31,					
	2012/2013			2013/2014		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Volume	Rate	Net Change	Volume	Rate	Net Change
	(in thousands of pesos)			(in thousands of pesos)		
<b>INTEREST-EARNING ASSETS</b>						
<b>Cash equivalents and due from banks</b>						
Pesos .....	5,058	1,463	6,521	7,832	(20,167)	(12,335)
U.S. dollars.....	(193)	(3,201)	(3,394)	(3,908)	(2,905)	(6,813)
Total .....	4,865	(1,738)	3,127	3,924	(23,072)	(19,148)
<b>Government and corporate securities</b>						
Pesos .....	(967)	52,779	51,812	276,342	222,897	499,239
U.S. dollars.....	197,253	(198,422)	(1,169)	(4,097)	(2,527)	(6,624)
Total .....	196,285	(145,642)	50,643	272,245	220,370	492,615
<b>Mortgage loans</b>						
Pesos .....	38,451	34,414	72,865	29,366	48,691	78,057
U.S. dollars.....	—	—	—	—	—	—
Total .....	38,451	34,414	72,865	29,366	48,691	78,057
<b>Personal loans</b>						
Pesos .....	149,320	45,921	195,241	244,295	68,743	313,038
U.S. dollars.....	—	—	—	—	—	—
Total .....	149,320	45,921	195,241	244,295	68,743	313,038
<b>Credit card</b>						
Pesos .....	222,790	16,260	239,050	424,680	195,738	620,418
U.S. dollars.....	—	—	—	—	—	—
Total .....	222,790	16,260	239,050	424,680	195,738	620,418
<b>Overdraft facilities</b>						
Pesos .....	22,365	16,142	38,507	(74)	94,508	94,434
U.S. dollars.....	—	—	—	—	—	—
Total .....	22,365	16,142	38,507	(74)	94,508	94,434
<b>Other loans</b>						
Pesos .....	129,542	11,103	140,645	318,851	113,576	432,427
U.S. dollars.....	(2,559)	(7,264)	(9,823)	8,187	(7,473)	714
Total .....	126,983	3,839	130,822	327,038	106,103	433,141
<b>Public sector loans</b>						
Pesos .....	3,157	(1,578)	1,579	7,689	(1,250)	6,439
U.S. dollars.....	—	—	—	—	—	—
Total .....	3,157	(1,578)	1,579	7,689	(1,250)	6,439
<b>Interbank loans</b>						
Pesos .....	19,740	(1,951)	17,789	1,125	3,794	4,919
U.S. dollars.....	—	—	—	—	—	—
Total .....	19,740	(1,951)	17,789	1,125	3,794	4,919
<b>Financial trusts</b>						
Pesos .....	(1,255)	31,555	30,300	81,679	(117,697)	(36,018)
U.S. dollars.....	77	489	566	9	(232)	(223)
Total .....	(1,177)	32,043	30,866	81,689	(117,930)	(36,241)
<b>Bonds</b>						
Pesos .....	10,947	6,639	17,586	2,073	9,152	11,225
U.S. dollars.....	4,470	28,655	33,125	2,691	(33,002)	(30,311)
Total .....	15,417	35,294	50,711	4,764	(23,850)	(19,086)
<b>Other assets</b>						
Pesos .....	(18,822)	6,803	(12,019)	9,722	14,566	24,288
U.S. dollars.....	—	11	11	6	(1)	5

For the year ended December 31,						
	2012/2013			2013/2014		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Volume	Rate	Net Change	Volume	Rate	Net Change
	(in thousands of pesos)			(in thousands of pesos)		
Total.....	(18,822)	6,814	(12,008)	9,728	14,565	24,293
<b>Total interest-earning assets</b>						
Pesos .....	580,325	219,551	799,876	1,403,580	632,551	2,036,131
U.S. dollars.....	199,048	(179,732)	19,315	2,888	(46,140)	(43,252)
Total.....	779,372	39,819	819,191	1,406,460	586,411	1,992,879
<b>Interest-Bearing Liabilities</b>						
Savings accounts						
Pesos .....	1,045	(186)	859	188	(114)	74
U.S. dollars.....	(15)	(2)	(17)	16	(2)	14
Total.....	1,030	(188)	842	204	(116)	88
<b>Checking accounts</b>						
Pesos .....	—	—	—	—	—	—
U.S. dollars.....	—	—	—	—	—	—
Total.....	—	—	—	—	—	—
<b>Time deposits</b>						
Pesos .....	231,210	23,567	254,777	461,550	360,175	821,725
U.S. dollars.....	(486)	1,004	518	(1,109)	(1,491)	(2,600)
Total.....	230,723	24,572	255,295	460,440	358,685	819,125
<b>Central Bank</b>						
Pesos .....	(24)	—	(24)	—	—	—
U.S. dollars.....	—	—	—	—	—	—
Total.....	(24)	—	(24)	—	—	—
<b>Other banks and international entities</b>						
Pesos .....	5,026	20,812	25,838	25,226	7,486	32,712
U.S. dollars.....	—	14	14	3,746	(1,363)	2,383
Total.....	5,026	20,826	25,852	28,972	6,123	35,095
<b>Bonds</b>						
Pesos .....	92,941	9,537	102,478	159,903	55,173	215,076
U.S. dollars.....	(3,753)	24,362	20,609	40,066	338	40,404
Total.....	89,188	33,899	123,087	199,969	55,511	255,480
<b>Repurchase agreements of government securities</b>						
Pesos .....	—	3,559	3,559	36,027	3,661	39,688
U.S. dollars.....	(2,752)	—	(2,752)	—	—	—
Total.....	(2,752)	3,559	807	36,027	3,661	39,688
<b>Other Deposits</b>						
Pesos .....	3	(6)	(3)	(1)	(5)	(6)
U.S. dollars.....	—	—	—	—	—	—
Total.....	3	(6)	(3)	(1)	(5)	(6)
<b>Total interest-bearing liabilities</b>						
Pesos .....	330,202	57,282	387,484	682,893	426,376	1,109,269
U.S. dollars.....	(7,006)	25,379	18,373	42,719	(2,519)	40,200
Total.....	323,198	82,660	405,857	725,613	423,856	1,149,469



## Interest, Earning Assets, Net Interest Margin and Net Interest Spread

The following table presents, by currency of denomination, our levels of average interest-earning assets, net interest income, gross yield, net interest margin and yield spread all on a nominal basis for each of the periods indicated.

	For the year ended December 31,		
	2012	2013	2014
	(in thousands of pesos, except for percentages)		
<b>Total average interest-earning assets</b>			
Pesos.....	11,135,361	14,111,986	19,797,888
U.S. dollars.....	1,589,205	2,443,664	2,825,457
Total.....	12,724,566	16,555,650	22,623,345
<b>Net interest earned<sup>(1)</sup></b>			
Pesos.....	1,254,594	1,666,986	2,593,848
U.S. dollars.....	31,163	32,105	(51,347)
Total.....	1,285,757	1,699,091	2,542,501
<b>Net interest margin, nominal basis<sup>(2)</sup></b>			
Pesos.....	11.27%	11.81%	13.10%
U.S. dollars.....	1.96%	1.31%	(1.82)%
Total.....	10.10%	10.26%	11.24%
<b>Average Nominal Rate Earned</b>			
Pesos.....	17.68%	19.62%	24.27%
U.S. dollars.....	9.99%	7.29%	4.77%
Total.....	16.72%	17.80%	21.83%
<b>Average Nominal Rate Paid</b>			
Pesos.....	11.85%	12.42%	17.32%
U.S. dollars.....	5.01%	6.21%	6.75%
Total.....	9.82%	11.12%	15.44%
<b>Net Interest Spread, nominal basis<sup>(3)</sup></b>			
Pesos.....	5.83%	7.20%	6.95%
U.S. dollars.....	4.98%	1.08%	(1.98)%
Total.....	6.90%	6.68%	6.39%

<sup>(1)</sup> Net interest earned corresponds to the gross brokerage margin, as set forth in the statement of income, plus: (a) contributions to the deposits security fund, included in financial expenses, (b) gold and foreign currency quotation differences, included in financial expenses, (c) turnover tax on financial income, included in financial expenses and (d) results on securities given as collateral, included in miscellaneous income; minus (a) premiums for forward transactions, included in financial income and (b) results from financial derivative instruments without delivery of underlying asset, included both in financial income and in financial expenses.

<sup>(2)</sup> Net interest margin is defined as net interest earned divided by average interest-earning assets.

<sup>(3)</sup> Average rate earned on interest-earning assets less the average rate paid on interest-bearing liabilities.

## Return on Equity and Assets

The following table presents certain of our selected financial information and ratios for the periods indicated.

	For the year ended December 31,		
	2012	2013	2014
	(in thousands of pesos, except for percentages)		
Net income .....	343,607	420,950	549,972
Average total assets <sup>(1)</sup> .....	14,729,752	18,664,661	25,887,788
Average shareholders' equity <sup>(1)</sup> .....	3,353,890	3,660,358	4,258,027
Shareholders' equity at the end of the year .....	3,455,985	3,846,935	4,396,907
Declared cash dividends <sup>(2)</sup> .....	30,000	42,000	—
Net income as a percentage of:			
Average total assets .....	2.33%	2.26%	2.12%
Average shareholder's equity .....	10.25%	11.50%	12.92%
Average shareholders' equity as a percentage of average total assets .....	22.77%	19.61%	16.45%
Shareholders' equity at the end of the period as a percentage of average total assets .....	23.46%	20.61%	16.98%
Dividends declared per share as a percentage of income per share <sup>(3)</sup> .....	8.73%	9.98%	0.00%

<sup>(1)</sup> Computed as the average of year-beginning and year-ending balances.

<sup>(2)</sup> For the year ended December 31, 2014, we decided not to declare and distribute dividends as result of the issuance of Communications "A" 5272 and 5273 of the Central Bank (see "Item 8. Financial Information—Dividends"). For the year ended December 31, 2013, the dividends in cash authorized at the Ordinary and Extraordinary Shareholders' Meeting on April 24, 2014 were Ps.42.0 million. For the year ended December 31, 2012, the dividends in cash authorized at our Ordinary and Extraordinary Shareholders' Meeting on August 23, 2013 were Ps.30.0 million.

<sup>(3)</sup> Declared dividends stated as percentage of net income.

## Investment Portfolio: Government and Corporate Securities

### General

Our holdings of government and corporate securities comprise government securities issued by the Argentine government (national and provincial), instruments issued by the Central Bank and corporate securities.

The securities classified as “Holdings booked at fair market value”, “Investment in listed corporate securities” and “Securities issued by the Central Bank” with volatility published by the Central Bank have been valued at fiscal year-end market quotation.

As of December 31, 2014, we maintain in our portfolio overdue income coupons from the DICY and PARY to be collected. The securities classified into “Holdings booked at cost plus return” and “Securities issued by the Central Bank” with no volatility published by the Central Bank, or with volatility but which we decide to book under the first category, have been valued at their acquisition cost subject to an exponential increase based on the internal rate of return, net of contra-accounts, if applicable.

The following table presents our government and corporate securities by type and currency for the periods indicated:

	As of December 31,		
	2012	2013	2014
	(in thousands of pesos)		
<b>Government securities booked at fair value</b>			
In pesos .....	411,442	816,685	684,951
National .....	411,442	816,685	684,951
Provincial .....	—	—	—
In U.S. dollars .....	383,295	541,744	797,612
National .....	266,153	483,688	440,518
Provincial .....	117,142	58,056	357,094
Total government securities booked at fair value .....	794,737	1,358,429	1,482,563
<b>Holdings booked at cost plus return</b>			
In pesos .....	—	79,658	101,943
National .....	—	—	101,943
Provincial .....	—	79,658	—
In U.S. dollars .....	212,400	93,429	39,204
National .....	65,765	71,510	—
Provincial .....	146,635	21,919	39,204
Total government securities booked at cost plus return .....	212,400	173,087	141,147
<b>Securities issued by the Central Bank</b>			
In pesos .....	972,102	29,947	2,524,738
LEBACs quoted .....	316,346	29,065	636,192
LEBACs unquoted .....	578,827	882	1,888,546
NOBACS quoted .....	76,929	—	—
Total instruments issued by Central Bank .....	972,102	29,947	2,524,738
<b>Corporate securities</b>			
In pesos .....	98,528	179,124	369,587
Equity investments .....	95,727	127,799	214,643
Other securities .....	2,801	51,325	154,944

	As of December 31,		
	2012	2013	2014
	(in thousands of pesos)		
In U.S. dollars .....	1,169	—	—
Equity investments .....	1,169	—	—
Total corporate securities .....	99,697	179,124	369,587
Total government and corporate securities.....	2,078,936	1,740,587	4,518,035

### Maturity Analysis

The following tables analyze the remaining maturities and weighted average yields, where applicable, of our investment portfolio as of December 31, 2014.

	Maturity									
	December 31, 2014		Within one year		After 1 year but within 5 years		After 5 years but within 10 years		After 10 years	
	Book Value	Nominal Interest Rate <sup>(1)</sup>	Book Value	Nominal Interest Rate <sup>(1)</sup>	Book Value	Nominal Interest Rate <sup>(1)</sup>	Book Value	Nominal Interest Rate <sup>(1)</sup>	Book Value	Nominal Interest Rate <sup>(1)</sup>
(in thousands of pesos, except for percentages)										
<b>Government securities booked at fair value</b>										
In pesos.....	684,951	18.44%	298,198	26.09%	217,551	19.32%	7,897	2.00%	161,305	3.93%
National .....	684,951	18.44%	298,198	26.09%	217,551	19.32%	7,897	2.00%	161,305	3.93%
In U.S. dollars.....	797,612	3.94%	306,035	4.87%	421,361	3.11%	26,354	8.75%	43,862	2.43%
National .....	440,518	3.38%	69,523	7.00%	300,779	2.21%	26,354	8.75%	43,862	2.43%
Provincial.....	357,094	4.62%	236,512	4.24%	120,582	5.37%	—	—	—	—
<b>Total government securities booked at fair value.....</b>	<b>1,482,563</b>	<b>10.64%</b>	<b>604,233</b>	<b>15.34%</b>	<b>638,912</b>	<b>8.63%</b>	<b>34,251</b>	<b>7.19%</b>	<b>205,167</b>	<b>3.61%</b>
<b>Government securities booked at cost plus return</b>										
In pesos.....	101,943	3.39%	—	—	—	—	33,199	2.00%	68,744	4.06%
National .....	101,943	3.39%	—	—	—	—	33,199	2.00%	68,744	4.06%
Provincial.....	—	—	—	—	—	—	—	—	—	—
In U.S. dollars.....	39,204	2.63%	—	—	39,204	2.63%	—	—	—	—
National .....	—	—	—	—	—	—	—	—	—	—
Provincial.....	39,204	2.63%	—	—	39,204	2.63%	—	—	—	—
<b>Total government securities booked at cost plus return.....</b>	<b>141,147</b>	<b>3.18%</b>	<b>—</b>	<b>—</b>	<b>39,204</b>	<b>2.63%</b>	<b>33,199</b>	<b>2.00%</b>	<b>68,744</b>	<b>4.06%</b>
<b>Instruments issued by Central Bank</b>										
In pesos.....	2,524,738	29.80%	2,524,738	29.80%	—	—	—	—	—	—
LEBACs quoted .....	636,192	36.99%	636,192	36.99%	—	—	—	—	—	—
LEBACs unquoted.....	1,888,546	27.38%	1,888,546	27.38%	—	—	—	—	—	—
<b>Total instruments issued by Central Bank.....</b>	<b>2,524,738</b>	<b>29.80%</b>	<b>2,524,738</b>	<b>29.80%</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Corporate securities</b>										
In pesos.....	369,587	—	369,587	—	—	—	—	—	—	—
Equity investments .....	214,643	—	214,643	—	—	—	—	—	—	—
Other securities .....	154,944	—	154,944	—	—	—	—	—	—	—
In U.S. dollars.....	—	—	—	—	—	—	—	—	—	—
Equity investments .....	—	—	—	—	—	—	—	—	—	—
<b>Total corporate securities .....</b>	<b>369,587</b>	<b>—</b>	<b>369,587</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total government and corporate securities .....</b>	<b>4,518,035</b>	<b>20.24%</b>	<b>3,498,558</b>	<b>24.16%</b>	<b>678,116</b>	<b>8.29%</b>	<b>67,450</b>	<b>4.64%</b>	<b>273,911</b>	<b>3.72%</b>

<sup>(1)</sup> Nominal interest rate does not include gain/loss due to foreign currency fluctuation.

## Loan Portfolio

The following table presents in nominal terms our loan portfolio by type of loan, at the dates indicated.

	As of December 31,		
	2012	2013	2014
	(in thousands of pesos)		
Mortgage loans <sup>(1)</sup> .....	1,770,101	1,746,147	1,723,106
Personal loans .....	1,199,211	1,822,810	2,354,793
Credit card loans .....	3,551,203	5,181,068	7,155,260
Overdraft facilities.....	1,031,178	792,178	1,173,527
Other loans .....	2,370,139	3,662,503	5,129,854
Public sector loans.....	91,806	139,373	112,131
Accrued interest receivable .....	47,453	121,562	182,922
Reserve for loan losses .....	(273,101)	(308,632)	(407,140)
Total loan portfolio.....	9,787,990	13,157,009	17,424,453
Mortgage loans in trust pending securitization .....	18,238	12,154	10,436
Leasing.....	10,576	58,175	106,740
Accrued interest receivable .....	3,744	3,925	4,561
Other .....			
Reserve for loan losses .....	(3,660)	(3,450)	(3,416)
Total loans .....	9,816,888	13,227,813	17,542,774

<sup>(1)</sup> Includes only loans granted to individuals.

The loan categories are as follows:

*Mortgage loans.* Mortgage loans are generally loans granted to customers which are secured by mortgages on real property, denominated in pesos, at fixed interest rate, for up to a maximum term of 20 years. Currently, we offer mortgage loans in an amount up to approximately 70% of the property value so long as the property is used as a family home. When properties are acquired for construction purposes, we finance approximately 75% of the value of the property, and when the loan proceeds are used for home expansions and completion, we generally finance up to 100% of the real property value.

*Personal loans.* Personal loans are generally peso-denominated loans granted to individuals, at a fixed rate, generally up to 60 months and for a maximum amount not to exceed the lesser of (i) the equivalent to the applicant's eight months' income or (ii) Ps.300,000.

*Credit card loans.* Credit card loans are customarily Visa-branded credit card balances subject to interest charges. Interest accrues daily on a 30- or 360-day basis. Loan payments are scheduled monthly. We have implemented a number of promotional measures for certain time periods and certain lines of business and products, alliances with different sought-after retailers as well as co-branding arrangements. Although we have certain flexibility to determine the interest rate assessed on credit card loans, the rate cannot exceed by more than 25% to that resulting from the average interest rates that we have applied during the immediately preceding month, weighted by the corresponding amount of personal loans without collateral granted in the same period, in accordance with Argentine applicable law.

*Overdraft facilities.* Overdraft facilities are generally short-term consumer and operating commercial loans under which our customers can draw down funds up to a certain credit limits.

*Public sector loans.* Public sector loans, or loans to the non-financial public sector, are loans generally denominated in pesos that generally consist of loans granted to the national, provincial and municipal governments (including the ministries, offices, agencies and governmental offices and departments) and non-financial public sector, which is mainly comprised of publicly owned companies. Public sector loans are generally granted with a cash flow guarantee, for a period of up to 36 months, at a floating rate.

## Guarantees

The following table presents in nominal terms our loan portfolio by type of guarantee at the dates indicated.

	As of December 31,					
	2012		2013		2014	
	Amount	% of Total Loans	Amount	% of Total Loans	Amount	% of Total Loans
	(in thousands of pesos)					
With preferred guarantees.....	2,009,900	19.91%	2,258,778	16.68%	2,378,327	13.25%
Unsecured.....	8,083,749	80.09%	11,281,117	83.32%	15,575,003	86.75%
Total loans.....	10,093,649	100.00%	13,539,895	100.00%	17,953,330	100.00%

## Maturity Composition of the Loan Portfolio

The following table sets forth our loan portfolio (before deducting the reserve for loan losses) by type and time remaining to maturity as of December 31, 2014.

	As of December 31, 2014						
	Maturing within one year	Maturing after 1 year but within 5 years	Maturing after 5 years but within 10 years	Maturing after 10 years but within 15 years	Maturing after 15 years but within 20 years	Maturing after 20 years	Amount as of December 31, 2014
	(in thousands of pesos, except for percentages)						
Mortgage loans.....	176,411	518,711	585,133	337,035	103,531	—	1,733,542
Personal loans .....	805,858	1,447,346	230	—	—	—	2,354,793
Credit card loans .....	3,820,232	3,065,885	—	—	—	—	7,155,260
Overdraft facilities .....	1,164,433	2,537	—	—	—	—	1,173,527
Other loans.....	3,418,701	1,582,747	14	—	—	—	5,236,594
Public sector loans.....	67,450	43,853	—	—	—	—	112,131
Accrued interest receivable .....	187,483	—	—	—	—	—	187,483
	9,640,568	6,661,079	585,377	337,035	103,531	—	17,953,330
	53.70%	37.10%	3.26%	1.88%	0.58%	0%	100.00%

## Loans by Type of Interest Rate

The following table sets forth the loans in our loan portfolio by type of interest rate at the dates indicated.

	As of December 31,					
	2012		2013		2014	
	Amount	% of total loans	Amount	% of total loans	Amount	% of total loans
	(in thousands of pesos, except for percentages)					
<b>Variable Rate</b>						
Pesos .....	1,070,585	10.61%	1,553,889	11.47%	2,343,885	13.06%
U.S. dollars .....	20,244	0.20%	—	0.00%	—	0.00%
Total.....	1,090,829	10.81%	1,553,889	11.47%	2,343,885	13.06%
<b>Fixed Rate</b>						
Pesos .....	7,932,371	78.59%	11,075,171	81.80%	14,332,780	79.83%
U.S. dollars .....	917,558	9.09%	728,176	5.38%	1,014,477	5.65%
Total.....	8,849,929	87.68%	11,803,347	87.18%	15,347,257	85.48%
<b>Other</b>						
Pesos .....	152,891	1.51%	182,659	1.35%	262,188	1.46%
U.S. dollars .....	—	0.00%	—	0.00%	—	0.00%
Total.....	152,891	1.51%	182,659	1.35%	262,188	1.46%
Total loan portfolio .....	10,093,649	100.00%	13,539,895	100.00%	17,953,330	100.00%

## Loans by Economic Activity

The table below analyzes our loan portfolio according to the borrowers' main economic activity. Loans are stated before deduction of the allowance for loan losses.

	As of December 31,					
	2012		2013		2014	
	Amount	% of total loans	Amount	% of total loans	Amount	% of total loans
(in thousands of pesos, except for percentages)						
Consumer .....	6,502,835	64.4%	8,793,682	64.9%	11,318,236	63.0%
Industry and mining .....	1,773,118	17.6%	2,297,163	17.0%	3,283,257	18.3%
Wholesale trade .....	374,688	3.7%	724,565	5.4%	1,117,335	6.2%
Services .....	850,302	8.4%	1,085,705	8.0%	1,018,658	5.7%
Agricultural .....	297,668	2.9%	305,321	2.3%	362,386	2.0%
Construction .....	288,364	2.9%	301,185	2.2%	437,621	2.4%
Others .....	6,674	0.1%	32,274	0.2%	415,837	2.3%
Total .....	10,093,649	100.0%	13,539,895	100.0%	17,953,330	100.0%

## Credit Policies

### *Corporate Risk Culture: General Management Principles*

We have a comprehensive risk management process created in order to manage, identify, assess, monitor and mitigate significant risks. In addition, our comprehensive risk management process intends to have our Board of Directors and senior management involved in the risk management process, monitoring the activities and understanding the nature and level of risk assumed by us in connection with our capital requirements.

Our risk management process is in compliance with the guidelines established by the Central Bank for financial institutions in Argentina (Communications "A" 5203, 5398, as amended and supplemented).

Our risk management process provides for an adequate risk assessment. The process is applied against a framework of management and it requires the use of different risk management tools.

### *Organizational Structure*

We have different units that are responsible for managing each one of our significant risks comprised in our policy. These units take the form of a committee or are made up by management level areas. In addition, we have a risk management committee which is comprised of at least three directors and by the highest ranking officer in the risk and controlling area. The main purpose of this committee is to monitor certain senior management's activities in connection with risk management and to advise the Board of Directors on our risks.

### *Credit Risk – Corporate Banking*

Our corporate banking business focuses on strengthening and expanding our relationships with large corporations, SMEs, real estate and financial institutions that are based locally. We also originate business with public sector organizations.

Corporate banking objectives are agreed upon annually, including: (i) volume of transactions to be granted on different business segments and taking into account the diversification of the portfolio regarding the economy sector; (ii) credit risk ratings; (iii) duration of the transactions; and (iv) collaterals, among others factors which are carefully taken into consideration to achieve a balanced portfolio. As part of the global Corporate Banking strategy, credit risk appetite is established, and different limits are settled and monitored using indicators, such as percentage of maximum risk in every economic sector, non-performing loans due to the probability of default and portfolio concentration.

Corporate credit origination is governed by strong credit policies and analysis of every transaction is conducted by a team of specialists in this matter. The credit department is divided into different units based on the

economic sector of the transaction. In addition, an internal credit risk rating is assigned to every company in order to settle the dimension of risk undertaken and price the deal considering the risk expected, and to follow up with the client. Clients with payment delays are managed by a special recovery sector with independence from credit risk and commercial departments.

All transactions are subjected to the approval of our Credit Risk Committee, which could require approval of our Executive Committee or Board of Directors depending on the final amount of the transaction.

Other methodologies have been developed to periodically manage credit risk, including stress testing, with both global and ad hoc tests taken into consideration in order to forecast a mitigation plan. Capital allocation is also used as a methodology which estimates a measure of the risk assumed that is consistent with the measure of the other types of risk and the historical volatility of the default rate, the exposure that loans normally have at the time of default, and losses in view of the default both in normal and in stress situations. These two instruments are useful to establish the levels of risk appetite mentioned above.

### ***Credit Risk – Retail Banking***

Retail banking's credit risk management activities are conducted on the basis of a planning process undertaken on a yearly basis. As a result, commercial objectives are agreed upon, the volume of loans to be granted during the year through each one of our lending products (mortgage loans, consumer loans and credit cards). The credit quality of loans is estimated as a part of this process in light of the sales channels that will be used to grant them and the target market to which they will be targeted. Projections are calculated of the expected arrears and uncollectability. In line with our commercial objectives, and in view of the projections referred to, the credit risk appetite is established, that is, the limits or tolerance levels using indicators such as the percentage of non-performing loans or the annual loss rate (write-offs for accounting purposes).

Our business plan and the risk strategy are generated from this planning process, which includes a day-long meeting with senior management to agree on definitions and another day-long meeting with our directors for their approval.

The terms and conditions of our loans are governed by our credit policies and score models, which are set by our retail banking credit risk division and approved by our risk management committee and our Board of Directors on an annual basis. The models developed by us or by the market (which are developed by Veraz, Nosis and Visa Argentina) are subject to a validation process defined in our scoring model. This policy defines the responsibilities and the criteria to be applied for validating models based on the predictive capabilities of such models.

When granting loans, we follow our scoring model and satisfy most of the conditions established in our credit policies. Our credit policies and scoring models are subject to review by our analysts and must be approved by our risk management committee and our Board of Directors.

Indicators are continuously prepared and reported to monitor the performance of our different loan portfolios and in particular, the quality of the new loans. These indicators are a part of our risk control dashboard, which is prepared on a monthly basis, and submitted to our risk management committee and our Board of Directors at least on a quarterly basis. In addition, a report of the main risk indicators is submitted to senior management on a monthly basis. Such report monitors changes in arrears and in bad debts and contains different breakdowns for the early detection of deviations from the forecasts. Additionally, a series of more specific reports on the quality of credit evaluation are prepared to allow specific divisions within our Bank to monitor both the origination volumes and the breakdown and quality in terms of channels, business, segments and other relevant variables.

Both portfolio maintenance, that primarily refers to the portfolio of credit cards, and arrears management are also regulated through our credit policies and the scoring models referred to above.

In connection with non-performing loans, our policies at different stages—early, advanced and judicial arrears—manage the risk of non-performing loans, that is, the regularization instruments (restructurings, principal



decreases, etc.) and the actions to control risk or recovery (petitions to the courts for provisional remedies, prohibitions on card use, operational closure, etc.) available at each stage. These processes are monitored by the division using the reports prepared by the different departments.

To manage credit risk, methodologies have been developed to periodically conduct stress testing, both comprehensive and individual and the calculation of economic capital. In calculating capital from an economic standpoint, we obtain a measure of the risk assumed that is consistent with the measure of the other types of risk and the historical volatility of the default rate, the exposure that loans normally have at the time of default, and losses in view of the default both in normal and in stress situations. Stress tests, in turn, allow us to estimate by application of predictive models, the impact on the statement of income of a significant deterioration in the level of activity and employment. These two instruments are useful as a criterion to establish the levels of risk appetite mentioned above and to establish contingency plans in the event of stress situations.

### **Delinquency Management**

Our professional delinquency management system is organized into the following three time periods:

- early delinquency management;
- advanced delinquency management; and
- legal/judicial delinquency management.

Our delinquency management system focuses on commercial negotiations undertaken by trained telecollectors and specialized work-out officers. Legal proceedings are only initiated after various types of commercial negotiations have failed, resulting in the loans being considered uncollectible or difficult to normalize.

#### ***Early Delinquency Management***

Early delinquency management is conducted by the telecollection unit from our call center, which is equipped with technology that allows the execution of large outbound calling campaigns. The process includes two stages: (i) the delay verification management, by which telecollectors try to detect the occurrence of technical delinquency from 0 to 30 days, and (ii) the early delinquency management, which includes loans that have been delinquent from 31 to 60 days. Telecollectors also conduct preventive/proactive work, reminding parties of key dates and monitoring loan status.

#### ***Advanced Delinquency Management***

The advanced delinquency management unit manages cases that are 60 to 180 days delinquent, with the exception of securitized loans, in which case the delinquency range is from 60 to 120 days. In addition, the unit also handles and executes campaigns and actions directed at specific segments of non-performing debtors and engages in special pre-legal negotiations with clients, which often include a visit to the debtor's home.

The advanced delinquency management unit is integrated by a group of specialized work-out officers who are categorized by levels of seniority and assigned accordingly, depending upon the complexity of each case. The unit comprises five regional supervisors who are responsible for implementing the various delinquency policies countrywide and 65 work-out officers and other assistants who report to the supervisors.

#### ***Legal/Judicial Delinquency Management***

The legal/judicial delinquency management unit takes over cases where loans have been declared uncollectable after 180 days (120 days in respect of securitized loans) of negotiations and efforts to reestablish compliance due to debtor unwillingness or insolvency, or where there has been failure to enter into rescheduling or restructuring agreements. The legal/judicial delinquency management unit organizes, directs and supervises delinquency management throughout the entire country from our headquarters in the City of Buenos Aires. This unit includes employees in each of our branches who report directly to the division and supervise delinquency

management for each branch, and a network of 130 independent law firms responsible for out-of-court and in-court collections. Such law firms are paid by the delinquent borrowers. The division also includes a network of auctioneers in each jurisdiction, who are in charge of conducting auctions pursuant to our special foreclosure rights under the Privatization Law.

### ***Credit Portfolio***

The regulations on debt classification are designed to establish clear guidelines for identifying and classifying the quality of assets, as well as evaluating the actual or potential risk of a lender sustaining losses on principal and/or interest, in order to determine, taking into account any loan security, whether the provisions against such contingencies are adequate. Banks must classify their loan portfolios into two different categories: (i) consumer or housing loans and (ii) commercial loans. Consumer and housing loans include personal housing loans (purchase, construction or remodeling), consumer loans, credit-card financings, loans of up to Ps.1,250,000 to micro-credit institutions and commercial loans of up to Ps.2,500,000 with or without guarantees, if so decided by the financial institution. All other loans are considered commercial loans, including consumer or housing loans in excess of Ps.2,500,000, the repayment of which is linked to the evolution of the borrower's productive or commercial activity.

In addition, the Central Bank Accounting Rules establish that if a customer has both kinds of loans (commercial and consumer or housing loans), the consumer or housing loans will be added to the commercial portfolio to determine under which portfolio they should be classified based on the amount indicated. In these cases, the loans secured by preferred guarantees will be considered at 50%.

Under the current debt classification system, each customer, as well as the customer's outstanding debt, is included within one of six sub-categories. The debt classification criteria applied to the consumer loan portfolio are primarily based on objective factors related to customers' performance on their debt obligations or their legal standing, while the key criteria for classifying the commercial loan portfolio is each borrower's paying ability based on its future cash flow.

### ***Commercial Loans Classification***

The principal criteria to evaluate a commercial loan is the borrower's ability to repay it, which is measured by such borrower's future cash flow. Pursuant to Central Bank Accounting Rules, commercial loans are classified as follows:

<b>Classification</b>	<b>Criteria</b>
Normal situation.....	Borrowers that demonstrate their ability to comply with their payment obligations (high repayment capacity).
Subject to special monitoring/Under observation...	Borrowers that, among other criteria, are up to 90 days past due and, although considered to be able to meet all their financial obligations, are sensitive to changes that could compromise their ability to honor debts absent timely corrective measures.
Subject to special monitoring / Under negotiation or subject to refinancing agreement .....	Borrowers who are unable to comply with their obligations as agreed with the bank and, therefore, formally state, within 60 calendar days after the maturity date, their intention to refinance such debts. The borrower must enter into a refinancing agreement with the bank within 90 calendar days (if up to two lenders are involved) or 180 calendar days (if more than two lenders are involved) after the payment default date. If no agreement has been reached within the established deadline, the borrower must be reclassified to the next category according to the indicators established for each level.
Troubled .....	Borrowers with difficulties honoring their financial obligations under the loan on a regular basis, which, if uncorrected, may result in losses to the bank.

<b>Classification</b>	<b>Criteria</b>
With high risk of insolvency .....	Borrowers who are highly unlikely to honor their financial obligations under the loan.
Uncollectible .....	Loans classified as unrecoverable at the time they are reviewed (although the possibility might exist that such loans might be collected in the future). The borrower will not meet its financial obligations with the financial institution
Uncollectible according to Central Bank Accounting Rules.....	(a) Borrower has defaulted on its payment obligations under a loan for more than 180 calendar days according to the corresponding report provided by the Central Bank, which report includes (1) financial institutions liquidated by the Central Bank, (2) residual entities created as a result of the privatization of public financial institutions, or in the privatization or dissolution process, (3) financial institutions whose licenses have been revoked by the Central Bank and find themselves subject to judicial liquidation or bankruptcy proceedings and (4) trusts in which <i>Seguro de Depósitos S.A.</i> (SEDESA) is a beneficiary, or (b) certain kinds of foreign borrowers (including banks or other financial institutions that are not subject to the supervision of the Central Bank or similar authority of the country in which they are incorporated) that are not classified as “investment grade” by any of the rating agencies approved by the Central Bank.

#### ***Consumer and Housing Loans Classification***

The principal criterion applied to loans in the consumer and housing portfolio is the length of period for which such loans remain overdue. Under the Central Bank Accounting Rules, consumer and housing borrowers are classified as follows:

<b>Classification</b>	<b>Criteria</b>
Normal situation.....	If all payment obligations are current or less than 31 calendar days overdue and, in the case of checking account overdrafts, less than 61 calendar days overdue.
Low risk .....	Loans upon which payment obligations are overdue for a period of more than 31 and up to 90 calendar days.
Medium risk .....	Loans upon which payment obligations are overdue for a period of more than 90 and up to 180 calendar days.
High risk.....	Loans in respect of which a legal action seeking collection has been filed or loans having payment obligations overdue for more than 180 calendar days, but less than 365 calendar days.
Uncollectible .....	Loans in which payment obligations are more than one year overdue or the debtor is insolvent or in bankruptcy or liquidation.
Uncollectible according to Central Bank Accounting Rules.....	Same criteria as for commercial loans in “Uncollectible” status according to Central Bank Accounting Rules.

#### ***Minimum Credit Provisions***

The following minimum credit provisions are required to be made by Argentine banks in relation to the credit portfolio category:

<b>Category</b>	<b>With Preferred Guarantees</b>	<b>Without Preferred Guarantees</b>
“Normal situation” .....	1%	1%
“Under observation” and “Low risk” .....	3%	5%
“Under negotiation or subject to refinancing agreements” .....	6%	12%
“Troubled” and “Medium risk” .....	12%	25%
“With high risk of insolvency” and “High risk” .....	25%	50%
“Uncollectible” .....	50%	100%
“Uncollectible according to Central Bank Accounting Rules” .....	100%	100%

The Financial Superintendence may require additional provisioning if it determines that the current provisioning level is inadequate.

Financial institutions are entitled to record allowances for loan losses in amounts larger than those required by the Central Bank Accounting Rules. In such cases and despite the existence of certain exceptions, recording a larger allowance for a commercial loan, to the extent the recorded allowance amount falls into the next credit portfolio category set forth by the Central Bank Accounting Rules, shall automatically result in the corresponding debtor being re-categorized accordingly.

#### ***Minimum Frequency for Classification Review***

In accordance with Central Bank Accounting Rules, financial institutions are required to develop procedures for the analysis of credit facilities. Such procedures assure an appropriate evaluation of a debtor’s financial situation and a periodic revision of its situation concerning objective and subjective conditions of all the risks taken. These procedures are to be detailed in a manual called the “Manual of Procedures for Classification and Allowances”, which shall be permanently accessible to the Financial Superintendence for review. Financial institutions must classify loans at least once a year pursuant to the Central Bank Accounting Rules. However, we perform a quarterly review for loans that equal to or exceed 5% of the financial institution’s RPC and a semi-annual review for credits that exceed the lesser of (i) Ps.2 million and (ii) credits that oscillate between 1% and 5% of the financial institution’s RPC.

In the case of commercial loans, applicable regulations require that the review of the portfolio occur: (i) quarterly for clients with indebtedness equal or greater than 5% of the financial entity’s RPC for the prior month and (ii) semi-annually for clients whose indebtedness is (x) greater than the lower of 1% of the financial entity’s RPC for the prior month and Ps.4 million, and (y) lesser than 5% of the financial entity’s RPC for the prior month. At the end of the first half of the year, the total review under (i) and (ii) above should have covered no less than 50% of the financial entity’s commercial loan portfolio and, if less, it shall be completed by incorporating clients (in descending order) whose total indebtedness is lower than the limits described in (ii)(x) above.

In addition, financial institutions must review the rating assigned to a debtor in certain instances, such as when another financial institution reduces the debtor classification in the “Credit Information Database” and grants 10% or more of the debtor’s total financing in the financial system. Only one-level discrepancy is allowed in relation to the information submitted by financial institutions to the “Credit Information Database” and the lower classification awarded by at least two other banks and total lending from such banks account for 40% or more of the total informed; if there is a greater discrepancy, the financial institution will be required to reclassify the debtor.

#### ***Allowances for Loan Losses***

The allowance for loan losses is maintained in accordance with applicable regulatory requirements of the Central Bank. Increases in the allowance are based on the level of growth of the loan portfolio, as well as on the deterioration of the quality of existing loans, while decreases in the allowance are based on regulations requiring the write-off of non-performing loans classified as irrecoverable after a certain period of time and on decisions of the management to write off non-performing loans evidencing a very low probability of recovery.

## Classification of Loan Portfolio

The following tables set forth the classification of our loans, as of the dates indicated based on the classification categories. The amounts shown include both current principal balance and accrued interest receivable, as required by the Central Bank.

	As of December 31, 2014						
	Consumer				Commercial		
	Mortgage loans	Personal loans	Credit cards	Other individuals	Construction	Short-Term Corporate Loans	Other commercial
	(In thousands of pesos, except for percentages)						
Normal .....	1,676,972	2,114,976	6,810,527	89,985	184,027	4,983,008	1,3
Potential risk and inadequate performance .....	21,269	79,144	116,917	22,449	—	1,056	—
Problematic and deficient performance .....	5,796	36,071	82,337	21,382	—	441	—
High risk of insolvency and difficult collection .....	8,365	52,574	146,807	19,948	—	21,266	—
Uncollectible .....	9,726	352	312	2,111	470	17,897	—
Uncollectible for technical reasons .....	164	47	6	—	—	—	—
Total .....	1,722,292	2,283,164	7,156,906	155,875	184,497	5,023,668	1,3
Non-performing loans <sup>(1)</sup> .....	24,051	89,044	229,462	43,441	470	39,604	—
Non-performing loans / total loans .....	1.40%	3.90%	3.21%	27.87%	0.25%	0.79%	—
Allocation of the reserve for loan losses .....	62,403	60,759	180,857	19,438	2,310	70,705	—
Reserve for loan losses / non-performing loans .....	259.46%	68.23%	78.82%	44.75%	491.49%	178.53%	—
Net non-performing loans / total loans .....							

<sup>(1)</sup> Non-performing loans includes all loans to borrowers classified as “Medium Risk”, “Problem”, “High Risk”, “High Risk of Insolvency”, “Irrecoverable” and “Technical Decision” under the Central Bank loan classification system. Non-performing loans also include all loans contractually past due 90 days or more.

	As of December 31, 2013						
	Consumer				Commercial		
	Mortgage loans	Personal loans	Credit cards	Other individuals	Construction	Short-Term Corporate Loans	Other commercial
	(In thousands of pesos, except for percentages)						
Normal .....	1,704,656	1,697,648	4,875,197	71,771	161,259	3,703,138	7
Potential risk and inadequate performance .....	20,759	49,325	80,321	13,523	—	—	—
Problematic and deficient performance .....	5,977	24,561	70,760	3,203	—	26	—
High risk of insolvency and difficult collection .....	12,936	28,598	116,558	3,724	—	6,269	—
Uncollectible .....	12,883	498	87	368	381	16,810	—
Uncollectible for technical reasons .....	236	35	58	—	—	—	—
Total .....	1,757,447	1,800,665	5,142,981	92,589	161,640	3,726,243	7
Non-performing loans <sup>(1)</sup> .....	32,032	53,692	187,463	7,295	381	23,105	—
Non-performing loans / total loans .....	1.82%	2.98%	3.65%	7.88%	0.24%	0.62%	—
Allocation of the reserve for loan losses .....	66,961	40,371	133,760	4,387	1,994	49,230	—
Reserve for loan losses / non-performing loans .....	209.04%	75.19%	71.35%	60.14%	523.36%	213.07%	—
Net non-performing loans / total loans .....							

<sup>(1)</sup> Non-performing loans includes all loans to borrowers classified as “Medium Risk”, “Problem”, “High Risk”, “High Risk of Insolvency”, “Irrecoverable” and “Technical Decision” under the Central Bank loan classification system. Non-performing loans also include all loans contractually past due 90 days or more.

As of December 31, 2012							
	Consumer				Commercial		
	Mortgage loans	Personal loans	Credit cards	Other individuals	Construction	Short-Term Corporate Loans	Other commercial
(In thousands of pesos, except for percentages)							
Normal .....	1,622,832	1,118,842	3,294,655	61,155	100,379	2,876,392	4
Potential risk and inadequate performance .....	29,412	37,999	78,247	6,603	—	—	—
Problematic and deficient performance .....	8,701	14,052	69,335	1,924	—	149	—
High risk of insolvency and difficult collection .....	13,885	20,118	107,647	2,741	—	4,596	—
Uncollectible .....	13,293	571	76	227	338	17,501	—
Uncollectible for technical reasons .....	466	32	22	—	—	—	—
Total .....	1,688,589	1,191,614	3,549,982	72,650	100,717	2,898,638	4
Non-performing loans <sup>(1)</sup> .....	36,345	34,773	177,080	4,892	338	22,246	—
Non-performing loans / total loans .....	2.15%	2.92%	4.99%	6.73%	0.34%	0.77%	—
Allocation of the reserve for loan losses .....	69,668	27,217	124,432	2,983	1,342	40,848	—
Reserve for loan losses / non-performing loans .....	191.69%	78.27%	70.27%	60.98%	397.04%	183.62%	—
Net non-performing loans / total loans .....							

<sup>(1)</sup> Non-performing loans includes all loans to borrowers classified as “Medium Risk”, “Problem”, “High Risk”, “High Risk of Insolvency”, “Irrecoverable”, “Technical Decision” under the Central Bank loan classification system. Non-performing loans also include all loans contractually past due 90 days or more.

### Non-Performing Loan Portfolio

The following table sets forth information regarding non-performing loans as of the dates indicated:

	As of December 31,					
	2012		2013		2014	
	Amount	%	Amount	%	Amount	%
(in thousands of pesos, except for percentages)						
Non-performing loans <sup>(1)</sup>						
Individual mortgage loans .....	36,345	13.2%	32,032	10.43%	24,051	5.6%
Personal loans .....	34,773	12.6%	53,692	17.48%	89,044	20.9%
Credit card loans .....	177,080	64.2%	187,463	61.04%	229,462	53.9%
Overdraft facilities .....	650	0.2%	744	0.24%	997	0.2%
Public sector .....	—	0.0%	—	0.00%	—	0.0%
Other loans .....	4,242	1.6%	6,551	2.10%	42,444	10.0%
Commercial loans – construction projects .....	338	0.1%	381	0.12%	470	0.1%
Commercial loans – short-term loans to corporations .....	22,246	8.1%	23,105	7.52%	39,604	9.3%
Commercial loans – other loans .....	—	0.0%	3,147	1.02%	—	0.0%
Total non-performing loans .....	275,674	100.0%	307,115	100.0%	426,072	100.0%
Reserve for loan losses .....	276,761	—	312,082	—	410,556	—
Reserve for loan losses as a percentage of non-performing loans .....	100.4%		101.6%		96.4%	
Non-performing loans as a percentage of total loan portfolio .....	2.7%		2.3%		2.4%	

- <sup>(1)</sup> Non-performing loans include all loans to borrowers classified as “Medium Risk”, “High Risk”, “Uncollectible”, “Uncollectible According to Central Bank Accounting Rules”, “Subject to Special Monitoring/Under Negotiation or subject to Refinancing Agreement”, “Troubled” and “With High Risk of Insolvency”, under the Central Bank loan classification system. Non-performing loans also include all loans contractually past due 90 days or more.

The table below sets forth non-performing loans by economic activity as of each of the dates indicated:

	As of December 31,					
	2012		2013		2014	
	Amount	%	Amount	%	Amount	%
(in thousands of pesos, except percentages)						
Consumer .....	253,091	91.8%	280,484	91.3%	385,997	90.6%
Industry and mining .....	15,867	5.8%	15,817	5.2%	31,660	7.4%
Wholesale trade .....	2,728	1.0%	1,841	0.6%	409	0.1%
Services .....	1,863	0.7%	3,533	1.2%	4,902	1.2%
Agricultural .....	2,108	0.8%	2,075	0.7%	2,015	0.5%
Construction .....	—	0.0%	1,031	0.3%	978	0.2%
Others .....	17	0.0%	2,334	0.8%	111	0.0%
Total .....	275,674	100.0%	307,115	100.0%	426,072	100.0%

## Analysis of Allowance for Loan Losses

The following table sets forth our allowance for loan losses for the periods indicated.

	For the Year Ended December 31,		
	2012	2013	2014
	(in thousands of pesos)		
Reserve at beginning of period.....	227,563	276,761	312,082
Provisions charged to income.....	190,301	268,707	348,949
Subtotal.....	417,864	545,468	661,031
Charge-offs.....			
Mortgage loans.....	(7,748)	(10,662)	(11,421)
Personal loans.....	(18,507)	(39,930)	(59,348)
Credit cards.....	(113,689)	(181,605)	(177,946)
Overdraft facilities.....	(1,148)	(606)	(536)
Other.....	(11)	—	—
Commercial.....	—	(583)	(1,224)
Total charge-offs.....	(141,103)	(233,386)	(250,475)
Reserve at end of period.....	276,761	312,082	410,556
Charge to statement of income.....	190,301	268,707	348,949

## Charge-Offs Policy

Our charge-off policy conforms to regulations established by the Central Bank. Under the Central Bank Accounting Rules, a mortgage loan must be classified as “uncollectible” after being in arrears in excess of one year. At such point, the loan must be 50% reserved provided it has a preferred guarantee. After being classified as “uncollectible” for one year, the loan must be 100% provisioned. The Central Bank requires that loans generally be charged off in the seventh month after becoming fully provisioned in the “uncollectible” category (*i.e.*, 31 months after the loan initially goes into arrears).

Additionally, we charge-off construction project loans to reduce the outstanding principal balance to the value of the underlying property. We evaluate those charge-offs on a case-by-case basis upon completion of the construction project, when the completed project is appraised.



## Allocation of the Reserve for Loan Losses

The following tables set forth information with respect to the allocation of the reserve for loan losses among types of loan

	As of December 31,								
	2012				2013				
	Reserve	Reserve/ Loans in Category	Reserve/ Total Loans	Loan in Category/ Total Loans	Reserve	Reserve/ Loans in Category	Reserve/ Total Loans	Loan in Category/ Total Loans	Reserve
	(in thousands of pesos, except for percentages)								
Consumer									
Mortgage loans.....	69,668	4.1%	0.7%	16.7%	66,961	3.8%	0.5%	13.0%	62,403
Personal loans .....	27,217	2.3%	0.3%	11.8%	40,371	2.2%	0.3%	13.3%	60,759
Credit cards .....	124,432	3.5%	1.2%	35.2%	133,760	2.6%	1.0%	38.0%	180,857
Other individuals.....	2,983	4.1%	0.0%	0.7%	4,387	4.7%	0.0%	0.7%	19,438
Commercial									
Construction.....	1,342	1.3%	0.0%	1.0%	1,994	1.2%	0.0%	1.2%	2,310
Short-term corporate loans .....	40,848	1.4%	0.4%	28.7%	49,230	1.3%	0.4%	27.5%	70,705
Other commercials .....	10,271	2.1%	0.1%	5.0%	15,379	2.1%	0.1%	5.3%	14,084
Public sector.....	—	0.0%	0.0%	0.9%	0	0.0%	0.0%	1.0%	—
Total reserve for loan losses .....	276,761			100.0%	312,082			100.0%	410,556

## Composition of Deposits

The following table sets forth the composition of our deposits as of the dates indicated:

	For the Years Ended as of December 31,					
	2012		2013		2014	
	Average balance	Average nominal rate (%)	Average balance	Average nominal rate (%)	Average balance	Average nominal rate (%)
	(in thousands of pesos, except for percentages)					
<b>Non-interest-bearing deposits</b>						
Pesos .....	675,418		1,446,212		2,454,072	
U.S. dollars .....	33,468		37,423		58,387	
Total .....	708,886		1,483,635		2,512,459	
<b>Saving accounts</b>						
Pesos .....	285,614	0.36%	720,872	0.26%	1,100,302	0.18%
U.S. dollars .....	72,895	0.08%	53,926	0.07%	74,901	0.07%
Total .....	358,509	0.30%	774,798	0.25%	1,175,203	0.17%
<b>Checking accounts</b>						
Pesos .....	850,144	0.00%	1,149,351	0.00%	1,035,083	0.00%
U.S. dollars .....	—	—	—	—	—	—
Total .....	850,144	0.00%	1,149,351	0.00%	1,035,083	0.00%
<b>Time deposits</b>						
Pesos .....	4,142,734	13.87%	5,752,035	14.42%	8,413,502	19.62%
U.S. dollars .....	844,557	1.08%	799,656	1.21%	707,841	1.00%
Total .....	4,987,291	11.70%	6,551,691	12.81%	9,121,343	18.18%
Total average deposits .....	6,904,830		9,959,475		13,844,088	

## Maturity of Deposits

The following tables set forth the maturities of our deposits at the dates indicated.

	As of December 31, 2014					
	Within 1 month	Over 1 and up to 3 months	Over 3 and up to 6 months	Over 6 and up to 12 months	After 12 months	Total
	(in thousands of pesos)					
Time deposits .....	4,324,032	4,675,433	507,306	163,134	1,571	9,671,476
Saving deposits .....	2,816,343	—	—	—	—	2,816,343
Checking accounts .....	4,962,612	—	—	—	—	4,962,612
Other deposits .....	883,682	—	—	—	—	883,682
Total .....	12,986,669	4,675,433	507,306	163,134	1,571	18,334,113

## Maturity of Time Deposits of Ps.100,000 or more

	As of December 31, 2014					
	Within 1 month	After 1 but within 3 months	After 3 but within 6 months	After 6 but within 12 months	After 12 months	Total
	(in thousands of pesos)					
Time deposits of Ps.100,000 or more .....	3,612,210	4,421,752	487,092	158,045	1,375	8,680,474
Total .....	3,612,210	4,421,752	487,092	158,045	1,375	8,680,474

## Short-Term Borrowings

The following table shows the breakdown of our short-term borrowings as of the periods indicated.

	As of the Year Ended December 31,		
	2012	2013	2014
	(in thousands of pesos, except for percentages)		
<b>Deposits</b>			
Maximum balance recorded at monthly closing dates.....	8,466,091	14,367,216	18,204,808
Average balances of the period .....	6,907,852	9,960,286	13,844,756
Weighted-average interest rate for the period .....	10.93%	11.48%	16.12%
<b>Bonds</b>			
Maximum balance recorded at monthly closing dates.....	859,744	1,074,567	1,843,991
Average balances of the period .....	310,050	892,100	937,148
Weighted-average interest rate for the period .....	11.89%	13.37%	16.42%
<b>Other banks and international entities</b>			
Maximum balance recorded at monthly closing dates.....	562,102	433,686	558,448
Average balances of the period .....	247,142	270,227	391,094
Weighted-average interest rate for the period .....	20.80%	28.21%	28.46%

## Minimum Capital Requirements

The following table sets forth our minimum capital requirements set by the Central Bank as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(in thousands of pesos, except for percentages)		
Credit risk.....	800,345	1,128,562	1,450,934
Market risk .....	43,018	154,649	88,611
Operational risk.....	154,815	210,234	309,176
Interest rate risk.....	461,054	—	—
Other .....	—	52,956	—
Required minimum capital under Central Bank Accounting Rules.....	1,459,232	1,546,401	1,848,721
Ordinary capital level 1 .....	3,112,378	3,786,282	4,373,760
Deductible concepts .....	(220,653)	(356,757)	(538,596)
Additional capital level 1 .....	—	—	—
Capital level 2 .....	389,049	123,948	162,840
Total capital under Central Bank Accounting Rules .....	3,280,774	3,553,473	3,998,004
Excess capital.....	1,821,542	2,007,072	2,149,283
Excess/regulatory capital .....	124.83%	129.79%	116.26%

## MANAGEMENT

### Board of Directors

We are managed by a Board of Directors, which is currently composed of thirteen directors and nine alternate directors. The members of the Board of Directors are elected to hold office for two-fiscal year terms by the shareholders at their annual general meeting, and may be reelected indefinitely. The directors are in charge of our administration. The Executive Committee, which conducts our ordinary business, is supervised by the Board of Directors. The Board of Directors is composed of:

- two members and their respective alternates representing Class A shares;
- one member and its respective alternate representing Class B shares;
- one member representing Class C shares; and
- nine members and 6 alternates representing Class D shares.

### *Duties and Liabilities of Directors*

Under Argentine law, directors have an obligation to perform their duties with the loyalty and the diligence of a prudent business person. Directors are jointly and severally liable to us, shareholders and third parties for the improper performance of their duties, for violating the law, our bylaws or rules and procedures issued, if any, and for any damage caused by fraud, abuse of authority or gross negligence. The Capital Markets Law has established certain obligations in connection with a director's duty of loyalty in listed companies. The following are considered integral to a director's duty of loyalty: (i) the prohibition from using corporate assets and confidential information for personal purposes; (ii) the prohibition of taking advantage, or allowing another one to take advantage, by action or omission, of their company's business opportunities; (iii) the obligation to exercise board powers only for the purposes for which the law, the bylaws or the meeting or the Board of Directors have intended; and (iv) the obligation to take strict care so that board acts never act, directly or indirectly, against the company's interests. In case of doubt with respect to a director's fulfillment of his or her duty of loyalty, the director shall have the burden of proof. Under Argentine law, specific duties may be assigned to a director by the bylaws or by a resolution at a shareholders' meeting. In such cases, a director's liability will be determined with reference to the performance of such duties; *provided* that certain technical requirements are met. Argentine law prohibits directors from engaging in activities in competition with us without express shareholder authorization. A director must inform the Board of Directors of any conflict of interest he may have in a proposed transaction and must abstain from voting thereon.

A director will not be liable if, notwithstanding his presence at the meeting at which a resolution was adopted or his knowledge of such resolution, a written record exists of his opposition thereto and he reports his opposition to the Supervisory Committee before any complaint against him is brought to the Board of Directors, the Supervisory Committee, a shareholders' meeting, a competent governmental agency or the courts. Except in the event of our mandatory liquidation or bankruptcy, the shareholders' approval of a director's performance terminates any liability of a director with respect to us; *provided* that shareholders holding at least 5.0% of our capital stock do not object and provided further that such liability does not result from a violation of the law or our bylaws.

We may initiate causes of action against directors upon a majority vote of the shareholders. If we have not initiated a cause of action within three months of a shareholders' resolution approving its initiation, any shareholder may start the action on our behalf and for our account.

Pursuant to our bylaws, we will indemnify all current and former directors, members of the Supervisory Committee, and executive and senior management against any liabilities incurred by any such person in connection with the defense of any issue, lawsuit or procedure in which they may be involved as a result of the public offering, placement and trading of our shares. This indemnification shall include payment of any amounts mandated by a court's judgment covered by our insurance policies, except where a director, member of the Supervisory Committee, manager, former director, former syndic or former manager acted with fraud or gross negligence. We may obtain

directors' and management's liability insurance with respect to such losses, in which case the indemnity will be limited to liabilities in excess of, or not otherwise covered by, such insurance.

The following table shows the current members of our Board of Directors:

First and last name	Position	Director since	Class	Term	Date of birth
Eduardo Sergio Elsztain .....	Chairman	1999	D	12/31/2015	26/01/1960
Mario Blejer .....	Vice Chairman	2010	D	12/31/2016	11/06/1948
Diego Luis Bossio .....	Director	2009	A	12/31/2016	09/09/1979
Mariana González .....	Director	2013	A	12/31/2016	13/02/1976
Edgardo Luis José Fornero .....	Director	1997	B	12/31/2015	14/10/1951
Ada Mercedes Maza .....	Director	2012	C	12/31/2015	17/09/1958
Mauricio Elías Wior .....	Director	2008	D	12/31/2015	23/10/1956
Saúl Zang .....	Director	1999	D	12/31/2015	30/12/1945
Ernesto Manuel Viñes .....	Director	2002	D	12/31/2016	05/02/1944
Gabriel Adolfo Gregorio Reznik ...	Director	2002	D	12/31/2016	18/11/1958
Jacobo Julio Dreizzen .....	Director	2004	D	12/31/2016	13/10/1955
Pablo Daniel Vergara del Carril ....	Director	2002	D	12/31/2015	03/10/1965
Carlos Bernardo Pisula .....	Director	2003	D	12/31/2015	16/12/1948
Marcela Sacavini <sup>(1)</sup> .....	Alternate Director	2013	A	12/31/2016	23/09/1985
Daniela Álvarez <sup>(1)</sup> .....	Alternate Director	2013	A	12/31/2016	21/09/1964
Jorge Augusto Álvarez .....	Alternate Director	2008	B	12/31/2015	11/01/1960
Gustavo Daniel Efkhanian .....	Alternate Director	2000	D	12/31/2015	28/10/1964
Daniel Ricardo Elsztain .....	Alternate Director	2008	D	12/31/2015	22/12/1972
Andrés Fabián Ocampo .....	Alternate Director	2008	D	12/31/2016	09/11/1956
Mario César Parrado .....	Alternate Director	2009	D	12/31/2015	11/04/1959
Gabriel Pablo Blasi .....	Alternate Director	2011	D	12/31/2015	22/11/1960
Federico León Bensadón .....	Alternate Director	2002	D	12/31/2015	17/01/1933

<sup>(1)</sup> Class A Alternate Directors, subject to approval by the Central Bank.

Below are summary biographies of our directors and alternate directors:

**Eduardo Sergio Elsztain.** Mr. Elsztain studied economics at the Universidad de Buenos Aires. Mr. Elsztain currently serves as our chairman and as chairman of IRSA Inversiones y Representaciones Sociedad Anónima, IRSA Propiedades Comerciales S.A., Cresud S.A.C.I.F. y A., Tarshop S.A, BACS Banco de Crédito y Securitización, IDBD Development Corporation Ltd. and Brasilagro Compañía de Propiedades Agrícolas, among other companies. He is also Chairman of Fundación IRSA, which promotes the education and development of young professionals through its Puerta 18 Program, Museo de los Niños Abasto and Alto Rosario. Mr. Elsztain is also a member of the Global Consulting Committee of Endeavor, which promotes the development of high-impact entrepreneurs.

**Mario Blejer.** Mr. Blejer obtained a PhD in economics from the University of Chicago. From 1980 to 2001, he served as a senior consultant to the IMF in its European and Asia Departments. Mr. Blejer served as vice chairman and chairman of the Central Bank between 2001 and 2002. From 2003 to 2008, Mr. Blejer served as director of the Center for Central Banking Studies of the Bank of England and as Advisor to the Governor of the Bank of England. Mr. Blejer is currently director of IRSA Inversiones y Representaciones Sociedad Anónima, among other companies. He was also an external advisor to the Monetary Policy Board of the Central Bank of Mauritius and is professor of post-graduate courses at Universidad Torcuato Di Tella.

**Diego Luis Bossio.** Mr. Bossio obtained a degree in economics from Universidad de Buenos Aires and a master's degree in economics from Universidad de San Andrés. Before joining us in January 2009, Mr. Bossio served as Undersecretary of Public Administration under the jurisdiction of the General Secretariat of the Government of Mendoza, and as a coordinator of the International Financing Unit under the Treasury Department.

Prior to that, he served as Head of Advisors to National Senator Celso Alejandro Jaque. He has been Executive Director of ANSES since July 2009.

**Mariana González.** Ms. González obtained a bachelor's and master's degree in economics from Universidad de Buenos Aires. She obtained a PhD in Social Sciences from Facultad Latinoamericana de Ciencias Sociales. She performed research and consulting activities. Ms. González is a university professor and at present, she is Assistant Secretary of Economic Coordination and Competitiveness Improvement at the Economic Policy and Development Planning Office of the Ministry of Economy and Public Finance.

**Edgardo Luis José Fornero.** Mr. Fornero took courses of law at Universidad de Lomas de Zamora. He has been our Class B Director since September 1997. Mr. Fornero currently serves as our Secretary of the Executive Board and as representative of our workers union.

**Ada Mercedes Maza.** Ms. Maza obtained a degree in mining engineering from Universidad Nacional de La Rioja and completed a technical degree in legislative administration at the Educational Institute of the Ministry of Education of the Province of La Rioja. She worked at Compañía Financiera Condecor, as Municipal Councilor in the Province of La Rioja and then, she served as Private Secretary of the Government and of the Operating Department of the Government of the Province of La Rioja. Ms. Maza later served as National Senator of such province for ten years. She also participated as member of the Latin American Parliament in her capacity of Senator.

**Mauricio Elías Wior.** Mr. Wior obtained a bachelor's degree in economics, management and accounting from Tel Aviv University in Israel and a master's degree in business administration from the same university. Mr. Wior served as President of Movicom and as regional Vice President for the Latin America for Bellsouth until 2005. Mr. Wior is a director of IRSA Inversiones y Representaciones Sociedad Anónima and TGLT S.A.

**Saúl Zang.** Mr. Zang obtained a law degree from Universidad de Buenos Aires. He is a member of the International Bar Association and the Interamerican Federation of Lawyers. He is a founding partner of Zang, Bergel & Viñes Abogados. He is also Vice Chairman of IRSA Inversiones y Representaciones Sociedad Anónima, IRSA Propiedades Comerciales S.A., Puerto Retiro and Fibesa, and first Vice Chairman of Cresud S.A.C.I.F. y A., among other companies. Mr. Zang is also a member of the Board of Directors of Nuevas Fronteras S.A., Tarshop S.A., BACS Banco de Crédito y Securitización, IDBD Development Corporation Ltd. and BrasilAgro Companhia Brasileira de Propiedades Agrícolas, among other companies.

**Ernesto Manuel Viñes.** Mr. Viñes obtained a law degree from Universidad de Buenos Aires where he also took post-graduate courses. He has been a court officer and Subsecretary of State. Mr. Viñes currently serves as our legal manager. He is a founding partner of Zang, Bergel & Viñes Abogados.

**Gabriel Adolfo Gregorio Reznik.** Mr. Reznik obtained a degree in civil engineering from Universidad de Buenos Aires and a master's degree in administration of real estate and construction businesses from Escuela Politécnica de Madrid, Spain. Mr. Reznik has been a director since June 2002. He has served as Director and Manager of the Technical Department of IRSA Inversiones y Representaciones Sociedad Anónima. He currently serves as a director of Cresud S.A.C.I.F. y A., Emprendimiento Recoleta S.A. and IRSA Inversiones y Representaciones Sociedad Anónima. Mr. Reznik has been responsible for and in control of the execution of engineering projects for IRSA Inversiones y Representaciones Sociedad Anónima and IRSA Propiedades Comerciales S.A., and for the Office Building Operation and Maintenance areas.

**Jacobo Julio Dreizzen.** Mr. Dreizzen obtained a degree in economics from Universidad de Buenos Aires and a master's degree in economics from the Catholic University of Río de Janeiro. In 1986, he was Deputy Executive Director of the IMF. In 1987, Mr. Dreizzen acted as advisor to the Presidency of the Central Bank and in the period from 1987 to 1989, he was a director of that institution. From 1990 to 1999 he served as Executive Director of the Investment Banking Division of Banco Galicia. From 2000 to 2001, Mr. Dreizzen was Undersecretary of Finance for the Ministry of Economy. He served as a consultant to the IADB (2002), UNDP (2005) and CAF (2005). From 2002 to 2005 he was President of Constellation, an investment trust. He is currently IMPSA S.A.'s CFO. Mr. Dreizzen has been professor of Corporate Finance at the Universidad de Buenos Aires Capital Markets Graduate Program since 1993.

**Pablo Daniel Vergara del Carril.** Mr. Vergara del Carril obtained a law degree from the Universidad Católica de Buenos Aires where he teaches Commercial Law and Contract Law. He also teaches Corporate Law, Contracts and Capital Markets in post-graduate courses. Mr. Vergara del Carril is a member of the Legal Advisory Committee of the Argentine Chamber of Corporations (*Cámara de Sociedades Anónimas*) as well as Vice President of the Competition Law Committee of the Colegio de Abogados de la Ciudad Autónoma de Buenos Aires. He is a director of Emprendimiento Recoleta S.A. and Nuevas Fronteras S.A. and an alternate director of IRSA Propiedades Comerciales S.A. He is a partner at Zang, Bergel & Viñes Abogados.

**Carlos Bernardo Pisula.** Mr. Pisula obtained a degree in accounting from Universidad de Buenos Aires in 1973, where he subsequently completed various professional development and specialization courses. Mr. Pisula is member of our Board of Directors, representing Class D shares. He is Chairman of our Audit Committee and member of our Credit Risk Committee. Mr. Pisula takes part in different commissions of the Cámara Argentina de la Construcción and the Instituto de Estadística y Registro de la Industria de la Construcción as member of the Executive Committee. He is also a board member of various private construction and real estate companies.

The following table sets forth the number of our shares held by our directors and alternate directors as of June 30, 2015.

<b>Director</b>	<b>Number of Shares</b>	<b>Class</b>
Eduardo Sergio Elsztain .....	5,000	D
Pablo Vergara del Carril.....	28,000	D
Andrés Ocampo .....	100	D

#### ***Employment Contracts with Directors***

We have entered into employment contracts with two of our directors. Ernesto Manuel Viñes and Edgardo Fornero perform executive and/or administrative functions and therefore are considered to be our employees.

#### ***Executive Committee***

Section 19 of our bylaws provides for the operation of an Executive Committee. The Executive Committee's general purpose is to oversee our ordinary course of business and is comprised of five to nine directors selected by Class D shareholders and a number of alternate directors of the same class of shares as the Board of Directors shall determine. In turn, whenever so called to participate, the General Manager may participate and shall have a right to speak but no voting rights.

The appointment of the members of this committee as well as any change in its composition, due to either resignation, leave of absence, addition or substitution of members, or otherwise, shall be communicated to the Central Bank and to the CNV as soon as it has been considered by the Board of Directors and within the period of time stipulated to that end by currently applicable rules and regulations.

The Executive Committee is required to meet at least once a month or whenever called by the Chairman of the Board of Directors and shall have all such powers and authority described in our bylaws and the "Executive Committee Operating Rules" as contemplated in our Code of Corporate Governance.

Pursuant to our bylaws, as amended, the powers and duties of the Executive Committee include (i) conducting our ordinary business as well as any matters delegated to it by the Board of Directors; (ii) developing commercial, credit-related and financial policies subject to approval by the Board of Directors; (iii) creating, maintaining and restructuring our administration; (iv) creating special committees, approving its structures or functional levels and determining the scope of their duties; (v) naming general managers, the Executive Vice President and other members of the senior management; (vi) submitting the creation of branches, agencies or representative offices inside or outside Argentina for the consideration of the Board of Directors; (vii) supervising management of our subsidiaries; (viii) submitting contracting guidelines, annual budgets, cost and investment estimates, necessary debt levels and plans of action to consideration by the Board of Directors; (ix) approving



novations, refinancings, debt write-offs and similar matters when necessary in our ordinary course of business; and (x) setting forth its own internal regulations.

The current members of the Executive Committee are:

<b>Name</b>	<b>Position</b>
Eduardo Sergio Elsztain .....	Chairman
Saúl Zang .....	Regular Member
Mario Blejer .....	Regular Member
Ernesto Manuel Viñes .....	Regular Member
Pablo Daniel Vergara del Carril .....	Regular Member
Gabriel Adolfo Gregorio Reznik .....	Regular Member
Mauricio Elías Wior .....	Alternate Member

### ***Election and Meetings of Directors***

Our directors are elected for staggered two-year terms, unless they are elected to replace a previously appointed director. Following implementation of the *Programa de Propiedad Participada* (“PPP”), holders of Class B Shares are entitled to elect one director and one alternate director; *provided* that such shares represent more than 2.0% of our outstanding capital stock at the time the shareholders’ meeting is convened. Upon the transfer of Class C Shares to certain companies engaged in housing construction or real estate activities, holders of Class C Shares will be entitled to elect one director and one alternate director for so long as such shares represent more than 3.0% of our outstanding capital at the time the shareholders’ meeting is convened. Until the foregoing conditions are met, such directors will be elected by the Class A Shares held by the Argentine government. If the percentage of our capital represented by Class B or Class C Shares falls to 2.0% or 3.0% or lower, respectively, holders of such classes will be entitled to vote jointly with the Class D shareholders. Holders of Class D Shares are entitled to elect nine directors and their respective alternates. For so long as at least one Class A Share is outstanding, holders of Class A Shares will be entitled to elect two directors and two alternates.

In general, directors are appointed by the vote of the majority of votes within each class of shares. The determination of the percentage of our capital represented by each class of stock is made in each case with respect to the capital outstanding as of the date of the shareholders’ meeting at which the election in question will be held. In the event that no shares of a determined class are represented at the second call a of shareholders’ meeting called for the purpose of electing directors, the directors and alternates that the class is entitled to appoint will be elected by the holders of the other classes of shares, voting as a single class, except in the event that no shareholders attend a Class A shareholders’ meeting, in which case the members of the Supervisory Committee elected by the Class A shareholders will appoint the directors and alternates that the holders of the Class A Shares are entitled to appoint.

Any or all directors elected by holders of a particular class of shares may be removed without cause by a simple majority of shares of such class of shares present at an ordinary shareholders’ meeting; *provided* that such removal was proposed in the agenda for such meeting. Any directors so removed will be replaced by alternates of the same class, in the order in which such alternates were elected, until an election for their replacement has been held (which election may take place at the same meeting as the removal).

Any shareholder or group of shareholders holding more than 3.0% of the Class D Shares may require that we send a slate of candidates for election as directors of such class proposed by such shareholder or group to each holder of Class D Shares. In addition, the Board of Directors may propose a slate of candidates for election as directors by each class of shares, and such slate will be sent to each holder of shares together with any slates proposed by shareholders as described in the preceding sentence. Any shareholder present at a meeting may propose candidates for election as directors. If any shareholder opposes the election of directors by slate, all directors will be elected individually, and each nominee on a slate will be deemed to have been nominated individually. If no slate or individual, as the case may be, obtains the majority of Class D votes present at the meeting, Class D shareholders shall elect one of the two slates or individuals, as the case may be, which obtained more votes in the previous election.



Argentine law requires the majority of our directors to be residents of Argentina. All directors must establish a legal domicile in Argentina for service of notices in connection with their duties. In addition, a director must satisfy certain suitability and experience requirements of the Central Bank before obtaining regulatory approval to begin his or her term.

Our bylaws require the Board of Directors and the Executive Committee to meet at least once per month. The Chairman of the Board of Directors may call a meeting of directors at any time and must call such a meeting upon the request of any director. The quorum requirement for meetings of the Board of Directors is a majority of the members, and if a quorum is not available one hour after the time set for a regularly called meeting, the Chairman or the person serving in his place at such meeting may invite the alternates of the same class as the absent directors to join the meeting in order to reach the minimum quorum. Resolutions must be adopted by a majority of the directors present, and each director shall have the right to one vote (except for the cases when the director has an interest conflicting with those of the company); however, the chairman or the person serving in his place at a particular meeting is entitled to cast the deciding vote in the case of a tie. Because of the election of directors by classes of shares, for as long as several classes of shares of our capital stock are outstanding, the appointment of directors by cumulative voting will not apply.

## Senior Management

Our senior management consists of the following officers:

<u>Name</u>	<u>Position</u>
Fernando Rubín .....	General Manager
Gerardo Rovner .....	Auditing Manager
Ernesto Manuel Viñes .....	Legal Department Manager
Gustavo Daniel Efkhania .....	Risk and Controlling Manager
Manuel Herrera .....	Corporate Banking Manager
Esteban Guillermo Vainer .....	Retail Banking Manager
Sebastián Argibay Molina .....	Organizational and Quality Development Manager
Favio Gabriel Podjarny .....	Corporate Services Manager
Gabriel Pablo Blasi .....	Finance Manager
Javier Eduardo Varani .....	Institutional Relations Manager
Jorge Alberto Cruces .....	PROCREAR Urban Projects Manager
Fernando Javier Turri .....	Systems and Technology

Below are summary biographies of our senior managers:

**Fernando Rubín.** Mr. Rubín obtained a degree in psychology from the Universidad de Buenos Aires and a post-graduate degree in human resources and organizational analysis in E.P.S.O. (Organizations Social Psychology School). He joined us as our development manager in July 2001. Prior to joining us, he served as Human Resources Corporate Manager for IRSA Inversiones y Representaciones Sociedad Anónima, in addition, he served as human resources director of LVMH (Louis Vuitton Moët Hennessy) and Chandon Wineries in Argentina and Brazil. Mr. Rubín also served as Human Resources Manager for Roland Berger & Partner-International Management Consultant.

**Gerardo Rovner.** Mr. Rovner obtained a degree in economics from the Universidad de Buenos Aires. He has been working with us for 16 years, acting as risk policy manager, collections management and operating risks manager, among others. In February 2012, he was appointed internal audit manager.

**Gustavo Daniel Efkhania.** Mr. Efkhania obtained a degree in economics from Universidad de Córdoba. Mr. Efkhania served as our Executive Director from 1997 to 1999, as Director since 1993 and has held various other positions since 1991. Mr. Efkhania supervises corporate business-related issues. He formerly served as our government-appointed advisor in connection with the 1989-1993 Restructuring. Mr. Efkhania has also served as an Alternate Director of Banco de Inversión y Comercio Exterior S.A. From 1988 to 1991, he was an economist for the

*Instituto de Estudios Económicos de la Realidad Argentina y Latinoamericana.* He currently serves as our risk and controlling manager.

**Manuel Herrera.** Mr. Herrera holds a degree in business administration from the Universidad Católica de Argentina. He carried out post-graduate studies at Harvard University. Mr. Herrera joined us in 2009 and currently serves as our Corporate Banking Manager. Mr. Herrera has sixteen years of experience in the Argentine and U.S. financial markets. Prior to joining us, he headed various areas in corporate banking and investment banking units at BankBoston Argentina.

**Esteban Guillermo Vainer.** Mr. Vainer obtained a degree in business administration from the Universidad Argentina de la Empresa and a master's degree in business administration from the IAE. Mr. Vainer joined us on August 17, 2004 and currently serves as our Retail Banking Manager. Prior to this, he was head of Banco Galicia y Buenos Aires S.A.'s insurance banking division for nine years.

**Sebastián Argibay Molina.** Mr. Molina holds a degree in business administration from the Universidad de Belgrano and a post-graduate degree in banking management from Universidad Torcuato Di Tella. Mr. Molina joined us in 1999 and currently serves as our Organizational and Quality Development Manager. Prior to taking this position, Mr. Molina served in several different roles with us. Prior to joining us, Mr. Molina developed his career in Consulting at Coopers & Lybrand (subsequently merged with Price Waterhouse).

**Favio Gabriel Podjarny.** Mr. Podjarny joined us in December 2005 and currently serves as our Corporate Services Manager. He served as representative of the Board of Directors of IRSA Inversiones y Representaciones S.A., in charge of the Abril Club de Campo Project. Formerly, he served as Director of the Centro de Empleo y Emprendimientos Ariel Job Center, in charge of the overall administration and management of the organization. He was also in charge of the overall management of Sociedad Hebraica Argentina as the entity's Executive Director.

**Gabriel P. Blasi.** Mr. Blasi obtained a degree in business administration and carried out post-graduate studies in finance at Universidad del CEMA and in the IAE. He held several management positions in the areas of Investment Banking and Capital Markets at Citibank and Banco Río. Prior to joining IRSA Inversiones y Representaciones Sociedad Anónima, he served as financial director of Carrefour Group in Argentina and Goyaique S.A.C.I.F.I.A. (Pérez Companc Group). Until 2011, Mr. Blasi was the chief financial officer of IRSA Inversiones y Representaciones Sociedad Anónima, Cresud S.A.C.I.F. y A. and IRSA Propiedades Comerciales S.A. Currently he is our chief financial officer.

**Javier Eduardo Varani.** Mr. Varani joined us in June 2005 as our Institutional Relations Manager. Prior to joining us, he worked in the Media and Institutional Affairs divisions of Telecom Argentina and Telecom Personal. From 1995 to 1999, Mr. Varani was city councilor for Vicente López (Province of Buenos Aires). He is a university professor specialized in municipal matters.

**Jorge Alberto Cruces.** Mr. Cruces obtained a degree in architecture and a master's degree in business administration, with specialty in finance and strategic management from the Universidad de Belgrano. Mr. Cruces currently serves as our PROCREAR Urban Projects Manager. Before joining us, he served from 2007 to 2013 as Real Estate Manager of IRSA Inversiones y Representaciones Sociedad Anónima, and before that, as Business Developer – Real Estate Manager at Diveo, Diginet and as Real Estate Projects Manager at Giménez Zapiola Binswagner. Furthermore, he is an academic coordinator and professor of Cluster Portfolio and Asset Management in the Real Estate Management Executive Program at Universidad Torcuato Di Tella.

**Fernando Javier Turri.** Mr. Turri obtained a degree in accounting from the Universidad de Belgrano with certification SAP and PMI (Project Management Professional) from the JLI Institute of Chicago. Prior to joining us, he worked in Pricewaterhouse Consulting – Argentina and Switzerland during six years, and then as Chief Information Officer at SC Johnson from 2002 to November 2014 in the regions of Latin America and Asia. He is our Manager of the Systems and Technology.

## Supervisory Committee

Article 20 of our bylaws provides for a Supervisory Committee consisting of five members (“syndics”) and five alternate members. Pursuant to article 20(b) of the bylaws, the members of the Supervisory Committee are elected as follows: three members of the Supervisory Committee and three alternates are elected jointly by the Class C and Class D Shares, one member and one alternate are elected by the Class B Shares (to the extent such shares represent more than 2.0% of our outstanding capital stock) and one member and one alternate are elected by the Class A Shares. Syndics and alternate syndics are appointed for a two-year period. Pursuant to Argentine law, only lawyers and accountants admitted to practice in Argentina may serve as syndics of an Argentine *sociedad anónima*.

If Class B Shares do not represent 2.0% of our capital stock and the Class C Shares do not represent 3.0% of our capital stock, the Supervisory Committee will be reduced to three members and three alternates. Two members and two alternate members will be elected jointly by the Class B, C and D Shares and one member and one alternate member will be elected by the Class A Shares.

Meetings may be called by any of the syndics and shall be held with the presence of the absolute majority of its members, and resolutions shall be adopted by a majority of votes. Pursuant to article 294 of the Argentine Companies Law, the primary duties and powers of the Supervisory Committee are to: (i) supervise and inspect the corporate books and records whenever necessary, but at least quarterly; (ii) attend meetings of the directors, Executive Committee and shareholders; (iii) prepare an annual report concerning our financial condition and submit it to the shareholders at the ordinary annual meeting; (iv) provide certain information concerning us upon written request of any shareholder holding at least 2.0% of our outstanding capital; (v) call an extraordinary shareholders’ meeting when necessary, on its own initiative or at the request of the shareholders, or an ordinary one when the Board of Directors fails to do so; (vi) include matters for the agendas of any meeting the Supervisory Committee must attend; (vii) supervise and monitor our compliance with laws and regulations, the bylaws and the shareholders’ decisions; (viii) investigate written complaints submitted by holders of at least 2.0% of our capital; (ix) request our judicial dissolution and supervise the process; (x) designate directors when there are none remaining on the Board of Directors and the shareholders have failed to appoint replacements; and (xi) request judicial intervention in extraordinary circumstances, such as executive officer malfeasance threatening our condition. In performing these duties, the Supervisory Committee does not control our operation.

Currently the Supervisory Committee is composed of five syndics and five alternate syndics:

Name	Position	Class	Expiration of Term
Francisco Daniel González .....	Syndic	A	December 31, 2016
Héctor Oscar Ivancich .....	Syndic	B	December 31, 2016
José Daniel Abelovich .....	Syndic	C and D	December 31, 2016
Marcelo Héctor Fuxman .....	Syndic	C and D	December 31, 2016
Ricardo Flammini .....	Syndic	C and D	December 31, 2016
Alfredo Groppo .....	Alternate Syndic	A	December 31, 2016
Martin Scotto .....	Alternate Syndic	B	December 31, 2016
Roberto Murmis .....	Alternate Syndic	C and D	December 31, 2016
Alicia Rigueira .....	Alternate Syndic	C and D	December 31, 2016
Noemí Cohn .....	Alternate Syndic	C and D	December 31, 2016

Below are summarized biographies of the members of our Supervisory Committee:

**Francisco Daniel González.** Mr. Gonzalez obtained a degree in accounting from Universidad de Buenos Aires. Since 1995, he has served at the Sindicatura General de la Nación, in addition, he has been a member of our Supervisory Committee since March 31, 2015. Mr. Gonzalez is also a member of the Supervisory Committee of CAMMESA S.A. Previously, he served as an auditor at the Auditoría General de la Nación between 1993 and 1994.

**Héctor Oscar Ivancich.** Mr. Ivancich obtained a degree in law from the Universidad de Buenos Aires, and currently serves as an officer at the Sindicatura General de la Nación, and has been a member of our Supervisory Committee since March 31, 2015. He is also a member of the Supervisory Committee of Empresa Argentina de

Soluciones Satelitales S.A. and Centro de Ensayos de Alta Tecnología S.A., CEATSA, Lotería Nacional S.E. and Educ.ar S.E.

**José Daniel Abelovich.** Mr. Abelovich obtained a degree in accounting from the Universidad de Buenos Aires. He is a founding member and partner at Abelovich, Polano y Asociados S.R.L., a member firm of Nexia International, an accounting firm in Argentina. Formerly, he served as Manager of Harteneck, López y Cía/Coopers & Lybrand, and served as a senior advisor in Argentina for the United Nations and the World Bank. He is a member of the Supervisory Committees of Cresud S.A.C.I.F. y A., IRSA Inversiones y Representaciones Sociedad Anónima, IRSA Propiedades Comerciales S.A., Hoteles Argentinos e Inversora Bolívar S.A., among other companies.

**Marcelo Héctor Fuxman.** Mr. Fuxman obtained a degree in accounting from the Universidad de Buenos Aires. He is a partner at Abelovich, Polano & Asociados S.R.L., a member firm Nexia International, an accounting firm in Argentina. He is also a member of the Supervisory Committee of Cresud S.A.C.I.F. y A., IRSA Inversiones y Representaciones Sociedad Anónima and IRSA Propiedades Comerciales S.A., among other companies.

**Ricardo Flammini.** Mr. Flammini obtained a degree in accounting from the Universidad Nacional de La Plata. Mr. Flammini acted as our syndic from September 1997 until August 2001 and on May 30, 2003 he was elected for a two-year term. Mr. Flammini worked as auditor for the *Tribunal de Cuentas de la Nación* from 1957 to 1976 and was a member of the former Corporación de Empresas Nacionales from 1976 until August 2001. Formerly, he acted as syndic of Segba S.A., Hidronor S.A., YPF S.A., YCF S.E., Encotesa, Intercargo S.A., Banco Caja de Ahorro S.A., Pellegrini S.A. Gerente de Fondos Comunes de Inversión, Nación Bursátil Sociedad de Bolsa S.A., Garantizar S.G.R. and Nación AFJP. He currently serves as a syndic of BACS Banco de Crédito y Securitización S.A., BHN Sociedad de Inversión S.A., BHN Vida S.A., BHN Seguros Generales S.A. and Tarshop S.A.

**Alfredo Héctor Groppo.** Mr. Groppo obtained a degree in accounting from the Universidad de Buenos Aires (1977) and works for the *Sindicatura General de la Nación*. He has been syndic of Nación Factoring S.A., Nación Bursátil S.A., Nación Servicios S.A. and Polo Tecnológico Constituyentes S.A. since 2006.

**Martín Esteban Scotto.** Mr. Scotto obtained a law degree from the Universidad de Buenos Aires (1996) and works for the *Sindicatura General de la Nación*. Mr. Scotto has been Syndic of Nación Servicios S.A., Nación Bursátil, S.A., Nación AFJP S.A. and Educ.ar S.E. Mr. Scotto has also been Syndic of the supervisory committee of Banco de Inversión y Comercio Exterior S.A., Banco Hipotecario S.A., Nación Seguros S.A., Nación Seguros de Retiro S.A., Nación Reaseguros S.A., Nuevo Banco Bisel S.A., Nuevo Banco Suquía S.A., Bisel Servicios S.A., Nación Fideicomisos S.A. and Pellegrini S.A. Sociedad Gerente de Fondos Comunes de Inversión.

**Roberto Murmis.** Mr. Murmis obtained a degree in accounting from the Universidad de Buenos Aires. Mr. Murmis is a partner at Abelovich, Polano y Asociados S.R.L., a member firm of Nexia International, an accounting firm in Argentina. Mr. Murmis worked as an advisor to the Secretariat of Federal Revenue under the Ministry of Economy. Furthermore, he is a member of the Supervisory Committee of Cresud S.A.C.I.F. y A., IRSA Inversiones y Representaciones Sociedad Anónima, Futuros y Opciones S.A and Llao Llao Resorts S.A.

**Alicia Rigueira.** Ms. Rigueira obtained a degree in accounting from the Universidad de Buenos Aires (1975). She is an auditing manager at Abelovich, Polano y Asociados S.R.L., a member firm of Nexia International, an accounting firm in Argentina. Prior to that, she worked as a manager at Harteneck, López y Cía. (Correspondent of Coopers & Lybrand). She is also an alternate member of the Supervisory Committees of Llao Llao Resorts S.A., Hoteles Argentinos S.A. and Nuevas Fronteras S.A.

**Noemí Cohn.** Ms. Cohn obtained a degree in accounting from the Universidad de Buenos Aires. She is a partner at Abelovich, Polano y Asociados S.R.L., a member firm of Nexia International, an accounting firm in Argentina, and serves in the auditing division. She worked at the auditing firm Harteneck, López and Company, Coopers & Lybrand in Argentina and in Los Angeles, California. Ms. Cohn is a member of the Supervisory Committees of Cresud S.A.C.I.F. y A., IRSA Inversiones y Representaciones Sociedad Anónima and IRSA Propiedades Comerciales S.A., among other companies.

## **Independence of Directors and Supervisory Committee**

Pursuant to regulations of the CNV, members of the board of directors or the Supervisory Committee of a public company, such as ours, must inform CNV within ten days from the date of their appointment, whether such members are “independent”. For purposes of CNV Rules, a director shall not be considered independent in certain situations, including where a director (i) owns a 35% equity interest in a company, or a lesser interest if such director has the right to appoint one or more directors of a company (hereinafter “significant participation”) or has a significant participation in a corporation having a significant participation in the company or a significant influence on the company; (ii) depends on shareholders, or is otherwise related to shareholders, having a significant participation in the company or of other corporations in which these shareholders have directly or indirectly a significant participation or significant influence; (iii) is or has been in the previous three years an employee of the company; (iv) has a professional relationship or is a member of a corporation that maintains professional relationships with, or receives remuneration (other than the one received in consideration of his performance as a director) from, a company or its shareholders having a direct or indirect significant participation or significant influence on the same, or with corporations in which these also have a direct or indirect significant participation or a significance influence; (v) directly or indirectly sells or provides goods or services to the company or to the shareholders of the same who have a direct or indirect significant participation or significant influence, for higher amounts than his remuneration as a member of the administrative body; or (vi) is the spouse or parent (up to second grade of affinity or up to fourth grade of consanguinity) of persons who, if they were members of the administrative body, would not be independent, according to the above listed rules.

Carlos Bernardo Písula, Jacobo Julio Dreizen, Diego Luis Bossio, Ada Mercedes Maza and Mariana Laura González and Alternate Directors Verónica Daniela Álvarez, Marcela Constanza Sacavini and Federico León Bensadón are independent under applicable CNV Rules. Directors Eduardo Sergio Elsztain, Saúl Zang, Ernesto Manuel Viñes, Gabriel Gregorio Reznik, Pablo Vergara del Carril, Mauricio Elías Wior, Mario Blejer, Edgardo Luis José Fornero and Alternate Directors, Ricardo Daniel Elsztain, Jorge Augusto Álvarez, Gustavo Daniel Efkhonian, Andrés Ocampo, Mario César Parrado and Gabriel Pablo Blasi are non-independent under CNV rules.

Syndics Francisco Daniel González and Héctor Oscar Ivancich and Alternate Syndic Alfredo Héctor Groppo and Martín Esteban Scotto, appointed by the Sindicatura General de la Nación are independent. Syndics José Daniel Abelovich, Marcelo Héctor Fuxman and Ricardo Flammini and alternate statutory syndics Roberto Mumis, Noemí Cohn and Alicia Rigueira are independent according to CNV Rules.

## **Compensation**

Argentine law provides that the compensation paid to all directors and syndics in a fiscal year shall not exceed 5.0% of net income for such year, if the company is not paying dividends in respect of such net income. Argentine law increases the annual limitation on director compensation to up to 25.0% of net income based on the amount of such dividends, if paid. The Board of Directors determines the compensation of directors who are also senior managers. In the case of directors that perform duties at special committees or perform administrative or technical tasks, the aforesaid limits may be exceeded if a shareholders’ meeting so approves and such issue is included in the agenda, and regulations of the CNV are complied with. In any case, the compensation of all directors and members of the Supervisory Committee requires shareholder ratification at an ordinary meeting.

In addition, a shareholders’ meeting held on April 28, 1999 established a profit-sharing plan pursuant to which participants received specific variable shares in our profits based on the achievement of certain goals related to return on equity. Such plan is currently in force and applicable only to our senior managers.

On July 21, 2006, our shareholders approved an amendment to article 14 of our bylaws in relation to the compensation of the Executive Committee. Pursuant to such amendment, the members of the Executive Committee will receive fees not in excess of 5% of the income after taxes for the year if no dividends are distributed. If a dividend is distributed, the fees may amount up to 15% of computable income. The above indicated compensation percentages shall be previously reduced by the amounts paid to the other members of our Board of Directors.

The aggregate amount of compensation paid to our directors for the fiscal year ended December 31, 2014 was Ps.14.82 million, while the aggregate amount paid to the Supervisory Committee was Ps.3.53 million. In



addition, the compensation paid to our Executive Committee and our Senior Management was Ps.5.68 million and Ps.62.14 million, respectively, for the fiscal year ended December 31, 2014. Such compensation paid to our Directors, Executive Committee and Senior Management corresponds to amounts paid in cash, which do not include bonuses or participation in the profits of the Bank.

## Committees Reporting to the Board of Directors

### *Audit Committee*

We have an Audit Committee as required by the CNV and the Central Bank. The table below shows the composition of our Audit Committee:

<b>Name</b>	<b>Position</b>
Carlos B. Pisula .....	Director
Jacobo Julio Dreizzen .....	Director
Mauricio Elías Wior .....	Director
Gerardo Rovner .....	Audit Manager

In conformity with its rules, the Audit Committee shall be integrated by no less than three and no more than seven regular directors and the highest-ranking internal audit officer shall be in attendance at its meetings. At present, the committee is integrated by three directors, with its majority meeting the independent director requirement and with one of them serving as chairman. Its members are skilled in corporate, financial or accounting matters. The members of the committee who are directors shall serve in the Audit Committee for a minimum period of two years (in so far as their term of office does not come to an end sooner) and for a maximum of three years. This term may be extended only on a case-by-case basis by express decision of the Board of Directors. The term in office as member of the Audit Committee must not coincide with the term in office as director in a manner such that the committee shall always have amongst its members a director experienced in the matter.

The highest-ranking internal audit officer must not be within the scope of the prohibitions and incompatibilities set forth in section 264 of Argentine Companies Law and section 10 of the Financial Institutions Law. This officer participates in the Audit Committee meetings and may voice his or her opinion though not cast votes. Furthermore, the members of the Audit Committee are bound by the principles laid down under the headings “Duty of Diligence”; “Duty of Secrecy and Confidentiality”; and “Duty of Loyalty and Non-Compete Obligation” of the Code of Corporate Governance.

The appointment of the members of the Audit Committee as well as any change in its composition, due to either resignation, leave of absence, addition or substitution of members, or otherwise, shall be communicated to the Central Bank and to the CNV as soon as it has been considered by the Board of Directors and within the period of time stipulated to that end by currently applicable rules and regulations.

The Audit Committee has the following powers and duties, which shall be discharged in the framework of: (i) the minimum requirements on internal controls issued by the Central Bank and (ii) Law No. 26,831 and CNV’s General Resolution No. 622/2013 and any supplementary resolution or amendment thereto:

- To oversee the operation of our risk management, internal control and administrative and accounting systems, as well as the reliability of the accounting system and of all financial information or other material events filed with the CNV, the Central Bank and the self-regulated entities in the discharge of reporting obligations.
- To contribute to the improvement of internal controls procedures.
- To supervise compliance with observations made by internal and external auditors with respect to internal controls.
- To review and approve the internal audit function and process.

- To coordinate tasks between internal and external auditors.
- To review the results obtained by the Supervisory Committee.
- To review the annual and quarterly financial statements, the external auditors' reports and all the relevant accounting information.
- To issue an opinion regarding the Board of Director's proposal concerning the appointment of external auditors and to make sure that they remain independent.
- To ensure compliance with our Code of Ethics.
- To review the external auditor's annual plan, the reports on internal controls prepared by the external auditors, the results of the assessments performed by the Financial Superintendence regarding the external auditors' performance and to assess their performance.
- To consider the results of the Financial Superintendence assessments over internal controls and to propose corrective measures.
- To supervise compliance with risk management policies.
- To provide the market with complete information about transactions involving conflicts of interest with officers, managers or controlling shareholders.

#### ***Social and Institutional Committee***

The table below shows the composition of our Social and Institutional Committee:

<b>Name</b>	<b>Position</b>
Eduardo Sergio Elsztain.....	Chairman
Edgardo Fornero .....	Director
Ada Mercedes Maza.....	Director
Fernando Rubin.....	General Manager
Javier Varani .....	Manager of Institutional Affairs

The Social and Institutional Committee has the following powers and duties:

- To define the policies governing donations and subsidies, and to submit them to approval by the Board of Directors.
- To grant subsidies for social and/or cultural purposes.
- To approve the donation of unused real property.
- To take part in any matter relating to our image or our role in society.
- To consider the environmental impacts of the construction projects or civil works we fund.
- To review the "Social Balance Sheet" and report and to submit it to approval by the Board of Directors.
- To review all relevant information in connection with our social responsibility and its subsidiaries.

### ***Information Technology Committee***

The table below shows the composition of our Information Technology Committee:

<b>Name</b>	<b>Position</b>
Edgardo Fornero .....	Director
Ada Mercedes Maza .....	Director
Gabriel A. Reznik (alternate).....	Director
Favio Gabriel Podjarny .....	Corporate Services Manager
Ricardo Gastón .....	Manager of Physical and Logical Security

The Information Technology Committee performs its duties in accordance with the provisions of Communication “A” 4609 of the Central Bank and related provisions, and shall meet regularly at least once every three months. The Committee is responsible for ensuring that related information and technology systems meet the needs of our business and are in line with our strategic plans. Accordingly, the Committee is responsible, among other things, for the following activities:

- To provide the guidelines necessary for the Board of Directors to prepare and approve a technology plan and to follow up on the implementation and progress thereof.
- To oversee the adequate performance and efficiency of the information technology area.
- To supervise reports on information technology matters.
- To maintain adequate contact with the division of independent auditors of Central Bank’s Financial Superintendence.

### ***Committee for the Control and Prevention of Money Laundering and Terrorism Financing***

The table below shows the composition of our Committee for the Control and Prevention of Money Laundering and Terrorism Financing:

<b>Name</b>	<b>Position</b>
Ernesto Manuel Viñes .....	Director
Mauricio Elías Wior .....	Director
Gustavo Daniel Efkhanián .....	Manager of Risk and Controlling Division Director
Jorge Gimeno .....	Manager of Money Laundering Prevention Unit

The Committee for the Control and Prevention of Money Laundering and Terrorism Financing shall discharge its duties in compliance with: (i) the rules governing Money Laundering Prevention and Control and other Unlawful Activities as issued by the Central Bank; and (ii) Resolution No. 2/2002 issued by the UIF, Law Nos. 25,246 and 26,268 and related laws and regulations, including their implementing Decrees, (iii) Executive Orders issued by the Executive Branch of the Argentine government in connection with the resolutions adopted by the UN’s Security Council to combat terrorism and shall also comply with the provisions laid down by the Ministry of Foreign Affairs, Foreign Trade and Religion, and (iv) our Code of Corporate Governance.

### ***Finance Committee***

The Finance Committee is composed of at least three directors, and the General Manager and the top executive officers of the Financial and Market Risk Management Departments can participate but have no voting rights. The table below shows the composition of our Finance Committee:



<b>Name</b>	<b>Position</b>
Mauricio Elías Wior.....	Director
Jacobo Julio Dreizzen .....	Director
Carlos Bernardo Pisula .....	Director
Mario Blejer.....	Director
Fernando Rubin.....	General Manager
Gabriel Pablo Blasi .....	Finance Manager
Alejandro Sokol .....	Market Risk Manager
Maximiliano Weber .....	Budget and Management Control Manager
Hernán Finkelstein .....	Trading Desk Manager
Manuel Herrera .....	Corporate Banking Manager

The Finance Committee has the following powers and duties:

- To control our liquidity and solvency levels and to define the levels of tolerance to liquidity risk.
- To determine the level of liquid asset surpluses that should be maintained in order to face a range of stress events.
- To define the limits and/or zones for early alerts in the case of financial risks, including though not limited to imbalances in cash flows, exchange rate and interest rate.
- To take part in the evaluation and approval of financial products.
- To define strategies for investing in liquid assets and to be familiar with financial assets management and with our general foreign exchange position.
- To approve limits on the exposure to government and corporate debt securities, shares, metals and currencies.
- To authorize, within the limits imposed by the Board of Directors, operations involving futures, forwards and other derivatives both for hedging and arbitrage strategies.
- To fix, assess and control the financial risk of the different portfolios of investments.
- To submit for consideration by the Board of Directors, transactions involving the issuance and placement of debt within the framework and following the modalities laid down in the shareholders' meetings.
- To foster the establishment of financial trusts.
- To recommend the underwriters, rating agencies, law firms and auditors to be hired for issuing and placing debt securities.
- To propose debt repurchase transactions and refinancings.
- To review reports about our liquidity position.
- To supervise the Finance Department.

### ***Credit Committee***

The Credit Committee shall be composed of no less than three and no more than seven regular directors plus the highest-ranking officers in the areas of risk control and corporate banking. The latter will take part in meetings with powers to voice their opinions but not to cast votes. The table below shows the composition of our Credit Committee:

<b>Name</b>	<b>Position</b>
Mauricio Elías Wior .....	Director
Jacobo Julio Dreizzen.....	Director
Saúl Zang .....	Director
Carlos Bernardo Pisula.....	Director
Ernesto Manuel Viñes .....	Director
Fernando Rubin .....	General Manager
Manuel Herrera .....	Corporate Banking Manager
Gabriel Pablo Blasi.....	Finance Manager
Gustavo Daniel Efkhanian.....	Risk and Controlling Manager
Marcelo Portas.....	Credit Risk Manager of Corporate Banking

The Credit Committee has the following powers and duties:

- To submit the credit policies concerning the whole loan cycle for the personal banking and corporate banking segments for consideration and approval by the Board of Directors.
- To recommend approval of the credit programs that supplement the product programs prepared when launching new products and/or deals that entail credit risk.
- To approve funding for legal entities and for the public sector for up to the amounts defined by the Board of Directors.
- To approve funding for individuals for up to the amounts defined by the Board of Directors for mortgage-secured products and for other loans not secured with a mortgage (personal loans, pledges, credit card limits or limits on checking accounts).
- To issue an opinion on the types of funding not described in the preceding paragraphs and on all the other fundings in excess of the basic margin established by the credit rating rules and 2.5% of our regulatory capital for consideration by the Executive Committee.
- To approve, on a monthly basis, the levels of loan loss provisions applicable to the loan portfolio in accordance with the rules of the Central Bank and prudential criteria.
- To propose the criteria to be adopted in the sale of loan portfolios.
- To take part in decisions concerning credit aid to related individuals and legal entities and, accompanied by an opinion, submit them to consideration by the Board of Directors, when applicable.
- To review the management reports concerning loan portfolio performance and to recommend actions when applicable.
- To control our situation vis-à-vis prudential ratios in terms of credit fractioning, concentration and rating.

### ***Employee Incentive Committee***

The table below shows the composition of our Employee Incentive Committee:

<b>Name</b>	<b>Position</b>
Eduardo Sergio Elsztain .....	Chairman
Saúl Zang.....	Director
Gabriel A Reznik.....	Director

The Employee Incentive Committee has the following powers and duties:

- To lay down policies and practices to financially incentivize personnel to manage risk, capital and liquidity.
- To make sure that financial incentives are compliant with the guidelines laid down in current rules and regulations governing this matter.
- To make sure that financial incentives are:
  - tied to the contribution by each individual and each business unit to our performance; and
  - established in line with the objectives sought by our shareholders.
- To promote and coordinate the annual assessment of financial incentives for our personnel by an independent division or an external entity.

### ***Risk Management Committee***

The table below shows the composition of our Risk Management Committee:

<b>Name</b>	<b>Position</b>
Carlos B. Pisula .....	Director
Julio Dreizzen.....	Director
Mauricio Wior.....	Director
Fernando Rubin .....	General Manager
Gustavo Daniel Efkhanián.....	Risk and Controlling Manager

The Risk Management Committee has the following powers and duties:

- To monitor risk management in terms of credit, market, liquidity, interest rate and operational risks, using as a benchmark the best practices in the field of risk management.
- To propose risk tolerance levels and risk management strategies.
- To propose risk management policies and to review them at regular intervals, and at least annually.
- To propose stress testing programs and contingency plans and to review them at regular intervals, at least once a year.
- To provide for an adequate dissemination of information about the entity's risk management framework.
- To make sure that senior management and personnel rely on the skills and experience required for managing risk.

- To assess the risk profile based on the definitions in the business plan and, when applicable, to make sure that corrective actions are undertaken.
- To assess the outcome of any comprehensive stress tests run and contingency plans in force and to ensure that corrective actions are implemented in the event of stress situations.
- To make sure that the policy governing financial incentives to personnel does not conflict with the entity's risk strategy.
- To submit for consideration by the Board of Directors an evaluation as to whether the entity's capital levels are adequate in the face of the risks it assumes.
- To review the outcomes of the controls over risk management processes and, whenever applicable, ensure that all necessary corrective measures are taken.

#### ***Corporate Governance Committee***

The table below shows the composition of our Corporate Governance Committee

<b>Name</b>	<b>Position</b>
Carlos Pisula .....	Director
Saúl Zang.....	Director
Ernesto M. Viñes .....	Director
Fernando Rubin .....	General Manager

The Corporate Governance Committee has the following powers and duties:

- To supervise the application of the Corporate Governance Code and adherence to the corporate principles of “full disclosure”, “transparency”, “efficiency”, “investor protection”, “equal treatment amongst investors” and “protection of the entity's stability”.
- To prepare reports concerning Board of Directors' and senior management's performance for review by the Board of Directors.
- To take part in all changes to our structure, rendering an opinion about their effects *vis-à-vis* the corporate governance policies.
- To oversee implementation of the policies and rules governing our relationship with business groups.
- To gather information about transactions with affiliates, related companies, the shareholders and the members of management and, overall, those that may be relevant in determining the degree of effectiveness and adherence to the duties of loyalty, diligence and independence.
- To oversee that the shareholders, investors and the market in general have full and timely access to any information that the issuer is duty-bound to truthfully disclose.
- To monitor any trades conducted by our directors, syndics and managers involving securities we or our subsidiaries have issued as well as any agreements with related parties.
- To supervise application of the policies dealing with the remuneration of directors and general management members.
- To propose changes to our Corporate Governance Code and its subsidiaries.

- To become aware of the regulatory compliance risks associated with the business including those related to the development of new products and commercial practices through the reports produced by the relevant areas.

### ***Ethics Committee***

The table below shows the composition of our Ethics Committee

<b>Name</b>	<b>Position</b>
Ada Mercedes Maza .....	Director
Carlos Pisula .....	Director
Gabriel Reznik .....	Director

The Ethics Committee has the following powers and duties:

- To settle issues relating to the interpretation of the Code of Ethics in connection with directors' general manager's or divisional managers' behavior.
- To begin investigations following reports received from our employees concerning alleged deviations from the Code of Ethics.
- To apply the provisions of the Code of Ethics. Each case shall be confidentially treated by the committee.
- Under no circumstances shall adverse measures be implemented against the person posing the enquiry or against whom there are suspicions of a potential crime or irregular situation in breach of the provisions laid down by the Code of Ethics, a law, regulation or our internal procedures.

## PRINCIPAL SHAREHOLDERS

The following table sets forth information regarding ownership of our capital stock in Argentina and abroad as of June 30, 2015.

Shareholder	Class <sup>(1)</sup>	Number of Shares	Percentage of Shares	Number of Votes <sup>(2)</sup>	Percentage of Votes
Argentine government/ Banco de la Nación Argentina as trustee of Fideicomiso de Asistencia al Fondo Federal de Infraestructura Regional. ....	A	668,711,843	44.58%	668,711,843	23.07%
Banco de la Nación Argentina, as trustee of the PPP.....	B	57,009,279	3.80%	57,009,279	1.97%
Banco de la Nación Argentina, as trustee of Fideicomiso de Asistencia al Fondo Federal de Infraestructura Regional. ....	C	75,000,000	5.00%	75,000,000	2.59%
The Bank Of New York ADRs <sup>(3)</sup> .....	D	90,905,000	6.06%	272,715,000	9.41%
Principal Shareholders <sup>(4)</sup> .....	D	449,804,237	29.99%	1,349,412,711	46.55%
Banco Hipotecario S.A. <sup>(5)</sup> .....	D	36,634,733	2.44%	109,904,199	3.79%
Directors <sup>(6)</sup> .....	D	33,100	0.00%	99,300	0.00%
Other .....	D	47,864,543	3.19%	143,593,629	4.95%
ANSES.....	D	74,037,265	4.94%	222,111,795	7.66%
Total .....		1,500,000,000	100.00%	2,898,557,756	100.00%

(1) Our Class A, B and C shares carry one vote per share while Class D shares carry three votes per share. Class A shares account for 42% or more of our capital stock. On February 10, 2015, the MAE authorized the Bank to list Class A, B, C and D shares.

(2) The number of votes results from multiplying the number of shares by the number of votes per share. Our treasury stock carries no voting rights pursuant to section 221 of the Argentine Companies Law. The principal shareholders have voting rights up to 30% (thirty percent) of our outstanding capital stock. For more information, see “Description of Capital Stock”.

(3) Comprises 9,090,500 ADRs (10 shares = 1 ADR) the voting powers of which are exercised by the Argentine government.

(4) As of June 30, 2015 our principal shareholders include: (i) 5% held by Tyrus S.A., a company organized under the laws of the Republic of Uruguay, in which IRSA holds 100% of its capital stock; (ii) 5% held by Ritelco S.A., a company organized under the laws of the Republic of Uruguay, in which IRSA holds 100% of its capital stock; (iii) 5% held by IRSA; (iv) 5% held by Inversora Bolívar S.A., a company organized under laws of Argentina, in which IRSA holds directly and indirectly 100% of its capital stock; (v) 5% held by E-Commerce Latina S.A., a company organized under laws of Argentina, in which IRSA holds directly and indirectly 100% of its capital stock; and (vi) 4.99% held by Palermo Invest S.A., a company organized under the laws of Argentina, in which IRSA holds directly and indirectly 100% of the capital stock. In addition, IRSA is controlled by (i) Cresud, which holds directly and indirectly 64.30% of the capital stock (372,113,311 shares), and (ii) 900 shares directly held by Mr. Eduardo Sergio Elsztain. Lastly, Mr. Eduardo Sergio Elsztain beneficially owns 38.80% of the aggregate number of shares of Cresud, which includes (i) 187,552,100 shares beneficially owned by Inversiones Financieras del Sur S.A., of which Mr. Eduardo Sergio Elsztain is the beneficial owner; (ii) 880 common shares beneficially owned by Consultores Venture Capital Uruguay S.A.; (iii) 6,854,436 common shares held as treasury by Cresud; and (iv) 219,825 common shares directly owned by Eduardo Sergio Elsztain.

(5) Includes 35,100,000 shares granted by our shareholders to an employee compensation program, which as of June 30, 2015 has not yet been implemented.

(6) As of June 30, 2015, Eduardo Sergio Elsztain, Pablo Vergara del Carril and Andrés F. Ocampo held 5,000; 28,000 and 100 Class D shares, respectively.

### Voting Rights of Principal Shareholders

Holders of a majority of Class D shares are entitled to elect nine members of the Board of Directors. Under the Privatization Law and pursuant to article 6 of our bylaws, the Argentine government will have the right to elect at least two regular directors and two alternate directors to the Board of Directors, so long as it holds at least one Class A share. Principal shareholders do not have different voting rights within the same Class. article 6 of our bylaws requires, subject to certain exceptions, the prior approval of the Argentine government, as holder of Class A shares, of any person’s (including its affiliates’) direct or indirect acquisition by stock purchase, merger or

otherwise, of Class D shares or securities convertible into Class D shares which, together with prior Class D shares held by the acquirer, represent 30% or more of our capital stock. The approval of the holders of our Class A shares is also required for certain of our changes including spin-offs, the transfer of a substantial part of our loan portfolio to a third party and a change in our corporate purpose.

So long as the principal shareholders vote their Class D shares together, they will have sufficient voting power to elect a majority of our Board of Directors and to prevail in all matters to be decided by a class vote of holders of Class D shares.

The Argentine government has no limitation with respect to the disposition of its Class A shares, except that it must always keep one Class A share pursuant to section 20 of the Law on Regional Development and Employment Creation. In addition, pursuant to our bylaws, if as a result of a sale of Class A shares by the Argentine government, Class A shares represent less than 42% of our capital stock, Class D shares will lose the triple vote. In this event, Class D shares will lose its current majority at the general shareholders' meetings and, depending on the number of shares held by the Argentine government, the Argentine government may have sufficient voting power to prevail at general shareholders' meetings except for certain decisions that require qualified majorities.

Except as indicated above, we are not aware of the existence of other shareholders holding more than 5% of our capital stock. However, the principal shareholders have the power to elect a majority of the members of the Board of Directors as done so far. Moreover, we are not aware of any agreement which, in event of becoming effective, may cause a change of control.

On January 12, 2010, our Board of Directors resolved as follows: (i) to discuss at the general ordinary shareholders' meeting delivery of such Class D treasury shares in payment to the holders of Stock Appreciation Rights ("StAR") in proportion to their shareholdings and based on the share price at such time, and (ii) to discuss possible alternatives for the general ordinary shareholders' meeting to decide on the application of any remaining shares.

The general ordinary shareholders' meeting held on April 30, 2010 resolved to extend for one year from January 31, 2010, the period to realize our treasury shares.

In addition, such meeting held on April 30, 2010 resolved to delegate to the Board of Directors the decision to pay StAR coupons—out of treasury shares—resulting from the debt restructuring as deemed fit based on calculations related to contract and real market value thereof, conferring on the shareholders preemptive rights on the same terms.

On June 16, 2010, the Board of Directors resolved to make an offer for sale subject to preemptive rights of treasury shares held at such time. Accordingly, on July 26, 2010, pursuant to such offer, approximately Ps.26.9 million of such shares were disposed of and the proceeds from such offer and the remaining shares were made available to the holders of StAR coupons on August 3, 2010.

The PPP was implemented pursuant to Decree No. 2127/2012 and Resolution No. 264/2013 issued by the Ministry of Economy and Public Finance, whereby during the first stage 17,990,721 Class B shares of stock out of an aggregate number of 75,000,000 shares were converted into Class A shares so as to be allocated among the agents who have terminated their relationship with us in accordance with the implementing guidelines. The 17,990,721 shares shall become Class D shares at the time of delivery to the former agents. As of December 31, 2013, such course of action was taken only in respect of 377,295 shares. The shares allocated to our personnel who are currently in service are Class B shares and fall within the scope of the Shared Ownership Program.

## RELATED PARTY TRANSACTIONS

Argentine law sets forth certain restrictions and limitations on transactions with certain related parties. For purposes of this section, “Related Parties” means our directors, principal officers, statutory auditors and controlling shareholders, as well as any person related to them and any entity that is directly or indirectly related to any of them and which are not required to be consolidated pursuant to applicable laws.

Pursuant to the Argentine Companies Law and the Central Bank Accounting Rules directors of a company are permitted to engage in transactions with such company if the transaction is consistent with market practices. In addition, granting of loans to Related Parties is subject to the Central Bank Accounting Rules. Such rules establish limits on the amount of the loan permitted to be granted to Related Parties based, among other things, on a percentage of our adjusted shareholders’ equity. The Central Bank requires monthly reporting of the amount of outstanding loans of directors, controlling shareholders, officers and other related entities transcribed in the minutes of the Board of Directors. The Central Bank Accounting Rules set forth that loans to directors, controlling shareholders, officers and other related entities shall be granted on equal terms in relation to rates, terms and guarantees of loans granted to the public at large.

We are not engaged in any transaction with Related Parties, nor have we granted any loan and there is no proposed transaction with such Related Parties, except for those permitted under applicable laws. In particular, some directors and senior managers have engaged in certain credit transactions with us.

Moreover, pursuant to our bylaws, any merger, consolidation or other combination with substantially the same effect involving us and an acquirer that has previously carried out a “Control Acquisition”, meaning an acquisition of shares or convertible securities as a result of which the acquirer, directly or indirectly through or together with its affiliates (collectively, an “Acquirer”), would own or control Class D shares that, combined with such Acquirer’s prior Class D shares, would represent 30% or more of our outstanding capital stock; or by any other person or persons, if such transaction would have substantially the same effects as a Control Acquisition (a “Related Party Transaction”), must be carried out in accordance with the provisions described below.

Each tendering shareholder must receive the same price per share in any Related Party Transaction, which price shall not be less than the highest of the following:

- (i) the highest price per share paid by or on behalf of the party seeking to carry out the Related Party Transaction (an “Interested Shareholder”) for (a) shares of the Class to be transferred in the Related Party Transaction within the two-year period immediately preceding the announcement of the Related Party Transaction or (b) shares of the Class acquired in any Control Acquisition, in each case adjusted for any stock split, stock dividend, subdivision or other reclassification affecting the Class;
- (ii) the highest closing sale price of shares of the Class on the BCBA during the 30 days immediately preceding the announcement of the Related Party Transaction or the date of any Control Acquisition by the Interested Shareholder, adjusted for any stock split, stock dividend, subdivision or reclassification affecting the Class;
- (iii) the price per share resulting from clause (ii), multiplied by a fraction, the numerator of which shall be the highest price paid by or on behalf of the Interested Shareholder for any share of the Class during the two years immediately preceding the announcement of the Related Party Transaction, and the denominator of which shall be the closing sale price for shares of the Class on the date immediately preceding the first day in the two-year period referred to above on which the Interested Shareholder acquired any interest or right in shares of the Class, in each case as adjusted for any stock split, stock dividend, subdivision or reclassification affecting the Class; and
- (iv) the net earnings per share of the shares of the Class during the four most recent full fiscal quarters preceding the announcement of the Related Party Transaction multiplied by the higher of (a) the price/earnings ratio during such period for the shares of the Class (if any) and (b) our highest



price/earnings ratio in the two-year period preceding the announcement of the Related Party Transaction, in each case determined in accordance with standard practices in the financial community.

Any such offer must remain open for a minimum of 90 days following the service of notice to the shareholders or the first publication of the offer, and shareholders shall have the right to withdraw tendered shares at any time until the closing of the offer. Following the closing of such tender offer, the Acquirer will be obliged to acquire all tendered shares or convertible securities; *provided* that if the number of shares tendered is less than the minimum, if any, upon which such tender offer was conditioned, the Acquirer may withdraw the tender offer. The Acquirer may consummate any proposed agreement within 30 days following the closing of the tender offer; *provided* that if such tender offer was conditioned on the acquisition of a minimum number of shares, the proposed agreement may be consummated only if such minimum was reached. If no proposed agreement existed, the Acquirer may acquire the number of shares indicated in the notice provided to us on the terms indicated in such notice to the extent such number of shares were not acquired in the tender offer; *provided* that any condition relating to a minimum number of shares tendered has been met.

The following table sets forth the Related Party Transactions we have entered into on a comparative basis as of December 31, 2014 and June 30, 2015:

	<b>As of December 31, 2014</b>	<b>As of June 30, 2015</b>
	(in thousands of pesos)	
<b>Loans</b>		
BACS Banco de Crédito y Securitización .....	117,943	25,011
Tarshop .....	—	20,030
<b>Other credits from financial intermediation</b>		
Tarshop .....	5,107	5,106
<b>Miscellaneous receivables – Miscellaneous Debtors</b>		
BACS Banco de Crédito y Securitización .....	6,291	3,836
BACS Administradora de Activos S.A. ....	—	987
BHN Vida .....	13,986	14,963
BHN Seguros Generales .....	1,986	421
Tarshop .....	—	600
<b>Deposits – Checking Accounts and Fixed-Term Deposits</b>		
BHN Sociedad de Inversión .....	5,429	7,283
BHN Vida .....	2,357	6,351
BHN Seguros Generales .....	711	488
BH Valores S.A. ....	2,992	1,895
BACS Banco de Crédito y Securitización .....	7,908	219
BACS Administradora de Activos S.A. ....	—	40
Tarshop .....	7,853	22,671
<b>Other Liabilities from Financial Intermediation</b>		
BHN Seguros Generales .....	1,531	3,509
BHN Vida .....	31,380	27,939
BHN Sociedad de Inversión .....	38,362	—
<b>Miscellaneous Liabilities</b>		
BACS Banco de Crédito y Securitización .....	47	4,304
BHN Seguros Generales .....	6,001	11,572
BHN Vida .....	15,754	24,663

	<b>Six months ended June 30,</b>	
	<b>2014</b>	<b>2015</b>
	(in thousands of pesos)	
<b>Financial Income</b>		
BACS Banco de Crédito y Securitización .....	38,997	14,160
Tarshop .....	2,414	—
<b>Financial Expenses</b>		
Tarshop .....	—	371
BH Valores S.A. ....	218	—
BHN Vida .....	—	5,128
BHN Seguros Generales.....	—	560
<b>Income from Services</b>		
BACS Banco de Crédito y Securitización .....	130	185
BACS Administradora de Activos S.A. ....	—	5,018
BHN Vida .....	22,547	49,259
BHN Seguros Generales.....	11,289	24,307
<b>Expenses from Services</b>		
BACS Banco de Crédito y Securitización .....	796	1,235
BHN Vida .....	98	129
BHN Seguros Generales.....	98	129

## ARGENTINE BANKING SYSTEM AND REGULATION

The following is a summary of certain matters relating to the Argentine financial system, including provisions of Argentine law and regulations applicable to financial institutions in Argentina. This summary is not intended to constitute a complete analysis of all laws and regulations applicable to financial institutions in Argentina. Prospective investors in the Notes are advised to consult their legal advisors for a more detailed analysis thereof.

This information should be read in conjunction with, and is qualified in its entirety by reference to, “Risk Factors” in this offering memorandum.

### The Argentine Banking System

As of March 2015, the Argentine financial system consisted of 81 financial institutions (banks, finance companies and credit unions), 69 of which were domestic or foreign owned private institutions, and 12 of which were Argentine or provincial government-owned banks.

As of March 2015, out of the 69 private financial institutions, 33 were privately-owned financial institutions, Argentine financial institutions (i.e., *sociedades anónimas*); 20 were privately-owned foreign (i.e., branches or subsidiaries of foreign financial institutions); and one was a privately owned cooperative bank (*banco cooperativo limitado*).

The ten largest privately owned commercial banks, in terms of total assets, as of March 2015, were: Banco Santander Río S.A.; Banco de Galicia y Buenos Aires S.A.; BBVA Banco Francés S.A.; Banco Macro S.A.; HSBC Bank Argentina S.A.; Banco Credicoop Coop. Ltda; Citibank, N.A.; Banco Patagonia S.A.; Industrial and Commercial Bank of China (Argentina) S.A. and Banco Hipotecario S.A. According to information published by the Central Bank, as of March 31, 2015, privately owned commercial banks accounted for approximately 53% of deposits and approximately 60% of loans in the Argentine financial system. The largest foreign banks operating in Argentina at such date, according to their level of deposits, were Banco Santander Río S.A.; BBVA Banco Francés S.A.; HSBC Bank Argentina S.A.; Banco Patagonia S.A.; Industrial and Commercial Bank of China (Argentina) S.A.; and Citibank, N.A. Foreign banks established in Argentina are subject to the same regulatory conditions as for Argentine banks. Cooperative banks are active principally in consumer banking, with a special emphasis on the retail segment of the market. As of March 31, 2015, financial institutions (other than banks) accounted for approximately 0.4% of deposits and 2.5% of loans in the Argentine financial system.

The largest Argentine government-owned banks, in terms of total assets, were Banco de la Nación Argentina and Banco de la Provincia de Buenos Aires. Under the provisions of the Financial Institutions Law, public banks have comparable rights and obligations as private banks, except that public banks handle public revenues and promote regional development and certain public banks have preferential tax treatment. The bylaws of some Argentine government-owned banks provide that the governments that own them (national and provincial) guarantee their commitments. Under current law, Banco de la Provincia de Buenos Aires will not be subject to taxes, levies or contributions that the Argentine government may impose. According to information published by the Central Bank, as of March 31, 2015, government-owned commercial banks and commercial banks in which the Argentine government had a majority equity interest accounted for approximately 48% of deposits and approximately 38% of loans in the Argentine financial system.

Due to the delay of the Central Bank to update the information on the financial system, we cannot assure you that the information mentioned above has not become outdated as of the date of this offering memorandum.

### Argentine Banking Regulation

#### Overview

Founded in 1935, the Central Bank is the principal monetary and financial authority in Argentina. Its primary mission is to maintain stability in the value of the domestic currency, to establish and implement monetary

policies and to regulate the financial sector. It operates pursuant to its charter and the provisions of the Financial Institutions Law. Under the terms of its charter, the Central Bank must operate independently from the Argentine government.

Since 1977, banking activities in Argentina have been regulated primarily by the Financial Institutions Law, which empowers the Central Bank to regulate the financial sector. The Central Bank regulates and supervises the Argentine banking system through the Financial Superintendence. The Financial Superintendence is responsible of enforcing Argentina's banking laws, establishing accounting and financial reporting requirements for the banking sector, monitoring and regulating the lending practices of financial institutions and establishing rules for the participation of financial institutions in the MULC and the issuance of bonds and other securities, among other functions.

The powers of the Central Bank include the authority to fix monetary base, interest rate, minimum capital, liquidity and solvency requirements, regulate credit, approve bank mergers, approve certain capital increases and transfers of stock, grant and revoke banking licenses, authorize the establishment of branches of foreign financial institutions in Argentina and the extension of financial assistance to financial institutions in cases of temporary illiquidity or solvency problems. Moreover, the Central Bank establishes certain "technical ratios" that must be observed by financial institutions, such as ratios related to levels of solvency, liquidity, the maximum credits that may be granted per customer and foreign exchange assets and liability positions. In addition, financial institutions need the authorization of the Central Bank for the disposition of their assets, opening branches or ATMs, acquiring share interests in other financial or non-financial corporations and establishing liens over their assets, among others.

As supervisor of the financial system, the Central Bank requires financial institutions to submit information on a daily, monthly, quarterly, semiannual and annual basis. These reports, which include balance sheets and income statements, information relating to reserve funds, use of deposits, classifications of portfolio quality (including details on principal debtors and any allowances for loan losses), compliance with capital requirements and any other relevant information, allow the Central Bank to monitor the business practices of financial institutions. In order to confirm the accuracy of the information provided, the Central Bank is authorized to conduct on-site inspections.

If the Central Bank Accounting Rules are not complied with, various sanctions may be imposed by the Financial Superintendence, depending on the level of infringement. These sanctions range from a notice of noncompliance to the imposition of fines or, in extreme cases, the revocation of the license to operate. Additionally, noncompliance with certain rules may result in the compulsory filing of specific adequacy or restructuring plans with the Central Bank. These plans must be approved by the Central Bank in order to permit the financial institution to remain in business.

Also, the Central Bank fulfills the function of lender of last resort, and is allowed to provide financial assistance to financial institutions with liquidity and/or solvency problems.

### ***Permitted Activities and Investments***

The Financial Institutions Law governs any individuals and entities that perform habitual financial intermediation and, as such, are part of the financial system, including commercial banks, investment banks, mortgage banks, financial companies, savings and loan companies for residential purposes and credit unions. Except for commercial banks, which are authorized to conduct all financial activities and services that are specifically established by law or by the Central Bank Accounting Rules, the activities that may be carried out by other Argentine financial institutions are set forth in the Financial Institutions Law and related Central Bank Accounting Rules.

Commercial banks are allowed to perform any and all financial activities inasmuch as they are not forbidden by law. Some of the activities permitted for commercial banks include the ability to (i) receive deposits from the public in both local and foreign currency; (ii) underwrite, acquire, place or negotiate debt securities, including government securities, in both exchange and over-the-counter markets (subject to prior approval by the CNV, if applicable); (iii) grant and receive loans; (iv) guarantee customers' debts; (v) conduct foreign currency exchange transactions; (vi) issue credit cards; (vii) act, subject to certain conditions, as brokers in real estate transactions; (viii) carry out commercial financing transactions; (ix) act as registrars of mortgage bonds; and (x) act

as fiduciary in financial trusts. In addition, pursuant to the Financial Institutions Law and Central Bank's Communication "A" 3086, as amended from time to time, commercial banks are authorized to operate commercial, industrial, agricultural and other types of companies that do not provide supplemental services to the banking services (as defined by the applicable Central Bank Accounting Rules) to the extent that the commercial bank's interest in such companies does not exceed 12.5% of its voting stock or 12.5% of its capital stock. Nonetheless, if the aforementioned limits were to be exceeded, the bank should request Central Bank's authorization or give notice of such situation to the Central Bank, in certain circumstances. However, even when commercial banks' interests do not reach such percentages, they are not allowed to operate such companies if such interest allows them to control a majority of votes at a shareholders' or board of directors' meeting or the Central Bank does not authorize the acquisition.

Furthermore, in respect of supplementary services, pursuant to Communication "A" 5700, commercial banks are authorized to operate in local or foreign companies that have one or two of the exclusive corporate purposes listed in section 2.2 of Communication "A" 5700, in which the commercial bank's interest either exceeds 12.5% of such companies' voting stock or allows the commercial bank to control a majority of votes at a shareholders' or board of directors' meeting. If the corporate purposes of such companies include two of the corporate purposes listed in section 2.2 of Communication "A" 5700, the authorization of the Central Bank is required.

Pursuant to Communication "A" 5107 of the Central Bank, commercial banks are classified into (i) first tier: they may engage in any lending, borrowing and service transactions in accordance with section 21 of the Financial Institutions Law; and (ii) second tier: they may engage in any such lending, borrowing and service transactions as the law and regulations may establish for first tier banks, but they may only receive deposits from the financial sector of the country and from foreign banks. In addition, they will be subject to such ratios related to credit risk diversification as may be especially established by the applicable regulations.

Under Central Bank Accounting Rules, the total amount of the investments of a commercial bank in the capital stock of third parties, including interests in Argentine mutual funds, cannot exceed 50% of such bank's regulatory capital (*Responsabilidad Patrimonial Computable*, or "RPC" per its acronym in Spanish). In addition, the total amount of a commercial bank's investments in the following: (i) stock not admitted to listing on authorized markets, excluding interests in companies that provide services that are supplementary to the finance business and interests in state-owned companies that provide public services, (ii) stock admitted to listing on authorized markets and interests in mutual funds that do not give rise to minimum capital requirements on the basis of market risk, and (iii) stock admitted to listing on authorized markets that does not have a "largely publicly available market price", taken as a whole, is limited to 15% of such bank's RPC. To this effect, a given stock's market price is considered to be "largely publicly available" when daily quotations of significant transactions are available and the sale of such stock held by a bank would not significantly affect the stock's quotation.

### ***Operations and Activities that Banks Are Not Permitted to Perform***

The Financial Institutions Law prohibits commercial banks from: (i) creating liens on their assets without prior approval from the Central Bank, (ii) accepting their own shares as security, (iii) conducting transactions with their own directors or managers and with companies or persons related thereto under terms that are more favorable than those regularly offered in transactions with non-related parties, and (iv) making drafts of money or transfers from market to market, except for commercial banks. Banks may own shares in other financial institutions with the prior approval of the Central Bank, as well as shares and notes in utilities' companies, if necessary, for the provision of such services.

### ***Liquidity and Solvency Requirements***

The financial statements and other information required to be filed by financial institutions must reflect the operations of head offices or headquarters as well as those of their branches in Argentina and abroad, and of their significant subsidiaries, whether domestic or foreign, and, in certain cases, those of other companies in which the entity may have an equity interest. Accordingly, requirements in relation to liquidity and solvency, minimum capital, risk concentration and loan loss provisions, among others, should be calculated on a consolidated basis.

### ***Legal Reserve***

According to the Financial Institutions Law and Central Bank Accounting Rules, financial institutions are required to maintain a legal reserve of 20% of their yearly income plus or minus prior-year adjustments and minus the accumulated loss at the previous year's closing period. This legal reserve can only be used during periods in which a financial institution has incurred losses and has exhausted all other reserves. If a financial institution does not comply with the required legal reserve, it is not allowed to pay dividends to its shareholders. For further information, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations".

### ***Non-liquid Assets***

Since February 2004, non-liquid assets (computed on the basis of their closing balance at the end of each month, and net of those assets that are deducted to compute the regulatory capital, such as equity investments in financial institutions and goodwill) plus the financings granted to a financial institution's related persons (computed on the basis of the highest balance during each month for each customer) cannot exceed 100% of the regulatory capital of such financial institution, except for certain particular cases in which it may exceed up to 150%.

Non-liquid assets consist of miscellaneous receivables, bank property and equipment, miscellaneous assets, assets securing obligations, except for swap, futures and derivative transactions, certain intangible assets and equity investments in companies that are not listed on authorized markets or shares listed on authorized markets, if the holding exceeds 2.5% of the issuing company's equity. Any non-compliance with such requirement will give rise to an increase in minimum capital requirements equivalent to 100% of the excess over the ratio required by the Central Bank Accounting Rules.

### ***Minimum Capital Requirements***

The Central Bank requires that financial institutions maintain minimum capital amounts measured as of each month's closing. Such minimum capital amount is defined as the higher value that results from a comparison between the basic minimum capital requirement, which is explained below, and the sum resulting from credit risk, the market risk to which the financial institution's assets are exposed and operational risk. In addition, financial institutions must satisfy a market risk requirement that is calculated on a daily basis. Financial institutions must comply with minimum capital requirements both on a stand-alone and on a consolidated basis.

The capital composition to be considered in order to determine compliance with minimum capital requirements is the financial institution's RPC (Communication "A" 5580).

#### ***Basic Minimum Capital***

In order to determine Basic Minimum Capital, financial institutions are classified according to the type and jurisdiction in which their head office is located as per the categories set forth in the Central Bank's CREEFI – 2 Circular Letter, Chapter II, section 3, Sub-section 3.3 detailed herein below:

Category	Banks	Other Entities
		(except Credit Entities)
		(in millions of pesos)
I and II	26	12
III to VI	15	8

#### ***Regulatory Capital of Financial Institution; Level 1 and Level 2 capital regulations***

Argentine financial institutions must comply with guidelines similar to those adopted by the Basel Committee on Banking Regulations and Supervisory Practices, as amended in 1995 (the "Basel Rules"). However, Argentine banking regulations demand, in certain respects, coefficients that are higher than those prescribed by the Basel Rules.



The Central Bank takes into consideration a financial institution's RPC in order to determine compliance with capital requirements. Pursuant to Communication "A" 5580 issued by the Central Bank on May 7, 2015, the RPC consists of Level 1 capital (Basic Net Worth – NWb) and Level 2 capital (Complementary Net Worth – NWc).

$$RPC = NWb + NWc$$

*Basic Net Worth (NWb): Level 1 capital*

Level 1 capital consists of (i) ordinary capital level 1 (COn1), (ii) deductible concepts from ordinary capital level 1 (CDCon1), (iii) additional capital level 1 (CAn1), (iv) deductible items from additional capital level 1 (CDCAn1):

$$NWb = COn1 - CDCon1 + CAn1 - CDCAn1$$

Ordinary capital level 1 includes the following net worth items: (i) capital stock (excluding preferred stock), (ii) non-capitalized capital contributions (excluding share premium), (iii) adjustments to shareholders' equity, (iv) earnings reserves (excluding the special reserve for debt instruments), (v) unappropriated retained earnings, (vi) other results either positive or negative, in the following terms:

- with respect to results at prior fiscal years, 100% of net earnings or losses recorded until the last quarterly financial statements with limited review report, corresponding to the last closed fiscal year and in respect of which the auditor has not issued the audit report;
- 100% of net earnings or losses for the current year as of the date of the most recent audited quarterly financial statement;
- 50% of profits or 100% of losses for the most recent audited quarterly or annual financial statements; and
- 100% of losses not shown in the financial statements, arising from quantification of any facts and circumstances reported by the auditor;

(vii) share premiums of the instruments included in COn1, and, in consolidation cases, (viii) minority shareholdings (common shares issued by subsidiaries subject to consolidated supervision and belonging to third parties, if certain criteria are met).

In order for the shares to fall under COn1, at the time of issuance, the financial entity must not generate any expectation that such shares will be re-acquired, rescued or amortized, and the contractual terms must not contain any clause that might generate such an expectation.

The above-mentioned items will be considered without certain deductions pursuant to subsection 8.4.1. and 8.4.2 (as applicable) of the Central Bank Communication "A" 5580.

*Deductible Items*

Items deductible from COn1 include, among others: (a) positive balances resulting from the application of income tax withholdings above 10% of the previous months of NWb; (b) deposits maintained in a corresponding account with a foreign financial institutions that are not rated as "investment grade", (c) debt securities not held by the relevant financial institutions, except in the case of securities registered by or in custody of the Central Bank (CRYL), Caja de Valores S.A., Clearstream Banking, *société anonyme* ("Clearstream"), Euroclear Bank S.A./N.V. ("Euroclear"), The Depository Trust Company ("DTC") or Deutsche Bank, New York, (d) securities issued by foreign governments whose credit rating is at least 'investment grade' according to Communication "A" 5671; (e) subordinated debt instruments issued by other financial institutions; (f) certain credits related to the application of tax deferrals; (g) shareholders; (h) real property added to the assets of the financial entity and with respect to which the title deed is not duly recorded at the pertinent Argentine real property registry, except where such assets

shall have been acquired in a court-ordered auction sale; (i) goodwill; (j) organization and development costs; (k) items pending allocation, debtor balances and other; (l) certain assets, as required by the Superintendency of the Central Bank resulting from differences between carry amount and the fair value of assets or actions taken to distort or disguise the true nature or scope of operations; (m) any deficiency relating to the minimum loan loss provisions required by the Superintendency of the Central Bank; (n) equity interests in companies that have the following activities: (i) financial assistance through leasing or factoring agreements, (ii) transitory equity acquisitions in other companies in order to further their development to the extent the ultimate purpose is selling such interest after development is accomplished and (iii) the issuance of credit or debit cards as provided by Communication "A" 5700; (o) excess in the granting of asset-backed guaranties, according to Central Bank's regulations; (p) the highest balance of that month's financial assistance to the public sector, when certain conditions are met; (q) earnings from sales related to securitizations under certain circumstances; (r) gains and losses related to derivative transactions due to changes in the credit risk of the financial institution; (s) losses from derivatives under certain circumstances and (t) equity interests in other Argentine or foreign financial institutions subject to a consolidated supervision.

CAn1 includes certain debt instruments of financial entities which are not included under COn1 and meet the regulatory criteria established in section 8.3.2 of Communication "A" 5580 (as amended and supplemented), and share premiums resulting from instruments included in CAn1. Furthermore, in consolidation cases, it includes instruments issued by subsidiaries subject to a consolidated supervision and belonging to third parties, pursuant to applicable regulatory requirements.

Moreover, debt instruments included under CAn1 must comply with the following requirements:

- Must be totally subscribed and paid in full.
- Subordinated to depositors, unsecured creditors and to the subordinated debt of the financial entity. The instruments must contemplate that in case of the entity's bankruptcy and once all debts with all the other creditors are satisfied, its creditors shall have priority in the distributions of funds only and exclusively with respect to the shareholders (irrespective of their class), with the express waiver of any general or special privilege.
- Not insured or guaranteed by the issuer or a related entity, and with no agreement improving, either legally or economically, the payment priority in case of the entity's bankruptcy.
- They shall not contemplate any type of capital payment, except in case of liquidation of the financial entity. Provisions gradually increasing remuneration or other incentives for anticipated amortization are not allowed.
- After 5 years as from the issuance date, the financial entity can buy back the debt instruments if: (i) it has the previous authorization of the Superintendency of the Central Bank, (b) the entity does not create any expectations regarding the exercise of the purchase option, and (c) the debt instrument is replaced by an RPC of equal or greater value sustained by its revenue capacity, or if it is demonstrated that once the purchase option is exercised its RPC significantly exceeds at least by 20% of the minimum capital requirements.
- Any capital repayment requires previous authorization from the Superintendency of the Central Bank. In this sense, the financial entity must not create any market expectations regarding the granting of such authorization.
- The financial entity can pay dividends/interest coupon at any time. The included dividends/interest coupon shall not have periodic adjustments because of the financial entity's credit risk.
- They should not have been bought by the financial entity or any other entity over which the financial entity has control or significant influence.



- They should not have been bought with direct or indirect financing from the financial entity and they shall not contain elements that make re-capitalization difficult.

Instruments considered as liabilities must absorb losses once a pre-established triggering event takes place. The instruments must do so through their conversion in common shares and a mechanism assigning losses to the instrument.

The regulatory provisions regarding the RPC issued by Communication “A” 5369 became effective on February 1, 2013. Pursuant to such communication, capital instruments that do not comply with the new regulatory requirements (including our 2036 Notes) will be excluded from the RPC’s calculations as of the aforementioned date. Thus, as long as those instruments maintain the same conditions that previously allowed them to be included in the RPC’s determination, the value to be computed shall be the accounting values of the instruments at the end of each month, using the methodology applied at that time. Its recognition as RPC will be limited to 90% to the value so obtain, and it will be reduced by 10% every twelve months.

*Complementary Net Worth (NWc): Level 2 capital*

Level 2 capital includes (i) certain debt instruments of financial entities which are not included in Level 1 capital, and meet the regulatory criteria established in section 8.3.3 of Communication “A” 5580 (as amended and supplemented), (ii) share premium from instruments included in Level 2 capital, and (iii) loan loss provisions on the loan portfolio of debtors classified as being in a “normal situation” pursuant to Central Bank Accounting Rules on debtor classification and of financing with preferred security “A” not exceeding 1.25% of the assets measured for credit risk. Additionally, in consolidation cases, it includes (iv) debt instruments issued by subsidiaries subject to a consolidated supervision and belonging to third parties, if they meet the criteria in order to be included under complementary net worth.

The above-mentioned items will be considered minus deductible items pursuant to section 8.4.2. of Communication “A” 5580 (as amended and supplemented) issued by the Central Bank, which will be described hereunder.

Moreover, debt instruments included under NWc must comply with the following requirements:

- Must be totally subscribed and paid in full.
- Subordinated to depositors, unsecured creditors and to the subordinated debt of the financial entity.
- Not insured or guaranteed by the issuer or a related entity, and with no agreement improving either legally or economically the payment priority in case of the entity’s bankruptcy.
- Maturity: (i) original maturity date within no less than 5 years, (ii) clauses considering gradually increasing remuneration or other incentives for anticipated amortization are not allowed, and (iii) from the beginning of the last five years of life of the indebtedness, the computable amount will be diminished by 20% of its nominal issuance value. After 5 years as from the issuance date, the financial entity can buy back the debt instruments with the previous authorization of the Superintendency of the Central Bank, and if the entity does not create any expectations regarding the exercise of the purchase option. The debt instrument must be replaced by an RPC of equal or greater value sustained by its revenue capacity, or if it is demonstrated that once the purchase option is exercised its RPC significantly exceeds at least in a 20% of the minimum capital requirements.
- The investor shall not be entitled to accelerate the repayment of future projected payments, except in the case of bankruptcy or liquidation.
- They cannot incorporate dividends/coupon with periodic adjustments linked to the financial entity’s credit risk.

- They should not have been bought by the financial entity or any other entity over which the financial entity has control or significant influence.
- They should not have been bought with direct or indirect financing from the financial entity.

Additionally, instruments included in Level 2 capital and CAn1, shall present the following conditions in order to assure their loss-absorbency capacity:

- a) Their terms and conditions must include a provision pursuant to which the instruments must absorb losses either through a release on debt or its conversion into ordinary capital – once a triggering event has occurred, as described hereunder.
- b) If the holders receive compensation for the debt release performed, it should be carried out immediately and only with common shares, pursuant to applicable regulations.
- c) The financial entity must have been granted the authorization required for the immediate issuance of the corresponding common shares in case a triggering event, as described hereunder, takes place.
- d) Triggering events of regulatory provisions described in item (a) are: (i) solvency or liquidity of the financial entity is threatened and the Central Banks rejects the regularization plan submitted or revokes its authorization to function or authorizes restructuring protecting depositors (whatever happens first) or (ii) the decision to capitalize the financial entity with public funds.

Further criteria regarding the eligibility of items included in the RPC calculation are pursuant to the regulatory requirements of minority shareholdings and other computable instruments issued by subsidiaries, and are subject to consolidated supervision by third parties. A minority shareholding may be included in COn1 of the financial entity if the original instrument complies with the requirements established for its qualification as common shares regarding the RPC.

Deductible items applied to the different capital levels:

- Investments in computable instruments under the financial entity's RPC are not subject to consolidated supervision when the entity owns up to 10% of the issuer's ordinary capital according to the following criteria: (i) investments include direct, indirect or synthetic interests; (ii) investments include the acquired net position; (iii) securities issued are placed within 5 business days. When those participations in other financial entity's capital (individually representing less than 10% of each issuer's COn1) exceeds 10% of the COn1 of the financial entity, net of deductions, the amount above said 10% must be deducted from each one of the capital levels according to the following methodology:
  - Amount to be deducted from COn1: the amount exceeding the 10% multiplied by the proportion of the holdings of COn1 over the total capital interests.
  - Amount to be deducted from CAn1: the amount exceeding the 10% multiplied by the proportion of the holdings of CAn1 over the total capital interests.
  - Amount to be deducted from NWc: the amount exceeding the 10% multiplied by the proportion of the holdings of the NWc over the total capital interests.
- Investments in computable instruments under the financial entity's RPC are not subject to consolidated supervision, when the entity owns up to 10% of the issuer's ordinary capital or when the issuer is a subsidiary of financial entity according to the following criteria: (i) investments include direct, indirect or synthetic interests; (ii) investments include the acquired net position; and (iii) securities issued are placed within 5 business days.

### *Limitations*

Communication “A” 5580 (as amended and supplemented) establishes minimum thresholds regarding the capital integration: (i) for CON1 the amount resulting from multiplying 4.5% by the capital risk weighted assets (*activos ponderados por riesgos*, or “APR”, as for its acronym in Spanish language); (ii) for the NWb, the amount resulting from multiplying 6% by the APR and (iii) for the RPC the amount resulting from multiplying 8% by the APR. Please note that the APR calculation results from multiplying by 12.5% the minimum capital requirement. The lack of compliance with any of these limitations is considered as an infringement to minimum capital integration requirements.

### *Economic Capital*

Communication “A” 5398 of the Central Bank requires that financial institutions must have an integrated global internal process in place to assess the adequacy of their economic capital based on their risk profile (the “Internal Capital Adequacy Assessment Process” or “ICAAP”) as well as a strategy aiming to maintain their regulatory capital. If as a result of this internal process, it is found that the regulatory capital is insufficient, financial institutions must increase it based on their own estimates to meet the regulatory requirement.

The economic capital of financial institutions is the amount of capital required to pay not only unexpected losses arising from exposure to credit, operational and market risks, but also those arising from other risks to which the financial institution may be exposed.

Financial institutions must demonstrate that their internal capital targets are well funded and adequate to their general risk profile and operations. The ICAAP should take into consideration all the material risks to which the institution is exposed; to such end, institutions must define an integral process for the management of: credit, operational, market, interest rate, liquidity, securitization, graduation, reputational and strategic risks, using stress tests to assess potential adverse scenarios that may affect their regulatory capital.

The ICAAP must include stress tests supplementing and validating any other quantitative or qualitative approach employed by the institution in order to provide the board of directors and senior management with a deeper understanding of the interaction among the various types of risk under stress conditions. In addition, the ICAAP must consider the short- and long-term capital needs of the institution and ensure the prudent accumulation of excess capital during positive periods of the economic cycle.

The required amount of capital of each institution shall be determined based on its risk profile, taking into consideration other external factors such as the effects of the economic cycle and the economic scenario

### ***Requirements Applicable to Dividend Distribution***

The Central Bank has imposed restrictions on the payment of dividends, substantially limiting the ability of financial institutions to distribute such dividends without its prior consent. Pursuant to Communication “A” 5485, the Central Bank amended and restated its regulations regarding dividend distribution by financial institutions. According to such regulation, the Financial Superintendence will review the ability of a bank to distribute dividends upon our request for its approval. The request must be filed within 30 business days prior to the shareholders’ meeting that will approve the institution’s annual financial statements. The Financial Superintendence may authorize the distribution of dividends when each of the following conditions are verified during the month preceding the request for authorization:

- the financial institution is not subject to a liquidation procedure or the mandatory transfer of assets at the request of the Central Bank pursuant to sections 34 or 35 of the Financial Institutions Law;
- the financial institution is not receiving financial assistance on grounds of illiquidity from the Central Bank;
- the financial institution is in compliance with its reporting obligations to the Central Bank;

- the financial institution is in compliance with minimum capital requirements (both on a stand-alone and consolidated basis) and with minimum cash reserves (on average) in pesos, foreign currency or government securities; and
- there is no history of significant sanctions imposed by the UIF against the financial institution except when corrective measures have been implemented to the satisfaction of the Financial Superintendence and when, having been requested to submit a risk mitigation plan, the financial institution submitted it and the plan was approved by the Financial Superintendence.

Under no circumstances will the distribution of earnings be allowed if:

- the compliance with minimum liquidity requirements on average were below the requirement applicable to the most recently closed position or to the position forecast as a result of computing the effect of earnings distribution, and/or
- the compliance with minimum capital requirements were lower than the requirement raised by 75%, and/or
- the Central Bank has lent aid to the financial institution on grounds of illiquidity.

In addition, pursuant to Communication “A” 5785, the Financial Superintendence could not authorize a dividend distribution if the relevant financial institution is subject to any fines, debarment, suspension of activities, revocation or prohibition imposed by the Central Bank, the UIF, the CNV or the Superintendence of Insurance within the last five years which is deemed to be significant under the Financial Superintendence criteria.

Pursuant to Communication “A” 5580, the minimum regulatory capital has to account for the requirement of counterparty risk capital for securitizations for every ongoing transaction at the time of determination. Communication “A” 5689 issued by the Central Bank, dated January 8, 2015, set forth that financial entities shall make an accounting entry of and provide information about any administrative and/or disciplinary penalties, and adverse criminal judgments passed by courts, which were applied or filed by the Central Bank, the UIF, the CNV and the Superintendence of Insurance. Beginning in January 2015, the amount of the accounting entry shall include all of the penalties and a provision for 100% of each one must be made. Such provisions must be maintained until payment is made or a final judgment is passed.

### ***Risk Management***

Pursuant to Communication “A” 5398 of the Central Bank, financial institutions’ internal capital adequacy must be in line with their risk profiles, including credit risk, interest rate risk, market risk and operational risk. Should the profile of any given financial institution demand capital in excess of regulatory capital, said financial institution must increase its capital level accordingly.

#### ***Credit Risk***

The minimum capital requirement due to counterparty (“CRC”) risk must be calculated by dividing the sum of each item’s daily balance by the amount of days corresponding to the month. The capital requirement due to counterparty risk is defined as:

$$CRC = k * [0.08 * (APRc + no \text{ DvP}) + DvP + RCD] + INC + IP.$$

Where “k” is determined by the rating (1 strongest, 5 weakest) assigned to the financial entity by the Superintendency, pursuant to the following scale:

<b>Rating</b>	<b>K Factor</b>
1.....	1
2.....	1.03

Rating	K Factor
3.....	1.08
4.....	1.13
5.....	1.19

“APRc” stands for capital risk weighted assets calculated by adding the value obtained from applying the following formula:

$$A * p + PFB * CCF * p$$

Where “A” is computable assets, “PFB” is computable items which are not registered on the balance sheet (off balance sheet), “CCF” is the conversion credit factor and “p” is risk measure.

Additionally, “no DvP” refers to transactions without delivery against payment; “DvP” refers to failed delivery against payment transactions; “RCD” refers to requirements for counterparty risk in over-the-counter transactions. The “INC” variable amount refers to increases in minimum capital requirements that arise when certain mandatory technical ratios are exceeded (fixed assets, counterparty risk diversification and rating and limitations on transactions with related clients) and resulting credit exposure from the sum of positions not covered by contracts to hedge changes in commodity prices. The variable “IP” refers to increases that arise from the extension of the general limit on negative foreign currency net global position.

Excluded items include: (a) securities granted for the benefit of the Central Bank for direct obligations; (b) deductible items pursuant to RPC regulations; and (c) finance and securities granted by branches and local subsidiaries of foreign financial entities by order and on account of their headquarters or foreign branches or the foreign controlling entity, to the extent (i) the foreign entity has an investment grade rating, (ii) the foreign entity is subject to regulations that entail consolidated audits, (iii) in case of finance operations, they shall be repaid by the local branch or subsidiary exclusively with funds received from the aforementioned foreign intermediaries; and (iv) in case of guarantees granted locally, they are in turn guaranteed by their headquarters or foreign branches or the foreign controlling entity and foreclosure on such guaranty may be carried out immediately and at the sole requirement of the local entity.

#### *Interest Rate Risk*

Financial institutions must manage interest rate risk, which will be reviewed by the Financial Superintendence, who can impose the duty to satisfy a larger regulatory capital requirement. Interest rate risk is the risk that an investment’s value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship.

#### *Market Risk*

Minimum capital requirements are computed as a function of the market risk of financial institutions’ portfolios, measured as their value at risk (“VaR”). The regulation includes those assets traded on a regular basis in open markets and excludes those assets held at investment accounts, which must meet counterparty and interest rate risk minimum capital requirements.

There are five categories of assets. Domestic assets are divided into equity and debt securities, the latter being classified in two categories according to whether their average duration is less or more than 2.5 years. Foreign assets are divided equity and foreign bonds make up another two categories and are classified according to their duration as well. The fifth category is comprised of foreign exchange positions, differentiated according to the currency involved. Overall capital requirements in relation to market risk are the sum of the amounts of capital necessary to cover the risks arising from each of the five categories of assets.

Market risk minimum capital requirements must be met on a daily basis. Information must be reported to the Central Bank on a monthly basis. As from May 2003, the U.S. dollar has been included as a foreign currency risk factor for the calculation of the market risk requirement, considering all assets and liabilities in that currency.

### *Operational Risk*

Operational risk is defined as the risk of loss resulting from inadequate and/or failed internal processes, people and systems and/or from external events. The definition includes legal risk but excludes strategic and reputational risk. Financial institutions must establish a system for the management of operational risk that includes policies, processes, procedures and the structure for their adequate management.

Seven operational risk event types are defined according to internationally accepted criteria:

- Internal fraud
- External fraud
- Employment practices and workplace security
- Clients, products and business practices
- Damage to physical assets
- Business disruption and system failures
- Execution, delivery and process management.

A solid operational risk management system must have a clear assignment of responsibilities within the financial institution. Thus, the regulation describes the role of each level of management in the control of such risk (such as the role of the Board of Directors, senior management and the business units of the financial institution).

An operational risk unit is required, tailored to the financial institutions' size, sophistication, the nature and complexity of its products and processes, and the size of the transactions. For small institutions, the unit may even consist of a single person. The unit may functionally respond to the senior management (or similar) or to a functional level with risk management decision-making capacity that reports to the senior management.

An effective operational risk management process will contribute to prevent future losses derived from operational events. Consequently, financial institutions must manage the inherent operational risk associated to their products, activities, processes and systems. The operational risk management process comprises:

- *Identification and assessment*: the identification process should consider both internal and external factors that could adversely affect the development of the processes and projections in accordance with the business strategies defined by the financial institution. Financial institutions should use internal data to establish a process to register frequency, severity, categories and other relevant aspects of the operational risk loss events. This should be complemented with other tools such as self-risk assessments, risk mapping and identification of key risk indicators.
- *Monitoring*: an effective monitoring process is required to quickly detect and correct deficiencies in the policies, processes and procedures for managing operational risk. In addition to monitoring operational risk loss events, banks should identify red flag indicators that enable them to act upon these risks appropriately.
- *Control and mitigation*: financial institutions must have an appropriate control system to ensure compliance with internal policies. Such control system shall involve periodic reviews (at least annually) of control strategies and risk mitigation, and should adjust them if necessary.

The minimum cash reserve requirements for operational risks are determined in line with the provisions of the Basel II Capital Accord and allow entities to calculate the foregoing requirements by applying basic or standardized calculation methods.



### ***Consequences of a Failure to Meet Minimum Capital Requirements***

In the event of noncompliance with minimum capital requirements by an existing financial institution, Central Bank Communication “A” 3171 of the Central Bank, as amended from time to time, provides the following:

- *Noncompliance reported by the financial institutions:* the institution must meet the required capital no later than two months after noncompliance was incurred or submit a restructuring plan within thirty calendar days following the last day of the month in which such noncompliance occurred.
- *Noncompliance detected by the Financial Superintendence:* the institution must file its defense within thirty calendar days of being served with notice by the Financial Superintendence. If no defense is filed, or if the defense is dismissed, the noncompliance will be deemed to be final, and the procedure described above will apply.

In addition, noncompliance with minimum capital requirements will entail a number of consequences for the financial institution, including prohibition from opening branches in Argentina or in other countries, establishing representative offices abroad, or owning equity in foreign financial institutions, as well as a prohibition from paying cash dividends. In addition, the Financial Superintendence may appoint a delegate at the financial institutions, who shall have the powers set forth by the Financial Institutions Law.

### ***Minimum Cash Reserve Requirements***

The minimum cash reserve requirement requires that a financial institution keep a portion of its deposits or obligations readily available and not allocated to lending transactions. Pursuant to Communication “A” 3498 of the Central Bank, as amended from time to time, as from March 1, 2002, the mandatory reserve (*encaje*) in the liquidity base system applies not only to demand transactions but also to fixed-term transactions.

Minimum cash reserve requirements are applicable to demand and time deposits and other liabilities arising from financial intermediation denominated in pesos, foreign currency, or government and corporate securities, and any unused balances of advances in checking accounts under formal agreements not containing any clauses that permit a bank to discretionally and unilaterally revoke the possibility of using such balances.

Minimum cash reserve requirements exclude: (i) amounts owed to the Central Bank, to domestic financial institutions, to foreign banks (including headquarters, parent companies of local entities and their branches) in connection with loans intended to finance foreign trade transactions; and (ii) amounts owed in connection with cash purchases pending settlement, forward purchases (whether or not related to reverse repos) and demand obligations for money orders and transfers from abroad pending settlement and correspondent transactions abroad.

The liabilities subject to these requirements are computed on the basis of the effective principal amount of the transactions, excluding interest accrued, past due, or to become due on the aforementioned liabilities; *provided* they were not credited to the account of, or made available to, third parties, and that, where available, the amount accruing upon the adjustment rate (CER) is applied. The basis on which the minimum cash reserve requirement is computed is the monthly average of the daily balances of the liabilities at the end of each day during each calendar month, except for the period ranging from December of a year to February of the next, period in which it shall be applied on a quarterly average. Such requirement shall be complied with on a separate basis for each currency in which the liabilities are denominated.

The table below shows the percentage rates that should be applied (from April 2014) to determine the required minimum cash reserve requirement, which in the case of transactions in Pesos, will depend on the category under which the jurisdiction of the main office of the financial entity falls (Communication “A” 5569):

Item	Rate (%)			
	Category I		Categories II to VI	
	Pesos	Foreign Currency	Pesos	Foreign Currency
1-Checking account deposits.....	17		15	
2-Savings account, basic account and free universal account .....	17	50	15	50
3-Legal custody accounts, special accounts for savings clubs, “Unemployment Fund for Construction Industry Workers” ( <i>Fondo de Cese Laboral para los Trabajadores de la Industria de la Construcción</i> ) and “Salary payment”, special checking accounts for legal entities and social security savings accounts .....	17	50	15	50
4-Other demand deposits and liabilities, pension and social security benefits credited by ANSES pending collection and immobilized reserve funds for liabilities covered by these regulations .....	17	50	15	50
5-Unused balances of advances in checking accounts under executed overdraft agreements ...	17		15	
6-Deposits in checking accounts of non-bank financial institutions, computed for purposes of meeting their required minimum cash reserve .....	100		100	
7-Time deposits, liabilities under acceptances, repurchase agreements (including responsibilities for sale or transfer of credits to agents different from financial institutions), stock-exchange repos (cautions and stock exchange passive repos), constant-term investments, with an option for early termination or for renewal for a specified term and variable income, and other fixed-term liabilities, except rescheduled deposits included in the following items 11, 12, 13 and 14 of this table: .....				
(i) Up to 29 days.....	13	50	12	50
(ii) From 30 days to 59 days.....	10	38	9	38
(iii) From 60 days to 89 days.....	6	25	5	25
(iv) From 90 days to 179 days.....	1	14	—	14
(v) From 180 days to 365 days .....	—	5	—	5
(vi) More than 365 days .....	—	—	—	—
8-Liabilities owed due to foreign facilities (not executed by means of time deposits or debt securities)	—		—	
9-Securities (including Notes)				
(i) Up to 29 days.....	14	50	14	50
(ii) From 30 days to 59 days.....	11	38	11	38
(iii) From 60 days to 89 days.....	7	25	7	25
(iv) From 90 days to 179 days.....	2	14	2	14
(v) From 180 days to 365 days .....	—	5	—	5
(vi) From 365 days .....	—	—	—	—



Item	Rate (%)			
	Category I		Categories II to VI	
	Pesos	Foreign Currency	Pesos	Foreign Currency
10-Liabilities owing to the Trust Fund for Assistance to Financial and Insurance Institutions .....	—		—	—
11-Demand and time deposits made upon a court order with funds arising from cases pending before the court, and the related immobilized balances .....	10	25	10	25
12-Deposits as assets of a mutual fund.....	19	50	19	50
13-Special deposits related to inflows of funds. Decree 616/2005.....		100		100
14-Time deposits in nominative, non-transferable Peso-denominated certificates, belonging to public sector holders, with the right to demand early withdrawal in less than 30 days from its setting up.....	15		14	100

In addition to the above-mentioned requirements, the reserve for any defect in the application of resources in foreign currency for any given month shall be applied to an amount equal to the minimum cash requirement of the corresponding currency for each month.

The minimum cash reserve must be set up in the same currency to which the requirement applies, and eligible items include the following:

1. Accounts maintained by financial institutions with the Central Bank in Pesos.
2. Accounts of minimum cash maintained by financial institutions with the Central Bank in U.S. dollars, or other foreign currency.
3. Special guarantee accounts for the benefit of electronic clearing houses and to cover settlement of credit card and ATM transactions and immediate transfer of funds.
4. Checking accounts maintained by non-bank financial institutions with commercial banks for the purpose of meeting the minimum reserve requirement.
5. Special accounts maintained with the Central Bank for transactions involving social security payments by the ANSES.
6. Minimum cash sub-account 60, authorized in the Registration and Settlement Central for Public Debt and Financial Trusts – CRYL (*Central de Registro y Liquidación de Pasivos Públicos y Fideicomisos Financieros* – CRYL) for public securities and securities issued by the Central Bank at their market value.

These eligible items are subject to review by the Central Bank and may be changed in the future.

Compliance on public bonds and time deposits must be done with holdings marked to market and of the same type, only in terms of monthly status. Holdings must be deposited on special accounts at the Central Bank.

Compliance with the minimum cash reserve requirement will be measured on the basis of the monthly average of the daily balances of eligible items maintained during the month to which the minimum cash reserve refers by dividing the aggregate of such balances by the total number of days in the relevant period.

The aggregate balances of the eligible items referred to above, maintained as of each daily closing, may not, on any one day during the month, be less than 50% of the total required cash reserve, excluding the requirement for incremental deposits, determined for the next preceding month, recalculated on the basis of the requirements and items in force in the month to which the cash reserves relate. The daily minimum required is 70% when a deficit has accrued in the previous month.

Any deficiencies in meeting the required minimum cash reserve and the daily minimum reserve in Pesos are subject to a penalty equal to two times the private bank's BADLAR rate for deposits in Pesos for the last business day of the month.

Any deficiencies in meeting the required minimum cash reserve and the daily minimum reserve in foreign currency are subject to a penalty equal to two times the private banks' BADLAR rate for deposits in U.S. dollars or two times the 30-day U.S. dollar LIBOR rate for the last business day of the month (whichever is higher).

Minimum cash requirements decrease with (i) the implementation of the Consumer Promotion Program and the Production of Goods and Services named "Ahora 12" created by Resolution No. 671/2014 of the Ministry of Economy and (ii) payment of social security benefits. Minimum cash requirements increase with (i) defect in the application of credit quotas to clients other than MiPyMEs and (ii) failure to comply with (a) minimum deposit rates (b) maximum active rates. Minimum foreign cash requirements may decrease in the event of a relaunching of LEBAC's (Central Bank bills) subscriptions.

### ***Liquidity Coverage Ratio***

Through Communication "A" 5724, the Central Bank established that financial institutions should have an adequate background of high-quality liquid assets that are "free of restrictions" composed of cash or assets that can be converted into cash immediately with low or no loss of market value, in order to cover their liquidity needs for a period of 30 days in stress scenarios. This fund should allow the entities at least to face liquidity problems until the thirtieth day of that period.

Also provides that financial institutions must anticipate potential mismatches in cash flows that may arise within the said period and ensure the availability of sufficient high-quality liquid assets to cover them, considering that the entries and exits occur funds may be uncertain. They must also monitor and actively manage exposure to liquidity risk and the funding needs of each of its foreign branches and subsidiaries, as well as the economic group, taking into account the constraints of legal, regulatory and operational nature in the ability to transfer liquidity.

#### ***Determining the liquidity coverage ratio.***

It should be noted that:

LCR •

<b>Period</b>	<b>Ratio</b>
Since January 2015 / December 2015 .....	0.60
January 2016 / December 2016 .....	0.70
January 2017/ December 2017 .....	0.80
January 2018/ December 2018 .....	0.90
Since January 2019 .....	1

where:

**LCR = FALAC / SENT** and

**FALAC:** value of high quality liquid assets in a stress scenario.

**SENT:** total net cash outflows expected during a period of 30 days in a stress scenario.

#### ***Stress scenario***

For the purposes of these provisions, a stress scenario includes idiosyncratic and systemic risk factors that can cause:

- Partial loss of retail deposits;
- Partial loss of unsecured wholesale funding;
- Partial loss of guaranteed funding;
- Output of additional funds contractually of unforeseen situations -including the constitution and guarantees replacement of margins due to a significant deterioration in the credit quality of the financial institution;
- Increases in market volatilities that affect the quality of collateral or potential future exposure of derivative positions and, therefore, require greater guarantees or the provision of additional collateral or lead to other needs of liquidity;
- The unexpected use of credit facilities available and committed granted to customers; and
- The obligation of the bank to buy back debt or fulfill its contractual obligations to mitigate reputational risk.

### ***Credit Limits***

The Central Bank regulations seek to mitigate the economic risk linked to loans granted by financial institutions, and therefore ensure a minimum diversification. For such purposes, the loan applicant's capital and the financial institution's RPC are taken into account.

There are three types of ratios that limit economic risk exposure, namely: risk concentration limits, limits on transactions with customers on the basis of the institution's RPC (credit risk diversification) and limits on the basis of the customer's net worth (credit rating).

### ***Risk Concentration Limits***

The rules and regulations refer to risk concentration, which is defined as the sum of the loans that individually exceed 10% of the financial institution's RPC. As a rule of thumb, risk concentration cannot exceed:

- three times the financial institution's RPC, excluding loans to local financial institutions.
- five times the financial institution's RPC, including the loans to local financial institutions.
- ten times the RPC of second grade merchant banks when their transactions are computed with other financial institutions.

### ***Credit Risk Diversification - Measuring the extension of credit to a group of clients in a given business vis-à-vis the financial institution's RPC***

The rules and regulations that govern of the extension of credit to a group of clients in a given business vis-à-vis the financial institution's RPC lay down minimum standards for diversifying risk in such a way as to mitigate risks without significantly compromising average profitability.

These limits, fixed as percentages of a financial institution's RPC on the last day of the month preceding the relevant month, are as follows:

- For loans to the Argentine non-financial public sector:

<b>Extension of credit attributable to:</b>	<b>Maximum limit</b>
The national public sector	50%
Each provincial jurisdiction or the Autonomous City of Buenos Aires	10%
Each municipal jurisdiction	3%

- For loans to the Argentine non-financial private sector and to the foreign non-financial sector:

<b>Extension of credit attributable to:</b>	<b>Maximum limit</b>
Each borrower	
Extension of credit without computable guarantees	15%
Total extension of credit (whether or not secured with computable guarantees and/or guarantees comprised in section 1, sub-section 1.8.2. of Communication “A” 5496	25%
Each reciprocal guarantee company (including those related to the lender) or government-run guarantee fund, in accordance with section 1, sub-section 1.3. of Communication “A” 5472	25%
Each insurance company that extends credit to exporters in accordance with section 1, sub-section 1.4. of Communication “A” 5472	15%

- For loans to the Argentine financial sector:

<b>Extension of credit attributable to:</b>	<b>Maximum limit</b>
If the lender entity has been rated as 1, 2 or 3 by the Financial Superintendence and it is not a second grade merchant bank	
To each financial institution rated as 1, 2 or 3 by the Financial Superintendence	
Basic margin	25%
Additional margins	
Leg I	25%
Leg II	25%
To each financial institution rated as 4 or 5 by the Financial Superintendence	25%
If the lender entity has been rated as 4 or 5 by the Financial Superintendence and it is not a second grade merchant bank	
To each financial institution rated as 1, 2 or 3 by the Financial Superintendence	25%
To each financial institution rated as 4 or 5 by the Financial Superintendence	0%
If the lender entity is a second grade merchant bank and has been rated as 1, 2 or 3 by the Financial Superintendence	
To each financial institution rated as 1 to 5 by the Financial Superintendence	100%
If the lender entity is a second grade merchant bank and has been rated as 4 or 5 by the Financial Superintendence	
To each financial institution rated as 1 to 3 by the Financial Superintendence	100%
To each financial institution rated as 4 or 5 by the Financial Superintendence	0%

*Corroborating the extension of credit based on the client’s RPC*

Total loans cannot exceed 100% of clients’ RPC. This limit is enhanced by up to 300% when additional aid does not exceed 2.5% of the financial institution’s RPC and it has been approved by the Board of Directors or analogous authority.

### ***Related Parties***

The rules of the Central Bank concerning transactions with individuals and legal entities that are related to the financial institutions limit the amount by which a financial institution may lend them funds, according to Communication “A” 2140, as amended and supplemented.

The definition of related party is based on criteria of direct or indirect control over the company’s decisions, measured by the quantity of shares held, majority of directors in the Board or, in exceptional cases, as determined by the Board of Directors of the Central Bank.

### ***Foreign Currency Lending Capacity***

The regulations on the allocation of deposits in foreign currencies establish that the lending capacity from foreign currency deposits, including U.S. dollar-denominated deposits to be settled in pesos, must fall under one of the following categories: (i) pre-financing and financing of exports to be made directly or through agents, trustees or other brokers, acting on behalf of the owner of the merchandise; (ii) financing for manufacturers, processors or collectors of goods; *provided* they refer to non-revocable sales agreements with exporters for foreign currency-denominated prices (irrespective of the currency in which such transaction is settled), and they refer to exchangeable foreign-currency denominated goods authorized to be listed in local or foreign authorized markets, broadly advertised and easily available to the general public; (iii) financing for manufacturers of goods to be exported, as final products or as part of other goods, by third-party purchasers; *provided* that such transactions are secured or collateralized in foreign currency by third-party purchasers; (iv) financing of investment projects, working capital or purchase of any kind of goods –including temporary imports of commodities- that increase or are related to the production of goods to be exported; (v) financing for commercial clients or commercial loans considered as consumer loans, with the purpose of importing capital goods, whenever they help to increase goods production for the domestic market; (vi) debt securities or financial trust participation certificates whose underlying assets are loans made by the financial institutions in the manners set forth in (i) to (iv) above; (vii) foreign currency debt securities or financial trust participation certificates, publicly listed under an authorization by the CNV, whose underlying assets are securities bought by the fiduciary and guaranteed by reciprocal guarantee companies, in order to finance export transactions; (viii) financings for purposes other than those mentioned in (i) to (iv) above, included under the Interamerican Development Bank credit program (“Préstamos BID N° 119/OC-AR”), not exceeding 10% of the lending capacity; and (ix) inter-financing loans (any inter-financing loans granted with such resources must be identified).

The lending capacity shall be determined for each foreign currency (US\$, €, etc.), such determination being made on the basis of the monthly average of daily balances recorded during each calendar month. Any defect in the application shall give rise to an increase in the minimum cash requirement in the relevant foreign currency.

### ***General Exchange Position***

The general exchange position (“GEP”) includes all the liquid external assets of the financial institution, such as gold, currency and bills in Argentina and abroad, deposits and investments for any term in foreign banks, investments in securities issued by foreign governments (members of the Organization for Economic Co-Operation and Development with a sovereign debt rating not below “AA”), certificates of time deposits in foreign institutions (rated not less than “AA”), and correspondents’ debit and credit balances. It also includes purchases and sales of these assets already arranged and pending settlement involving foreign exchange purchases and sales performed with customers within a term not to exceed 48 hours. It does not include, however, correspondent account balances for third-party transfers pending settlement, term sales and purchases of foreign currency or securities or direct investments abroad.

The GEP ceiling is calculated every month. Pursuant to the relevant reporting system regulations, this ceiling is set at 15% of the amount equivalent in U.S. dollars to the computable equity at the end of the month immediately preceding the last month, when filing with the Central Bank has already expired. It will be increased by an amount equivalent in U.S. dollars to 5% of the total amount traded by the institution on account of the purchases and sales of foreign currency in the calendar month prior to the immediately preceding month, and by 2% of the total demand and time deposits locally held and payable in foreign bills, excluding deposits held in custody,

recorded by the institution at the end of the calendar month prior to the immediately preceding month. If the ceiling does not exceed US\$8.0 million, this figure will be considered its floor.

Institutions authorized to trade in foreign currency failing to comply with the GEP ceilings or the exchange reporting regulations should refrain from trading in foreign currency until they are in compliance with the above.

Although certain exceptions are admitted, institutions authorized to trade in foreign currency require the Central Bank's prior consent to perform their own purchases when payment is made against delivery of foreign currency or other foreign assets comprising the GEP.

### ***Foreign Currency Net Global Position***

All assets and liabilities from financial intermediation in foreign currency and securities in foreign currency (deriving from cash and term transactions) are included in the foreign currency net global position (for ongoing and completed operations). In addition, forward transactions under master agreements entered within domestic securities exchanges paid by settlement of the net amount without delivery of the underlying asset are also included. Deductible assets for determining RPC are excluded from the ratio.

Two ratios are considered in the foreign currency net global position:

- Negative foreign currency net global position (liabilities exceeding assets): as from January 1, 2007 pursuant to Communications "A" 4577 and "A" 4598 of the Central Bank, as amended, the limit is 15%, but it can be extended up to 15 percentage points provided the financial institution records at the same time: (i) medium and long-term financing in pesos to non-financial private sector (mid and long-term financings are those exceeding 4 years, weighting capital maturity without considering CER) under certain conditions for an amount equivalent to the increase of said limit; and (ii) an increase in the minimum capital requirement equivalent to the increase of the general limit of the negative foreign currency net global position.
- Positive net global position (assets exceeding liabilities): this position cannot exceed the lesser of:
  - 30% of the RPC.
  - Own liquid funds (which refer to the RPC minus "fixed assets" and loans to related clients).

This limit will be extended by an amount equivalent to the increase for the period from January 2014 and the month to which the net global position relates, in respect of foreign credit facilities brought into the country through the Argentine MULC. In addition, Communication "A" 5536 of the Central Bank set a limit on the positive net global position of forward foreign currency. Such position shall not exceed 10% of the RPC for the relevant immediately preceding month. The excesses of these ratios are subject to a charge equal to 1.5 times the nominal interest rate of the peso-denominated LEBAC, a note of the Central Bank. Moreover, the provisions related to penalties of section 41 and related sections of the Financial Institutions Law shall apply.

### ***Fixed Assets and Other Items***

The Central Bank determines that the fixed assets and other items maintained by the financial institutions must not exceed 100% of the financial institutions' RPC. Such fixed assets and other items include:

- shares of local companies;
- miscellaneous receivables;
- property for own use;
- other assets;

- organization and development expenses;
- goodwill; and
- financing granted to related clients.

The calculation of such assets will be effected according to the month-end balances, net of depreciations, accumulated amortizations and allowances for loan losses. Non-compliance with the ratio produces an increase in the minimum capital requirements equal to 100% of the excess on the ratio.

### ***Debt Classification and Loan Loss Provisions***

#### ***Credit Portfolio***

The regulations on debt classification are designed to establish clear guidelines for identifying and classifying the quality of assets, as well as evaluating the actual or potential risk of a lender sustaining losses on principal and/or interest, in order to determine, taking into account any loan security, whether the provisions against such contingencies are adequate. Banks must classify their loan portfolios into two different categories: (i) consumer or housing loans and (ii) commercial loans. Consumer and housing loans include personal housing loans (purchase, construction or remodeling), consumer loans, credit-card financings, loans of up to Ps.1,250,000 to micro credit institutions and commercial loans of up to Ps.2,500,000 with or without guarantees, if so decided by the financial institution. All other loans are considered commercial loans, including consumer or housing loans in excess of Ps.2,500,000, the repayment of which is linked to the evolution of its productive or commercial activity.

In addition, the Central Bank Accounting Rules establish that if a customer has both kinds of loans (commercial and consumer or housing loans), the consumer or housing loans will be added to the commercial portfolio to determine under which portfolio they should be classified based on the amount indicated. In these cases, the loans secured by preferred guarantees will be considered at 50%.

Under the current debt classification system, each customer, as well as the customer's outstanding debts, is included within one of six sub-categories. The debt classification criteria applied to the consumer loan portfolio are primarily based on objective factors related to customers' performance on their obligations or their legal standing, while the key criterion for classifying the commercial loan portfolio is each borrower's paying ability based on its future cash flow.

#### ***Commercial Loans Classification***

The principal criterion to evaluate a loan pertaining to the commercial portfolio is its borrower's ability to repay it, whose ability is mainly measured by such borrower's future cash flow. Pursuant to Central Bank Accounting Rules, commercial loans are classified as follows:

<b>Classification</b>	<b>Criteria</b>
Normal situation.....	Borrowers that demonstrate their ability to comply with their payment obligations (high repayment capacity).
Subject to special monitoring/Under observation...	Borrowers that, among other criteria, are up to 90 days past due and, although considered to be able to meet all their financial obligations, are sensitive to changes that could compromise their ability to honor debts absent timely corrective measures.
Subject to special monitoring / Under negotiation or subject to refinancing agreement .....	Borrowers who are unable to comply with their obligations as agreed with the bank and, therefore, formally state, within 60 calendar days after the maturity date, their intention to refinance such debts. The borrower must enter into a refinancing agreement with the bank within 90 calendar days (if up to two lenders are involved) or 180 calendar days (if more than two lenders are involved) after



<b>Classification</b>	<b>Criteria</b>
	the payment default date. If no agreement has been reached within the established deadline, the borrower must be reclassified to the next category according to the indicators established for each level.
Troubled .....	Borrowers with difficulties honoring their financial obligations under the loan on a regular basis, which, if uncorrected, may result in losses to the bank.
With high risk of insolvency .....	Borrowers who are highly unlikely to honor their financial obligations under the loan.
Uncollectible .....	Loans classified as irrecoverable at the time they are reviewed (although the possibility might exist that such loans might be collected in the future). The borrower will not meet its financial obligations with the financial institution
Uncollectible according to Central Bank Accounting Rules .....	(a) Borrower has defaulted on its payment obligations under a loan for more than 180 calendar days according to the corresponding report provided by the Central Bank, which report includes (1) financial institutions liquidated by the Central Bank, (2) residual entities created as a result of the privatization of public financial institutions, or in the privatization or dissolution process, (3) financial institutions whose licenses have been revoked by the Central Bank and find themselves subject to judicial liquidation or bankruptcy proceedings and (4) trusts in which <i>Seguro de Depósitos S.A.</i> (SEDESA) is a beneficiary, or (b) certain kinds of foreign borrowers (including banks or other financial institutions that are not subject to the supervision of the Central Bank or similar authority of the country in which they are incorporated) that are not classified as “investment grade” by any of the rating agencies approved by the Central Bank.

#### *Consumer and Housing Loans Classification*

The principal criterion applied to loans in the consumer and housing portfolio is the length of period for which such loans remain overdue. Under the Central Bank Accounting Rules, consumer and housing borrowers are classified as follows:

<b>Classification</b>	<b>Criteria</b>
Normal situation .....	If all payments on loans are current or less than 31 calendar days overdue and, in the case of checking account overdrafts, less than 61 calendar days overdue.
Low risk .....	Loans upon which payment obligations are overdue for a period of more than 31 and up to 90 calendar days.
Medium risk .....	Loans upon which payment obligations are overdue for a period of more than 90 and up to 180 calendar days.
High risk .....	Loans in respect of which a legal action seeking collection has been filed or loans having payment obligations overdue for more than 180 calendar days, but less than 365 calendar days.
Uncollectible .....	Loans in which payment obligations are more than one year overdue or the debtor is insolvent or in bankruptcy or liquidation.
Uncollectible according to Central Bank Accounting Rules .....	Same criteria as for commercial loans in “Uncollectible” status according to Central Bank Accounting Rules.



### *Minimum Credit Provisions*

The following minimum credit provisions are required to be made by Argentine banks in relation to the credit portfolio category:

<b>Category</b>	<b>With Preferred Guarantees</b>	<b>Without Preferred Guarantees</b>
“Normal situation” .....	1%	1%
“Under observation” and “Low risk” .....	3%	5%
“Under negotiation or subject to refinancing agreements” .....	6%	12%
“Troubled” and “Medium risk” .....	12%	25%
“With high risk of insolvency” and “High risk” .....	25%	50%
“Uncollectible” .....	50%	100%
“Uncollectible according to Central Bank Accounting Rules” .....	100%	100%

The Financial Superintendence may require additional provisioning if it determines that the current level is inadequate.

Financial institutions are entitled to record allowances for loan losses in amounts larger than those required by the Central Bank Accounting Rules. In such cases and despite the existence of certain exceptions, recording a larger allowance for a commercial loan, to the extent the recorded allowance amount falls into the next credit portfolio category set forth by the Central Bank Accounting Rules, shall automatically result in the corresponding debtor being re-categorized accordingly.

### *Minimum Frequency for Classification Review*

In accordance with Central Bank Accounting Rules, financial institutions are required to develop procedures for the analysis of the credit facilities assuring an appropriate evaluation of a debtor’s financial situation and a periodic revision of its situation concerning objective and subjective conditions of all the risks taken. These procedures are to be detailed in a manual called the “Manual of Procedures for Classification and Allowances”, which shall be permanently accessible to the Financial Superintendence for review. Financial institutions must classify loans at least once a year pursuant to the Central Bank Accounting Rules. However, we perform a quarterly review for loans that equal to or exceed 5% of the financial institution’s RPC and a semi-annual review for credits that exceed the lower of (i) Ps.2 million and (ii) credits that oscillate between 1% and 5% of the financial institution’s RPC.

In the case of commercial loans, applicable regulations require a minimum frequency of review. Such review must take place: (i) quarterly for clients with indebtedness equal or greater than 5% of the financial entity’s RPC for the prior month and (ii) semi-annually for clients whose indebtedness is (x) higher than the lower of 1% of the financial entity’s RPC for the prior month and Ps.4 million, and (y) lower than 5% of the financial entity’s RPC for the prior month. At the end of the first calendar semester, the total review under points (i) and (ii) should have covered no less than 50% of the financial entity’s commercial loan portfolio and, if less, it shall be completed by incorporating clients (in descending order) whose total indebtedness is inferior to the limits described in (ii)(x) above.

In addition, financial institutions have to review the rating assigned to a debtor in certain instances, such as when another financial institution reduces the debtor classification in the “Credit Information Database” and grants 10% or more of the debtor’s total financing in the financial system. Only one-level discrepancy is allowed in relation to the information submitted by financial institutions to the “Credit Information Database” and the lower classification awarded by at least two other banks and total lending from such banks account for 40% or more of the total informed; if there is a greater discrepancy, the financial institution will be required to reclassify the debtor.

### *Allowances for Loan Losses*

The allowance for loan losses is maintained in accordance with applicable regulatory requirements of the Central Bank. Increases in the allowance are based on the level of growth of the loan portfolio, as well as on the deterioration of the quality of existing loans, while decreases in the allowance are based on regulations requiring the write-off of non-performing loans classified as irrecoverable after a certain period of time and on decisions of the management to write off non-performing loans evidencing a very low probability of recovery.

### ***Priority Rights of Depositors***

Under section 49 of the Financial Institutions Law, in the event of judicial liquidation or bankruptcy of a bank, depositors have a general and absolute priority right to collect their claims over all other creditors, except claims secured by pledges or mortgages and certain employee liens. Additionally, the holders of any type of deposit have a special priority right over all other creditors of the bank, except certain employee creditors, to be paid out of: (i) any funds of the branch that may be in the possession of the Central Bank as statutory reserve, (ii) any other funds of the bank existing as of the date on which the bank's license is revoked, or (iii) any proceeds resulting from the mandatory transfer of certain assets of the financial institution to another as determined by the Central Bank pursuant to section 35 of the Financial Institutions Law, according to the following order of priority: (a) deposits of up to Ps.50,000 per person (including all amounts such person deposited in one financial institution), or its equivalent in foreign currency, (b) all deposits of an amount higher than Ps.50,000, or its equivalent in foreign currency for the amount exceeding Ps.50,000, and (c) the liabilities originated in commercial lines granted to the financial institution and which directly affect international commerce. Deposits held by parties related to a financial institutions do not benefit from the priority rights set forth in (i) and (ii).

Deposits held by related parties do not have the rights mentioned in section (i) and (ii) above.

### ***Mandatory Deposit Insurance System***

Law No. 24,485 passed, as amended by Law No. 25,089, and Decree Nos. 538/95 and 540/95, created a deposit insurance system (the "SSGD"), which is mandatory for bank deposits, and delegated the responsibility for organizing and implementing the SSGD to the Central Bank. The SSGD is a supplemental protection to the privilege granted to depositors by means of section 49 of the Financial Institutions Law, as mentioned above.

The SSGD has been implemented through the creation of a deposit guarantee fund (the "FGD"), administered by a private corporation called *Seguro de Depósitos Sociedad Anónima* (hereinafter, "SEDESA"). According to Decree No. 1292/96, the shareholders of SEDESA are the Argentine government, through the Central Bank, and a trust integrated by the participating financial institutions. The participating institutions must pay to the FGD a monthly contribution determined by the Central Bank Accounting Rules. The SSGD is financed through regular and additional contributions made by such financial institutions, as provided for in Central Bank's Communication "A" 4271, dated December 30, 2004.

Pursuant to Communication "A" 4271 of the Central Bank, every participating financial institution is required to contribute to the FGD a monthly amount of between 0.015% and 0.06% of the monthly average of daily balances of deposits in local and foreign currency, as determined by the Central Bank. Prompt contribution of such amounts is a condition precedent to the continuing operation of the financial institution. The Central Bank may require financial institutions to advance the payment of up to the equivalent of two years of monthly contributions and debit the past due contributions from funds of the financial institutions deposited with the Central Bank. The Central Bank may require additional contributions by certain institutions, depending on its evaluation of the financial condition of those institutions. When the contributions to the FGD reach the greater of Ps.2 billion or 5.0% of the total deposits of the system, the Central Bank may suspend or reduce the monthly contributions, and reinstate them when the contributions subsequently fall below that level.

The SSGD covers deposits made by individuals and legal entities in Argentine or foreign currency and maintained in accounts with the participating financial institutions, including checking accounts, savings accounts, and time deposits up to the amount of Ps.120,000.

The SSGD does not cover: (i) deposits maintained by financial institutions in other financial institutions, including certificates of deposit bought in the secondary market, (ii) deposits made by persons directly or indirectly affiliated with the financial institution, (iii) time deposits of securities, acceptances or guarantees, (iv) any transferable time deposits that have been transferred by endorsement, (v) any deposits benefiting from some incentive (e.g., car raffles) in addition to the agreed upon interest rate, and (vi) any deposits in which the agreed-upon interest rate is higher than the reference interest rates periodically released by the Central Bank for time deposits and demand deposit account balances and available amounts from overdue deposits or closed accounts.

By virtue of Communication “A” 5710, every financial institution must provide to the FGD a monthly amount equal to 0.06% of the monthly average daily balances of deposits in local and foreign currency, as determined by the Central Bank. When deposits in U.S. dollars of nonfinancial private sector are applied to Central Bank securities in U.S. dollars, the standard contribution will be equal to 0.015%. The Central Bank may require financial institutions to anticipate the payment of the equivalent of two years of monthly contributions and debiting the contributions due on the funds deposited with financial institutions in the Central Bank. The Central Bank may also require additional contributions from certain entities, depending on their assessment of the financial situation of such entities.

When the contributions to the FGD reach Ps.2.000 million, or 5.0% of total deposits in the system, whichever is greater, the Central Bank may suspend or reduce monthly contributions (Decree No. 1292 / 1996).

#### ***Other Restrictions***

Pursuant to Financial Institutions Law, financial institutions cannot create any kind of rights over their assets without the Central Bank’s authorization, nor enter into transactions with their directors, officers or affiliates in terms more favorable than those offered to their clients.

#### ***Capital Markets***

Commercial banks are authorized to subscribe for and sell equity and debt securities. At present, there are no statutory limitations as to the amount of securities that a bank may undertake to subscribe. However, under the Central Bank Accounting Rules, underwriting of debt securities by a bank is treated as “financial assistance” and, accordingly, until the securities are sold to third parties, such underwriting is subject to limitations.

An agreement between the BCBA and representatives of the MAE provides that trading of shares and other equity securities will be conducted exclusively on the BCBA and that all debt securities listed on the BCBA may also be traded on the MAE. Trading of Argentine government securities, which are not covered by the agreement, takes place mainly on the MAE. The agreement does not extend to other Argentine securities markets.

Commercial banks may operate as authorized agents pursuant to the Capital Markets Law and CNV Rules in the following categories: management agents for collective investment fund products, custodians of collective investment fund products, trading agents, settlement and clearing agents, among others.

#### ***Financial Institutions Undergoing Economic Difficulties***

The Financial Institutions Law provides that any financial institution, including a commercial bank, operating at less than certain required technical ratios and minimum net worth levels, in the judgment of the Central Bank adopted by members representing the majority of the Board of Directors, with impaired solvency or liquidity or in any of the other circumstances listed in section 44 of the Financial Institutions Law, must, upon request from the Central Bank and in order to avoid the revocation of its license, prepare a restructuring plan. The plan must be submitted to the Central Bank on a specified date, not later than 30 calendar days from the date on which a request to that effect is made by the Central Bank. Upon the institution’s failure to submit, secure regulatory approval of, or comply with, a restructuring plan, the Central Bank will be empowered to revoke the institution’s license to operate.

Furthermore, the Central Bank’s charter authorizes the Financial Superintendence to fully or partially suspend, subject to the approval of the President of the Central Bank, the operations of a financial institution for up

to 30 days if its liquidity or solvency are adversely affected. Such term can be extended for up to 90 days, with the approval of the Board of Directors of the Central Bank. During the suspension term an automatic stay of claims, enforcement actions and precautionary measures is triggered, any commitment increasing the financial institution's obligations shall be null and void, and debt acceleration and interest accrual shall be suspended.

If, in the judgment of the Central Bank, a financial institution is undergoing a situation which, under the Financial Institutions Law, would authorize the Central Bank to revoke its license to operate as such, the Central Bank may, before considering such revocation, order a plan of restructuring that may consist of a series of measures, including, among others:

- adopting measures to capitalize or increase the capital of the financial institution;
- revoking the approval granted to the shareholders of the financial institution to own an interest therein;
- restructuring and/or transferring assets and liabilities;
- granting temporary exemptions to comply with technical regulations and/or payment of charges and penalties arising from such defective compliance; or
- appointing a delegate or auditor ("*interventor*") that may prospectively replace the Board of Directors of the financial institution.

#### *Revocation of the License to Operate as a Financial Institution*

The Central Bank may revoke a financial institution's license to operate if: (i) a restructuring plan has failed or is not deemed feasible, (ii) local laws and regulations have been violated, (iii) the financial institution suffers insolvency or liquidity, (iv) significant changes have occurred in the institution's condition since the original authorization was granted, (v) a decision by the financial institution's legal or corporate authorities concerning its dissolution has been adopted, or (vi) other circumstances set forth in the Financial Institutions Law take place. Once the license to operate as a financial institution has been revoked, the financial institution shall be liquidated.

#### *Liquidation of Financial Institutions*

As provided in the Financial Institutions Law, the Central Bank must notify the revocation decision to a competent court, which will then determine who will liquidate the entity: (i) the corporate authorities (extrajudicial liquidation) or (ii) an independent liquidator appointed by the court for that purpose (judicial liquidation). The court's decision will be based on whether or not there is sufficient assurance that the corporate authorities are capable of carrying out such liquidation properly.

#### *Bankruptcy of Financial Institutions*

According to the Financial Institutions Law, financial institutions are not allowed to file their own bankruptcy petitions. In addition, bankruptcy shall not be granted until the license to operate as financial institution has been revoked.

Once the license to operate as a financial institution has been revoked, a court of competent jurisdiction may adjudge the former financial institution in bankruptcy, or a petition in bankruptcy may be filed by the Central Bank or by any creditor of the bank, in this case 60 calendar days after the license has been revoked.

Once the bankruptcy of a financial institution has been adjudged, provisions of the Argentine Bankruptcy Law and the Financial Institutions Law shall be applicable; provided however that in certain cases, specific provisions of the Financial Institutions Law shall supersede the provisions of the Argentine Bankruptcy Law (i.e. priority rights of depositors).

### *Merger, Consolidation and Transfer of Goodwill*

Merger, consolidation and transfer of goodwill may be arranged between entities of the same or different type and will be subject to the prior approval of the Central Bank. The new entity must submit a financial-economic structure profile supporting the project in order to obtain authorization from the Central Bank.

### *Financial System Restructuring Unit*

The Financial System Restructuring Unit (*Unidad de Reestructuración del Sistema Financiero*) was created to oversee the implementation of the strategic approach used by those banks that receive aid from the Central Bank. This unit is responsible for rescheduling maturity dates, determining restructuring strategies and action plans. For such purposes, it approves transformation plans and speeds up reimbursement of facilities granted by the Central Bank.

### *Anti-Money Laundering*

The concept of money laundering is generally used to denote transactions aimed at introducing funds from illicit activities in the institutional system and thus transform gains from illegal activities in assets of a seemingly legitimate source.

On April 13, 2000, the Argentine Congress passed Law No. 25,246, as amended by Laws No. 26,087, 26,119, 26,286, and 26,683 (together the “Anti-Money Laundering Law”), which sets forth an administrative criminal system and supersedes several sections of the Argentine Criminal Code related to money laundering. This law defines money laundering as a crime committed whenever a person converts, transfers, manages, sells, encumbers, or otherwise uses money, or any other assets, connected to a crime with the possible result that the original or substituted assets may appear to be of a legitimate origin; *provided* the value of the assets exceeds Ps.300,000, whether such amount results from one or more transactions. Also, money laundering is considered as a separate crime against the economic and financial order, independent from the legal concept of concealment, which is considered an offense against the public administration. Thus, money laundering is a crime which may be prosecuted independently, whether or not the money launderer took part in the preceding crime from which the proceeds of which are being laundered. In compliance with recommendations made by the FATF on money laundering prevention, on June 1, 2011 the Argentine Congress enacted Argentine Law No. 26,683. Under this law, money laundering is a crime per se, and laundering one’s own money is also penalized. Also, this law extends reporting duties to certain members of the private sector who were formerly not under such an obligation.

In addition, the Anti-Money Laundering Law created the UIF, under the Argentine Ministry of Justice, Security and Human Rights, which is responsible for the handling and transmitting of information in order to prevent the laundering of assets originated from: (i) crimes related to illegal trafficking and commercialization of narcotics (Law No. 23,737); (ii) crimes related to arms trafficking (Law No. 22,415); (iii) crimes related to the activities of an illegal association as defined in Section 210 bis of the Argentine Criminal Code; (iv) illegal acts committed by illegal associations (Section 210 of the Argentine Criminal Code) organized to commit crimes with political or racial objectives; (v) crimes of fraud against the Public Administration (Section 174, Paragraph 5 of the Argentine Criminal Code); (vi) crimes against the Public Administration under Chapters VI, VII, IX and IX bis of Title XI of the Second Book of the Argentine Criminal Code; (vii) crimes of underage prostitution and child pornography under Sections 125, 125 bis, 127 bis and 128 of the Argentine Criminal Code; (viii) crimes involving terrorist financing (Section 213 quarter of the Argentine Criminal Code); (ix) extortion (Section 168 of the Argentine Criminal Code), (x) crimes contemplated by Law No. 24,769; and (xi) human trafficking.

The Anti-Money Laundering Law, like anti-money laundering laws of other countries, does not designate sole responsibility to the Argentine government for the monitoring of these criminal activities, but rather also delegates certain duties to diverse private sector entities such as banks, shareholders, stock markets and insurance companies, which became legally bound reporting parties. These obligations essentially consist of information gathering functions, such as: (a) obtaining from clients documents that indisputably prove the identity, legal status, domicile and other information, concerning their operations needed to accomplish the intended activity (know your customer policy); (b) reporting to the UIF any transaction considered suspicious (as such term is explained below), as well as any transaction that lacks economic or legal justification, or is unnecessarily complex, whether performed



on isolated occasions or repeatedly; and (c) keeping any monitoring activities in connection with a proceeding pursuant to the Anti-Money Laundering Law confidential from both clients and third parties.

Argentine financial institutions must comply with all applicable anti-money laundering regulations as provided by the UIF, the Central Bank, and, if applicable, by the CNV (as is in our case). In this regard, in accordance with Resolution No. 229/2014 of the UIF (“Resolution 229”), both the Central Bank and the CNV are considered “Specific Control Organs”. In such capacity, they must cooperate with the UIF in the evaluation of the compliance with the anti-money laundering proceedings of the legally bound reporting parties subject to their control. In that respect, they are entitled to supervise, monitor and inspect such entities, and if considered necessary, to implement certain corrective measures and actions.

Resolution No. 121/2011 issued by the UIF, as amended (“Resolution 121”), is applicable to financial entities subject to the Financial Institutions Law, to entities subject to the Law No. 18,924, as amended, and to individuals and legal entities authorized by the Central Bank to intervene in the purchase and sale of foreign currency through cash or checks issued in foreign currency or through the use of credit or payment cards, or in the transfer of funds within or outside the national territory. Resolution 229 of the UIF, amended and supplemented, and Resolution No. 52/2012 about Politically Exposed Persons, are applicable to brokers and brokerage firms, companies managing common investment funds, agents of the over-the-counter market, intermediaries in the purchase or leasing of securities affiliated with stock exchange entities with or without associated markets, and intermediary agents registered on forwards or option markets. Resolution No. 140/2012 is applicable to all trustees and administrators to regulate trust securities. Resolution 121 and Resolution 229 regulate, among others, the obligation to collect documentation from clients and the terms, obligations and restrictions for compliance with the reporting duty regarding suspicious money laundering and terrorism financing transactions.

Resolution 121 and Resolution 229 set forth general guidelines in connection with the client’s identification (including the distinction between occasional and regular clients), the information to be requested, the documentation to be filed and the procedures to detect and report suspicious transactions. Moreover, the main duties established by such resolutions are the following: a) to create a manual establishing the mechanisms and procedures to be used to prevent money laundering and terrorism financing; b) to appoint a member of the board of directors as compliance officer; c) to implement periodic audits; d) to offer personnel training; e) to create a record of detected unusual (as such term is explained below) and suspicious operations; f) to implement technological tools to allow the development of efficient control systems for prevention of money laundering and terrorism financing; g) to implement measures to allow persons obliged under Resolution 121 and Resolution 229, to electronically consolidate the transactions carried out with clients, and to develop electronic tools to identify certain behaviors and observe possible suspicious transactions, requesting information and, if applicable, supporting documents from its customers and h) to adopt reinforced identification methods applicable to customers with specific features as provided by applicable regulations. Entities covered by Resolution 121 and Resolution 229, as legally bound reporting parties, must report any money laundering suspicious activity to the UIF within 150 calendar days of its occurrence (or attempt) and any terrorism financing suspicious activity before a 48 hours period of its occurrence (or attempt) has elapsed. However, pursuant to Resolution No. 3/2014 UIF, within the maximum 150 calendar days period, entities covered by Resolution 121 and Resolution 229 must report any money laundering suspicious activity to the UIF within 30 calendar days as of the day on which any such activity is qualified as suspicious by such legally bound reporting party.

According to Resolution 121, unusual transactions are those attempted or consummated transactions, on a one-time or on a regular basis, without economic or legal justification, inconsistent with the economic and financial profile of the client, and which deviate from standard market practices, based on their frequency, regularity, amount, complexity, nature or other particular features. According to Resolution 229, an unusual transaction is one that, considering the suitability of the reporter in light of the activity it carries out, and the analysis made, may be suspicious of money laundering and financing terrorism. On other hand, under Resolution 121 and Resolution 229, suspicious transactions are those attempted or consummated transactions that, having been previously identified as unusual transactions by the legally bound reporting party, are inconsistent with the lawful activities declared by the client or, even if related to lawful activities, give rise to suspicion that they are linked or used to finance terrorism.

The Central Bank and the CNV must also comply with anti-money laundering regulations set forth by the UIF, including reporting suspicious transactions. In particular, the Central Bank must comply with UIF Resolution

No. 12/2011, as supplemented, among others, by Resolutions No. 1/2012 and No 92/2012, which, among other things, sets forth the Central Bank's obligation to evaluate the anti-money laundering controls implemented by Argentine financial institutions and lists examples of what circumstances should be specially considered in order to establish if a particular transaction may be considered unusual and eventually qualified as suspicious. The listed transactions must be particularly scrutinized by the Central Bank and include, among others, any transaction involving financial institutions, regular transactions involving securities (specially daily purchases and sales of the same amount of securities), capital contributions into financial institutions that have been paid-in in cash (or means other than bank transfers), and capital contributions by companies incorporated or domiciled in jurisdictions that do not allow for information relating to family relations of its shareholders, board members or members of its supervisory committee, deposits or withdrawals in cash for unusual amounts by entities or individuals that normally use checks or other financial instruments and/or whose declared business does not correspond with the type or amount of the transaction; subsequent cash deposits for small amounts that, in the aggregate, add up to a relevant sum; a single client holding numerous accounts that, in the aggregate, hold relevant sums inconsistent with such client's declared business; transfers of funds for amounts inconsistent with the client's business or usual kind of transaction; accounts with several authorized signatories that hold no apparent relation (in particular when domiciled or acting off-shore or in tax havens); clients that unexpectedly cancel loans; frequent cash deposits or withdrawals for relevant amounts without commercial justification. On the other hand, the CNV must comply with UIF Resolution No. 22/2011, as supplemented, among others, by Resolutions No. 1/2012 and No. 92/2012, which sets forth the CNV's obligation to evaluate the anti-money laundering controls implemented by entities subject to its control, and also lists some examples of what circumstances should be specially considered in order to establish if a particular transaction may be considered unusual and eventually qualified as suspicious.

Central Bank Accounting Rules require Argentine banks to take certain precautions to prevent money laundering. In this regard, Central Bank recommends financial institutions create an anti-money laundering committee, to assist in the compliance of the anti-money laundering regulations. Additionally, as mentioned, each financial institution must appoint a member of the board of directors as the person responsible for money laundering prevention, in charge of centralizing any information the Central Bank may require on its own initiative or at the request of any competent authority and reporting any suspicious transactions to the UIF. In addition, the guidelines issued by the Central Bank to detect unusual or suspected money laundering or terrorist financing transactions require the reporting of suspicious transactions, based on the resources of the entity subject to the reporting obligation and on the type of analysis performed. In particular, the following special circumstances, among others, shall be considered: (a) if the amount, type, frequency and nature of a transaction made by a customer bears no relationship to such customer's previous history and financial activity; (b) amounts that are unusually high or transactions that are of a complexity and type not usual for the relevant customer; (c) if a customer refuses to provide information or documents required by the entity or the information furnished is found to have been altered; (d) if a customer fails to comply with any applicable regulation; (e) if a customer appears to show an unusual disregard for risks it may be assuming and/or costs involved in the transactions, and this is incompatible with the customer's financial profile; (f) if a country or jurisdiction that is not a territory or associated state included in the cooperating countries list contained in Executive Decree No. 589/2013, section 2(b) is involved; (g) if a same address appears registered for different legal entities or the same natural persons have been empowered by and/or act as attorneys-in-fact for different legal entities and such circumstance is not justified by any financial or legal reason, in particular taking into account whether any such companies or entities are not organized, domiciled or resident in dominions, jurisdictions, territories or associated states included in the cooperating countries list contained in Executive Decree No. 589/2013, section 2(b), and their main business involves off-shore transactions; (h) if transactions of a similar nature, amount, type or which are conducted simultaneously, it may be presumed that a single transaction has been split into several for the purpose of avoiding the application of transaction detection and/or reporting procedures; (i) if continued profits or losses are derived from transactions repeatedly conducted between the same parties; or (j) if certain signs suggest an illegal source, handling or use of funds involved in the transactions, and the entity subject to the legal obligation does not have any explanation for this.

Furthermore, pursuant to Communication "A" 5612 and "A" 5736 of the Central Bank, in force as of February 2015 and April 1, 2015 respectively, Argentina's financial institutions must comply with certain additional "*know your customer policies*". In this sense, pursuant to such Communication, under no circumstance new commercial relationships could be initiated if the "*know your customer policies*" and the risk management legal standards have not been complied with. In addition, as per the existing clients: (i) if the "*know your customer policies*" could not be complied with, the Argentine financial institution must discontinue operations with such

client (i.e. cease the relationship with the client in accordance with Central Bank's regulations for each type of product) within 150 calendar days as of the notice of such circumstances; and (ii) if a certain operation is qualified as suspicious by the Argentine financial institution, operations must be discontinued with such client within 30 calendar days as of such qualification (certain exceptions are made as per special accounts, such as social security accounts, salaries accounts and free universal accounts, in where simplified due diligence procedures could be implemented). Furthermore, pursuant to this Communication, Argentine financial entities must keep the documentation related to the discontinuance for 10 years and include in their prevention manuals the detailed procedures to initiate and discontinue operations with clients in accordance with the above-mentioned additional "*know your customer policies*" implemented.

The CNV Rules (as amended in September 2013) include a specific chapter regarding "Prevention of Money Laundering and the Financing of Terrorism" and state that the persons set forth therein (including, among others, Negotiation Agents, Clearing and Settlement Agents (which are stockbrokers), and Distribution and Placement Agents) are to be considered legally bound reporting under the Anti-Money Laundering Law, and therefore must comply with all the laws and regulations in force in connection with anti-money laundering and terrorism financing, including resolutions issued by the UIF, presidential decrees referring to resolutions issued by the United Nations Security Council in connection with the fight against terrorism and the resolutions (and its annexes) issued by the Ministry of Foreign Affairs. In addition, CNV Rules impose certain restrictions in connection with payment arrangements (restricting, among others, to Ps.1,000 the cash amount that the entities set forth therein could receive or pay per day and per client) and impose certain reporting obligations.

In addition, the CNV Rules establish that the above-mentioned entities shall only be able to carry out any transactions therein contemplated under the public offering system, when such transactions are carried out or ordered by persons organized, domiciled or resident in dominions, jurisdictions, territories or associated States included in the cooperating countries list contained in Executive Decree No. 589/2013, section 2(b). When such persons are not included in such list and in their home jurisdiction qualify as registered intermediaries in an entity under control and supervision of a body that carries out similar functions to those carried out by the CNV, they will only be allowed to carry out such transactions if they provide evidence indicating that the relevant securities and exchange commission in their home jurisdiction has signed a memorandum of understanding for cooperation and exchange of information with the CNV.

**IN RESPONSE TO THE PROVISIONS DETAILED ABOVE, TO SUBSCRIBE OUR NOTES, INVESTORS SHOULD PROVIDE ALL INFORMATION AND DOCUMENTS TO BE FILED OR BE OR BE REQUIRED BY OR DEALERS AND / OR THE ISSUER TO MEET TO, THE RULES ON PREVENTION OF LAUNDERING OF CRIMINAL ORIGIN ISSUED BY THE UIF, THE CENTRAL BANK OR CNV.**

For a thorough analysis of money laundering regulations in effect as of the date of this document, investors are advised to consult with their own legal counsel and to read Title XIII, Second Book of the Argentine Criminal Code and any regulations issued by the UIF, the CNV and the Central Bank in their entirety. For this purpose, interested parties may visit the websites of the Argentine Ministry of Economy and Public Finance, [www.infoleg.gov.ar](http://www.infoleg.gov.ar), the UIF, [www.uif.gov.ar](http://www.uif.gov.ar), the CNV, [www.cnv.gov.ar](http://www.cnv.gov.ar) or the Central Bank, [www.bcra.gov.ar](http://www.bcra.gov.ar).



## ARGENTINE INSURANCE SYSTEM AND REGULATION

The following is a summary of certain matters relating to the Argentine insurance system, including provisions of Argentine law and regulations applicable to insurance companies in Argentina. This summary is not intended to constitute a complete analysis of all laws and regulations applicable to insurance companies in Argentina. Prospective investors in the Notes are advised to consult their legal advisors for a more detailed analysis thereof.

### The Argentine Insurance System

The number of operators within the Insurance Market has remained stable in recent years, both in quantity and structure, reaching a total of 186 insurers: 19 retirement insurance companies, 37 life insurance companies, 17 labor risk insurance companies and 5 passengers in public transport insurance companies, while the remaining 108 covers several areas. The reinsurance market had 111 reinsurers, 28 local reinsurance companies, 78 admitted reinsurance companies, and 5 entities authorized to operate in reinsurance assets. Furthermore, there are 23 reinsurance intermediaries currently operating.

As of December 2014, the market has over 27,300 insurance advisors and over 540 insurance producers.

The insurance production exceeded 80,600 million pesos, 80% of which are in property insurance, and the remaining 20% are personal insurance. Vehicles and labor risks jointly represented almost 62% of market production, and 77% in property insurance. In personal insurance, premiums are concentrated in life insurance by 61%, implying a 12% market as a whole.

As of December 2014, assets exceeded 119.8 billion pesos, while the liabilities reached to 96.7 billion pesos, determining Shareholders' Equity of more than 23 billion pesos.

### Superintendence of Insurance

Insurance companies in Argentina are regulated by Argentine Law No. 20,091, as amended (the "Insurance Companies Law") and by regulations issued by the Superintendence of Insurance. The Superintendence of Insurance is the regulatory and supervisory authority over insurance companies and insurance brokers in Argentina. Insurance companies are required to file annual and quarterly financial statements and to provide the Superintendence of Insurance with a complete and detailed analysis of their financial condition. The Superintendence of Insurance also conducts periodic examinations of the affairs of insurance companies. The Superintendence of Insurance's supervisory powers include:

- authorization of insurance companies to operate specific insurance lines of business and the insurance plans and terms and conditions of their policies, including the approval of such companies' bylaws;
- evaluation of the solvency and insurance expertise of insurance companies' shareholders, directors and Syndics; determination, with general and uniform criteria, of minimum capital and reserve requirements; oversight of the financial condition of insurance companies; regulation of the category and amount of permitted investments of insurance companies; authorization of mergers of insurance companies and assignment of insurance portfolios; and
- the ability to impose fines on or suspend or revoke the licenses of insurance companies and oversight of the liquidation of insurance companies.

In accordance with the Insurance Companies Law, only those insurance companies (whether local or foreign) which have been granted licenses by the Superintendence of Insurance are entitled to carry out insurance activities in Argentina. Those companies may be: (i) Argentine private entities, in the form of corporations (*sociedades anónimas*), cooperatives (*sociedades cooperativas*) or mutual insurance companies (*sociedades de seguros mutuos*); (ii) branches or representative offices of foreign companies of the type described in (i) above; or

(iii) federal, provincial or municipal governmental entities. The Privatization Law, however, explicitly permits us to provide insurance for risks associated with our lending activities until August 2007.

Effective October 1, 1998, the Superintendence of Insurance permitted the incorporation of new insurance companies. The issuance of new insurance licenses was suspended between 1977 and 1994, and has been permitted in limited circumstances since 1994.

The transfer of stock of local insurance companies is subject to the approval of the Superintendence of Insurance, except when the purchaser is a company which has a satisfactory rating. There are no restrictions on foreign ownership of local insurance companies. Recently issued regulations also require newly formed companies to provide specific information about the company's shareholders.

### **Required Reserves**

The Superintendence of Insurance requires that companies which conduct insurance operations, including us, maintain certain reserves depending on their lines of business and policies issued. The reserves are determined primarily pursuant to two criteria, claims and premiums.

Claim-related reserves have two principal forms: occurrences and "claims reported but not registered" ("RBNR"). The reserve for occurrences relates to claims filed but not yet paid, and it is based on a reasonable estimation of future amounts to be paid based on the insurance company's knowledge of the claims reported by its insured. The RBNR reserve is intended to account for filed claims which have not yet been registered on the accounting records of the company. This reserve may be estimated based on historical information or subsequent review, if possible. A third form of claim-related reserves, for liabilities incurred but not reported ("IBNR"), is used by Argentine insurance companies, including us and is required by the Superintendence of Insurance. IBNR is an estimate of amounts expected to be paid for claims not yet filed, typically based on historical information of the company or market data.

There are also three forms of premium-related reserves: ongoing risks reserve, mathematical reserve and sufficiency of premiums. Ongoing risks reserve is maintained for those areas of activity in which policies cover a short time period (usually less than a year), and an up-front premium is paid for the entire coverage period. Ongoing risks reserve is intended to cover risks related to coverage which extends beyond the applicable accounting period. The ongoing risks reserve essentially allows income to be distributed over different fiscal periods, since the income generated by premiums paid in the applicable fiscal year cannot cover risks beyond such period. The mathematical reserve is created for long-term contracts (typically life insurance) in which the risk increases over time. In order to avoid charging borrowers premiums which increase incrementally, premiums are maintained constant, but include a percentage intended to cover future risks, which is deemed a reserve. The mathematical reserve also allows the company to amortize a portion of the premium income received.

In its Resolution No. 28,906/02, the Superintendence of Insurance determined that insurance providers are obligated to maintain a reserve, in order to cover any deficit that could exist for insufficiency of premiums. The determination of this reserve is calculated by the sum of all revenue generated (*i.e.*, premiums paid and earnings on investments) minus all expenses incurred (*i.e.*, claims paid, administrative expenses, etc.) during the immediately preceding 12 months. We currently maintain reserves at or above the levels prescribed in this resolution.

### **Minimum Capital Requirements**

Pursuant to regulations enacted in April 1998, both insurance companies existing as of October 1, 1998 and insurance companies incorporated thereafter are required to comply with new minimum capital requirements. The required minimum capital for both existing and newly incorporated companies is the greatest of the amount determined by taking into account the line of insurance business, premiums and overcharges, and claims paid and accrued.

### ***Line of Business***

Minimum capital requirements for insurance companies existing and authorized before September 30, 1998 according to their line of business are as follows: (i) Ps.2.25 million for automobile or motor insurance, excluding public transportation casualty; (ii) Ps.750,000 for each of the following lines of insurance: (a) casualty; (b) insurance against loss and damage, including fire and combined insurance, robbery and similar risks, transportation, farm animals, hail, technical insurance and several other risks; and (c) bond insurance and credit insurance, except mortgage credit insurance; (iii) Ps.750,000 for personal accidents, health, life and burial insurance; (iv) Ps.3.0 million for operating jointly activities described in (i), (ii) and (iii) above; (v) Ps.2.0 million for retirement insurance, excluding pension-related life annuity insurance and work risks annuity; (vi) Ps.3.0 million for pension related life annuity insurance and rents for risks at work; this amount also allows the insurer to operate in the area described in item (v) above; (vii) Ps.3.0 million for pension related disability and death collective insurance, which amount also allows the insurer to operate in the area described in item (iii) above; (viii) Ps.3.0 million for labor risk and mortgage credit insurance; (ix) Ps.6.0 million for public transportation casualty insurance, which amount will be in addition to the minimum required capital when it is not the only area of activity of the insurance company; (x) Ps.2.0 million for mutual companies which operate exclusively in public transportation casualty insurance with additional increases of 3.0% of premiums and installments during the first two years and 5.0% in subsequent years until such amount equals the annual earnings amount; and (xi) Ps.750,000 for insurance companies which operate exclusively in burial insurance activities.

Insurance companies incorporated or authorized after October 1, 1998 have the following minimum capital requirements: (a) Ps.10.0 million for operating in the activities described in (i) above; (b) Ps.6.0 million to operate in activities described in (ii) above; (c) Ps.3.0 million for the activities described in (ii) above; (d) Ps.3.0 million for insurance companies that will operate jointly in areas described in (iii) and (viii) above (companies which operate in these areas will be limited to these specific operations); (e) Ps.10.0 million for the activities described in (v) above; (f) Ps.3.0 million to operate in activities described in (vi) above; (g) Ps.10.0 million for the activities described in (viii) above and (h) Ps.1.5 million for the activities described in (xi) above.

### ***Premiums Collected***

For all insurance companies, the minimum capital requirement based on premiums collected is equal to (i) a specified percentage of premiums collected during the prior fiscal year, multiplied by (ii) the ratio between net and gross claims paid during the prior three fiscal years, which ratio cannot be less than 0.5. With respect to more recently formed companies, the foregoing formula will be adjusted to take into account the period during which each company has been in existence.

### ***Claims Paid***

For all insurance companies, the minimum capital requirement based on claims paid is equal to (i) a specified percentage of the sum of claims paid plus claims accrued over the last three fiscal years, divided by three, multiplied by (ii) the ratio between net and gross claims paid during the prior fiscal year, which ratio cannot be less than 0.5. With respect to more recently formed companies, the foregoing formula will be adjusted to take into account the period during which each company has been in existence.

Individual life insurance companies without savings coverage must have minimum capital determined pursuant to procedures specified in the insurance regulations mentioned above. Individual life insurance with savings coverage must have minimum capital determined pursuant to a special procedure depending on premiums and overcharges and claims, in all cases as specified in the insurance regulations.

### ***Deficit in Minimum Capital***

In the event of a deficit in the minimum capital, insurance companies may be requested, depending on the circumstances, to report to the Superintendence of Insurance within five business days, and to eliminate the deficit within 15 business days, or to submit a restructuring plan providing for elimination of the deficit through one of the following procedures: (i) capital contributions; (ii) merger; (iii) administration by a third party with a purchase or a

merger option; (iv) assignment of the portfolio; and (v) exclusion of certain assets and liabilities from the insurance company and assignment, for consideration, of such assets to other insurance company or to a trust.

If an insurance company fails to meet the minimum capital requirements, the Superintendence of Insurance may attach the property of the company or order the company to refrain from writing new business pending compliance with the minimum requirements.

### **Prohibited Activities**

Insurance companies cannot, among other prohibitions:

- co-own assets without prior authorization of the Superintendence of Insurance;
- incur liens upon their real property other than to secure the purchase price pursuant to the conditions established by the Superintendence of Insurance;
- issue debt securities, promissory Notes (*pagarés*) or drafts;
- pay claims with drafts or promissory Notes;
- borrow funds from a bank, other than subordinated debt subject to Superintendence of Insurance regulations, unless previously authorized by the Superintendence of Insurance in transitory situations of lack of liquid assets; and
- guarantee third-party obligations except in the case of approved insurance operations.

Individuals, properties and any insurable interests within Argentine jurisdiction cannot be insured by companies which have not been approved by the Superintendence of Insurance. Insurance policies issued in violation of this requirement will subject the insured and the broker to fines up to 25 times the amount of the premium.

### **Reinsurance**

Since 1992 and until 2011 most insurance companies in the Argentine insurance market have reinsurance from foreign reinsurance companies through a broker duly registered with the Superintendence of Insurance. However, since 2011 reinsurance with foreign companies is only admitted by the Superintendence of Insurance as an exception in specific cases and provided certain requirements are met both by the insurance and the reinsurance companies.

Reinsurance companies must comply with the minimum capital requirements described in the insurance regulations.

### **Liquidation**

#### ***Voluntary Liquidation***

If an insurance company voluntarily chooses to liquidate, liquidation procedures may be validly carried out by the company's management, although the Superintendence of Insurance maintains the right to oversee the liquidation process. If the company does not commence liquidation procedures immediately, or if the interest of the company's insured could be harmed in any way, the Superintendence of Insurance may take control of the liquidation procedure after obtaining an order from a court of competent jurisdiction.

### ***Involuntary Liquidation***

If liquidation results from revocation of the insurance license, the Superintendence of Insurance will require its appointment as liquidator by a court of competent jurisdiction. In addition, any court of competent jurisdiction may, upon request of an interested party, declare the dissolution of an insurance company and order its liquidation by the Superintendence of Insurance; *provided* that certain conditions for dissolution are met. Insurance companies cannot make use of reorganization procedures provided for in the Argentine Bankruptcy Law.

## DESCRIPTION OF THE NOTES

### General

The Notes may be issued under indentures and/or agency agreements executed from time to time by us with entities acting as trustees and/or agents. Such trustees and/or agents will act only with respect to the series specified in the applicable pricing supplement and will have such rights and obligations as set forth therein. The appointment of trustees and agents will be set out in the applicable pricing supplement.

The creation of the Program was approved by resolution of our General Ordinary and Extraordinary Shareholders' Meeting dated May 23, 2008 and resolution of our Board of Directors dated February 9, 2011, which resolution also approved a reduction in the original approved amount of US\$2,000,000,000 (or its equivalent in pesos) to US\$500,000,000 (or its equivalent in pesos). In addition, our Board of Directors approved a resolution increasing the amount of the Program up to US\$800,000,000 on May 6, 2015.

The Notes may be issued from time to time in one or more series. The Notes of all series outstanding at any one time under the Program are limited to an aggregate principal amount of US\$800,000,000 (or its equivalent in pesos). The particular terms of each issue of Notes, including, without limitation, the date of issue, issue price, currency of denomination and payment, maturity, interest rate or interest rate formula, if any, and, if applicable, redemption, repayment and index provisions, will be set forth for such issue in the Notes and described in the pricing supplement applicable to such tranche and/or series. With respect to any particular Note, the description of the Notes herein is qualified in its entirety by reference to, and to the extent inconsistent therewith is superseded by, such Note and the applicable pricing supplement.

The Notes issued under this Program will constitute *obligaciones negociables simples no convertibles* under Argentine law and will be issued pursuant to, and in compliance with, all of the requirements of, the Negotiable Obligations Law and any other applicable Argentine laws and regulations. Unless otherwise specified in the applicable pricing supplement, the Notes will constitute our unsecured and unsubordinated obligations and will rank at least *pari passu* in right of payment with our other unsecured and unsubordinated indebtedness (other than obligations preferred by statute or operation of law, including deposits). If so specified in the applicable pricing supplement, we may issue subordinated Notes in accordance with the Central Bank Accounting Rules then applicable, that will rank junior in right of payment to our secured indebtedness and, to the extent set forth therein, certain of its unsecured and unsubordinated indebtedness (as well as obligations preferred by statute or by operation of law). For further information see "Ranking".

Unless previously redeemed, a Note will mature on the date no less than 30 days from its date of issue (the "Stated Maturity") as specified on the face thereof and in the applicable pricing supplement.

Each note may be denominated in any currency (a "Specified Currency") as shall be specified on the face thereof and in the applicable pricing supplement. Unless otherwise specified in the applicable pricing supplement, payments on each Note will be made in the applicable Specified Currency; provided that in certain circumstances, as may be described in the applicable pricing supplement, payments on any such Note denominated in a currency other than U.S. dollars may, to the extent permitted by Argentine law, be made in U.S. dollars or in other currencies. See "Payment of Principal and Interest".

Each Note will bear interest, if any, at the interest rate or interest rate formula set forth in the applicable pricing supplement. Unless otherwise indicated in the applicable pricing supplement, each Note may bear interest at a fixed rate (a "Fixed Rate Note") or at a rate determined by reference to an interest rate basis or other interest rate formula (a "Floating Rate Note") or may bear no interest (a "Zero-Coupon Note"). See "Interest Rate".

The Notes may also be issued with principal and/or interest payable, to the extent permitted by Argentine law, in one or more currencies different from the currency in which such Notes are denominated ("Dual Currency Notes") or linked to an index and/or a formula ("Indexed Notes"). Dual Currency Notes and Indexed Notes may be issued to bear interest on a fixed or floating rate basis or on a non-interest bearing basis or a combination of such bases, in which case provisions relating to Fixed Rate Notes, Floating Rate Notes, Zero-Coupon Notes or a



combination thereof, respectively, shall, where the context so admits, apply to such Dual Currency or Indexed Notes. References herein to notes denominated in a Specified Currency shall, unless the context otherwise requires, include Dual Currency Notes payable in such Specified Currency.

The Notes may be issued as Original Issue Discount Notes. An “Original Issue Discount Note”, including any Zero-Coupon Note, is a note which is issued at a price lower than the principal amount thereof, and which provides that upon redemption or acceleration of the Stated Maturity thereof, the amount payable to the holder of such note will be determined in accordance with the terms of such note, and will be an amount that is less than the amount payable on the Stated Maturity of such Note. For further information see “Taxation”.

Unless otherwise specified in the applicable pricing supplement, the Notes will not be subject to any sinking fund and will not be redeemable prior to their Stated Maturity, except in the event of certain changes involving Argentine taxes. See “Redemption and Repurchase”.

The applicable Pricing Supplement may provide for the creation of a sinking fund for a tranche or series, which may be created to secure payment of such Notes. The sinking fund’s composition and raising method, as applicable, will be specified in the applicable Pricing Supplement.

If permitted by applicable law and the corresponding pricing supplement we may, from time to time, without the consent of and/or notice to, holders of any outstanding Notes, issue further Notes of the same series if they have the same terms and conditions as the Notes of such series in every respect (except for the issue date, the issue price, the applicable legends and, if applicable, the first interest payment) and the other Notes will ultimately constitute a single series with the previously outstanding Notes in that series.

#### **Program Duration**

The Program’s duration is five years from May 24, 2011.

#### **Form and Denomination**

The Notes will be issued in the denominations specified in the pricing supplement applicable to each tranche or series. It is noted that the Bank shall comply with the minimum amount set forth by the Central Bank, through Communication “A” 5034, as amended, which is currently of Ps.400,000.

Pursuant to Law No. 24,587 of *Nominatividad de los Títulos Valores Privados*, Argentine companies are not allowed to issue certificated securities in bearer form unless authorized by the CNV, which securities should be placed by means of a public offering in Argentina and be represented by global or individual securities, registered or deposited with a common depository system authorized by the CNV. Therefore, for as long as the provisions of Law No. 24,587 of *Nominatividad de los Títulos Valores Privados* are in effect, we will only issue registered, non-endorsable Notes or Notes deposited with a custodian or clearing system, not exchangeable for bearer certificated Notes, as set forth in the applicable Pricing Supplement.

In the event that the Notes are offered in the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act, such will be represented by one or more Rule 144A Global Notes. In the event that the Notes are offered in reliance on Regulation S, such will be represented by one or more Regulation S Global Notes. If the Notes are offered in markets other than the United States, such will be placed in compliance with applicable laws of such markets.

#### **Replacement of Notes**

Notes that become mutilated, destroyed, stolen or lost will be replaced upon delivery to us and the trustee (if one is appointed by us) of evidence of the loss, theft or destruction thereof satisfactory to us. In the case of a lost, stolen or destroyed Note, an indemnity satisfactory to us may be required at the expense of the holder of such Note before a replacement Note will be issued. Upon the issuance of any new Note, we may require the payment of a sum

sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including fees and expenses of our counsel and agents) in connection with the replacement.

### **Definitive and Temporary Notes**

Temporary Notes may be exchanged for definitive Notes, in the denominations set forth in each opportunity, as specified in the applicable pricing supplement. All temporary Notes will be identified as such and will make reference to the noteholder's right to exchange them for definitive Notes, as well as the manner in which such exchange will be made.

### **Ranking**

The Notes will constitute *obligaciones negociables simples no convertibles en acciones* under the Capital Markets Law, CNV Rules and the Negotiable Obligations Law, and will be entitled to the benefits set forth therein and subject to the procedural requirements established therein. In particular, pursuant to Section 29 of the Negotiable Obligations Law, if we default in the payment of any amounts outstanding under the Notes of any series, the holder of such Notes will be entitled to file a summary action ("*acción ejecutiva*") in Argentina for collection of such amount.

Unless otherwise specified in the applicable pricing supplement, the Notes will constitute unsecured, unsubordinated obligations and will rank at least *pari passu* in right of payment with our other unsecured and unsubordinated indebtedness (other than obligations preferred by statute or operation of law, including deposits). These general conditions may be superseded, enlarged and/or supplemented in the applicable pricing supplement relating to each tranche and/or series, always safeguarding investors' interests.

Specifically, pursuant to the Financial Institutions Law, all of our existing and future depositors will have a general priority over the holders of Notes issued under this Program. The Financial Institutions Law provides that, in the event of judicial liquidation or bankruptcy, all depositors, whether individuals or legal entities, and whichever the type, amount or currency of their deposits, would have general and absolute priority over any other of our creditors (including the holders of the Notes), except for certain labor and secured creditors. In addition, the depositors would have priority over all the other creditors, save for certain labor creditors, over the funds in possession of the Central Bank as reserves, other funds existing at the date when our authorization is revoked and the proceeds of the mandatory transfer of our assets, as determined by the Central Bank.

If so specified in the applicable pricing supplement, we may issue subordinated Notes that will rank junior in right of payment to our unsubordinated indebtedness, in accordance with the applicable laws.

In addition, except with respect to labor claims and claims secured by a pledge or mortgage, the holders of any type of deposits will have a priority over (i) the funds held by the Central Bank as reserves, (ii) other existing funds held by the Central Bank as reserves, (iii) other funds existing on the date when our authorization is revoked and (iv) the proceeds generated from the mandatory transfer of our assets as determined by the Central Bank to be paid in the following order of priority to our remaining creditors: (a) deposits of up to Ps.350,000 per person or corporation (considering all amounts of such person/corporation deposited in one financial institution) or its equivalent amount in foreign currency, with priority right granted to one person per deposit (in the case of more than one account holder, the amount is pro-rated among such account holders); (b) any deposits greater than Ps.350,000 or its equivalent in foreign currency, for the amounts exceeding such sum; and (c) liabilities derived from credit facilities granted to us, which directly affect international trade. Also, under Section 53 of the Financial Institutions Law, any claims of the Central Bank will have priority over any other creditors, except for creditors secured by a pledge or mortgage, certain labor creditors and depositors (in the terms set forth above), facilities granted pursuant to the Central Bank's Charter (rediscounts granted to financial institutions in the event of a temporary lack of liquidity, advances to financial institutions under a bond, bond assignment, pledge or special assignment of certain assets), and facilities granted by the Argentine Bank Liquidity Fund and secured by a pledge or mortgage collateral.



## Interest Rate

### *General*

Each Fixed Rate Note or Floating Rate Note will bear interest from (and including) the issue date or such other date (the “Interest Commencement Date”) specified in the applicable pricing supplement or from the most recent Interest Payment Date (or, if such Note is a Floating Rate Note and the Interest Reset Period is daily or weekly, from the day following the most recent Interest Reset Date) (as each such term is defined below) to which interest on such Note has been paid or duly provided for at the fixed rate per annum, or at the rate per annum determined pursuant to the interest rate formula, stated in the applicable pricing supplement, until the principal thereof is paid or made available for payment. Interest will be payable on the date or dates specified in the applicable pricing supplement (an “Interest Payment Date”) and at Stated Maturity or upon redemption or acceleration, as specified under “*Payment of Principal and Interest*” below.

Each Note bearing interest will bear interest at either (i) a fixed rate or (ii) a variable rate determined by reference to an interest rate basis (including LIBOR (a “LIBOR Note”), the Treasury Rate (a “Treasury Rate Note”) or such other interest rate basis as is set forth in the applicable pricing supplement, including but not limited to LEBAC’s discount rate, BADLAR rate and/or CER rate, and in compliance with the applicable Argentine laws and regulations), which may be adjusted by adding or subtracting the Spread and/or multiplying by the Spread Multiplier. The “Spread” is the number of basis points specified in the applicable pricing supplement as being applicable to the interest rate for such note, and the “Spread Multiplier” is the percentage specified in the applicable pricing supplement as being applicable to the interest rate for such Note. A Floating Rate Note may also have either or both of the following as specified in the applicable pricing supplement: (i) a maximum numerical interest rate limitation, or ceiling, on the rate of interest which may accrue during any interest period (a “Maximum Rate”) and (ii) a minimum numerical interest rate limitation, or floor, on the rate of interest which may accrue during any interest period (a “Minimum Rate”).

The referred general conditions on Interest Rate may be superseded, modified and/or supplemented in the applicable pricing supplement relating to each tranche and/or series, always safeguarding the investors’ interests.

We use the following general definitions throughout this section:

“*BADLAR*” means the average of the interest rates offered for fixed term operations over a million pesos by private banking entities for a term of between 30 and 35 days. This rate is published by the Central Bank in its web site.

“*Business Day*” means, unless otherwise defined in the applicable pricing supplement, any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banks are authorized or required by law, regulation or executive order to close in New York City or Buenos Aires City; *provided* that, with respect to notes denominated in a Specified Currency other than U.S. dollars, it is also not a day on which commercial banks are authorized or required by law, regulation or executive order to close in the principal financial center of the country issuing the Specified Currency (or, if the Specified Currency is the Euro, such day is also a day on which the Trans-European Automated Real Time Gross Settlement Express Transfer (TARGET) System is open, (a “TARGET Settlement Date”); *provided further* that, with respect to a LIBOR Note, it is also a London Banking Day.

“*CER*” means a daily adjustment index issued by the Central Bank which reflects the rate of inflation. This calculation is based on the registered fluctuation of the Consumer Prices Index which is issued by the National Institute of Statistics and Censuses.

“*London Banking Day*” means any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

“*Index Maturity*” means, with respect to a Floating Rate Note, the period to maturity of the instrument or obligation on which the interest rate formula is based, as specified in the applicable pricing supplement.

The trustee and the calculation agent for the Global Notes (the “Calculation Agent”) with respect to the Floating Rate Notes will be specified in the applicable pricing supplement.

### ***Fixed Rate Notes***

Fixed Rate Notes will bear interest from (and including) the Interest Commencement Date specified in the applicable pricing supplement at the rate or rates per annum so specified (the “Fixed Rate(s) of Interest”) payable in arrears on the Interest Payment Date(s) in each year and on the Stated Maturity or upon redemption or acceleration. The first payment of interest will be made on the Interest Payment Date following the Interest Commencement Date and, if the period from the Interest Commencement Date to the Interest Payment Date differs from the period between subsequent Interest Payment Dates, will equal the “Initial Broken Amount” specified in the applicable pricing supplement. If the Stated Maturity is not an Interest Payment Date, interest from and including the preceding Interest Payment Date (or the Interest Commencement Date, as the case may be) to (but excluding) the Stated Maturity will equal the “Final Broken Amount” specified in the applicable pricing supplement.

### ***Floating Rate Notes***

#### ***General***

The pricing supplement relating to a Floating Rate Note will designate an interest rate basis (the “Interest Rate Basis”) for such Floating Rate Note. The Interest Rate Basis for each Floating Rate Note will be: (i) LIBOR, in which case such Note will be a LIBOR Note; (ii) the Treasury Rate, in which case such Note will be a Treasury Rate Note; or (iii) such other interest rate basis as is set forth in such pricing supplement including but not limited to LEBAC’s discount rate, BADLAR rate and/or CER rate. The pricing supplement for a Floating Rate Note will also specify, if applicable, the Calculation Agent, the Index Maturity, the Spread and/or Spread Multiplier, the Maximum Rate, the Minimum Rate, the Regular Record Dates and the Initial Interest Rate, the Interest Payment Dates, the Calculation Dates, the Interest Determination Dates, the Interest Reset Period and the Interest Reset Dates (each as defined below) with respect to such Note.

The interest rate on each Floating Rate Note will be reset and become effective daily, weekly, monthly, quarterly, semiannually, annually or otherwise, as specified in the applicable pricing supplement (each an “Interest Reset Period”); *provided that* (i) the interest rate in effect from the date of issue to the first Interest Reset Date with respect to a Floating Rate Note will be the initial interest rate as set forth in the applicable pricing supplement (the “Initial Interest Rate”) and (ii) unless otherwise specified in the applicable pricing supplement, the interest rate in effect for the ten days immediately prior to the Stated Maturity of a Note will be that in effect on the tenth day preceding such Stated Maturity. The dates on which the rate of interest will be reset (each an “Interest Reset Date”) will be specified in the applicable pricing supplement. If any Interest Reset Date for any Floating Rate Note would otherwise be a day that is not a Business Day with respect to such Floating Rate Note, the Interest Reset Date for such Floating Rate Note will be postponed to the next day that is a Business Day with respect to such Floating Rate Note, except that, in the case of a LIBOR Note, if such Business Day is in the next succeeding calendar month, such Interest Reset Date will be the preceding Business Day.

The “Interest Determination Dates” will be as set forth below, unless otherwise specified in the applicable pricing supplement, always safeguarding the investors’ interests. The Interest Determination Date pertaining to an Interest Reset Date for a LIBOR Note (the “LIBOR Interest Determination Date”) will be the second Business Day preceding such Interest Reset Date. The Interest Determination Date pertaining to an Interest Reset Date for a Treasury Rate Note (the “Treasury Interest Determination Date”) will be the day of the week in which such Interest Reset Date falls and on which Treasury bills would normally be auctioned. Treasury bills are usually sold at auction on the Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, except that such auction may be on the preceding Friday. If, as the result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Treasury Interest Determination Date pertaining to the Interest Reset Date occurring in the next succeeding week. If an auction date falls on any Interest Reset Date for a Treasury Rate Note, then such Interest Reset Date will instead be the first Business Day immediately following such auction date.

All percentages resulting from any calculations referred to in this offering memorandum will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (e.g., 9.876545% (or 0.09876545) being rounded to 9.87655% (or 0.0987655)), and all Specified Currency amounts used in or resulting from such calculations will be rounded to the nearest cent (with one-half cent rounded upward) or nearest equivalent in Specified Currencies other than U.S. dollars. In addition to any Maximum Rate which may be applicable to any Floating Rate Note pursuant to the above provisions, the interest rate on Floating Rate Notes will in no event be higher than the maximum interest rate permitted by applicable law.

Upon the request of the holder of any Floating Rate Note, the relevant Calculation Agent will provide the interest rate then in effect, and, if determined, the interest rate which will become effective on the next Interest Reset Date with respect to such Floating Rate Note. The relevant Calculation Agent's determination of any interest rate will be final and binding in the absence of a manifested error.

Upon our request, the relevant Calculation Agent will cause notice of the interest rate and the amount of interest for each interest period and the relevant Interest Payment Date to be given to us (and, as applicable, to the trustee, if so determined in the applicable pricing supplement) as soon as possible after their determination but in no event later than the fourth Business Day thereafter and, in the case of Notes listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market, no later than the first day of the relevant Interest Reset Period, and otherwise within 30 days of the relevant Payment Date. Such notice will be in accordance with the provisions of the Notes relating to notices to holders of Notes. See "Notices". The amount of interest and the Interest Payment Date may subsequently be amended (or appropriate alternative arrangements may be made by way of adjustment) without notice in the event of an extension or shortening of the Interest Reset Period.

The manner in which the interest rate for any Floating Rate Note that is not a LIBOR Note or a Treasury Rate Note will be determined as set forth in the applicable pricing supplement.

#### *LIBOR Notes*

LIBOR Notes will bear interest at the interest rates (calculated with reference to LIBOR and the Spread and/or Spread Multiplier, if any, subject to the Maximum Rate or the Minimum Rate, if any), and will be payable on the dates, specified on the face of the LIBOR Note and in the applicable pricing supplement.

LIBOR with respect to any Interest Reset Date will be determined by the Calculation Agent in accordance with the following provisions. On the relevant LIBOR Interest Determination Date, LIBOR will be determined on the basis of either of the following, as specified in the applicable pricing supplement:

(i) the offered rates for deposits in the Specified Currency having the specified Index Maturity, commencing on the next succeeding Interest Reset Date, which appear on the display designated as page "LIBOR01" or "LIBOR02" as applicable, on the Reuters Monitor Money Rates Service (or such other page as may replace such pages on that service for the purpose of displaying London interbank offered rates of major banks for deposits in the Specified Currency) (each a "Reuters Screen LIBOR Page") as of 11:00 A.M., London time, on such LIBOR Interest Determination Date. If at least two such offered rates appear on the Reuters Screen LIBOR Page, LIBOR with respect to such Interest Reset Date will be the arithmetic mean of such offered rates as determined by the Calculation Agent. If fewer than two offered rates appear, LIBOR with respect to such Interest Reset Date will be determined as described in (iii) below; or

(ii) the offered rates for deposits in the Specified Currency having the specified Index Maturity, commencing on the next succeeding Interest Reset Date, which appear on the display designated as page "BBAM1" on the Bloomberg Service (or such other page as may replace such page on that service for the purpose of displaying London interbank offered rates of major banks for deposits in the Specified Currency) (each, a "Bloomberg Page") as of 11:00 A.M., London time, on such LIBOR Interest Determination Date. If no such offered rate appears, LIBOR with respect to such Interest Reset Date will be determined as described in (iii) below.

If neither a Reuters Screen LIBOR Page nor Bloomberg is specified in the applicable pricing supplement, LIBOR will be determined as if a Reuters Screen LIBOR Page had been so specified.

(iii) With respect to a LIBOR Interest Determination Date on which fewer than two offered rates for the applicable Index Maturity appear on a Reuters Screen LIBOR Page as described in (i) above, or on which no rate appears on the Bloomberg page as described in (ii) above, as applicable, LIBOR will be determined on the basis of the rates at approximately 11:00 A.M., London time, on such LIBOR Interest Determination Date at which deposits in the Specified Currency having the specified Index Maturity are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by us commencing on the second Business Day immediately following such LIBOR Interest Determination Date and in a principal amount equal to an amount of not less than US\$1 million (or its approximate equivalent in a Specified Currency other than U.S. dollars) that in our judgment is representative for a single transaction in such market at such time (a “Representative Amount”). The Calculation Agent will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR with respect to such Interest Reset Date will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR with respect to such Interest Reset Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., New York City time, on such LIBOR Interest Determination Date by three major banks in New York City, selected by the Bank, for loans in the Specified Currency to leading European banks having the specified Index Maturity commencing on the Interest Reset Date and in a Representative Amount; *provided* that if fewer than three banks selected as aforesaid by us are quoting as mentioned in this sentence, LIBOR with respect to such Interest Reset Date will be LIBOR in effect on such LIBOR Interest Determination Date.

#### ***Treasury Rate Notes***

Treasury Rate Notes will bear interest at the interest rates (calculated with reference to the Treasury Rate and the Spread and/or Spread Multiplier, if any, subject to the Maximum Rate or Minimum Rate, if any) and will be payable on the dates specified in the applicable pricing supplement. The “Calculation Date” with respect to a Treasury Interest Determination Date will be the tenth day after such Treasury Interest Determination Date or, if any such day is not a Business Day, the next succeeding Business Day, unless the applicable pricing supplement provides for changes that afford increased protection of investors’ interests.

Unless otherwise indicated in the applicable pricing supplement and in such case to the extent that the investors’ interests are safeguarded, “Treasury Rate” means, with respect to any Interest Reset Date, the rate for the auction on the relevant Treasury Interest Determination Date of direct obligations of the United States (“Treasury Bills”) having the Index Maturity specified in the applicable pricing supplement, as such rate appears on the display of (i) Reuters Monitor Money Rates Service (or any successor service) on page “RTRTSY1” or “RTRTSY2”, as applicable (or any other pages as may replace such pages), or (ii) Bloomberg Services (or any successor service) on page “BTMM” or “PX1”, as applicable (or any other pages as may replace such pages). In the event that such rate does not appear on any such page by 3:00 p.m., New York City time, on the Calculation Date pertaining to such Treasury Interest Determination Date, then the Treasury Rate for such Interest Reset Date shall be the rate on such date as published in H.15 Daily Update under the heading “U.S. government securities—Treasury bills— Auction high”. In the event that the foregoing rates do not so appear or are not so published by 3:00 p.m., New York City time, on the Calculation Date pertaining to such Treasury Interest Determination Date, then the Treasury Rate for such Interest Reset Date shall be the “Investment Rate” (expressed as a bond equivalent yield, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as announced by the United States Department of the Treasury for the auction held on such Treasury Interest Determination Date, currently available on the worldwide web at: <http://www.publicdebt.treas.gov/AI/OFBills> or such website as may replace it in the future. In the event that the results of the auction of Treasury Bills having the Index Maturity specified on the face of the Note and in the applicable pricing supplement are not published or reported as provided above by 3:00 p.m., New York City time, on such Calculation Date or if no such auction is held on such Treasury Interest Determination Date, then the Treasury Rate shall be calculated by the Calculation Agent and shall be the rate for such Treasury Interest Determination Date for the issue of Treasury Bills with a remaining maturity closest to the specified Index Maturity (expressed as a bond equivalent yield, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as published in H.15(519) under the heading “U.S. government securities—Treasury bills (secondary market)”. In the event that the foregoing rates do not so appear or are not so published by 3:00 p.m., New York City time, on the Calculation Date pertaining to such Treasury Interest Determination Date, then the Treasury Rate for



such Interest Reset Date shall be the rate for such Treasury Interest Determination Date for the issue of Treasury Bills with a remaining maturity closest to the specified Index Maturity, as published in H.15 Daily Update or another recognized electronic source used for the purpose of displaying such rate under the heading “U.S. government securities—Treasury bills (secondary market)”. In the event that the foregoing rates do not so appear or are not so published by 3:00 p.m., New York City time, on the Calculation Date pertaining to such Treasury Interest Determination Date, then the Treasury Rate shall be calculated by the Calculation Agent and shall be a yield to maturity (expressed as a bond equivalent yield, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates, at approximately 3:30 p.m., New York City time, on such Treasury Interest Determination Date, quoted by three leading United States government securities dealers selected by us for the issue of Treasury Bills with a remaining maturity closest to the specified Index Maturity; provided that if the dealers selected are not quoting as mentioned in this sentence, the Treasury Rate for such Interest Reset Date shall be the Treasury Rate in effect on such Treasury Interest Determination Date.

## **Payment of Principal and Interest**

### ***General***

Interest (and principal, if any, payable other than at Stated Maturity or upon acceleration or redemption) will be payable in immediately available funds to the person in whose name a Note is registered at the close of business on the Regular Record Date next preceding each Interest Payment Date notwithstanding the cancellation of such Notes upon any transfer or exchange thereof subsequent to such Record Date and prior to such Interest Payment Date; *provided* that interest payable at Stated Maturity or upon acceleration or redemption will be payable to the person to whom principal will be payable; *provided further* that if and to the extent we default in the payment of the interest (including Additional Amounts) due on such Interest Payment Date, such defaulted interest (including Additional Amounts) will be paid to the person in whose names such Notes are registered at the end of a subsequent record date established by us by notice given via mail to the holders of the Notes not less than 15 days preceding such subsequent record date, such record date to be not less than 15 days preceding the date of payment in respect of such defaulted interest. Unless otherwise specified in the Note or the applicable pricing supplement, the first payment of interest on any Note originally issued between a Regular Record Date and an Interest Payment Date will be made on the Interest Payment Date following the next succeeding Regular Record Date to the registered owner at the close of business on such next succeeding Regular Record Date. Unless otherwise indicated in the applicable pricing supplement and in such case to the extent that the investors’ interests are safeguarded, the “Regular Record Date” with respect to any Note will be the date 15 calendar days prior to each Interest Payment Date, whether or not such date will be a Business Day.

Payment of principal of and any premium, interest, Additional Amounts and other amounts on or in respect of any Registered Note at Stated Maturity or upon early redemption or acceleration will be made in immediately available funds to the person in whose name such note is registered upon surrender of such note at the specified office of any other Paying Agent or, as applicable, the offices of the trustee specified in the applicable pricing supplement; *provided* that the Registered Note is presented to the Paying Agent in time for the Paying Agent to make such payments in such funds in accordance with its normal procedures. Payments of principal of and any premium, interest, Additional Amounts and other amounts on or in respect of Registered Notes to be made other than at Stated Maturity or upon redemption will be made by check mailed on the due date for such payments to the address of the person entitled thereto as it appears in the Register; *provided* that (i) the applicable Depositary, as holder of the Global Notes, shall be entitled to receive payments of interest by wire transfer of immediately available funds, (ii) a holder of US\$1 million (or the approximate equivalent thereof in a Specified Currency other than U.S. dollars) in aggregate principal or face amount of Notes of the same series shall be entitled to receive payments of interest by wire transfer of immediately available funds to an account maintained by such holder at a bank located in the United States as may have been appropriately designated by such person to us in writing no later than 15 days prior to the date such payment is due and (iii) to the extent that the holder of a Registered Note issued and denominated in a Specified Currency other than U.S. dollars elects to receive payment of principal and interest at Stated Maturity or upon early redemption in such Specified Currency, such payment, except in circumstances described in the applicable pricing supplement, shall be made by wire transfer of immediately available funds to an account specified in writing not less than 15 days prior to Stated Maturity by the holder to us.

Payments of interest on any Fixed Rate Note or Floating Rate Note with respect to any Interest Payment Date will include interest accrued to, but excluding, such Interest Payment Date; *provided* that, unless otherwise specified in the applicable pricing supplement, if the Interest Reset Dates with respect to any Floating Rate Note are daily or weekly, interest payable on such Note on any Interest Payment Date, other than interest payable on the date on which principal on any such Note is payable, will include interest accrued to but excluding the day following the next preceding Interest Reset Date.

With respect to a Floating Rate Note, accrued interest from the date of issue or from the last date to which interest has been paid is calculated by multiplying the principal or face amount of such Floating Rate Note by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day from the date of issue, or from the last date to which interest has been paid, to but excluding the date for which accrued interest is being calculated. The interest factor (expressed as a decimal) for each such day is computed by dividing the interest rate (expressed as a decimal) applicable to such date by 360, in the case of LIBOR Notes, or by the actual number of days in the year, in the case of Treasury Rate Notes.

Interest on Fixed Rate Notes will be calculated on the basis of a 360-day year consisting of twelve months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

If any Interest Payment Date (other than the Stated Maturity) for any Floating Rate Note would otherwise be a day that is not a Business Day in the relevant locations specified in the pricing supplement and the place of payment, such Interest Payment Date will be the next Business Day succeeding such Business Day (except that, in the case of a LIBOR Note, if such Business Day is in the next succeeding calendar month, such Interest Payment Date will be the next Business Day preceding such Business Day). If the Stated Maturity for any Fixed Rate Note or Floating Rate Note or the Interest Payment Date for any Fixed Rate Note falls on a day which is not a Business Day in the relevant locations specified in the pricing supplement and the place of payment, payment of principal (and premium, if any) and interest with respect to such Note will be made on the next succeeding Business Day in the place of payment with the same force and effect as if made on the due date and no interest on such payment will accrue from and after such due date.

#### **Specified Currency Other than U.S. Dollars**

If any Note is to be denominated in a Specified Currency other than U.S. dollars, certain provisions with respect thereto will be set forth in the applicable pricing supplement, which will specify the foreign currency or currency unit in which the principal or any premium or interest with respect to such Note is to be paid, along with any other terms relating to the non-U.S. dollar denomination.

If we offer Indexed Notes or Dual Currency Notes, the applicable pricing supplement and such Indexed Notes or Dual Currency Notes will set forth the method by and the terms on which the amount of principal (payable on or prior to Stated Maturity), interest and/or any premium will be determined, any additional tax consequences to the holder of such Note, a description of certain risks associated with investment in such Note and other information relating to such Note.

Notes denominated in a Specified Currency other than U.S. dollars, unless otherwise specified in the applicable pricing supplement and in such case to the extent that the investors' interests are safeguarded, will provide that, in the event of an official redenomination of the Specified Currency, the Bank's obligations with respect to payments on such notes will, in all cases, be deemed immediately following such redenomination to provide for payment of that amount of the redenominated Specified Currency representing the amount of such obligations immediately before such redenomination.

If the principal of or any premium, interest, Additional Amounts or other amounts on any Note are payable in a Specified Currency other than U.S. dollars and such Specified Currency is not available due to the imposition of exchange controls or other circumstances beyond our control, or is no longer used by the government of the country issuing such currency or for settlement of transactions by public institutions of or within the international banking community, we will be entitled, to the extent permitted by Argentine law, to satisfy our obligations to the holder of such Notes by making such payment in U.S. dollars on the basis of (i) in the case of interest payments, the Exchange Rate Agent's bid (U.S. dollar offer) quotation for such Specified Currency, and, in the case of principal

payments, the Exchange Rate Agent's offer (U.S. dollar bid) quotation for such Specified Currency, in each case at or prior to 11:00 a.m., New York City time, on the second Business Day next preceding the applicable payment date or the date by which the U.S. Dollar Equivalent must be determined, or (ii) if no such rate is quoted for any reason, the rate determined by the Exchange Rate Agent based on an average of quotations given to the Exchange Rate Agent by commercial banks which conduct foreign exchange operations, or based on such other method as the Exchange Rate Agent may reasonably determine to calculate a market exchange rate, on the second Business Day next preceding the applicable payment date or the date by which the U.S. Dollar Equivalent must be determined (such rate determined as set forth in clauses (i) and (ii) above, the "Exchange Rate"). In the event that the Exchange Rate is not available on the second Business Day next preceding the applicable payment date, the rate at which the amount due shall be converted into U.S. dollars shall be such rate as may be agreed to at such time by us and the Exchange Rate Agent. Unless otherwise specified, the exchange rate agent (the "Exchange Rate Agent") with respect to notes denominated in a Specified Currency other than U.S. dollars will be specified in the applicable pricing supplement.

Payments of principal and any premium, interest, Additional Amounts or other amounts to holders of a Note denominated in a Specified Currency other than U.S. dollars who hold the Note through DTC will, to the extent permitted by Argentine law, be made in U.S. dollars. However, any DTC holder of a Note denominated in a Specified Currency other than U.S. dollars may elect to receive payments by wire transfer in such Specified Currency other than U.S. dollars by delivering a written notice to the DTC participant through which it holds its beneficial interest, not later than the Regular Record Date, in the case of an interest payment, or at least 15 calendar days before the Stated Maturity, specifying wire transfer instructions to an account denominated in the Specified Currency. The DTC participant must notify DTC of the election and wire transfer instructions on or before the twelfth Business Day before the applicable payment of principal.

If so specified in a Note denominated in a Specified Currency, other than U.S. dollars, and the applicable pricing supplement, and except as provided in the following paragraph, payments of principal and any premium, interest, Additional Amounts or other amounts with respect to such Note will, to the extent permitted by Argentine law, be made in U.S. dollars if the holder of such Note, on the relevant Regular Record Date or at Stated Maturity, as the case may be, has submitted a written request for such payment in U.S. dollars to us and the applicable Paying Agent on or prior to such Regular Record Date or the date that is fifteen days prior to the Stated Maturity, as the case may be. Such request may be in writing (mailed or hand delivered) or by facsimile transmission. Holders of Notes denominated in a Specified Currency other than U.S. dollars that are registered in the name of a broker or nominee should contact such broker or nominee to determine whether and how an election to receive payments in U.S. dollars may be made.

The U.S. dollar amount to be received by a holder of a Note denominated in a Specified Currency other than U.S. dollars who elects to receive payment in U.S. dollars will be based on the Exchange Rate on the second Business Day preceding the applicable payment date. If Exchange Rate quotations are available on the second Business Day preceding the date of payment of principal or any premium, interest, Additional Amounts or other amounts with respect to any note, such payment will be made in the Specified Currency. All currency exchange costs associated with any payment in U.S. dollars on any such Note denominated in a Specified Currency other than U.S. dollars will be borne by the holder thereof by deductions from such payment of such currency exchange being effected on behalf of the holder by the Exchange Rate Agent.

Unless otherwise specified in the applicable pricing supplement, (i) a Note denominated in Euro may only be presented for payment on a day on which the TARGET system is operating and (ii) if interest is required to be calculated for a period of less than one year, it will be calculated on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (a) the number of those days falling in a leap year divided by 366 and (b) the number of those days falling in a non-leap year divided by 365).

## **Redemption and Repurchase**

### ***Redemption for Taxation Reasons***

The Notes of any series may be redeemed at our choice in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' written notice (which will be irrevocable) to the holders and, if applicable, the

CNV, in writing, at 100% of the principal amount thereof (or, in the case of Zero-Coupon Notes, at the Amortized Face Amount (as defined below) thereof), together with any accrued but unpaid interest and any Additional Amounts to the date fixed for redemption (which date, in the case of Floating Rate Notes, must be an Interest Payment Date), if, as a result of any change in, or amendment to, the laws (or any regulations or rules issued thereunder) of Argentina or any political subdivision of or any taxing authority in Argentina or any change in the application, administration or official interpretation of such laws, regulations or rules, including, without limitation, the holding of a court of competent jurisdiction, we have or will become obligated to pay Additional Amounts on or in respect of such Notes, which change or amendment becomes effective on or after the date of issuance of the Notes of such series, and we determine in good faith that such obligation cannot be avoided by taking reasonable measures available to us. The applicable pricing supplement will set forth the specific procedures for redemption of the Notes for tax reasons, which shall supersede, supplement and/or modify the terms and conditions described herein, always safeguarding the investors' interests.

In addition, any notices by us to the holders will also be made through the CNV's website ([www.cnv.gob.ar](http://www.cnv.gob.ar)) as a "Material Event".

### ***Redemption at our Option***

We may, subject to compliance with all relevant laws and regulations, having given (unless otherwise specified in the applicable pricing supplement) not more than 60 nor less than 30 days' notice to the holders of the Notes in accordance with the provisions governing the giving of notices set forth below (which notice will be irrevocable) and to the Trustee (17 days prior to the delivery of such notice to the holders) and, if applicable, the CNV, redeem all or only some of the Notes then outstanding on the dates (the "Optional Redemption Date(s)") and at the amounts (the "Optional Redemption Amount(s)") specified in, or determined in the manner specified in, the applicable pricing supplement together with accrued interest (if any) to the date fixed for redemption (which date, in the case of Floating Rate Notes, must be an Interest Payment Date).

In the event of a redemption of only some Notes of a series, such redemption must be of a principal amount being the "Minimum Redemption Amount" or a "Higher Redemption Amount", in each case if so indicated in the applicable pricing supplement. In the case of a partial redemption of Certificated Notes, such Notes to be redeemed will be determined on a pro rata basis, by lot, or otherwise in accordance with the procedures of the depository, not more than 60 days prior to the date fixed for redemption. In the case of a partial redemption of Notes which are represented by a Global Note, the relevant notes will be selected in accordance with the rules of the relevant clearing system or systems, as the case may be. If the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market or on any other authorized market and the rules of the Luxembourg Stock Exchange or such other authorized market so require, as applicable, we will, once in each year in which there has been a partial redemption of the Notes, cause to be published in a leading newspaper of general circulation in Luxembourg or as specified by such other authorized markets a notice specifying the aggregate principal amount of Notes outstanding and a list of the Notes drawn for redemption but not surrendered. The applicable pricing supplement will set forth the specific procedures for redemption of the Notes at our option, which shall supersede, supplement and/or modify the terms and conditions of the procedures described herein, always safeguarding the investors' interests.

In addition, any notices by us to the holders will also be made through the CNV's website ([www.cnv.gob.ar](http://www.cnv.gob.ar)) as a "Material Event".

### ***Redemption at the Option of the Holder***

Upon the holder of any Note giving to us (unless otherwise specified in the applicable pricing supplement) not more than 60 nor less than 30 days' notice in accordance with the provisions governing the giving of notices set forth below, which notice shall be irrevocable, we will, subject to compliance with all relevant laws and regulations, upon the expiry of such notice, redeem such note at such terms and price as specified in the applicable pricing supplement on the Optional Redemption Date and at the Optional Redemption Amount specified in or determined in the manner specified in the applicable pricing supplement, in whole but not in part, together with accrued interest (if any) to the date fixed for redemption.



Partial redemption will be made on a pro rata basis, by lot, or otherwise; *provided* that the applicable pricing supplement will set forth the specific procedures for redemption of the Notes that may be issued, which shall supersede, supplement and/or modify these general terms and conditions, always safeguarding the investors' interests. In addition, any notices by us to the holders will also be made through the CNV's website ([www.cnv.gob.ar](http://www.cnv.gob.ar)) as a "Material Event".

Only the registered holder of a Global Note can exercise a right to repayment in respect thereof. In order to ensure that such entity will timely exercise a right to repayment with respect to a particular Note, the beneficial owners of such Notes must instruct the broker or other direct or indirect participant through which it holds an interest in such Note to notify DTC, Euroclear or Clearstream, as the case may be, of its desire to exercise a right to repayment. Different firms have different deadlines for accepting instructions from their customers and, accordingly, each beneficial owner should consult the broker or other direct or indirect participant through which it holds an interest in a Note in order to ascertain the deadline by which such an instruction must be given in order for timely notice to be delivered to DTC, Euroclear or Clearstream, as the case may be. The applicable pricing supplement will set forth the specific procedures for redemption of the Notes at the option of the holder, which shall supersede, supplement and/or modify the terms and conditions of the procedures described herein, always safeguarding the investors' interests.

In addition, any notices by us to the holders will also be made through the CNV's website ([www.cnv.gob.ar](http://www.cnv.gob.ar)) as a "Material Event".

#### ***Redemption of Zero-Coupon Notes***

In the event of acceleration of maturity or redemption prior to maturity of a Zero-Coupon Note, the amount payable thereon in lieu of the principal amount due at the Stated Maturity will be the amount (the "Amortized Face Amount") equal to the sum of (i) the issue price (as defined in "Taxation") of such Note and (ii) the product of the accrual yield specified in the applicable pricing supplement (compounded annually) and the issue price from (and including) the issue date to (but excluding) the Optional Redemption Date (or, in the case of an early redemption for taxation reasons, the date fixed for redemption) and computed in accordance with generally accepted U.S. bond yield computation principles, but in no event will the Amortized Face Amount exceed the principal amount of such Note due at Stated Maturity thereof. The applicable pricing supplement will set forth the specific procedures for redemption of the Zero-Coupon Notes, which shall supersede, supplement and/or modify the terms and conditions of the procedures described herein, always safeguarding the investors' interests.

In addition, any notices by us to the holders will also be made through the CNV's website ([www.cnv.gob.ar](http://www.cnv.gob.ar)) as a "Material Event".

#### ***Repurchase of Notes***

We and our Subsidiaries may at any time purchase or otherwise acquire any Note in the open market or otherwise at any price and may resell or otherwise dispose of such Note at any time; *provided* that in determining at any time whether the holders of the requisite principal amount of the Notes outstanding have given any request, demand, authorization, direction, notice, consent or waiver, Notes then owned by us or any of our subsidiaries will be disregarded and deemed not outstanding.

#### ***Cancellation***

Any Notes redeemed in full by us will be immediately canceled and may not be reissued or resold.

If notice of redemption has been given in the manner set forth herein and in the applicable pricing supplement, a series of Notes to be redeemed will become due and payable on the redemption date specified in such notice, and upon presentation and surrender of the Notes at the place or places specified in such notice, the Notes will be paid and redeemed by us at the places and in the manner and currency therein specified and at the redemption price therein specified together with accrued interest and Additional Amounts, if any, to the redemption date. From and after the redemption date, if monies for the redemption of Notes called for redemption will have

been made available at the corporate trust office of the Trustee for redemption on the redemption date, the notes called for redemption will cease to bear interest (and, in the case of Original Issue Discount Notes, cease to increase the Amortized Face Amount payable in respect thereof), and the only right of the holders of such Notes will be to receive payment of the redemption price together with accrued interest and Additional Amounts, if any, to the redemption date as aforesaid.

### **Additional Amounts**

Unless otherwise set forth in the applicable pricing supplement, all taxes, duties, rates, contributions, withholdings, transfer expenses, charges and/or liens (“Taxes”) that may be levied on the acts, contracts and transactions related to the issue, subscription, placement and enforcement of the Notes of each tranche and/or series will be fully and exclusively borne by us. We will pay interest under the Notes without any kind of deduction or withholding for or on account of Taxes in effect as of the date of subscription or which may be imposed in the future, whatever their origin or cause may be. If we were compelled by law to pay or withhold any such amounts, we will pay (at our sole expense) such additional amounts (“Additional Amounts”) as may be necessary to ensure payment of the deductions or withholdings in question. Therefore, once such deductions or withholdings are made, the holders will receive the payment of interest under the Notes free and clear of Taxes, as if such deductions or withholdings had not been made, except for the withholdings required by law. The Additional Amounts shall be regarded to all effects as an amount payable under the Notes, except that no Additional Amounts will be paid on the amounts outstanding under any of the Notes in the following cases:

(i) when such Taxes would not have been imposed but for the fact that the holder of the Note has a present or former connection with Argentina other than the mere holding of such Note and the receipt of any payments in respect thereof or enforcement of rights in respect thereof;

(ii) when such Taxes would not have been imposed but for the failure to comply with any certification, identification, information or reporting requirements regarding the nationality, residence or identity of the holder or owner of an interest in the Note, as required by us at least thirty (30) days before the applicable interest payment date or principal payment date, as applicable, if such compliance is required by the laws or regulations of Argentina or any political subdivision or tax authority thereof as a precondition to exemption from, or reduction in the rate of, such Taxes;

(iii) in respect of any estate, inheritance, gift, sales, transfer, personal assets or similar tax, assessment or other governmental charge;

(iv) to or on behalf of a holder or beneficial owner of Notes in respect of Argentine taxes payable other than by withholding from payment of principal of, premium, if any, or interest on the Notes;

(v) in respect of Taxes imposed by reason of the fact that Notes were presented for payment more than thirty (30) days after the later of the date on which such payment became due and the date on which payment thereof has been duly provided for and notice of such payment is given to the holders, except to the extent that the holder of such Notes would have been entitled to such Additional Amounts had such Notes been presented on any day during such 30-day period;

(vi) in respect of Taxes imposed on a payment to a resident of a member state of the European Union and required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive;

(vii) in respect of any Taxes imposed under Sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended (or any amended or successor version of such Sections that is substantively comparable and not materially more onerous to comply with) (“FATCA”), any regulations or other guidance thereunder, any agreement (including any intergovernmental agreement) entered into in connection therewith, or any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement in respect of FATCA; or

(viii) any combination of items (i) to (vii) above;

nor will additional amounts be paid with respect to any payment of the principal of, or any premium, if any, or interest on, any Notes to any holder or beneficial owner of Notes who is a fiduciary or partnership or other pass-through entity or other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of Argentina to be included in the income for tax purposes of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or other pass-through entity or beneficial owner who would not have been entitled to such Additional Amounts had it been the holder of such Notes.

### **Listing and Trading**

We may apply to have the Notes listed on the Luxembourg Stock Exchange to be admitted to trading on the Euro MTF Market and to be listed on the MVBA through the BCBA including in any other authorized market in Argentina or abroad. However, the Bank cannot assure you that these applications will be accepted. Additionally, Notes may be issued under this Program which are not listed on any market, and the pricing supplement related to a class of Notes will specify whether the Notes of such class will be listed on the Luxembourg Stock Exchange to be admitted to trading on the Euro MTF Market or to be listed on the MVBA through the BCBA or any other stock exchange or market authorized by the CNV in Argentina or abroad.

### **Transfer Restrictions**

We have not registered the Notes under the Securities Act; therefore, the Notes may not be transferred except in compliance with certain transfer restrictions. See “Transfer Restrictions”.

### **Registration Rights**

If so specified in the applicable pricing supplement, we may grant registration rights to the holders of any series of Notes.

### **Meetings, Modification and Waiver**

Noteholders’ meetings may be called and held at any time to deal with and resolve upon any matters subject to the noteholders’ authority. Such meetings will be held in compliance with the provisions of the Negotiable Obligations Law, the CNV Rules and other laws in force. The notice, quorum, majorities and further aspects of such meetings will be governed by such laws.

### **Repayment of Monies; Prescription**

Claims against us for the payment of principal (including Additional Amounts) of, or interest on, the Notes must be made within five and two years, respectively, from the due date for payment thereof.

### **Covenants**

We may assume covenants in connection with each series and/or tranche of Notes to be issued under the Program, which will be specified in the applicable pricing supplement relating to each series and/or tranche.

### **Events of Default**

Unless otherwise specified in the applicable pricing supplement relating to a series of Notes, it shall be an event of default with respect to the Notes of such series if the following events (each an “Event of Default”) shall have occurred and be continuing:

(i) we shall fail to pay any principal or interest (or Additional Amounts, if any) on the Notes on the date when it becomes due and payable in accordance with the terms thereof, and such failure continues for a period of ten (10) days (in the case of principal) or fifteen (15) days (in the case of interest or Additional Amounts, if any);

(ii) we shall fail to pay at the final scheduled maturity thereof our indebtedness in a past due aggregate principal amount exceeding US\$50,000,000 (or the then equivalent thereof in another currency at the time of determination) and said event of default continues to exist after the terms established in (i) above; or any other event of default occurs under any agreement relating to any such indebtedness in a past due aggregate principal amount of at least US\$50,000,000 (or the equivalent thereof at the time of determination) which results in the acceleration of the final scheduled maturity of such indebtedness;

(iii) (a) a court having jurisdiction enters a final decree or order appointing an administrator, receiver or trustee in respect to all or a substantial portion of the Bank's assets and, in each case such final decree or order remains unstayed and in effect for a period of ninety (90) consecutive days or (b) the Central Bank (x) initiates a proceeding in accordance with Article 34, 35 or 35 (bis) of the Financial Institutions Law requesting the Bank for the presentation of a plan in accordance with such Article or (y) orders a temporary, total or partial suspension of all or substantially of our activities pursuant to Article 49 of the Central Bank's charter;

(iv) we (a) file a voluntary case seeking liquidation or other relief in accordance with the Financial Institutions Law, the Argentine Bankruptcy Law or any other applicable law regarding bankruptcy, insolvency or other similar law currently or in the future in force, (b) accepts the appointment or the possession by an administrator, receiver or trustee of the Bank in respect to all or a substantial portion of the Bank's assets, or (c) executes any assignment in benefit of the creditors in general; or it becomes illegal to the Bank the performance or fulfillment of the payment obligations by virtue of the Notes of each series and/or tranches. Then, the holders of not less than 25% of the aggregate principal amount of the Notes of each series and/or tranches, by written notice to the Bank, may declare all the Notes of such series or tranches then outstanding to be immediately due and payable; provided that in the Events of Default set forth in clause (iii) and (iv) of the present Offering Memorandum, regarding the Bank, all the Notes shall, without the need to notify the Bank or to perform any other act by the Trustee (in the event of its appointment) or any holder of any Notes, become payable and enforceable immediately; provided also that none of the facts or circumstances detailed above shall constitute an Event of Default if the arise or in any other way are related with Indebtedness outstanding on the date of the indenture agreement dated January 14, 2004. In the event an Event of Default set forth in clause (ii) above should have occurred and is continuing with respect to the Notes of any series, such Event of Default will be automatically rescinded and annulled once the event of default or payment default triggering such Event of Default pursuant to clause (ii) is remedied or cured by us or waived by the holders of the relevant indebtedness. No such rescission and annulment will affect any subsequent Event of Default or impair any right consequent thereto.

Upon any such declaration of acceleration, the principal of the Notes so accelerated and the interest accrued thereon and all other amounts payable with respect to such Notes will become and be immediately due and payable. If the Event of Default or Events of Default giving rise to any such declaration of acceleration are cured following such declaration, such declaration may be rescinded by the holders of such Notes.

#### **Paying Agents; Transfer Agents; Registrars**

The Notes may be issued or not under indentures and/or agency agreements entered into from time to time by us with entities acting as trustees and/or agents. Such trustees and/or agents will perform their duties only with respect to the series specified in the applicable pricing supplement and will have such rights and obligations as therein specified. The appointment of trustees and agents will be set out in the applicable pricing supplement, who shall be identified in the last page of the applicable pricing supplement.

#### **Notices**

Notices to holders of Notes will be deemed to be validly given if published for one day in the BCBA's Gazette and through the CNV's website ([www.cnv.gob.ar](http://www.cnv.gob.ar)) as a "Material Event" for as long as the Notes of any tranche and/or series are listed on the BCBA, or in the applicable reporting body of the authorized market where the notes are listed, and to the extent required by law, in the Official Gazette of the Republic of Argentina ("Official Gazette"). If the Notes of any tranche and/or series are not authorized to be listed on authorized markets, notices may be sent to their holders, at our option, by publications made for one day in a wide circulation newspaper of the relevant jurisdiction or if the notice should be sent to only some of the holders, individually at the domiciles recorded in the applicable register relating to the tranche and/or series in question. Any such notices will be deemed

given on the day following the last date on which publication was made and/or received. The cost of any publication and/or notice will be borne by us.

### **Judgment Currency Indemnity**

If a judgment or order given or made by any court for the payment of any amount in respect of any Note is expressed in a currency (the “judgment currency”) other than the currency (the “denomination currency”) in which such notes are denominated or in which such amount is payable, we will indemnify the relevant holder against any deficiency arising or resulting from any variation in rates of exchange between the date as of which the amount in the denomination currency is notionally converted into the amount in the judgment currency for the purposes of such judgment or order and the date of actual payment thereof. This indemnity will constitute a separate and independent obligation from the other obligations contained in the terms and conditions of the Notes, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment or order for a liquidated sum or sums in respect of amounts due in respect of the relevant note under any such judgment or order.

### **Summary Action**

Pursuant to Section 29 of the Negotiable Obligations Law, the Notes that qualify as *obligaciones negociables* entitle their holders to file a summary action (“*acción ejecutiva*”); therefore, in accordance with the Capital Markets Law, any depositary is entitled to issue certificates evidencing the Notes represented by global securities to any beneficial holder. These certificates entitle their beneficial holders to file a legal action before any competent court of Argentina, including a summary action, to enforce collection of any sums outstanding under the Notes.

### **Governing Law**

The Negotiable Obligations Law sets forth the requirements for the Notes to qualify as *obligaciones negociables* thereunder, and such law, together with the Argentine Companies Law, as amended, and other Argentine laws and regulations, will govern our capacity and corporate authority to execute and deliver the Notes and the CNV’s authority for the creation of the Program and the offer of the Notes in the Argentina.

Notwithstanding the foregoing, all matters related to the Notes may be governed and construed by the laws of the State of New York or by Argentine law, or by the laws of any other jurisdiction, in each case as set forth in the applicable pricing supplement. Information concerning judgment, jurisdiction, service of process, waiver of immunities will be set forth in the applicable pricing supplement.

## SUBSCRIPTION AND SALE

Subject to the terms and conditions set out in a purchase agreement to be entered into (the “Purchase Agreement”), among us and the several dealers, the Notes may be offered from time to time by us through the dealers. We may pay the corresponding dealer a commission for sales made through by as the dealer.

We may also sell Notes to the dealers as principal for their own accounts at a discount or commission to be agreed upon. In addition, the Notes may be sold from time to time through a syndicate of financial institutions, for which a dealer shall act as lead manager (a “Lead Manager”). Such Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the corresponding dealer.

We have reserved the right to sell Notes directly on our own behalf, in which case no commissions will be payable with respect to any such sale.

We have agreed to indemnify the dealers against certain liabilities and reimburse certain expenses.

The applicable pricing supplement will set out the terms of the offer of any Notes, including the purchase price of such Notes and the use of the proceeds of such sale, any subscription discount or concession allowed or reallocated or paid to the dealers, any securities market where such Notes are listed and any restriction on the sale and delivery of Notes. The placement methods to be used will be determined upon placement of each tranche and/or series in accordance with the applicable laws then in effect, and will be detailed in the applicable pricing supplement.

We reserve the right to withdraw, cancel or modify any offer of Notes contemplated herein or in any pricing supplement, by publishing a notice in the same media through which such offering of Notes has been announced and in one wide circulation newspaper of Argentina. We may reject offers to purchase Notes in part; *provided* that such rejection is made ratably. In the event that dealers are appointed, each dealer will be entitled to reject in part any offer to purchase Notes received in its capacity as agent; *provided* that it does so ratably.

Any dealer and/or agent involved in the distribution of Notes may be regarded as an underwriter, and any discount or commission received by them for the sale or resale of Notes may be regarded as underwriting discounts and commissions in accordance with the Negotiable Obligations Law. Agents and/or dealers may be our clients, conduct business or provide services to us or its affiliates in the ordinary course of business.

Unless otherwise provided in the applicable pricing supplement, the dealers and their affiliates participating in an offering of Notes may engage in transactions that stabilize, maintain or otherwise affect the market price of the Notes. Such transactions may include stabilization transactions effected in accordance with Rule 104 of Regulation M under the Securities Act, pursuant to which such persons may bid for or purchase Notes for the purpose of stabilizing their market price. The dealers also may create a short position for their respective accounts by selling more Notes in connection with such an offering than they are committed to purchase from us, and in such case may purchase Notes in the open market following completion of an offering of Notes to cover all or a portion of such short position. Any of the transactions described in this paragraph may result in the maintenance of the price of the Notes at a level above that which might otherwise prevail in the open market. None of the transactions described in this paragraph is required, and, if any is undertaken, it may be discontinued at any time.

In connection with the issuance of Notes, the dealers or any person acting on your behalf may enter into transactions that stabilize, maintain or otherwise affect the price of the Notes, including securities purchases to stabilize the market price, to cover partially or totally sold a position in the securities held by the dealers, and the imposition of sanctions through tenders in accordance with the Capital Markets Law and Article 11 of Section III of Chapter IV, Title VI of CNV Rules on “*Reglamentación de Operaciones de Estabilización del Mercado*”. Under that article, stabilization operations must meet the following conditions:

A. Cannot exceed a period of thirty (30) calendar days after following the first day on which trading in the securities market began.



B. The amount of the public offering prospectus must include a warning to investors in the possibility of stability operations, duration and conditions described.

C. Stability operations can only be performed by agents who participated in organizing and coordinating the placement and distribution of the emission.

D. Stability operations must be performed in order to avoid or mitigate sudden changes in the price of securities that have been objects of primary placement.

E. None of the stabilization operations carried out within the time allowed will be implemented by prices higher than those in the markets in transactions between unrelated parties with organizational activities, placement and distribution.

F. The markets should identify these transactions as such, and make them known to the public, either at the time of each individual operation performed, or the end of the trading day.

## **United States**

### ***Offerings Outside the United States***

The Notes have not been and will not be registered under the Securities Act and cannot be offered or sold within the United States or to, or for the account or benefit of, U.S. persons unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. Terms used in this paragraph have the meanings given to them by Regulation S.

Each dealer has agreed or will agree that, except as permitted by the Purchase Agreement, it will not offer, sell or deliver Notes within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes of a series as certified to us, and that it will have sent to each dealer to which it sells Notes prior to such 40th day a confirmation or other notice setting forth the restrictions on offers and sales of such Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the completion of the distribution of the Notes of a series, an offer or sale of Notes of such series within the United States by a dealer that is not participating in the offering of such series may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than under an applicable exemption from registration under the Securities Act.

### ***Offerings Within the United States***

The Notes offered and sold within the United States are not being registered under the Securities Act and are being offered and sold in reliance upon the exemption from registration provided by section 4(2) thereof, which exempts transactions by an issuer not involving any public offering.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A, and each such purchaser of Notes is hereby notified that dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. To the extent that we are not subject to or do not comply with the reporting requirements of section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g-3-2(b) thereunder, we have agreed to furnish to holders of the Notes and to prospective purchasers designated by such holders, upon request thereby, such information as may be required by Rule 144A.

Any purchaser of Notes must have sufficient knowledge and experience in business matters to be capable of evaluating the merits and risks of investing in and holding Notes and be liable to bear the economic risk of the investment for an indefinite period of time because the Notes have not been registered under the Securities Act. There is no undertaking to register the Notes, and they cannot be sold unless they are subsequently registered or an

exemption from such registration requirement is available. There can be no assurance that the Notes will be sold, or that there will be a secondary market for the Notes.

Each series of Notes will also be subject to such additional United States selling restrictions as we and the relevant dealer or dealers may agree to and as indicated in the applicable pricing supplement. Each of the dealers has agreed or will agree that it will offer, sell or deliver such Notes only in compliance with such additional selling restrictions.

## **Argentina**

The creation of the Program and the public offering have been authorized by the CNV pursuant to Resolution No. 16,573, dated May 24, 2011, and Resolution No. 17,805 dated September 9, 2015; *provided* that any updates of or amendments to the information included in this offering memorandum, including the annual updating required by the CNV, must be approved before any additional offer of Notes is made using such updated or amended offering memorandum.

Each series and/or tranche of Notes issued under the Program will be placed by auction or public call for bids, as determined in the applicable pricing supplement pursuant to the CNV Rules. The above mentioned auction or public call for bids shall be carried out through an IT system authorized by the CNV in accordance with the provisions of the CNV Rules. Such system will ensure equal treatment among investors and transparency, in accordance with the CNV Rules. As a general rule, all bids will be firm and binding. Exceptionally, non-binding bids may be allowed up to a certain preset time limit prior to the closing of the auction or public call for bids.

In addition, placement of the Notes in Argentina shall take place in accordance with the provisions of the Joint Resolutions and the General Resolution No. 622/2013, as amended, issued by CNV and all other CNV Rules, by any of the following actions, among others: (i) publication of a summary of the terms and conditions of this offering memorandum, any offering memorandum supplement and the applicable pricing supplement in the disclosure system of the market where the Notes are listed and/or traded and/or in a wide circulation newspaper in Argentina; (ii) distribution of this offering memorandum, any offering memorandum supplement and the applicable pricing supplement to the public in Argentina; (iii) road shows in Argentina addressed to potential investors; and (iv) conference calls with potential investors in Argentina, among other actions to be taken, which shall be described in the relevant pricing supplement. The pricing supplement shall include detailed information on placement efforts to be used in accordance with the Capital Markets Law and the CNV Rules. It is set forth that in order to subscribe for the Notes to be issued in the framework of this Program, interested parties shall submit any such information or documents as they are required or requested in compliance with, among others, the regulations governing money laundering originated in criminal acts and prevention of money laundering in the capital markets issued by the UIF. This offering memorandum shall be made available to the general public in Argentina.

## **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (as defined below) (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) no offer of Notes may be made to the public in that Relevant Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the dealers; or
- in any other circumstances falling within article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require us or the dealers to publish a prospectus pursuant to article 3 of the Prospectus Directive or supplement a prospectus pursuant to article 16 of the Prospectus Directive.



This offering memorandum has been prepared on the basis that any offer of Notes in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for us or any of the dealers to publish a prospectus pursuant to article 3 of the Prospectus Directive in relation to such offer. Neither we nor the dealers have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for us or the dealers to publish a prospectus for such offer.

For the purpose of the above provisions, the expression “an offer to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC, as amended.

### **United Kingdom**

This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc”) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (“FSMA”)) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

### **Other Jurisdictions**

No action has been or will be taken in any jurisdiction by us that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this offering memorandum comes are required by us to comply with all applicable laws at their own expense.

## **TRANSFER RESTRICTIONS**

The Notes have not been registered and will not be registered under the Securities Act, any U.S. state securities laws or the laws of any other jurisdiction, other than Argentina, and may not be offered or sold except pursuant to an effective registration statement or pursuant transactions exempt from, or not subject to, registration under the Securities Act and the securities laws of any other jurisdiction. Accordingly, as further specified in the applicable pricing supplement, the Notes will be offered and sold only:

- in the United States to QIBs in reliance on Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 in reliance on Regulation S under the Securities Act.

### **Purchasers' Representations and Restrictions on Resale and Transfer**

Each purchaser of Notes and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

- it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (i) a QIB and is aware that the sale to it is being made pursuant to Rule 144A or (ii) a non-U.S. person that is outside the United States;
- it acknowledges that the Notes have not been registered under the Securities Act or with any securities regulatory authority of any U.S. state or any other jurisdiction (other than Argentina) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- it understands and agrees that Notes initially offered in the United States to QIBs will be represented by a Global Note and that Notes offered outside the United States pursuant to Regulation S will be represented by an International Global Note;
- it will not resell or otherwise transfer any of such Notes except: (i) to us, (ii) within the United States to a QIB in a transaction complying with Rule 144A under the Securities Act, (iii) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (iv) pursuant to another exemption from registration under the Securities Act (if available) or (v) pursuant to an effective registration statement under the Securities Act;
- it agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes;
- it acknowledges that prior to any proposed transfer of Notes (other than pursuant to an effective registration statement or in respect of Notes sold or transferred either pursuant to (i) Rule 144A or (ii) Regulation S) the holder of such Notes may be required to provide certifications relating to the manner of such transfer as provided in the applicable indenture or agency agreement, if any;
- it acknowledges that the Trustee, Registrar or transfer agent for the Notes will not be required to accept for registration the transfer of any Notes acquired by it, except upon presentation of evidence satisfactory to us that the restrictions set forth herein have been complied with;
- it acknowledges that we, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it will promptly notify us and the initial purchasers; and

- if it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

## Legends

The following is the form of restrictive legend which will appear on the face of the Rule 144A Global Note, and which will be used to notify transferees of the foregoing restrictions on transfer:

**“This note has not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or any U.S. state securities laws. The holder hereof, by purchasing this note, agrees for the benefit of the issuer that this note or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (1) to the issuer, (2) so long as this note is eligible for resale pursuant to Rule 144A under the Securities Act (“Rule 144A”), to a person who the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act, (4) pursuant to an exemption from registration under the Securities Act (if available) or (5) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. The holder hereof, by purchasing this note, represents and agrees that it shall notify any purchaser of this note from it of the resale restrictions referred to above.**

**This legend may be removed solely at the discretion and at the direction of the issuer”.**

The following is the form of restrictive legend which will appear on the face of the Regulation S International Global Note and which will be used to notify transferees of the foregoing restrictions on transfer:

**“This note has not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or any U.S. state securities laws. The holder hereof, by purchasing this note, agrees that neither this note nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration and in accordance with any applicable securities laws of any other applicable jurisdiction.**

For further discussion of the requirements (including the presentation of transfer certificates) under the applicable indenture, agency agreement or other applicable agreement pursuant to which the Notes are issued to effect exchanges or transfers of interest in Global Notes and Certificated Notes, see “Description of the Notes”.

## DESCRIPTION OF CAPITAL STOCK

Set forth below is a brief summary of certain significant provisions of our bylaws and of Argentine law and regulations concerning our capital stock. This description does not purport to be complete and is qualified by reference to the bylaws, Argentine law, and CNV Rules.

Our bylaws are governed by Argentine law and any action relating to enforcement of our bylaws or any shareholders' rights thereunder are required to be brought in an Argentine court. Under our bylaws, our term of duration is 100 years from the date of registration of our bylaws in the Public Registry of Commerce (until October 23, 2097).

### Capital Stock

Pursuant to our bylaws, the issued capital stock as of June 30, 2015 amounts to Ps.1,500,000,000, represented by 1,500,000,000 common, book-entry shares of Ps.1.00 par value per share. The capital stock issued for each Class of shares is:

Class A shares	Ps.668,711,843
Class B shares	Ps.57,009,279
Class C shares	Ps.75,000,000
Class D shares	Ps.699,278,878

During the months of December 2013 and April 2014, we have reported, based on the requirement under Decree No. 2127 of November 7, 2012 and Resolution No. 264 of June 18, 2013 from the Ministry of Economy and Public Finances, the conversion of Ordinary 'Class A' Shares equally Ordinary 'Class D' Shares, and its ownership transfer.

On February 14, 2007, the change of the nominal value in our shares came into effect, which did not implicate a change in our capital stock. In the ordinary and extraordinary shareholders' meetings, both held on July 21, 2006, our shareholders decided to maintain the subscribed and integrated capital of Ps.1,500,000,000, representing 1,500,000,000 ordinary shares. The shareholders also proceeded to register the shares at a nominal value of Ps.1 per share, each share entitled with one vote, with the exception of Class D shares which each have three votes per share.

All the issued shares are fully paid in. No change has taken place in the last year in relation to the quantity of shares. In addition, the capital stock has been fully paid-in. The capital stock has remained constant in the last 3 years and there has been a non-substantial variation in the number of shares that compose the different classes.

Pursuant to the Privatization Law and our bylaws, our capital stock is divided into the following classes of shares:

- Class A shares, which represent shares owned directly and indirectly by the Argentine government, and currently comprise 44.6% of our outstanding shares;
- Class B shares, which represent shares currently held by Banco Nación, as trustee for the PPP, but will be offered to our employees pursuant to the PPP, under the regime set forth by the Privatization Law, and which currently comprise 3.8% of our outstanding shares. Any Class B shares not acquired by our employees under the PPP shall be automatically converted into Class D shares;
- Class C shares, currently held by the Regional Infrastructure Federal Assistance Fund Trust Trustee, which was created to hold and represent Class C shares to be acquired by entities engaged in housing construction or real estate activities through a special program yet to be implemented, and which currently comprise 5% of our outstanding shares. Any Class C shares not acquired by those legal entities under the acquisition program shall be automatically converted into Class D shares; and

- Class D shares, which will represent any shares transferred under unlimited and unconditional ownership to the private capital not included in the foregoing categories of owners. Any Class A shares sold will be converted into Class D shares. Class D shares will not change their class if they are eventually subscribed or acquired by the Argentine government, another public company or personnel participating in the PPP, or by third parties under the Class C shares acquisition program. A certain number of Class D shares is held in the form of American Depositary Shares (“ADSs”). Class D shares currently comprise approximately 46.6% of our capital stock. 90,905,000 Class D shares, representative of a 6.06% of our capital stock, is currently held in trust by First Trust of New York, as option trustee, which is held in trust for purposes of disposing, from time to time and throughout a period that ended on February 2, 2004, of the ADSs remaining after the exercise of the options, pursuant to the instructions received from the selling shareholder.

Since our Privatization Law was enacted, we have not increased our capital or issued new shares.

## **Voting Rights**

### ***General***

As discussed below, holders of Class A and Class D shares have special voting rights relating to certain relevant corporate decisions. Whenever such special rights do not apply (with respect to Class A shares and Class D shares) and in all cases (with respect to Class B shares and Class C shares), each share of common stock entitles the holder to one vote. Pursuant to Rules of the CNV, once we have been authorized to make a public offering of any or all of our capital stock, we will not be allowed to issue multiple voting shares.

Within the framework of the Privatization Law, any action that would prejudice the rights of holders of a particular class of shares, but not the rights of holders of other classes of shares, or affect the rights of holders of a particular class of shares in a different manner than the rights of holders of other classes of shares, must be approved by the holders of such class of shares at an extraordinary shareholders’ meeting.

We may issue voting or nonvoting preferred shares. Such preferred shares may be divided into Classes A, B, C and D. Holders of voting preferred shares will exercise voting rights and be subject to the same ownership, conversion and transfer restrictions as holders of common shares of the same class. We do not currently have preferred shares issued or outstanding.

### ***Class A Shares***

Holders of Class A shares have the right to elect at least two regular directors and two alternates, notwithstanding the number of shares comprising the class at any given time. The holders of Class A shares also have the right, as described in the following paragraph, to approve certain transactions involving us and certain acquisitions of shares. Class A shares sold by the Argentine government or the Assistance Trust Trustee are automatically converted to Class C or D shares, as the case may be. Under the Privatization Law and our bylaws, the Argentine government must always hold at least one Class A share. In addition, the Privatization Law also provides that the Argentine government will exercise the voting rights of Class A shares held by the Assistance Trust trustee.

Under our bylaws, the affirmative vote of the holders of Class A shares is required, regardless of the percentage of those shares in our capital stock, in order to:

- approve mergers or spin-offs;
- approve an acquisition of shares constituting a Control Acquisition and, therefore, and as a result we are subject to a control situation (as defined under the Argentine Companies Law, the Central Bank Accounting Rules or our bylaws);
- transfer to third parties a substantial part of our loan portfolio which causes us to cease or substantially reduce its residential loan and mortgage activities;

- change our corporate purpose;
- transfer our corporate domicile outside of Argentina; and
- voluntarily dissolve the Bank.

### ***Class B Shares***

Upon acquisition of Class B shares by our employees under the PPP, the holders of such shares will have the right to elect one member to the Board of Directors and one alternate, as long as such class represents more than 2% of our capital stock issued at the time the respective shareholders' meeting is convened. Until such time, such director will be elected by Class A shares. The Privatization Law provides that the Argentine government will exercise the voting rights of Class B shares prior to such shares being offered and sold.

Class B shares acquired by our employees and thereafter transferred outside the PPP will be automatically converted to Class D shares. Any Class B shares not acquired by our employees pursuant to the PPP (at the time of its implementation) will be converted into Class A shares. Each Class B share is entitled to one vote.

In November 13, 2012, a shared ownership program was implemented pursuant to Decree No. 2127/2012 and Resolution No. 264/2013 from the Ministry of Economy and Public Finance, whereby during the first stage 17,990,721 Class B shares of stock out of an aggregate number of 75,000,000 shares were converted into Class A shares to be allocated among the agents who have terminated their relationship with us in accordance with the implementing guidelines. The 17,990,721 shares shall become Class D shares at the time of delivery to the former agents. As of June 30, 2015, such course of action was taken only in respect of 7,809,758 shares. The shares allocated to our personnel who are currently in service are Class B shares and fall within the scope of the shared ownership program.

### ***Class C Shares***

Upon transfer of Class C shares to companies engaged in housing construction or real estate activities, the holders of such shares will have the right to elect one regular director and one alternate, as long as such class represents more than 3% of our capital stock. Until such time, such directors will be elected by Class A shareholders. The Privatization Law provides that the Argentine government will exercise the voting rights of Class C shares held by the Assistance Trust Trustee prior to such shares being offered and sold. Only companies which have been engaged in housing construction or real estate activities for at least one year are eligible to purchase Class D shares. Class C shares transferred to persons other than companies engaged in housing construction or real estate activities will be converted automatically to Class D shares. Each Class C share is entitled to one vote.

### ***Class D Shares***

The holders of Class D shares shall have the right to elect nine directors and their respective alternates. In addition, for so long as Class A shares represent more than 42% of our capital, Class D shares shall be entitled to three votes per share, except that holders of Class D shares will be entitled to one vote per share in the case of a vote on:

- a fundamental change in our corporate purpose;
- a change of our domicile outside of Argentina;
- our dissolution prior to the expiration of our corporate existence provided in the bylaws;
- a merger or spin-off in which we are not the surviving corporation;
- a total or partial recapitalization following a mandatory reduction of capital; and

- approval of voluntary reserves other than legal reserves when their amount exceeds our capital stock and legal reserves.

In addition, irrespective of the percentage of our outstanding capital stock represented by Class A shares, the affirmative vote of the holders of Class A shares is required to adopt certain relevant decisions. See “Class A Shares” for further information.

#### ***Class D Shares Underlying the ADSs Held by the Option Trustee***

The Class D shares underlying the ADSs shares owned by the option trustee of the First Trust of New York shall be voted by the latter pursuant to the instructions received from the selling shareholder.

#### ***Registration Rights***

Pursuant to a registration rights agreement, holders or beneficial owners of ADSs or Class D shares representing at least 3% of our outstanding stock (“Registerable Securities”) may require that the Bank, at our own cost, to file a registration statement with the SEC with respect to Class D shares or ADSs (a “Demand Registration Right”) and use our best efforts to cause the ADSs to be approved for listing on the NYSE; except in the following cases when the ADSs or Class D shares have ceased to be Registerable Securities: (i) a registration statement with respect to the offering of such securities by the holder thereof shall have been declared effective under the Securities Act and such securities have been disposed of by such holder pursuant to such registration statement, (ii) such securities have been sold to the public pursuant to, or are eligible for sale to the public without volume or manner of sale restrictions under, Rule 144(k) (or any similar provision then in force, but not Rule 144A) promulgated under the Securities Act, (iii) such securities shall have been otherwise transferred and new certificates for such securities not bearing a legend restricting further transfer shall have been delivered by us or its transfer agent and subsequent disposition of such securities shall not require registration or qualification under the Securities Act or any similar state law then in force or (iv) such securities shall have ceased to be outstanding. The Demand Registration Rights are exercisable up to four times at any time after the earlier of (i) May 2, 2000 and (ii) five months after the completion of any public offering of our capital stock in the United States. We will not be required to effect more than one demand registration in any twelve-month period. In certain instances, the Argentine government acting through Banco Nación has the right to postpone the filing of any registration statement requested to be filed pursuant to a Demand Registration Right. No Demand Registration Right has been exercised as of the date of this offering memorandum.

#### **Certain Provisions Relating to Acquisitions of Shares**

##### ***Certain Provisions of the Privatization Law and the Bylaws***

Pursuant to the Privatization Law and our bylaws, each individual or legal entity that belongs to the same “economic group” cannot own more than 5% of our capital stock. Although the Privatization Law does not define the term “economic group”, we apply the meaning given to that term in the Central Bank Accounting Rules.

Furthermore, pursuant to the Privatization Law, no individual or legal entity may be entitled to hold more than 5% of our capital stock. In accordance with the terms of the Privatization Law, the Ministry of Economy and Public Finance may set forth other terms and conditions for the offering of shares.

##### ***Certain Provisions Relating to the Central Bank***

The Privatization Law and the supplementary regulations applicable thereto require that significant acquisitions be approved in advance by the Central Bank. Accordingly, under the Central Bank Accounting Rules, significant acquisition means any purchase of stock which entitles the purchaser to 5% or more of our votes.

In addition, any acquisition, other than a significant acquisition, of 2% or more of the capital stock of a financial institution shall be reported by us to the Central Bank.



### ***Notice of Certain Acquisitions***

Pursuant to our bylaws, any person who, directly or indirectly, through or together with its affiliates and persons acting in concert with it, acquires Class D shares or securities convertible into Class D shares that would result in such person controlling more than 3% of Class D shares, shall be required to notify us within five days of such acquisition, in addition to complying with all the requirements imposed by any regulatory authority in Argentina and/or other jurisdictions where our Class D shares are listed and/or traded. Such notice shall include the name or names of the person or persons, if any, acting in concert with it, the date of the acquisition, the number of shares acquired, the price at which the acquisition was made and a statement as to whether it is the intention of the persons to acquire a greater equity interest in, or control of, the Bank. Each subsequent acquisition by such person or persons shall require a similar notice under the same terms.

### **Qualified Tied Majority**

Any actions taken at any shareholders' meeting of the Bank, either ordinary or extraordinary, general or special, may be taken by an absolute majority of shareholders present therein, except that:

- the affirmative vote of 75% of the shares entitled to vote both on first and second call (without regard to multiple voting rights) is required for the approval of certain actions by the Bank, namely (i) the delisting of our shares from the BCBA (or such entity as may replace it in the future) and/or the NYSE, (ii) the transfer of our domicile outside Argentina; (iii) a fundamental change in our corporate purpose and (iv) certain split-ups resulting in the transfer of 25% or more of our assets;
- the affirmative vote of 66% of the shares entitled to vote both on first and second call (without regard to multiple voting rights) is required to approve certain amendments to our bylaws, namely those which would (i) amend our bylaws to change the percentage of our capital stock ownership, or the percentage that determines what constitutes a control acquisition; (ii) amend the provisions of our bylaws requiring that tender offers required under our bylaws be all-cash offers for all outstanding shares and convertible securities at no less than a specific minimum price as provided for by our bylaws; (iii) amend the provisions regarding the number, nomination, election and composition of the Board of Directors; (iv) allow the granting of certain guarantees in favor of shareholders; (v) approve the substantial reduction or total cessation of our housing loan operations; and (vi) amend the provisions on number, nomination, election and composition of the Board of Directors; and
- the approval of an absolute majority of the shares (without regard to multiple voting rights) entitled to vote is required for (i) mergers or split-ups in which we are not the surviving entity, and (ii) early dissolution or partial or total reassessment of capital.

### **Articles of Incorporation and Bylaws**

#### ***Incorporation; Corporate Purpose***

We are a *sociedad anónima* incorporated under the Argentine laws and registered in the Public Registry of Commerce as of October 23, 1997 under Number 12,296, Book 122, Volume A of Corporations. Under our bylaws, our duration is one hundred years as from the date of registration in the Public Registry of Commerce (until October 23, 2097). Our registered corporate office and the business address of the members of the Board of Directors and the senior management is located at Reconquista 151 (C1003ABC), City of Buenos Aires.

Pursuant to section 4 of our bylaws, our purpose is to carry on, either on our own account or through third parties, or in association with third parties, within Argentina or abroad, the following businesses: (i) banking activities contemplated in and permitted by the Financial Institutions Law and further supplementary and accessory laws, regulations and provisions governing the banking business for all commercial banks; and the servicing of the needs of housing mortgage loans; (ii) insuring the risks derived from the transactions performed or property financed by the Bank, providing insurance to the beneficiaries of our transactions and insuring the risks derived from the transactions set forth in section 10 of Law No. 21,581, the National Housing Fund Law, and Law No.

24,626, the Mandatory Insurance System Law; (iii) performing all securities transactions contemplated in the applicable laws and regulations that govern such business, within the guidelines set forth by the CNV, acting as a stock company (*sociedad de bolsa*) in authorized stock markets or as a broker in any other authorized market; (iv) purchasing, selling, constructing, leasing and managing real estate and/or entering into brokerage and agency transactions and any other transaction as may be necessary to perform our banking activities; (v) acting as trustee in accordance with the provisions of the Trust Law. According to our bylaws and section 17 of the Privatization Law, we must, for the term of ten years from July 22, 1997, conduct at least the following activities: (a) finance the construction and purchase of homes within the country, either *per se* or through third parties, ensuring a harmonic regional distribution of credit, so that credit is accessible to several sectors of the community; (b) maintain credit lines aimed at financing the construction of homes in small municipalities, allocating annually to these activities not less than 10% of all construction credits granted, being required to contemplate an equitable geographic distribution; and (c) preserve the creation of the special fund provided for in section 13 of Law No. 24,143 (the “Repayment of Credits and Existing Debts among Banco Hipotecario Nacional, the Central Bank and the Secretariat of Economy Law”), which provides that we shall create a special fund aimed at subsidizing the reimbursement services of borrowers affected by situations of economic emergency that cannot be resolved through the renegotiation of the loan. Such fund shall be composed by 2% of the amounts received as interest on housing loans.

We shall subject our operations to the provisions of the Central Bank Accounting Rules. Moreover, we shall also administrate minor accounts pursuant to the conditions established in section 33 of Law No. 21,963, the National Savings and Insurance Fund Law, applying the unattachability of savings account balances according to section 34 of the referred Law.

#### ***Relations between the Directors and the Bank; Conflicts of Interest***

Section 14 of our bylaws provides that the Board of Directors shall determine the compensation of the members that perform executive, technical and administrative duties or special at levels consistent with the ones prevailing in the market. Interested directors shall abstain from voting on decisions affecting their compensation. Resolutions regarding compensation of directors shall be ratified by shareholders’ meeting

Section 6.8 of the regulations of the Board of Directors establishes that a director with an interest contrary to or competing with us shall inform us of such conflict before the matter is considered in order for the affected director to leave the meeting until discussions regarding such matter are ended. Furthermore, section 272 of the Argentine Companies Law establishes that “whenever a director has a conflict of interests contrary to that of the company, they shall report it to the Board of Directors and the statutory auditors and shall abstain from considering such matter under penalty of incurring in liability under section 59”, i.e., under penalty of being jointly and severally liable for the damages caused and/or derived from their actions or omissions. If the aforesaid obligation is not complied with, then a shareholders’ meeting must be called to decide: (i) the eventual adoption of punishment measures; (ii) removal or suspension of the interested director, or (iii) initiation of legal actions against the interested director (section 10 of the Board of Directors’ Regulations). In addition, pursuant to section 10 of the Regulation of the Board of Directors, the breach of this obligation shall be evaluated by the Board of Directors, which may apply penalties to the breaching director.

### **Shareholder Rights and Obligations**

#### ***Participation in our Liquidation***

Upon liquidation of the Bank, one or more liquidators may be appointed to wind up our assets and businesses. In such case, in the event of liquidation of our assets, the proceeds will be applied to satisfy the payment of our debts and liabilities, whereas any remaining amounts will be distributed among the shareholders *pro rata* to their shareholdings, subject to the preferential rights of any preferred shares, should there be at that time any issued and outstanding preferred shares.

### ***Reduction of Capital***

Capital reductions may be voluntary or mandatory. Voluntary reductions of capital shall be approved by an extraordinary shareholders' meeting, which shall take place only after notice thereof has been given in accordance with the applicable rules at that time and after the shareholders' notice is published and creditors are given an opportunity to obtain payment or collateralization of their claims. According to section 206 of the Argentine Companies Law, reductions of capital are mandatory when losses have exceeded reserves and 50% of the capital stock of a company. Our shares are subject to redemption in connection with a reduction in the capital stock that requires approval by majority vote of an extraordinary shareholders' meeting. Any shares so redeemed must be cancelled by the Bank.

### **Acquisition of Our Own Shares**

According to section 221 of the Argentine Companies Law and CNV Rules, corporations may acquire their own shares, as long as they are admitted to be listed by an authorized market. Once such shares have been fully paid for, shares may be acquired with net profits and free or voluntary reserves resulting from the latest financial statements approved by the Board of Directors.

The decision of a company to acquire its own shares must be (i) adopted by the Board of Directors, prior to a report of the Audit Committee or control body, (ii) relayed to the CNV and other authorized markets, and (iii) published in the newsletters of such authorized markets or in a wide circulation newspaper. The Board of Directors' resolution must establish the purpose of the acquisition, the maximum amount to be invested, the maximum number of shares or the maximum percentage of capital that may be acquired and the maximum price to be paid for the shares. The Board of Directors must prove to the CNV that it has sufficient liquidity to purchase the shares and that the payment of shares does not affect the company's solvency. The total amount of shares acquired and already held by the company must not exceed 10% of the company's capital stock. The shares acquired by the company exceeding such limits must be disposed of within ninety days from the date of the acquisition causing the excess.

The shares acquired according to these provisions must be disposed of by the company within a year from the date of their acquisition, unless an ordinary shareholders' meeting authorizes an extension. At the moment of transferring the shares, the company shall honor shareholders' preemptive rights by offering the shares to the shareholders according to the terms established in section 221 of the Argentine Companies Law. The rights of the shares acquired by the company shall be suspended until the shares are sold to a third party and shall not be considered for the calculation of the quorum and majorities.

Once the term is over, and there has not been a shareholders' meeting resolution extending the term, the company's capital shall be decreased by law in an amount equal to the par value of the repurchased shares remaining in the portfolio, which shall be cancelled.

Finally, a company cannot acquire its own shares: (i) if the company knew of the existence of a public offering of its shares; (ii) before the end of the first day following the publication of the company's decision to acquire its own shares; or (iii) if the shares have not been fully paid.

On January 29, 2009, due to the expiration of the hedge agreement ("Total Return Swap") entered into on January 29, 2004 with Deutsche Bank AG, the latter transferred to the Bank, 71,100,000 Class D common shares of Ps.1 par value each issued by us. As from such time, the shares became our treasury stock under the terms and conditions provided in section 221 of the Argentine Companies Law. Accordingly, on January 12, 2010, our Board of Directors resolved: (i) to submit to the general ordinary shareholders' meeting the decision to deliver the treasury Class D shares as payment to the StARs' holders, up to the amount of their credits and according to the share value then prevailing, and (ii) to analyze possible alternatives for the general ordinary shareholders' meeting to decide on the allocation of the remaining shares.

The general ordinary shareholders' meeting held on April 30, 2010 resolved to postpone for a year as from January 31, 2010 the term for the realization of our treasury stock. Furthermore, at the referred meeting, the shareholders resolved to delegate to the Board of Directors the decision to pay the StAR coupons arising from the

debt restructuring with treasury stock, as appropriate, according to the contractual valuation calculations and their actual market value, with the shareholders having a preemptive right thereon under the same conditions.

On June 16, 2010, the Board of Directors resolved to make a preemptive offer for sale of part of the treasury stock held as of that time for 36 million class D shares, the balance of which was delivered as payment to the holders of the referred StAR coupons, due on August 3, 2010. On July 26, 2010, within the framework of such offer, approximately 26.9 million class D shares were disposed of and the proceeds thereof and the remaining shares were made available to the holders of the StAR coupons on August 3, 2010.

## **Shareholders' Meetings**

### ***Notice of Shareholders' Meetings***

Pursuant to sections 21 and 22 of our bylaws, ordinary and extraordinary shareholders' meetings shall be called to consider the matters established in sections 234 and 235 of the Argentine Companies Law. Ordinary shareholders' meetings on first and second call may be called and held simultaneously. Shareholders' meetings, either ordinary or extraordinary, general or special, shall be called by means of notices published in the Official Gazette, in one of the major newspapers of Argentina and in the newsletters of the authorized markets of the country where our shares are listed for a five-day term. According to the Capital Markets Law, the minimum term for calling a meeting is 20 days and the maximum term is 45 days. The Board of Directors shall order the publications to be made abroad to comply with the laws and practices in effect in the jurisdictions of the authorized markets in which our shares are then listed. The Board of Directors may use the services of companies specializing in communications with shareholders and use other dissemination media to let them know its opinion on the subject matters to be dealt with at the relevant meeting. The cost of such services and dissemination shall be borne by the Bank.

### ***Quorum Requirements***

The quorum for ordinary shareholders' meetings on first call shall be a majority of the shareholders with the right to vote. The quorum for extraordinary shareholders' meetings on first call shall be 60% of the shareholders with the right to vote. The quorum for ordinary and extraordinary shareholders' meetings on second call shall be our shareholders present entitled to vote.

Resolutions in ordinary and extraordinary shareholders' meetings shall be adopted by the majority of the present votes, except for the cases where our bylaws establish special majorities or require the approval of Class A shares. See "Voting Rights – Class A Shares" and "Certain Provisions Relating to Acquisitions of Shares – Qualified tied Majority".

At any ordinary or extraordinary shareholders' meetings, shareholders may be represented by proxies by granting a private instrument of proxy (the signature of which must be attested by a court officer, a notary public or a bank). In order to participate at shareholders' meeting, shareholders shall request to Caja de Valores S.A. a certificate of shares and deposit it with us three days prior to the shareholders' meeting or within such term as determined by us in accordance with the then applicable regulations in force.

### ***Resolutions Affecting the Rights of a Class of Shares***

Pursuant to section 24(v) of our bylaws and section 250 of the Argentine Companies Law, whenever a shareholders' meeting is required to adopt resolutions affecting the rights of a class of shares, the consent or ratification of such class shall be required, which consent or ratification shall be submitted to a special meeting of shareholders of such class.

## **Capital Increases; Issuance of Shares**

Our bylaws provide that the capital stock may be increased up to five times its current amount by resolution of the Ordinary shareholders' meeting as provided by section 188 of the Argentine Companies Law. In addition,

companies under the public offering regime in Argentina, such as the Bank, may increase their capital stock more than five times its current amount without amending their bylaws.

The shareholders' meeting that approves a capital increase must set forth the terms of the shares to be issued, and may delegate to the Board of Directors the authority to determine the time of such issuance and the payment terms and conditions and any other delegation authorized by the Argentine Companies Law.

Notwithstanding any changes that may arise from the exercise of preemptive rights and accretion rights as provided in our bylaws, any issuance of common or preferred stock is to be made by classes maintaining the existing proportion among the different classes as of the date of commencement of the subscription period.

Our bylaws also provide that any convertible securities issued by us can only be convertible into Class D shares and the issuance thereof must be authorized by a special meeting of Class D shareholders.

## **Restrictions on Control Acquisitions**

### ***Required Approvals and Tender Offers***

Pursuant to our bylaws, each Control Acquisitions must be carried out in accordance with the procedure described in this subsection,

Moreover, pursuant to our bylaws, any acquisition of shares or convertible negotiable securities as a result of which the acquirer, directly or indirectly through or together with its affiliates (collectively, an "Acquirer"), would own or control Class D shares that, combined with such Acquirer's prior Class D shares, would represent 30% or more of our outstanding capital stock (jointly, "Control Acquisitions"), must be carried out in accordance with the provisions described below, except for acquisitions by an Acquirer owning or controlling more than 50% of our capital prior to such acquisition. Any transaction that would result in the Acquirer holding a controlling interest in the Bank, as defined under the Argentine Companies Law, also must be approved in advance by the holders of Class A shares.

Prior to consummating any Control Acquisition, an Acquirer must obtain the approval of the holders of Class A shares, and make a public tender offer ("PTO") for all outstanding shares and securities convertible into shares of the Bank. The Acquirer will be required to provide us with written notice of and certain specified information with respect to any such tender offer, as well as the terms and conditions of any agreement or proposed agreement which, if consummated, would result in a Control Acquisition (a "Proposed Agreement"), at least 15 business days prior to the commencement of the offer.

We will send each shareholder and holder of convertible securities a copy of such notice, at the Acquirer's expense. The Acquirer is required to publish a notice containing substantially the same information in a newspaper of general circulation in the City of Buenos Aires, New York City and any other city in which our securities are traded on an authorized market, as well as in the newsletters of those authorized markets. The notice must be published at least once a week beginning on the date notice is provided to the Bank, until the offer expires.

The Board of Directors shall call a special meeting of Class A shareholders on the tenth Business Day following the receipt of the Acquirer's notice for the purpose of considering whether consummation of the PTO will result in a benefit for us or for the general interest. If the special meeting of Class A shareholders is not held, or if Class A shareholders disapprove the PTO, neither the PTO nor the Proposed Agreement may be consummated.

The PTO must be carried out in accordance with the procedure specified in our bylaws and in accordance with any additional or stricter requirements of the jurisdictions, and the authorized markets in which the offer is made or in which our securities are traded.

According to our bylaws, the PTO must provide for the same price in cash for all shares tendered. Such price cannot be less than the highest of the following:



- i. the highest price paid by or on behalf of the Acquirer for Class D shares or convertible securities during the two years prior to the notice provided to the Bank, adjusted for any stock split, stock dividend, subdivision or reclassification affecting the Class;
- ii. the highest selling closing price for Class D shares on the BCBA during the 30-day period immediately preceding the notice provided to the Bank, adjusted for any stock split, stock dividend, subdivision or reclassification affecting the Class;
- iii. the price resulting from clause (ii) above, multiplied by a fraction, the numerator of which shall be the highest price paid by or on behalf of the Acquirer for Class D shares during the two years immediately preceding the date of the notice provided to us and the denominator of which shall be the closing price for Class D shares on the BCBA on the date immediately preceding the first day of such two-year period on which the Acquirer acquired any interest in or right to any Class D shares, adjusted for any stock split, stock dividend, subdivision or reclassification affecting the Class; and
- iv. the net earnings per Class D share during the four most recent full fiscal quarters immediately preceding the date of the notice provided to the Bank, multiplied by the higher of (a) the price/earnings ratio during such period for Class D shares (if any) and (b) our highest price/earnings ratio in the two-year period immediately preceding the date of the notice provided to the Bank, in each case determined in accordance with standard practices in the financial community.

Any such offer must remain open for a minimum of 90 days following the provision of notice to the shareholders or first publication of the offer, and shareholders shall have the right to withdraw tendered shares at any time until the closing of the PTO. Following the closing of such PTO, the Acquirer will be obliged to acquire all tendered shares or convertible securities; *provided* that if the number of shares tendered is less than the minimum, if any, upon which such tender offer was conditioned, the Acquirer may withdraw the tender offer. The Acquirer may consummate any Proposed Agreement within 30 days following the closing of the PTO; *provided* that if such PTO was conditioned on the acquisition of a minimum number of shares, the Proposed Agreement may be consummated only if such minimum was reached. If no Proposed Agreement existed, the Acquirer may acquire the number of shares indicated in the notice provided to us on the terms indicated in such notice to the extent such number of shares were not acquired in the PTO; *provided* that any condition relating to a minimum number of shares tendered has been met.

#### ***Restrictions on Transfers with Related Parties***

In accordance with the Statute of the Bank, any merger by takeover, merger itself or any other combination that has substantially the same effect and that involves us and Acquirer who has previously made an Acquisition of Control, or by any other person or persons, whether said transaction could have substantially the same effects as a Control Acquisition (a ‘Related Party Transaction’) must be in accordance with the provisions described below.

The price per share to be received by each bidding shareholder in any Transaction with Related parties should be the same, and should not be less than the highest of the following:

1. The highest price paid by or on behalf of the party seeking to carry out the Transaction with Related Parties (an “Interested Shareholder”) for (a) shares of Class to be transferred in Transaction with Related Parties within the two-year period immediately preceding the announcement of the Transaction with Related Parties, or (b) shares of the Class acquired in any Acquisition of Control, in each case adjusted for any stock split, stock dividend, subdivision to another reclassification affecting the Class;
2. the highest price of the closing sale of shares of the Class in the MVBA during the 30 days immediately preceding the announcement of the Transaction with Related Parties or the date of any Acquisition of Control by the Interested Shareholder, adjusted for any division equity, dividend, subdivision or reclassification affecting the Class;

3. the price resulting from clause (ii), multiplied by a fraction, its numerator of which will be the highest price paid by or on behalf of the Interested Shareholder for any share of the Class during the two years immediately preceding the announcement of the Transfer with Related Parties, and its denominator will be the closing sale price corresponding to the shares of the Class on the date immediately preceding the first day of the two-year period mentioned above in which the Interested Shareholder acquired any interest or right in shares of the Class, in each case adjusted for any stock split, stock dividend, subdivision or reclassification affecting the Class; and
4. The net income per share of the shares of the Class over the past four full fiscal quarters immediately preceding the announcement of the Transaction with Related Parties, multiplied by the higher of the following relationships (a) the price / income from that period for the shares of the Class (if any), and (b) our highest price / income relationship in the two year period prior to the announcement of the Transaction with Related Parties, in each case determined in accordance with normal practices in the financial community.

Any offer must remain open for a minimum period of 90 days after the mailing of notice to shareholders or the first publication of the offer, and shareholders will be entitled to withdraw the tendered shares at any time until the closure of the offer. After the closure of the public offering of the acquisition, the Acquirer shall be obliged to acquire all the shares or convertible securities offered, considering that if the number of offered shares were less than the minimum (if such provisions had minimum) to which of the above conditioned was the mentioned offer, the Acquirer may withdraw the public offer of acquisition. The Acquirer may limit themselves to any Proposed Agreement within 30 days after the closure of the offering, establishing that, if said offer was conditioned to the acquisition of a minimum number of shares, the Proposed Agreement may be limited only if it reached said minimum. In the absence of any Proposed Agreement, the Acquirer may purchase the number of shares indicated in the notice given to us under the conditions mentioned therein, to the extent that such number of shares not purchased in the tender offer; *provided* that it has fulfilled all conditions related to the minimum number of shares offered.

#### ***Acquisitions by the Argentine Government***

The threshold levels at which an acquisition of shares by the Argentine government is deemed to be a Control Acquisition, and the sanctions applicable to Control Acquisitions carried out by the Argentine government in violation of the procedures described above, are different than those applicable to acquisitions of shares by other persons. Acquisitions of shares by the Argentine government which result in (i) the Argentine government owning or controlling an aggregate of 49% or more of our outstanding capital stock or (ii) acquisitions by the Argentine government of 8% or more of the outstanding Class D shares; *provided* that Class A shares represent at least 5% of our outstanding capital as of October 23, 1997, will require the Argentine government to make a tender offer for all the outstanding Class D shares. Acquisitions by the Argentine government which do not satisfy the requirements of (i) or (ii) above are subject to the threshold percentages described with respect to Control Acquisitions. See “Required Approvals and Tender Offers”. With respect to acquisitions by the Argentine government deemed to be Control Acquisitions, the required tender offer need only be conducted for all outstanding Class D shares.

Any Control Acquisitions carried out by the Argentine government other than in accordance with the procedure described above will result in the cancellation of the voting, dividend and other distribution rights of the shares so acquired, except for certain indirect acquisitions (e.g., through foreclosure or liquidation proceedings), and after which the Argentine government does not own or control 49% or more of the outstanding capital stock or more than 50% of the outstanding Class D shares, in which case only the voting rights of the Argentine government with respect to the shares so acquired will be withdrawn.

#### **Dividends**

The declaration, amount and payment of dividends on our capital stock are determined by majority vote of the shareholders and are based generally, but not necessarily, on the annual recommendation of the Board of Directors. The Board of Directors submits our financial statements for the preceding fiscal year, together with the reports thereon by the Board of the Directors and the Supervisory Committee, to the annual ordinary shareholders’ meeting for approval. Once they have approved the financial statements, the shareholders shall determine the allocation of our realized net profits for such year. We are required to allocate a percentage of net income (currently



20%) to the legal reserve. If the legal reserve is subsequently impaired, dividends cannot be paid until the legal reserve has been fully reestablished, which percentage shall not be available for distribution. Under our bylaws, after the allocation to the legal reserve has been made and after segregating an amount of the annual net income for the required payment of fees to the members of the Board of Directors and of the Supervisory Committee, an amount of the annual net income will be segregated to pay dividends on preferred stock, if any. The remainder of the annual net income may be distributed as dividends on common stock or retained as a voluntary reserve, contingency reserve or other account, or any combination thereof, all as determined by the shareholders' meeting. Following the implementation of the PPP and for a period that shall not exceed ten years counted as from such implementation, up to 0.50% of our net income for each fiscal year shall be paid to the beneficiaries of the PPP, through a charge to income.

Under Argentine law, dividends may be lawfully declared and paid by us only out of the balance of its net income for the relevant fiscal year after complying with the requirements set forth above, plus retained earnings for prior fiscal years, if any, reflected in our annual audited financial statements approved at an ordinary shareholders' meeting.

Under CNV Rules and our bylaws, cash dividends must be paid to shareholders within 30 days of the shareholders' meeting approving the dividend. Payment of dividends in shares requires authorization from the CNV, which authorization must be requested within ten days after the shareholders' meeting approving the dividend. We must make payment available to shareholders within three months after the CNV's authorization. Payment of dividends in shares and cash also must be made available to shareholders within three months of such notice. In addition, the amount, if any, of dividends that holders of ADSs will receive in U.S. dollars will be subject to, among other things, any exchange control policies applicable in Argentina.

Finally, the Central Bank has imposed restrictions on the payment of dividends, substantially limiting the ability of financial institutions to distribute such dividends without its prior consent. For more information about the requirements applicable to dividend distribution see "Argentine Banking System and Regulation• Requirements Applicable to Dividend Distribution".

## TAXATION

### United States Federal Income Taxation

The following is a summary of certain United States federal income tax consequences of the purchase, ownership and disposition of Notes as of the date hereof. Except where noted, it deals only with Notes held as capital assets by United States Holders (as defined below) and does not represent a detailed description of the United States federal income tax consequences applicable to holders that are subject to special treatment under the United States federal income tax laws, including dealers in securities or currencies, financial institutions, regulated investment companies, real estate investment trusts, tax-exempt entities, insurance companies, persons holding Notes as a part of a hedging, integrated, conversion or constructive sale transaction or a straddle, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, persons liable for alternative minimum tax, partnerships or other pass-through entities or arrangements for United States federal income tax purposes, United States expatriates, or United States Holders of Notes whose “functional currency” is not the U.S. dollar. Furthermore, the discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the “Tax Code”), and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified, perhaps retroactively, so as to result in United States federal income tax consequences different from those discussed below. The discussion below assumes that all Notes issued under the Program will be classified for United States federal income tax purposes as our indebtedness, and you should note that in the event of an alternative characterization, the tax consequences would differ from those discussed below. Any special United States federal income tax considerations relevant to a particular issue of the Notes will be provided in the applicable pricing supplement. Persons considering the purchase, ownership or disposition of Notes should consult their own tax advisors concerning the United States federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.

As used herein, a “United States Holder” of a Note means a beneficial owner that is for United States federal income tax purposes: (i) an individual citizen or resident of the United States, (ii) a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust if it (X) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (Y) has a valid election in effect under applicable United States Treasury Regulations to be treated as a United States person.

If a partnership holds our Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding our Notes is urged to consult its tax advisors.

This summary does not represent a detailed description of the United States federal income tax consequences applicable to a United States Holder in light of such holder’s particular circumstances and does not address the effects of any other federal tax consequences (such as the Medicare contribution tax or the gift and estate tax) or any state, local or non-United States tax laws. United States Holders considering the purchase of Notes should consult their own tax advisors concerning the particular United States federal income tax consequences to them of the ownership of the Notes, as well as the consequences arising under the laws of any other taxing jurisdiction.

#### *Payments of Interest*

Except as set forth below, stated interest on a Note will generally be taxable to a United States Holder as ordinary income at the time it is paid or accrued in accordance with the United States Holder’s method of accounting for tax purposes.

In addition to interest on the Notes (which includes any Argentine tax withheld from interest payments), a United States Holder will be required to include in income any Additional Amounts paid in respect of such Argentine tax withheld. A United States Holder may be entitled to deduct or credit such tax, subject to applicable

limitations in the Tax Code, including that the election to deduct or credit foreign taxes applies to all of the United States Holder's foreign taxes for a particular taxable year. Interest income (including Argentine taxes withheld therefrom and Additional Amounts) and original issue discount (as defined below) on a Note generally will constitute foreign source income and generally will be considered passive income for purposes of computing the United States foreign tax credit. A United States Holder will generally be denied a foreign tax credit for foreign taxes imposed with respect to the Notes where the United States Holder does not meet a minimum holding period requirement during which it is not protected from risk of loss. The rules governing the foreign tax credit are complex. Investors are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

### ***Original Issue Discount***

United States Holders of Original Issue Discount Notes (which, for purposes of this discussion, shall be deemed to be any Notes issued with original issue discount, as described below) will be subject to special tax accounting rules, as described in greater detail below. United States Holders of such Notes should be aware that they generally must include original issue discount ("OID") in gross income as ordinary income in advance of the receipt of cash attributable to that income. However, United States Holders of such Notes generally will not be required to include separately in income cash payments received on the Notes, even if denominated as interest, to the extent such payments do not constitute qualified stated interest (as defined below). Notice will be given in the applicable pricing supplement when we determine that a particular Note will be an Original Issue Discount Note.

Additional rules applicable to Original Issue Discount Notes that are denominated in or determined by reference to a Specified Currency other than the U.S. dollar are described under "*Foreign Currency Notes*" below.

A Note with an "issue price" that is less than its stated redemption price at maturity (the sum of all payments to be made on the Note other than "qualified stated interest") will be issued with OID in an amount equal to such difference unless such difference is *de minimis* (i.e., less than 0.25 percent of the stated redemption price at maturity multiplied by the number of complete years to maturity). The "issue price" of each Note in a particular offering will be the first price at which a substantial amount of that particular offering is sold (other than to an underwriter, broker, placement agent or wholesaler). The term "qualified stated interest" means stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) and meets all of the following conditions: (i) it is payable at least once per year, (ii) it is payable over the entire term of the Note, and (iii) it is payable at a single fixed rate or, subject to certain conditions, based on one or more interest indices.

Notice will be given in the applicable pricing supplement when we determine that a particular Note will bear interest that is not qualified stated interest.

In the case of a Note issued with *de minimis* OID, which is discount that is not OID because it is less than 0.25 percent of the stated redemption price at maturity multiplied by the number of complete years to maturity, the United States Holder generally must include such *de minimis* OID in income as capital gain at the time principal payments on the Notes are made in proportion to the amount paid.

Certain of the Notes may be redeemed prior to their Stated Maturity at our option and/or at the option of the holder. Original Issue Discount Notes containing such features may be subject to rules that differ from the general rules discussed herein. Persons considering the purchase of Original Issue Discount Notes with such features should carefully examine the applicable pricing supplement and should consult their own tax advisors with respect to such features since the tax consequences with respect to OID will depend, in part, on the particular terms and features of the Notes.

United States Holders of Original Issue Discount Notes with a maturity upon issuance of more than one year must, in general, include OID in income in advance of the receipt of some or all of the related cash payments using the "constant yield method" described in this paragraph. The amount of OID includible in income by the initial United States Holder of an Original Issue Discount Note is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion of the taxable year in which such United States Holder held such Note ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a *pro rata* portion of the OID allocable to that accrual period. The "accrual period" for an Original Issue

Discount Note may be of any length and may vary in length over the term of the Note; *provided* that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period other than the final accrual period is an amount equal to the excess, if any, of (i) the product of the Note's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (ii) the sum of any qualified stated interest allocable to the accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The "adjusted issue price" of a Note at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period (determined without regard to the amortization of any acquisition or bond premium, as described below) and reduced by any payments made on such Note (other than a payment of qualified stated interest) on or before the first day of the accrual period. Under these rules, a United States Holder will have to include in income increasingly greater amounts of OID in successive accrual periods. We are required to provide information returns stating the amount of OID accrued on Notes held of record by persons other than certain exempt holders such as corporations.

Floating Rate Notes are subject to special OID rules. In the case of an Original Issue Discount Note that is a Floating Rate Note, both the "yield to maturity" and "qualified stated interest" will be determined solely for purposes of calculating the accrual of OID as though the Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the Note on its date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield to maturity that is reasonably expected for the Note. Additional rules may apply if interest on a Floating Rate Note is based on more than one interest index, or if the principal amount of the Notes is indexed in any manner. Persons considering the purchase of Floating Rate Notes should carefully examine the applicable pricing supplement and should consult their own tax advisors regarding the United States federal income tax consequences of the holding and disposition of such Notes.

United States Holders may elect to treat all interest on any Note as OID and calculate the amount includible in gross income under the constant yield method described above. For the purposes of this election, interest includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. Such election cannot be revoked without the consent of the Internal Revenue Service (the "IRS"). United States Holders should consult with their own tax advisors about this election.

Argentine withholding taxes may be imposed at times that differ from the times at which you are required to include interest or OID in income for United States federal income tax purposes and this disparity may affect the amount of foreign tax credit available.

### ***Short-Term Notes***

In the case of Notes having a term of one year or less ("Short-Term Notes"), all payments (including all stated interest) will be included in the stated redemption price at maturity and, thus, United States Holders will generally be taxed on the discount in lieu of stated interest. The discount will be equal to the excess of the stated redemption price at maturity over the issue price of a Short-Term Note, unless the United States Holder elects to compute this discount using tax basis instead of issue price. In general, individuals and certain other cash method United States Holders of a Short-Term Note are not required to include accrued discount in their income currently unless they elect to do so (but may be required to include any stated interest in income as it is received). United States Holders that report income for United States federal income tax purposes on the accrual method and certain other United States Holders are required to accrue discount on such Short-Term Notes (as ordinary income) on a straight-line basis, unless an election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a United States Holder that is not required, and does not elect, to include discount in income currently, any gain realized on the sale, exchange or retirement of the Short-Term Note will generally be ordinary income to the extent of the discount accrued through the date of sale, exchange or retirement. In addition, a United States Holder that does not elect to include currently accrued discount in income may be required to defer deductions for a portion of the United States Holder's interest expense with respect to any indebtedness attributable to the Short-Term Notes.

### ***Market Discount***

If a United States Holder purchases a Note for an amount that is less than its stated redemption price at maturity or, in the case of an Original Issue Discount Note, its adjusted issue price, the amount of the difference will be treated as “market discount” for United States federal income tax purposes, unless such difference is less than a specified *de minimis* amount. Under the market discount rules, a United States Holder will be required to treat any principal payment on, or any gain on the sale, exchange, retirement or other disposition of, a Note as ordinary income to the extent of the market discount which has not previously been included in income and is treated as having accrued on such Note at the time of such payment or disposition. In addition, the United States Holder may be required to defer, until the maturity of the Note or its earlier disposition in a taxable transaction, the deduction of all or a portion of the interest expense on any indebtedness attributable to such Note. A United States Holder may elect, on a Note-by-Note basis, to deduct the deferred interest expense in a tax year prior to the year of disposition. United States Holders should consult their tax advisors before making this election.

Any market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the Note, unless the United States Holder elects to accrue on a constant interest method. A United States Holder of a Note may elect to include market discount in income currently as it accrues (on either a ratable or constant interest method), in which case the rule described above regarding deferral of interest deductions will not apply.

### ***Acquisition Premium; Amortizable Bond Premium***

A United States Holder that purchases an Original Issue Discount Note for an amount that is greater than its adjusted issue price but equal to or less than the sum of all amounts payable on the Note after the purchase date other than payments of qualified stated interest will be considered to have purchased such Note at an “acquisition premium”. Under the acquisition premium rules, the amount of OID which such United States Holder must include in its gross income with respect to such Note for any taxable year will be reduced by the portion of such acquisition premium properly allocable to such year.

A United States Holder that purchases a Note (including an Original Issue Discount Note) for an amount in excess of the sum of all amounts payable on the Note after the purchase date other than qualified stated interest will be considered to have purchased the Note at a “premium” and, if it is an Original Issue Discount Note, the United States Holder will not be required to include any OID in income. A United States Holder generally may elect to amortize the premium over the remaining term of the Note on a constant yield method as an offset to interest when includible in income under the United States Holder’s regular accounting method. Special rules limit the amortization of premium in the case of convertible debt instruments. Bond premium on a Note held by a United States Holder that does not make such an election will decrease the gain or increase the loss otherwise recognized on disposition of the Note.

### ***Sale, Exchange, Redemption, Retirement and Other Taxable Disposition of Notes***

A United States Holder’s adjusted tax basis in a Note will, in general, be the United States Holder’s cost therefor, increased by OID, market discount or any discount with respect to a Short-Term Note previously included in income by the United States Holder and reduced by any amortized premium and any cash payments on the Note other than qualified stated interest. Upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a United States Holder will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, redemption, retirement or other taxable disposition (less an amount equal to any accrued and unpaid qualified stated interest which will be taxable as interest income for United States federal income tax purposes to the extent not previously included in income) and the adjusted tax basis of the Note. Except with respect to certain Short-Term Notes and to market discount, as described above, or with respect to gain or loss attributable to changes in exchange rates with respect to certain Foreign Currency Notes, as described below, or with respect to contingent payment debt instruments, which this summary generally does not discuss, such gain or loss will be capital gain or loss. Gain or loss realized on the sale, exchange, redemption, retirement or other taxable disposition of a Note will generally be treated as United States source gain or loss. Capital gains of individuals derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.



### ***Foreign Currency Notes***

The following is a summary of the principal United States federal income tax consequences to a United States Holder of the ownership of a Foreign Currency Note.

#### ***Interest Payments***

United States Holders who receive interest payments made in a currency other than the U.S. dollar and who use the cash method of accounting are required to include in income the U.S. dollar value of the amount of interest received, determined by translating the foreign currency received at the spot rate for such currency on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. No exchange gain or loss is recognized with respect to the receipt of such payment.

United States Holders who must accrue interest on an accrual basis may determine the amount of income recognized with respect to such interest payment in accordance with either of two methods. Under the first method, the United States Holder will be required to include in income for each taxable year the U.S. dollar value of the interest that has accrued during such year, determined by translating such interest at the average rate of exchange for the period or periods during which such interest accrued. Under the second method, an accrual basis holder may elect to translate interest income at the spot rate on the last day of the accrual period (or last day of the taxable year in the case of an accrual period that straddles the holder's taxable year) or on the date the interest payment is received if such date is within five business days of the end of the accrual period. This election must be uniformly applied to all debt instruments each year and cannot be revoked without the consent of the IRS. Upon receipt of an interest payment on such Note (including, upon the sale of such Note, the receipt of proceeds which include amounts attributable to accrued interest previously included in income), such United States Holder will recognize ordinary income or loss in an amount equal to the difference between the U.S. dollar value of such payment (determined by translating any foreign currency received at the spot rate for such foreign currency on the date received) and the U.S. dollar value of the interest income that such United States Holder has previously included in income with respect to such payment.

#### ***Original Issue Discount***

OID on a Note that is also a Foreign Currency Note will be determined for any accrual period in the applicable foreign currency and then translated into U.S. dollars in the same manner as interest income accrued by a holder on the accrual basis, as described above. A United States Holder will recognize exchange gain or loss when OID is paid (including, upon the sale of such Note, the receipt of proceeds attributable to OID previously included in income), to the extent of the difference between the U.S. dollar value of such payment (determined by translating the foreign currency received at the spot rate for such foreign currency on the date such payment is received) and the U.S. dollar value of the accrued OID (determined in the same manner as for accrued interest). For these purposes, all receipts on a Note will be viewed first, as the receipt of any stated interest payments called for under the terms of the Note; second, as receipts of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first; and third, as the receipt of principal.

#### ***Market Discount***

The amount of market discount on Foreign Currency Notes includible in income will generally be determined by translating the market discount determined in the foreign currency into U.S. dollars at the spot rate on the date the Foreign Currency Note is retired or otherwise disposed of. If the United States Holder has elected to accrue market discount currently, then the amount which accrues is determined in the foreign currency and then translated into U.S. dollars on the basis of the average exchange rate in effect during such accrual period. A United States Holder will recognize exchange gain or loss with respect to market discount which is accrued currently using the approach applicable to the accrual of interest income as described above.

### *Amortizable Bond Premium*

Bond premium on a Foreign Currency Note will be computed in the applicable foreign currency. With respect to a United States Holder that elects to amortize the premium, the amortizable bond premium will reduce interest income in the applicable foreign currency. At the time bond premium is amortized, exchange gain or loss (which is generally ordinary income or loss) will be realized based on the difference between spot rates at such time and at the time of acquisition of the Foreign Currency Note. A United States Holder that does not elect to amortize bond premium will translate the bond premium, computed in the applicable foreign currency, into U.S. dollars at the spot rate on the maturity date and such bond premium will constitute a capital loss which may be offset or eliminated by exchange gain.

### *Sale, Exchange, Redemption, Retirement and Other Taxable Disposition of Foreign Currency Notes*

Upon the sale, exchange, redemption, retirement or other taxable disposition of a Foreign Currency Note, a United States Holder will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, redemption, retirement or other taxable disposition (less an amount equal to any accrued and unpaid qualified stated interest, which will be taxed as interest for United States federal income tax purposes to the extent not previously included in income) and the United States Holder's adjusted tax basis in the Foreign Currency Note. A United States Holder's initial tax basis in a Foreign Currency Note generally will be the U.S. dollar cost of such Foreign Currency Note. If a United States Holder purchased a Foreign Currency Note with foreign currency, the United States Holder's cost generally will be the U.S. dollar value of the foreign currency amount paid for such Foreign Currency Note determined at the time of such purchase. If a Foreign Currency Note is sold, exchanged, redeemed, retired, or otherwise disposed of for an amount denominated in foreign currency, then a United States Holder's amount realized generally will be based on the spot rate of the foreign currency on the date of sale, exchange, redemption, retirement, or other disposition. If a United States Holder is a cash method taxpayer and the Foreign Currency Notes are traded on an established securities market, foreign currency paid or received is translated into U.S. dollars at the spot rate on the settlement date of the purchase or sale. An accrual method taxpayer may elect the same treatment with respect to the purchase and sale of Foreign Currency Notes traded on an established securities market; *provided* that the election is applied consistently.

Except as described above with respect to certain Short-Term Notes, or with respect to market discount, and subject to the foreign currency rules discussed below, gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange, redemption, retirement or other taxable disposition, the Foreign Currency Note has been held for more than one year. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Gain or loss realized by a United States Holder on the sale, exchange, redemption, retirement, or other taxable disposition of a Foreign Currency Note would generally be treated as United States source gain or loss.

A portion of a United States Holder's gain or loss with respect to the principal amount of a Foreign Currency Note may be treated as exchange gain or loss. Exchange gain or loss will be treated as ordinary income or loss and generally will be United States source gain or loss. For these purposes, the principal amount of the Foreign Currency Note is a United States Holder's purchase price for the Foreign Currency Note calculated in the foreign currency on the date of purchase, and the amount of exchange gain or loss recognized is equal to the difference between (i) the U.S. dollar value of the principal amount determined on the date of the sale, exchange, redemption, retirement or other taxable disposition of the Foreign Currency Note and (ii) the U.S. dollar value of the principal amount determined on the date the United States Holder purchased the Foreign Currency Note (or, in each case, on the settlement date of such disposition or purchase, if the Foreign Currency Note is traded on an established securities market and the United States Holder is a cash basis or electing accrual basis taxpayer, as described above). The amount of exchange gain or loss will be limited to the amount of overall gain or loss realized on the disposition of the Foreign Currency Note.



### *Exchange Gain or Loss with Respect to Foreign Currency*

A United States Holder's tax basis in the foreign currency received as interest on a Foreign Currency Note or on the sale, exchange, redemption, retirement or other taxable disposition of a Foreign Currency Note will be the U.S. dollar value thereof at the spot rate in effect on the date the foreign currency is received.

Any gain or loss recognized by a United States Holder on a sale, exchange or other taxable disposition of the foreign currency will be ordinary income or loss and generally will be United States source gain or loss.

### *Disclosure Requirements*

Under United States Treasury Regulations, certain transactions may be subject to reporting requirements including, in certain circumstances, a sale, exchange, redemption, retirement or other taxable disposition of a Foreign Currency Note or foreign currency received in respect of a Foreign Currency Note to the extent that such sale, exchange, redemption, retirement or other taxable disposition results in a tax loss in excess of a threshold amount. Persons considering the purchase of Foreign Currency Notes should consult with their own tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in a Foreign Currency Note, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

### *Dual Currency Notes*

If so specified in an applicable pricing supplement relating to a Foreign Currency Note, we may have the option to make all payments of principal and interest scheduled after the exercise of such option in a currency (the "Optional Payment Currency") other than the Specified Currency. Applicable United States Treasury Regulations generally (i) apply the principles contained in regulations governing contingent debt instruments to Dual Currency Notes in the "predominant currency" of the Dual Currency Notes and (ii) apply the rules discussed above with respect to Foreign Currency Notes with OID for the translation of interest and principal into U.S. dollars. Persons considering the purchase of Dual Currency Notes should carefully examine the applicable pricing supplement and should consult their own tax advisors regarding the United States federal income tax consequences of the holding and disposition of such Notes.

A United States Holder of a Dual Currency Note with respect to which our option has been exercised may be considered to have exchanged a note denominated in the Specified Currency for a note denominated in the Optional Payment Currency. If the exercise of the option by us is not treated as a deemed exchange, a United States Holder of a Dual Currency Note will not recognize gain or loss and the United States Holder's basis in the note will be unchanged. If the exercise of the option is treated as a taxable exchange, a United States Holder will generally recognize gain or loss, if any, equal to the difference between the issue price of the note denominated in the Optional Payment Currency and the holder's basis in the note denominated in the Specified Currency (although in certain circumstances, such exchange may qualify as a tax-free recapitalization).

### *Indexed Notes and Any Notes Issued with Contingent Payments*

The tax treatment of a United States Holder of an Indexed Note or any other Note providing for contingent payments will depend on factors including the specific index or indices used to determine indexed payments on the Note and the amount and timing of any contingent payments of principal and interest. This summary does not discuss the tax treatment of contingent payment debt instruments. Persons considering the purchase of Indexed Notes, or any Notes providing for contingent payments that do not constitute qualified stated interest, should carefully examine the applicable pricing supplement and should consult their own tax advisors regarding the United States federal income tax consequences of the holding and disposition of such Notes.

### *Information Reporting and Backup Withholding*

In general, information reporting requirements will apply to certain payments of principal, interest, OID and premium paid on Notes and to the proceeds of sale of a Note made to United States Holders other than certain exempt recipients (such as corporations). A backup withholding tax may apply to such payments if the United States

Holder fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income.

Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against such United States Holder's United States federal income tax liability provided the required information is timely furnished to the IRS.

In addition, certain United States Holders are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions), by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold an interest in the Notes. You are urged to consult your own tax advisors regarding information reporting requirements relating to your ownership of the Notes.

### ***Additional Withholding Requirements***

In March 2010, the Hiring Incentives to Restore Employment Act enacted certain provisions of the Tax Code commonly referred to as "FATCA". Under the FATCA rules, a "foreign financial institution" (as specifically defined under FATCA) that enters into an agreement with the U.S. Treasury Department may be required to withhold 30% from certain "foreign pass-through payments" made to holders that fail to comply with certain certification and/or information reporting requirements. The term "foreign pass-through payment" has not yet been defined by the applicable United States Treasury Regulations but is intended to capture payments that are non-U.S. source but are attributable to a U.S.-source payment. Debt obligations issued before the date which is six months after the publication of final regulations defining the term foreign pass-through payment would be grandfathered and therefore not subject to the FATCA rules for foreign pass-through payment withholding. In addition, United States Treasury Regulations provide that a foreign financial institution would not be required to withhold on foreign pass-through payments until the later of January 1, 2017, or the date of publication of final regulations defining the term foreign pass-through payment. Prospective investors should consult their tax advisors regarding the application of the FATCA rules to an investment in the Notes.

### **Taxation in Argentina**

The following summary of the main tax consequences in Argentina derived from acquisition, title to and disposition of securities issued by us is based on the tax laws of Argentina and regulations thereunder as in effect on the date of this offering memorandum and is subject to any changes that may come into effect after such date under the Argentine laws and regulations as may become effective subsequently to such date.

Even though this summary is considered to constitute an appropriate interpretation of the effective laws as of the date of this offering memorandum, no assurance may be given that the courts or tax authorities in charge of application of such laws will agree to this interpretation. Furthermore, it should be noted that there have been many changes in Argentine tax laws in the past and that such laws may be subject to restatements, revocation of exemptions, reestablishment of taxes and other changes which may reduce or eliminate the return on the investment.

### ***Income Tax***

#### ***Tax on Interest Payments***

Except as described below, interest payments on the Notes (including original issue discount, if any) will be exempt from Argentine income tax; *provided* that the Notes are issued in accordance with the Negotiable Obligations Law No. 23,576 and qualify for tax exempt treatment under Article 36 of such law. Under Article 36, interest on the Notes shall be exempt if the following conditions (the "Article 36 Conditions") are satisfied:

- (a) the Notes must be placed through a public offering authorized by the CNV;
- (b) the proceeds of the placement must be used by the issuer either for (i) working capital to be used in Argentina, (ii) investments in tangible assets located in Argentina, (iii) refinancing of debt, (iv) capital contributions

to controlled or affiliated corporations of the issuer company; *provided* that such corporations use the proceeds of such contributions for the purposes set forth in (i), (ii) or (iii) above, as established under the resolution ordering the issue and that it has been informed to the investors publicly through this offering memorandum; and

(c) the issuer must provide evidence to the CNV at the time and in the manner as prescribed by regulations that the proceeds of the issue have been used for the purposes described in section (b) above.

If the issuer fails to comply with Article 36 Conditions, Article 38 of Negotiable Obligations Law provides that the benefits resulting from tax treatment shall be forfeited and the issuer shall become liable for payment of the taxes as may have been applicable to the investor, calculated at the highest rate established by Article 90 of the Argentine Income Tax Law (35%). In this case, holders of Notes shall receive the amount of interest as established under the relevant Title as if no taxes had been payable. We intend to comply with Article 36 Conditions. AFIP regulated through General Resolution No. 1516/2003, as amended by General Resolution No. 1578/2003, the relevant mechanism for payment of income tax by the issuer in the event any of the requirements set forth by Article 36 of the Negotiable Obligations Law is considered not to have been fulfilled.

Some exceptions established by Articles 21 of the Argentine Income Tax Law and Article 106 of Tax Procedure Law are not applicable to non-resident beneficiaries for interest paid in connection with holding of notes, and the above-mentioned exemption treatment is applicable, regardless of whether this benefit increases the amount subject to tax in another country or not.

According to Decree No. 1,076/1992-July 2, 1992 - as amended by Decree No. 1157/1992 of July 10, 1992, ratified by Argentine Law No. 24,307 of December 30, 1993 ("Decree No. 1076"), the exemption described above with respect to certain Argentine taxpayers was eliminated. As a result of Decree No. 1076, interest paid to holders subject to the tax adjustment for inflation rules pursuant to Title VI of the Argentine Income Tax Law (in general, entities organized or incorporated under Argentine law, Argentine branches of foreign entities, sole proprietorships and individuals carrying on certain commercial activities in Argentina) are subject to income tax in Argentina at a rate of 35%.

Therefore, the exemption is applicable only to: (i) resident and non-resident individuals (including undivided estates) and (ii) foreign legal entities and other foreign entities.

### ***Taxes on Capital Gains***

If the Article 36 Conditions under the Negotiable Obligations Law are fully complied with, resident and non-resident individuals (including undivided estates) and foreign legal entities, except for their permanent establishments in Argentina, are not subject to income tax derived from the sale, exchange or other disposition of the Notes.

Decree No. 1076/1992 has established that taxpayers subject to tax adjustment for inflation rules pursuant to Title VI of the Argentine Income Tax Law of Argentina (as described above, Argentine entities in general), are subject to the payment of income tax derived from the sale or other disposition of the Notes.

### ***Presumed Minimum Income Tax***

The Presumed Minimum Income Tax (the "PMIT") is levied upon corporate assets, including the Notes. The taxable persons are as follows: business companies, foundations, sole proprietorships, trusts (except for financial trusts established in accordance with Sections 19 and 20 of Trust Law), certain mutual funds established in Argentina and permanent commercial establishments owned by foreign entities, among other taxpayers.

As concerns Notes listed in an authorized market, the taxable value shall be determined on the basis of the last listed value as of the fiscal year closing date.

The tax rate is 1% (0.2% in the case of local financial entities). Assets subject to tax in Argentina whose aggregate value, determined in accordance with the effective regulations, is equal to or lower than Ps.200,000 as of the relevant fiscal year end date, shall be exempted from application of the Presumed Minimum Income Tax.

Income tax assessed for a fiscal year in particular is considered as a payment on account of PMIT to be paid in the same fiscal year.

In the event that, after the deduction described in the paragraph above, there is an excess amount of Argentine income tax, such excess amount shall not generate any credit for the taxpayer and it may not be reimbursed or offset in any case whatsoever. If the income tax which may be deducted on account of PMIT is insufficient so that such PMIT must be paid in a certain fiscal year, it will be possible to acknowledge PMIT as a credit toward income tax owed in the immediately following ten fiscal years.

### ***Value Added Tax***

Any financial transactions and operations related to the issuance, subscription, placement, purchase, transfer, payment of principal and/or interest or redemption of the Notes, and guarantees thereof, will be exempted from Value Added Tax, always provided that such Notes have been placed through a public offering and to the extent that the Article 36 Conditions have been fulfilled.

It should be noted that Article 38 of the Negotiable Obligations Law provides that, if the issuer does not comply with the Article 36 Conditions, the issuer shall be liable for payment of any and all taxes resulting therefrom. In any such case, the applicable tax rate shall be 21%, except for certain special cases as prescribed by the tax regulations.

### ***Personal Assets Tax***

The Personal Assets Tax ("PAT") levies certain assets located in the country (including the Notes) and abroad existing as of December 31 of each year pertaining to individuals located in Argentina and undivided estates located therein. In connection with these persons, an exemption applies to the group of assets subject to tax (excluding shares and equity interests of any type of company regulated by the Argentine Corporations Law) or which value in the aggregate, determined pursuant to the PAT rules, does not exceed an aggregate amount of Ps.305,000. In those cases where the value of the assets exceeds such amount, this tax shall be applicable to all assets subject to tax. Tax rates applicable are as follows:

<b><u>Total Value of Assets subject to Tax</u></b>	<b><u>Applicable Tax Rate</u></b>
Over Ps.305,000 to Ps.750,000	0.50%
Over Ps.750,000 to Ps.2,000,000	0.75%
Over Ps.2,000,000 to Ps.5,000,000	1.00%
Over Ps.5,000,000	1.25%

In turn, foreign individuals domiciled and undivided estates located abroad are liable to this tax only in connection with assets located in Argentina (including the Notes). The tax rate applicable to these taxpayers is 1.25%. The PAT is not required to be paid if the amount of such tax is equal to or less than Ps.255.75.

Although securities directly owned by individuals domiciled abroad and estates located outside Argentina would be technically subject to the PAT, the PAT Law does not establish any method or procedure for collection of such tax.

PAT Law presumes, without admitting any evidence to the contrary, that Notes issued under the Negotiable Obligations Law are owned by individuals or undivided estates of Argentina and that they are thus subject to the PAT, in those cases where they are held by companies, any other kind of legal entities, companies, permanent establishments, estates or businesses (i) domiciled or located or situated abroad in any countries which do not apply

any private securities registration regime and (ii) that, by virtue of their legal nature or bylaws (a) their main activity consists making in investments outside their country or incorporation and/or (b) are not authorized to transact certain activities in their own country or perform certain investments permitted pursuant to the laws of such country.

In these cases, the law establishes an obligation on the Argentine private issuer (the “Substitute Obligor”) to pay the PAT at a total 2.5% rate. Decree No. 127, issued on February 9, 1996, and General Resolution (AFIP) No. 2151/06 establish that the Substitute Obligor and, therefore, the party obliged to effect payment of the tax, shall be the issuer entity of such Notes. The PAT further authorizes the Substitute Obligor to recollect the amount paid, without limitation, through a withholding or foreclosure on the assets giving rise to such payment.

The above-mentioned legal presumption does not apply to the following foreign legal entities being direct owners of such assets: (i) insurance companies; (ii) open-end investment funds; (iii) pension funds; and (iv) banks or financial entities whose head offices are incorporated in a country whose Central Bank or equivalent authority has adopted the international standards of supervision established by the Basel Committee.

Notwithstanding, Decree No. 812/1996, dated July 22, 1996, establishes that the legal presumption discussed above shall not apply to shares and debt-related corporate securities whose public offering has been authorized by the CNV and which are tradable on the stock exchanges located in Argentina or abroad. In order to ensure that this legal presumption will not apply and, correspondingly, that the private Argentine issuer will not be liable as a substitute obligor in respect of the Notes, a duly certified copy must be kept in our records of the CNV resolution authorizing the public offering of the shares or debt-related corporate securities and evidence verifying that such certificate or authorization was effective as of December 31 of the year in which the tax liability occurred, as required by Resolution No. 2,151 of the AFIP dated October 31, 2006. We propose to comply with these requirements.

#### ***Tax on Credits and Debits on Bank Accounts***

Law No. 25,413 (called “Competitiveness Law”), as amended and regulated by Law No. 25,453, established a tax levied on debits and credits of any nature on checking accounts maintained at financial institutions located in Argentina, except for those specifically exempted pursuant to legal provisions and regulations thereof. Debits and credits on checking accounts are subject to a general tax rate, i.e. 0.6%, although in certain cases a reduced rate of 0.075% may apply.

Certain transfers of money or cash movements through other mechanisms may also trigger application of this tax, subject to tax rates that may be up to 1.2% of amounts transferred in some cases.

In general, the financial institutions involved act as tax collection and tax calculation agents.

Decree No. 534/2004 established that, as from May 1, 2004, 34% of the amounts paid on account of this tax for taxable events covered by Article 1 a) of the above-mentioned Law (only credits) at the 0.6% general tax rate, and 17% of the tax paid on transactions levied at the 1.2% tax rate under paragraphs b) and c) of such Law, will be considered as a payment on account of income tax, taxes on presumed minimum income or the special contribution on cooperatives capital by the bank account holders.

#### ***Turnover Tax***

Turnover tax is a local tax levied on the customary development of any business for profit within a provincial jurisdiction or the City of Buenos Aires. The tax base is the gross amount invoiced as a result of the business activities transacted in the jurisdiction.

Revenues derived from any transaction related to the Notes issued in accordance with the Negotiable Obligations Law shall be exempted from application of turnover tax in the jurisdictions of the City of Buenos Aires and the Province of Buenos Aires. Pursuant to the provisions of the Tax Code applicable in both jurisdictions, in order to avail of the exemption, the Notes must be issued in accordance with the provisions set forth by Law No.

23,576 and Law No. 23,962, and the above-mentioned tax exemption shall apply to the extent such transactions are exempted from income tax (that is, to the extent the Article 36 Conditions are met).

### ***Stamp Tax***

The stamp tax is a local tax that is generally levied on the consummation of onerous transactions executed within a certain provincial jurisdiction or outside a certain provincial jurisdiction but with effects in such jurisdiction.

Notwithstanding, for the City of Buenos Aires, any actions, contracts, transactions, including money delivery or receipt transactions, related to the issuance, subscription, placement and transfer of Notes, issued pursuant to the Negotiable Instruments Law regime are exempted from application of this tax. This exemption shall include capital increases made for the issuance of shares to be delivered, conversion of notes and creation of any real or personal guarantees in favor of investors or third parties guaranteeing the issuance, either prior to, simultaneous with or subsequently to such issuance.

Notwithstanding, any instruments, actions and transactions related to the issuance of securities representing debt of their issuers and any other securities for public offering under the Capital Markets Law by companies authorized by CNV for public offering purposes are also exempted from this tax in the City of Buenos Aires. This exemption applies to guarantees related to issues as well. However, this exemption is forfeited if, within a 90 calendar days' term, the relevant authorization is not requested for the public offering of such securities before the CNV and/or if placement of the Notes is not made within 180 calendar days counted as from granting of such authorization.

The actions and/or instruments related to the trading of shares and other securities duly authorized for public offering by the CNV are exempted from application of stamp tax in the City of Buenos Aires. This exemption is also ineffective if the circumstances mentioned in the last sentence of the previous paragraph occur.

In turn, in the Province of Buenos Aires, any actions, contracts, transactions, including money delivery or receipt transactions, related to the issuance, subscription, placement and transfer of Notes, issued pursuant to the Negotiable Instruments Law regime are exempted from application of this tax. This exemption shall include capital increases made for the issuance of shares to be delivered, conversion of notes and creation of any real or personal guarantees in favor of investors or third parties guaranteeing the issuance, either prior to, simultaneous with or subsequently to such issuance.

In the Province of Buenos Aires, any instruments, actions and transactions related to the issuance of securities representing debt of their issuers and any other securities for public offering under the Capital Markets Law by companies duly authorized by CNV for public offering purposes are also exempted from this tax. This exemption applies to creation of any guarantees, either real or personal, in favor of investors or third parties guaranteeing the issuance, either prior to, simultaneous with or subsequently to such issuance. However, this exemption is forfeited if, within a 90 calendar days' term, the relevant authorization is not requested for the public offering of such securities before the CNV and/or if placement of the Notes is not made within 180 calendar days counted as from granting of such authorization.

Moreover, the actions related to trading of securities duly authorized for public offering by the CNV are exempted from application of stamp tax in the Province of Buenos Aires. This exemption is also ineffective if the circumstances mentioned in the last sentence of the previous paragraph occur.

Considering the autonomous authority vested in each provincial jurisdiction in connection with tax matters, any potential effects derived from these transactions must be analyzed, in addition to the tax treatment established by the other provincial jurisdictions.



### ***Transfer Taxes***

There are no taxes levied on the sales and/or transfers of Notes. Argentina imposes neither an estate nor gift tax on a decedent, donor, legatee or donee.

Notwithstanding the foregoing, at provincial level, the Province of Buenos Aires passed Law No. 14,044, approved on September 23, 2009 and published in the Official Gazette on October 16, 2009, whereby it imposed a Tax on Free Transmission of Assets, effective as from January 1, 2010.

Subsequently, Law No. 14,044 was amended pursuant to Law No. 14,200 approved on December 2, 2010 and published in the Official Gazette on December 24, 2010. Law No. 14,200 further pardoned, by operation of law, any tax liability derived from this Tax accrued as of December 31, 2010.

The tax on free transmission of assets is applicable to any enrichment resulting from transmissions made for no consideration, including: inheritances, legacies, donations, inheritance advance payments or any other event that implies a gratuitous monetary enrichment.

The tax is payable by individuals and legal entities that are beneficiaries of a free transmission of assets.

For taxpayers domiciled in the Province of Buenos Aires, the tax is levied on the total amount of the gratuitous enrichment, in respect of property situated both in and outside of the Province of Buenos Aires. Instead, for taxpayers domiciled outside of the Province of Buenos Aires, the tax is levied only on the gratuitous enrichment resulting from the transmission of such property as is situated within the Province of Buenos Aires.

The following types of property, which may be freely transferred, are deemed situated in the Province of Buenos Aires (i) securities and shares of stock, notes, membership or equity interests and other negotiable instruments representing capital stock, issued by governmental or private entities and companies domiciled in the Province of Buenos Aires; (ii) securities, shares of stock and other negotiable instruments issued by private entities or companies domiciled in a different jurisdiction that were physically situated in the Province of Buenos Aires at the time of their transmission; and (iii) securities, shares of stock and other negotiable instruments representing capital stock or its equivalent issued by entities or companies domiciled in another jurisdiction which are also physically situated in another jurisdiction, in proportion to the issuer's assets situated in the Province of Buenos Aires.

Free transmissions of assets are exempt from tax when their aggregate value, excluding deductions, exemptions and exclusions, is equal to or lower than Ps.60,000 and it rises to Ps.250,000 in the case of parents, children and spouse.

Step-up rates from 4% to 21.925% have been established, based on the degree of kinship and taxable base involved.

The Province of Entre Ríos, by virtue of Law No. 10,197 published in the Official Gazette on January 24, 2013, implemented this Tax on a provincial level. This tax has similar characteristics as the tax applied by the Province of Buenos Aires.

### ***Court Taxes***

Should it become necessary to institute legal actions in relation to the Notes in Argentina, a court tax will be imposed on the amount of any claim brought before the Argentine courts sitting in the City of Buenos Aires (currently at a rate of 3.0%).

### ***Public Offering and Tax Exemption***

Joint Resolution No. 470/2004 CNV and AFIP 1738/2004 (the "Joint Resolution") was published in the Official Gazette on September 14, 2004. Until such date, there was uncertainty with respect to the position of the



Argentine tax authorities as concerns tax benefits of securities placed under public offerings, both those issued originally (the existing notes) and those offered under an exchange offer, including exchange offers made within the scope of reorganization proceedings or out-of-court settlement agreements.

This Joint Resolution establishes that, for placement of securities abroad, the “public offering placement” requirement is exclusively to be construed under Argentine law (pursuant to Capital Markets Law), rather than under the foreign law. Therefore, “the provisions established by the laws or regulations of such foreign markets” and “the denomination provided to the offering under the foreign legislation” are irrelevant. Issues of notes offered under Rule 144A / Regulation S of the Securities Act are capable of placement under public offering (pursuant to Argentine laws).

For “public offering placement” to exist, it is necessary to show “effective placement efforts” under the terms of the Capital Markets Law. Therefore, mere existence of CNV authorization is not sufficient, but it is not necessary either to attain a given result, such as the minimum dispersion of investors criterion. In sum, “public offering placement” would be a “means obligation” rather than a “result obligation”.

Public offering efforts may be made not only in Argentina but also abroad. Offerings may be made to the “general public” or to a “specified group of investors” or even “solely to institutional investors”, clarifying that the offering must not be always made to the general public.

The execution of an underwriting agreement is valid for the purposes of considering the public offering requirement fulfilled, to the extent evidence is provided of the fact that the underwriter offered the securities through all the means set forth under the Capital Markets Law.

The refinancing of “bridge loans” is an expressly accepted use of proceeds from the offering.

The Joint Resolution does not require the securities to be traded in a securities market in order to be considered as placed under a public offering (even though it is clarified in the whereas clause of the Joint Resolution that trading in a securities market of Argentina contributes to analyze the intention to offer them publicly).

In the case of exchanges of notes for notes within the framework of a debt refinancing program, the benefits of notes originally placed by public offering are extended to the new notes offered for exchange, to the extent subscribers have also been holders thereof.

Furthermore, the CNV Rules provide in Article 7, Chapter IV, Title VI, that the public offering requirement established by the Capital Markets Law and Article 83, final paragraph, shall be deemed to have been fulfilled always provided that the underwriter has executed an underwriting agreement with the issuer, trade securities once the public offering authorization has been obtained and use the primary placement mechanism for the sale of securities acquired within the framework of the above-mentioned agreement.

The underwriter shall provide evidence to the issuer about the primary placement of securities through auction or public bidding proceedings pursuant to the CNV Rules and the issuer shall keep such documents in order for the tax benefits provided for by the laws to apply.

#### ***Restriction with respect to low taxation jurisdictions***

According to Tax Procedure Law (Law No. 11,683 as amended), any local entity receiving funds of any kind (that is, loans, capital contributions, etc.) from foreign entities located in low or no taxation jurisdictions, is subject to Income Tax and Value Added Tax on a 110% taxable base of the amounts received of such entities (subject to some limited exceptions). The foregoing is based upon an assumption that such amounts constitute unjustified asset increases for the local receiving party. Accordingly, Notes may not (i) be originally acquired by a person domiciled or incorporated in a low taxation jurisdiction, or (ii) be purchased by any person through a bank account opened in a low taxation jurisdiction. Low or no taxation jurisdictions, pursuant to Argentine legislation, are listed in Article 21.7 of Regulatory Decree of Argentine Income Tax Law.

Decree No. 589/2013 published in the Official Gazette on May 30, 2013 replaced Article 21.7 of Regulatory decree of Argentine Income Tax Law establishing that, to all effects set forth under Argentine Income Tax Law and regulatory decree thereof, any reference to low or no taxation countries should be construed as a reference to the countries which are not considered as cooperating countries for fiscal transparency purposes. Cooperating countries for fiscal transparency purposes are considered to be those countries executing an agreement with Argentina for exchange of information concerning tax matters or an agreement to avoid international double taxation with a broad information exchange provision, always provided that such exchange of information is effectively complied with.

The Federal Administration of Public Revenues prepares and keeps an updated list of the countries considered as cooperating countries for fiscal transparency purposes. The provisions of Decree No. 589/2013 are applicable since January 1, 2014.

**THE ABOVE SUMMARY DOES NOT REPRESENT A FULL ANALYSIS OF ALL THE TAX CONSEQUENCES DERIVED FROM THE OWNERSHIP OF NEGOTIABLE OBLIGATIONS. POTENTIAL HOLDERS AND BUYERS SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING THEIR PARTICULAR TAX CONSEQUENCES.**

## **INDEPENDENT ACCOUNTANTS**

The financial statements as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, included in this offering memorandum, have been audited by Price Waterhouse & Co. S.R.L., independent accountants, as stated in their report appearing herein. The independent auditor's report includes an explanatory paragraph about differences between Central Bank accounting rules and certain aspects with professional accounting standards in effect in the Autonomous City of Buenos Aires.

## **LEGAL MATTERS**

The validity of the creation of the Program and the issuance of each series of Notes thereunder and certain matters in connection with Argentine law will be passed upon by Zang, Bergel & Viñes Abogados, Argentine counsel to the Bank. Saúl Zang, Ernesto Manuel Viñes, and Pablo Vergara del Carril, each a director of the Bank, are also partners of Zang, Bergel & Viñes Abogados.

Certain legal matters in connection with U.S. federal securities laws and the laws of the State of New York will be passed upon for us by Simpson Thacher & Bartlett LLP, New York, New York, our counsel. Simpson Thacher & Bartlett LLP will rely on the opinion of Zang, Bergel & Viñes Abogados with respect to all matters of Argentine law, unless otherwise stated in the relevant pricing supplement.

## GENERAL INFORMATION

- The creation of the Program was approved by resolution of our shareholders' meeting dated May 23, 2008 and resolutions of our Board of Directors dated February 9, 2011, March 14, 2012, February 15, 2013, March 20, 2014, February 11, 2015 and May 6, 2015.
- The Notes will be accepted for clearance and settlement through the book-entry system of DTC, Euroclear and/or Clearstream. The clearing systems for which a series of Notes will be eligible will be set forth in the applicable pricing supplement. In addition, CUSIP numbers, ISINs and Common Codes, if any, for each series of Notes will be contained in the applicable pricing supplement.
- We have obtained all necessary consents, approvals and authorizations in Argentina in connection with the establishment of the Program. The CNV authorized the public offer of the Program in Argentina by Resolution No. 16,573 dated May 24, 2011 and Resolution No. 17,805 dated September 9, 2015.
- Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF. This offering memorandum along with the pricing supplement constitute a prospectus for the purposes of part IV of the Luxembourg law on prospectuses for securities dated July 10, 2005, as amended.
- We are not involved in any litigation or arbitration proceedings relating to claims or amounts which are material in the context of the issue of the Notes.
- The statutory documents of the Bank (including its by-laws, *estatutos sociales* and constitutive documents) are available in Luxembourg at the offices of the Luxembourg Listing Agent whose address is indicated at the end of this offering memorandum.
- Copies in English of our latest annual report and accounts and our latest quarterly accounts may be obtained, and copies of the applicable indenture or agency agreement, if any, will be available for collection and inspection, at the offices of the Luxembourg Paying Agent whose office is indicated at the end of the offering memorandum during normal business hours, so long as any Notes are outstanding or may be issued under the Program, unless otherwise stated in the relevant pricing supplement. In addition, a copy of this offering memorandum, any supplements thereto and any pricing supplement related to the series to be issued thereunder, may be obtained on the CNV's website ([www.cnv.gob.ar](http://www.cnv.gob.ar)) and the indicated office of the Luxembourg Paying Agent during normal business hours, so long as any Notes are outstanding or may be issued under the Program, unless otherwise stated.
- Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our financial position since June 30, 2015.

## FORM OF PRICING SUPPLEMENT

The pricing supplement that will be issued in respect of each series of Notes issued pursuant to the Program may include some or all of the following provisions to the extent relevant in the context of the particular series:

PRICING SUPPLEMENT DATED [•]  
TO THE OFFERING MEMORANDUM DATED [•]  
[AS SUPPLEMENTED BY THE OFFERING MEMORANDUM SUPPLEMENT DATED]

**Banco Hipotecario S.A.**  
**US\$800,000,000**  
**Global Note Program**

1. Series No:
2. Aggregate Principal Amount:
3. Issue Price:
4. Issue Date:
5. Authorized Denomination(s):
6. Specified Currency:
7. Specified Principal Payment Currency:
8. Specified Interest Payment Currency:
9. Maturity Date; Fixed Interest Rate and Zero Coupon:
10. Redemption Month; Variable Interest Rate:
11. Interest Basis: [Fixed Interest Rate, Variable Interest Rate, Zero Coupon]
12. Interest Commencement Date (if different from the Issue Date):
13. Fixed Interest Rate:
  - (a) Calculation Amount:
  - (b) Interest Rate: [ ] % per annum
  - (c) Interest Payment Date(s):
  - (d) Initial Broken Amount: [Amount per currency and denominations]
  - (e) Final Broken Amount: [Amount per currency and denominations]
  - (f) Fixed Rate Day Count Fraction(s) if not 30/360 basis:
14. Variable Interest Rate:
  - (a) Calculation Amount:
  - (b) Business Day Convention: [FRN Convention (to be used only if Specified Interest Period is expressed in months)/Modified Following Business Day Convention/Following Business Day Convention/Other (specify)]
  - (c) Specified Interest Period:
  - (d) Interest Payment Dates: [Specify if different from Normal Convention]
  - (e) Benchmark and Reference Rate(s): [Specify, including whether Bid, Offer or Mean]
  - (f) Primary Source for Interest Rate Quotations [Relevant Screen Page/Reference Banks] for Reference Rate(s):
  - (g) Specified Screen Page:
  - (h) Reference Banks:
  - (i) Calculation Agent:
  - (j) Interest Determination Date:
15. Basis of Calculation of Variable Interest Rate and Interest Payment Dates and default interest:
16. Other Variable Interest Rate Terms:
  - (a) Minimum Interest Rate:
  - (b) Maximum Interest Rate:
  - (c) Spread: [+/- [ ] per annum]
  - (d) Spread Multiplier:
  - (e) Variable Rate Day Count Fractions(s) if not actual/360:
  - (f) Relevant Banking Center:
17. Zero Coupon

- (a) Amortization Yield:
- (b) Reference Price:
- (c) Basis: [Straightline/Compounded at [specify] intervals]
- (d) Fixed Rate Day Count:  
Fraction(s) if not 30/360 basis:
- 18. Relevant Business Day [Specify other financial center(s)]
- 19. Relevant Financial Center: [Specify other financial center(s)]
- 20. Redemption Amount or the Basis of Calculation of  
the Variable Redemption Amount:
- 21. Redemption at the Option of the Bank [Yes/No]
  - (a) Notice Period: [Specify maximum and minimum number of days for deposit period]
  - (b) Amount: [All or less than all and, if less than all, minimum amounts]
  - (c) Date(s):
  - (d) Call Redemption Amount:
- 22. Redemption at the Option of the Noteholders: [Yes/No]
  - (a) Deposit Period: [Specify maximum and minimum number of days for deposit period]
  - (b) Amount: [All or less than all and, if less than all, minimum amounts]
  - (c) Date(s):
  - (d) Put Redemption Amount:
  - (e) Withdrawal of Notes:
- 23. Alternative Payment Mechanism:
- 24. Unmatured Coupons Void: [Yes/No]
- 25. Talons:
  - (a) Talons for Future Coupons to be attached [Yes/No] to Definitive Notes:
  - (b) Reference Date(s) or Interest Payment Date(s) on which the Talons (if any) mature:
- 26. Early Redemption Amount (including accrued interest, if any):
- 27. Additional Provisions relating to the Notes:

#### **Other Relevant Terms**

- 1. Listing (if yes; specify Stock Exchange):
- 2. Syndicated: [Yes/No]
- 3. If Syndicated:
  - (a) Lead Manager:
  - (b) Stabilizing Manager:
- 4. Commissions and Concessions:
- 5. Codes:
  - (a) Common Code:
  - (b) ISIN:
  - (c) CUSIP:
  - (d) Other:
- 6. Identity of Dealer(s)/Manager(s):
- 7. Provisions for Registered Notes
  - (a) DTC Unrestricted Global Note: [Yes/No]
  - (b) DTC Unrestricted Global Note: [Yes/No]
- 8. Use of Proceeds:

## **ANNEX I – SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN CENTRAL BANK ACCOUNTING RULES AND IFRS**

### **Summary of Significant Differences between Central Bank Accounting Rules and IFRS**

The Bank's consolidated financial statements have been prepared in accordance with Central Bank Accounting Rules, which differs in certain significant respects from IFRS. Such differences involve methods of measuring the amounts shown in the consolidated financial statements, as well as additional disclosures required by IFRS.

The main measurement differences between Central Bank Accounting Rules and IFRS as they relate to the Bank are described below, together with an explanation, where appropriate, of the method used in the determination of the necessary adjustments.

#### ***a. Loan origination fees and costs***

Under Central Bank Accounting Rules, the Bank does not defer loan origination fees and costs on mortgage, personal and credit card loans, different from those originated under the Programa de Crédito Argentino del Bicentenario para la Vivienda Única Familiar ("PROCREAR") Program.

Given the bank's role as Trustee of the PROCREAR Administrative and Financial Trust, it has capitalized direct expenses incurred in the mortgage loan origination process, which disbursements would not have been incurred by it had it not been for the grant of the related loans, in accordance with the provisions of Communication "A" 5392. Such origination expenses are amortized in 60 monthly installments.

In accordance with IFRS, under IAS 39 loan origination fees and certain direct loan origination costs should be recognized over the life of the related loan as an adjustment of yield.

#### ***b. Loan loss reserve***

The Bank's accounting for its allowance for loan losses differs in some significant respects with practices of IFRS.

Under Central Bank Accounting Rules, the allowance for loan losses is calculated according to specific criteria. This criterion is different for commercial loans (those in excess of Ps.2,500) and consumer loans. Loan loss reserves for commercial loans are principally based on the debtors' payment capacity and cash-flows analysis. Loan loss reserves for consumer loans are based on the client's aging. Argentine banks may maintain other reserves to cover potential loan losses which management believes to be inherent in the loan portfolio, and other Central Bank required reserves.

Under IFRS, a financial asset or group of assets is impaired, and impairment losses are recognised, only if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset. An entity is required to assess at each balance sheet date whether there is any objective evidence of impairment. If any such evidence exists, the entity is required to do a detailed impairment calculation to determine whether an impairment loss should be recognised. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the financial asset's original effective interest rate.

Assets that are individually assessed and for which no impairment exists are grouped with financial assets with similar credit risk statistics and collectively assessed for impairment.

Specifically:

- a) Loans considered impaired, in accordance with IAS 39, are recorded at the present value of the expected future cash flows discounted at the loan's effective contractual interest rate or at the fair value of the collateral if the loan is collateral dependent.
- b) Following IAS 39, historical loss ratios are determined by analyzing historical losses, in order to calculate the allowance required for smaller-balance impaired loans and unimpaired loans for IFRS purposes. Loss estimates are analyzed by loan type and thus for homogeneous groups of clients.



### ***c. Derivative Financial Instruments***

The Bank entered in several derivative transactions, mainly, to hedge: (i) the exchange rate risk attached to liabilities denominated in foreign currency, and (ii) interest rate swaps to manage its interest rate risk.

Under Central Bank Accounting Rules, currency swaps are recorded on the basis of the net asset or liability derived from the accrual of interest receivable in foreign currency, minus the accrual of interest payable in for (both derived from the current coupon of the swap). Gains and losses are recorded in earnings in each period.

Under IFRS, the Bank accounts for derivative financial instruments in accordance with IFRS 9 which establishes that derivatives are measured at fair value. Value changes are recognised in profit or loss unless the entity has elected to apply hedge accounting by designating the derivative as a hedging instrument in an eligible hedging relationship.

If certain eligibility and qualification criteria are met, hedge accounting allows an entity to reflect risk management activities in the financial statements by matching gains or losses on financial hedging instruments with losses or gains on the risk exposures they hedge.

The Bank's derivatives do not qualify for hedge accounting treatment under IFRS.

### ***d. Government securities***

Under Central Bank Accounting Rules, some government bonds, unquoted securities issued by the Central Bank and bills issued by provincial governments have been recorded at cost, net of contra-accounts, if applicable. This value increases monthly on the basis of the internal rate of return resulting from the interest rate which, used as discount, matches the cash flow's present value with the initial value.

Under IFRS these securities must be recorded at fair value.

### ***e. Financial liabilities***

The Bank has issued several series of negotiable obligations in different terms and conditions. Under Central Bank Accounting Rules, the costs of originating such instruments have been charged to the Income Statement at the issuance date.

According to IFRS 9, financial liabilities are initially measured at fair value. This is generally the same as cost. In the case of financial assets and liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue are included in the cost.

### ***f. Securitizations***

For Central Bank Accounting Rules purposes, the debt securities and certificates retained by the Bank are accounted for at cost plus accrued interest for the debt securities, and the equity method is used to account for the residual interest in the trust.

Under IFRS several financial trusts are not considered to constitute derecognition of financial assets. The basic premise for the de-recognition model in IFRS 9 is to determine whether the asset under consideration for derecognition has been transferred, and if so, whether the transfer of that asset is subsequently eligible for derecognition.

An asset is transferred if either the entity has transferred the contractual rights to receive the cash flows, or the entity has retained the contractual rights to receive the cash flows from the asset, but has assumed a contractual obligation to pass those cash flows on under an arrangement that meets the following three conditions:

- the entity has no obligation to pay amounts to the eventual recipient unless it collects equivalent amounts on the original asset
- the entity is prohibited from selling or pledging the original asset (other than as security to the eventual recipient),
- the entity has an obligation to remit those cash flows without material delay

Once an entity has determined that the asset has been transferred, it then determines whether or not it has transferred substantially all of the risks and rewards of ownership of the asset. If substantially all the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been retained, derecognition of the asset is precluded.

If the entity has neither retained nor transferred substantially all of the risks and rewards of the asset, then the entity must assess whether it has relinquished control of the asset or not. If the entity does not control the asset then derecognition is appropriate; however if the entity has retained control of the asset, then the entity continues to recognise the asset to the extent to which it has a continuing involvement in the asset.

These various derecognition steps are summarised in the decision tree in paragraph B3.2.1.

According to IFRS, a subsidiary is an entity controlled by another entity, the parent. The definition of control for IFRS is wider than under Central Bank Accounting Rules.

IFRS 10 prescribes a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns.

#### ***g. Intangible Assets***

##### **Software costs**

Under Central Bank Accounting Rules fees paid for a re-engineering project and for restructuring expenses incurred in relation to certain equity transactions are recognized as an intangible asset and amortized in a maximum of five years. Such cost should be expensed as incurred under IFRS.

Under Central Bank Accounting Rules, the Bank capitalizes costs relating to all three of the stages of software development. Under IFRS development costs should be capitalized only after technical and commercial feasibility of the resulting product or service have been established and all research costs are charged to expense when incurred.

##### **Other intangible assets**

On January 13, 2011, Tarshop S.A., acquired from APSA Media S.A. (formerly Metroshop S.A.) a portfolio of credit cards delinquent by less than 60 days; a contractual position in contracts for the issuance of credit cards; the accounts of customers, the lease agreements and movable property at certain branches and the contracts of employment with personnel under a labor relationship.

Under Central Bank Accounting Rules, no intangible assets should be recognized in accordance with these transactions.

Under IFRS assets are recognized based on their cost to the acquiring entity, which generally includes the transaction costs of the assets acquisition, and no gain or loss is recognized unless the fair value of noncash assets given as consideration differs the assets' carrying amount on the acquiring entity's books. The cost of a group of assets acquired shall be allocated to the individual assets acquired or liabilities assumed based on their relative fair values and shall not give rise to goodwill.

##### **Business combinations**

###### ***(i) Acquisition of Tarshop S.A.***

On August 30, 2010, the Financial and Exchange Institutions Superintendency of the Central Bank authorized of the acquisition of the 80% of Tarshop S.A., which consisted of 107,037,152 non-endorsable, registered common shares, par value Ps.1 per share, and entitled to one vote per share, for a total amount of US\$ 26.8 million. Pursuant to

Central Bank Accounting Rules and due to the difference between the acquisition cost and the estimated fair value of assets and liabilities acquired, a goodwill amounting to Ps.29,568 thousand was recorded under Intangible Assets – Goodwill. This goodwill is subsequently charged to Income on a straight-line basis during 60 months.

IFRS requires the acquisition of controlling interest of Tarshop S.A. to be accounted for as a business combination, according to IFRS 3, applying the acquisition method, recognizing all net assets acquired at their fair value.

*(ii) Acquisition of additional shares of BACS Banco de Crédito y Securitización S.A.*

On May 24, 2012, the Financial and Exchange Institutions Superintendency of the Central Bank authorized the acquisition of 17.5% of BACS Banco de Crédito y Securitización S.A., as a result, of the aforementioned the Bank's interest in BACS Banco de Crédito y Securitización S.A.'s capital stock increased from 70% to 87.5%.

The Bank recognized, under Central Bank Accounting Rules a gain corresponding to the difference between the fair value of the consideration paid and the related carrying value of the NCI acquired.

For IFRS purposes an acquisition on additional interest obtained when the control is maintained should be accounted for as an equity transaction. As such the Bank under IFRS: a) does not recognize a gain in the income statement, b) recognizes the difference between the fair value of the consideration paid and the related carrying value of the non-controlling interest acquired in the controlling interests' equity and c) reclassifies the carrying value of the non-controlling interest obtained from the non-controlling interest to the controlling interests' equity.

*(iii) Acquisition of BACS Administradora de Activos S.A. S.G.F.C.I.*

On April 26, 2012 BACS Banco de Crédito y Securitización S.A. acquired 85% of BACS Administradora de Activos S.A. S.G.F.C.I. (formerly FCMI Argentina Financial Corporation S.A. S.G.F.C.I.). The purchase price was Ps.6.0 million. Pursuant to Central Bank Accounting Rules, and due to the difference between the acquisition cost and the estimated fair value of assets and liabilities acquired as of April 30, 2012, a goodwill amounting to Ps.4,728 thousand was recorded under Intangible Assets – Goodwill. This goodwill is subsequently charged to income on a straight-line basis during 120 months.

IFRS requires the acquisition of controlling interest of BACS Administradora de Activos S.A. S.G.F.C.I. (formerly FCMI Argentina Financial Corporation S.A. S.G.F.C.I.) to be accounted for as a business combination, according to IFRS 3, applying the acquisition method, recognizing all net assets acquired at their fair value.

Goodwill amortization, under Central Bank Accounting Rules is reversed for IFRS purposes because according to IAS 36, goodwill and other intangibles with indefinite useful lives are tested for impairment at least annually and recoverable amount calculated.

***h. Non-controlling interest***

Central Bank Accounting Rules require recording non-controlling interests as a component of the liabilities. IAS 1 requires presenting such interests as within equity. In addition, the IFRS adjustment represents the allocation to the non-controlling interest of non-wholly owned subsidiaries of certain IFRS adjustments related to such subsidiaries.

***i. Provisions***

The Bank's policy for vacation benefits is to expense such benefits as taken. For IFRS purposes, the vacation accrual is based on an accrual basis, where earned but untaken vacation is recognized as a liability.

Pursuant to Communication "A" 5689 of the Central Bank, beginning in January 2015, financial institutions are required to create allowances for 100% of the administrative and/or disciplinary sanctions and criminal penalties supported by first instance court rulings, applied or pursued by the Central Bank, the Financial Information Unit, the Argentine Securities Commission and the Argentine Superintendence of Insurance, of which notice has been served

to the relevant institution, irrespective of their significance, even if their payment has been suspended by court or administrative measures and notwithstanding the status of the proceedings.

According to IFRS, as stated in IAS 37, a provision is recognised only when a past event has created a legal or constructive obligation, an outflow of resources is probable and the amount of the obligation can be estimated reliably. The amount recognised as a provision is the best estimate of the settlement amount at the end of the reporting period.

#### ***j. Insurance Technical reserve***

Until September 2003, the calculation of the local technical reserves performed by the Bank was the same as that used under IFRS.

On September 2003, the Argentine Superintendence of Insurance issued certain regulations on the calculation of reserves introducing changes to the local regulations. For IFRS purposes the Bank has accounted these insurance technical reserves under IFRS 4.

#### ***k. Capitalization of interest cost***

Under Central Bank Accounting Rules, during the process of construction of an asset the capitalization of interest is not recognized.

For IFRS purposes, according to IAS 23, borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset but only when it is probable that these costs will result in future economic benefits to the entity and the costs can be measured reliably. All other borrowing costs that do not satisfy the conditions for capitalisation are expensed when incurred.

To the extent that an entity borrows funds specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred during the period less any investment income on the temporary investment of those borrowings.

If funds are borrowed generally and used for the purpose of obtaining the qualifying asset, a capitalisation rate (weighted average of borrowing costs applicable to the general outstanding borrowings during the period) is applied to expenditure incurred during the period, to determine the amount of borrowing costs eligible for capitalisation. The amount of borrowing costs that the entity capitalises during a period cannot exceed the amount of borrowing costs incurred during the period.

#### ***l. Deferred Income Tax***

Central Bank Accounting Rules requires income taxes to be recognized on the basis of amounts due in accordance with Argentine tax regulations. Temporary differences between the financial reporting and income tax bases of accounting are therefore not considered in recognizing income taxes.

In accordance with IFRS, as stated in IAS 12, income taxes are recognized on the liability method whereby deferred tax assets and liabilities are established for temporary differences between the financial reporting and tax bases of our assets and liabilities. Deferred tax assets are also recognized for tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recorded or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized for that component of net deferred tax assets which is “more likely than not” that it will not be recoverable.

## INDEX TO THE FINANCIAL STATEMENTS

### **Audited Consolidated Financial Statements prepared in accordance with Central Bank**

#### **Accounting Rules**

Report of the Independent Registered Public Accounting Firm.....	F-2
Consolidated Balance Sheet for each of the years ended December 31, 2014 and 2013 .....	F-4
Consolidated Statement of Income for each of the years ended December 31, 2014, 2013 and 2012.....	F-7
Consolidated Statement of Changes in Shareholders' Equity for each of the years ended December 31, 2014, 2013 and 2012.....	F-9
Consolidated Statement of Cash Flows for each of the years ended December 31, 2014, 2013 and 2012 .....	F-10
Notes to the Consolidated Financial Statements .....	F-11

### **Unaudited Consolidated Financial Statements prepared in accordance with Central Bank**

#### **Accounting Rules**

Report of the Independent Registered Public Accounting Firm.....	F-50
Interim Consolidated Balance Sheet for the six-month period ended June 30, 2015 and for the year ended December 31, 2014.....	F-52
Interim Consolidated Statement of Income for the six-month periods ended June 30, 2015 and 2014 ...	F-55
Interim Consolidated Statement of Changes in Shareholders' Equity for the six-month periods ended June 30, 2015 and 2014.....	F-57
Interim Consolidated Statement of Cash Flows for the six-month periods ended June 30, 2015 and 2014 .....	F-58
Notes to the Consolidated Financial Statements .....	F-59

## **Independent Auditor's Report**

To the Board of Directors and Shareholders of  
Banco Hipotecario S.A.

We have audited the accompanying consolidated financial statements of Banco Hipotecario S.A. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting rules prescribed by the Argentine Central Bank; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

As described in Note 1.b. to the financial statements, the Banks's financial statements have been prepared in accordance with accounting rules prescribed by the Argentine Central Bank, which differ in certain respects from, and is a comprehensive basis of accounting other than, Argentine generally accepted accounting principles applicable to enterprises in general.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Argentina and performed the auditing procedures required by the *Banco Central de la República Argentina* (the "Argentine Central Bank"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Explanatory Paragraph***

As described in Note 1.b. to the financial statements, the Banks's financial statements have been prepared in accordance with accounting rules prescribed by the Argentine Central Bank, which differ in certain respects from, and is a comprehensive basis of accounting other than, Argentine generally accepted accounting principles applicable to enterprises in general.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco Hipotecario S.A. and its subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting rules prescribed by the Argentine Central Bank.

Price Waterhouse & Co S.R.L.

**Marcelo Trama**  
**Partner**

Buenos Aires, Argentina  
February 11, 2015



**BANCO HIPOTECARIO SA AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET**

**As of December 31, 2014 and 2013**

**(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)**

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
Cash and due from banks		
Cash.....	Ps. 796,125	Ps 558,462
Financial institutions and Correspondents.....	4,572,389	1,682,105
Argentine Central Bank (B.C.R.A.).....	4,157,439	1,399,871
Other domestic institutions.....	14,900	5,561
Other foreign institutions.....	400,050	276,673
	<u>5,368,514</u>	<u>2,240,567</u>
Government and corporate securities (Note 5)		
Holdings booked at fair market value.....	1,482,563	1,358,429
Holdings booked at cost plus return.....	141,147	173,087
Investments in listed corporate securities.....	369,587	179,124
Securities issued by the BCRA.....	2,524,738	29,947
	<u>4,518,035</u>	<u>1,740,587</u>
Loans		
To the non-financial public sector.....	112,131	139,373
To the financial sector.....	339,190	379,308
Interfinancial (call granted).....	15,000	10,000
Other loans to domestic financial entities.....	316,480	356,690
Accrued interest, adjustments and quotation differences receivable.....	7,710	12,618
To the non-financial private sector and foreign residents.....	17,195,344	12,928,639
Overdrafts facilities.....	1,173,527	792,178
Promissory notes.....	369,360	371,267
Mortgage loans.....	2,349,468	2,220,627
Pledge loans.....	103,576	42,460
Personal loans.....	2,354,793	1,822,810
Credit card loans.....	7,155,260	5,181,068
Unallocated collections.....	(34,565)	(8,007)
Other (Note 6).....	3,536,442	2,380,749
Accrued interest and quotation differences receivable.....	213,947	144,807
Documented interest.....	(26,464)	(19,320)
Allowances (Note 9).....	(407,140)	(308,632)
	<u>17,239,525</u>	<u>13,138,688</u>
Other receivables from financial transactions (Note 8)		
Argentine Central Bank.....	340,892	578,358
Amounts receivable for spot and forward sales to be settled.....	141,032	141,828
Securities to be received under spot and forward purchases to be settled.....	212,891	135,927
Negotiable obligations without quotation.....	202,723	380,415
Balances of forward transactions not yet settled without delivery of underlying asset.....	20,457	19,230
Others not included in the debtor classification regulations (Note 7).....	1,259,353	548,084
Others included in the debtor classification regulations.....	190,161	24,836
Accrued interest receivable included in the debtor classification regulations.....	7,939	8,240
Allowances.....	(9,223)	(12,584)
	<u>2,366,225</u>	<u>1,824,334</u>

**BANCO HIPOTECARIO SA AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET – (Continued)**

**As of December 31, 2014 and 2013**

**(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)**

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Assets under financial leases.....		
Receivables for financial leases	106,740	58,175
Accrued interest and adjustments receivable	1,825	1,324
Allowances	<u>(1,045)</u>	<u>(648)</u>
	107,520	58,851
Investments in other companies .....	<u>47,918</u>	<u>19,241</u>
Miscellaneous receivables		
Minimum presumed income tax – fiscal credit.....	188,187	222,051
Others (Note 8).....	958,078	785,814
Other accrued interest receivable.....	2,237	1,911
Allowances.....	<u>(13,978)</u>	<u>(16,457)</u>
	1,134,524	993,319
Bank premises and equipment (Note 10).....	165,159	122,684
Miscellaneous assets (Note 11).....	59,790	47,508
Intangible assets (Note 10)		
Goodwill.....	20,222	23,652
Organization and development expenses.....	<u>322,706</u>	<u>174,935</u>
	342,928	198,587
Items pending allocation.....	<u>1,373</u>	<u>3,527</u>
<b>Total Assets</b> .....	Ps. <u><u>31,351,511</u></u>	Ps. <u><u>20,387,893</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

**BANCO HIPOTECARIO SA AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET – (Continued)**

**As of December 31, 2014 and 2013**

**(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)**

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits		
Non-financial public sector.....	Ps. 9,100,822	Ps. 4,142,809
Financial sector.....	7,416	8,109
Non-financial private sector and foreign residents.....	9,225,875	6,738,876
Current accounts.....	760,533	526,413
Savings accounts.....	2,479,643	1,443,467
Time deposits.....	4,983,820	4,265,680
Investment accounts.....	713,438	304,241
Others.....	156,068	126,748
Accrued interest and quotation differences payable.....	132,373	72,327
	18,334,113	10,889,794
Other liabilities from financial transactions		
Argentine Central bank.....	71	40
Other.....	71	40
Unsubordinated negotiable obligations (Note 15).....	4,347,084	2,660,092
Amounts payable under spot and forward purchases to be settle...	213,374	133,610
Securities to be delivered under spot and forward sales to be settled.....	222,221	142,469
Loans received from domestic financial institutions.....	327,527	424,745
Interfinancial loans (call received).....	116,000	185,000
Other loans from domestic financial institutions.....	206,909	235,353
Accrued interest payable.....	4,618	4,392
Balances of forward transactions not yet settled without delivery of underlying asset.....	8,490	39,859
Others (Note 12).....	1,243,731	674,918
Accrued interest and quotation differences payable.....	112,874	61,377
	6,475,372	4,137,110
Miscellaneous liabilities		
Dividends payable.....	137	137
Fees.....	41,289	35,538
Others (Note 13).....	1,740,130	1,135,336
Accrued interest and quotation differences payable.....	-	2,047
	1,781,556	1,173,058
Provisions (Note 14).....	236,117	148,340
Items pending allocation.....	59,855	121,345
Non-controlling interest .....	67,591	71,311
<b>Total Liabilities.....</b>	<b>26,954,604</b>	<b>16,540,958</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>4,396,907</b>	<b>3,846,935</b>
<b>Total Liabilities and Shareholders' Equity.....</b>	<b>Ps. 31,351,511</b>	<b>Ps. 20,387,893</b>

The accompanying notes are an integral part of these consolidated financial statements.

**BANCO HIPOTECARIO SA AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF INCOME**  
**For the years ended December 31, 2014, 2013 and 2012**  
**(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Financial income			
Interest on cash and due from banks.....	15	9,838	4,861
Interest on loans to the financial sector.....	61,944	54,069	40,468
Interest on overdraft facilities.....	286,263	191,829	153,322
Interest on promissory notes.....	108,969	74,874	48,259
Interest on mortgage loans.....	358,216	280,835	207,565
Interest on pledge loans.....	25,566	10,108	10,332
Interest on credit card loans.....	1,462,040	817,560	559,427
Interest on financial leases.....	16,474	6,756	594
Interest on other loans.....	1,527,803	868,082	588,004
Interest on other receivables for financial transactions.....	24,314	25,985	29,593
Net income from government and corporate securities.....	974,592	580,384	463,721
Adjustments from application of CER clause.....	32,379	8,268	16,548
Adjustments from application of CVS clause.....	8	37	47
Others (Note 19).....	416,316	303,448	57,984
	<u>5,294,899</u>	<u>3,232,073</u>	<u>2,180,725</u>
Financial expenses			
Interest on saving accounts deposits.....	2,011	1,924	1,246
Interest on time deposits.....	1,507,010	817,373	574,316
Interest on interfinancial loans received.....	14,609	5,294	2,220
Interest on other loans from financial institutions...	84,326	55,871	35,928
Interest on other liabilities resulting from financial transactions.....	602,727	348,237	223,041
Other interest.....	152,051	21,609	9,827
Gold and foreign currency quotation differences...	108,909	74,002	137,581
Contribution to the deposits security fund.....	35,115	16,808	11,011
Others (Note 19).....	466,620	261,393	143,459
	<u>2,973,378</u>	<u>1,602,511</u>	<u>1,138,629</u>
Gross intermediation margin.....	Ps. 2,321,521	Ps. 1,629,562	Ps. 1,042,096
Provision for loan losses (Note 9).....	343,437	264,290	200,922
Income from services			
Linked with lending transactions.....	902,093	626,150	522,265
Linked with borrowing transactions.....	87,972	59,032	52,746
Other commissions.....	10,296	6,284	5,578
Others (Note 20).....	1,609,089	1,045,854	591,565
	<u>2,609,450</u>	<u>1,737,320</u>	<u>1,172,154</u>
Expenses for services			
Commissions.....	157,018	100,715	37,938
Others (Note 20).....	542,614	417,324	153,393
	<u>699,632</u>	<u>518,039</u>	<u>191,331</u>

**BANCO HIPOTECARIO SA AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF INCOME**  
**For the years ended December 31, 2014, 2013 and 2012**  
**(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Administrative expenses			
Personnel expenses.....	1,674,466	1,138,026	825,417
Directors' and Syndics' fees.....	55,976	54,617	35,272
Other fees (Note 21).....	293,185	185,584	149,067
Advertising expenses.....	171,894	97,002	85,883
Taxes.....	145,519	106,194	91,824
Depreciation of bank premises and equipment.....	27,675	17,241	15,521
Amortization of organization and development expenses.....	56,767	28,628	17,264
Other operating expenses (Note 21).....	322,822	222,998	188,005
Other.....	<u>107,434</u>	<u>46,666</u>	<u>32,138</u>
	2,855,738	1,896,956	1,440,391
Net income from financial transactions..... Ps.	1,032,164	Ps. 687,597	Ps. 381,606
Miscellaneous income			
Income from equity investments.....	3,748	-	-
Penalty interests.....	77,329	48,347	51,971
Loans recovered and allowances reversed.....	105,330	69,588	109,192
Others (Note 22).....	<u>94,127</u>	<u>59,147</u>	<u>48,264</u>
	280,534	177,082	209,427
Miscellaneous expenses			
Penalty interest and charges in favor of BCRA.....	910	35	18
Loan loss provision for miscellaneous receivables and other provisions.....	116,593	63,748	62,757
Depreciation and loss of miscellaneous assets.....	345	358	418
Amortization of goodwill.....	3,430	3,430	3,272
Other (Note 22).....	<u>240,460</u>	<u>174,857</u>	<u>116,296</u>
	361,738	242,428	182,761
Income before income taxes and Non-controlling interest..... Ps.	950,960	Ps. 622,251	Ps. 408,272
Income taxes (Note 24).....	426,641	194,123	55,096
Non-controlling interest.....	<u>25,653</u>	<u>(7,178)</u>	<u>(9,569)</u>
Net income for the year..... Ps.	<u><u>549,972</u></u>	Ps. <u><u>420,950</u></u>	Ps. <u><u>343,607</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

**BANCO HIPOTECARIO SA AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**For the years ended December 31, 2014, 2013 and 2012**  
**(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)**

	Common stock (Note 26)	Paid in capital (Note 26)	Treasury stock (Note 26)	Inflation adjustment of common stock (Note 26)	<u>Reserves</u>		Retained earnings
					Legal (Note 26)	Voluntary (Note 26)	
<b>Balance as of December 31, 2011.....</b>	Ps. 1,463,365	Ps. 834	Ps. 54,149	Ps. 699,601	Ps. 476,524	Ps. -	Ps.
Retained earnings distribution approved by the General Shareholders' Meeting held on March 27, 2012	-	-	-	-	50,304	367,601	
Distribution of retained earnings - BCRA's Authorization -- Note 651 - 09/21/2012	-	-	-	-	-	-	
Net income for the year	-	-	-	-	-	-	
<b>Balance as of December 31, 2012.....</b>	Ps. 1,463,365	Ps. 834	Ps. 54,149	Ps. 699,601	Ps. 526,828	Ps. 367,601	Ps.
Retained earnings distribution approved by the General Shareholders' Meeting held on August 23, 2013	-	-	-	-	68,721	244,886	
Net income for the year	-	-	-	-	-	-	
<b>Balance as of December 31, 2013.....</b>	Ps. 1,463,365	Ps. 834	Ps. 54,149	Ps. 699,601	Ps. 595,549	Ps. 612,487	Ps.
Retained earnings distribution approved by the General Shareholders' Meeting held on April 24, 2014.	-	-	-	-	84,190	336,760	
Net income for the year	-	-	-	-	-	-	
<b>Balance as of December 31, 2014.....</b>	Ps. 1,463,365	Ps. 834	Ps. 54,149	Ps. 699,601	Ps. 679,739	Ps. 949,247	Ps.

**The accompanying notes are an integral part of these consolidated financial statements**

**BANCO HIPOTECARIO SA AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the years ended December 31, 2014, 2013 and 2012**  
**(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash at beginning of fiscal year.....	Ps. 2,240,567	Ps. 1,409,328	Ps. 658,005
Cash at period end.....	5,368,514	2,240,567	1,409,328
<b>Net increase / (decrease) in cash.....</b>	<b>Ps. 3,127,947</b>	<b>Ps. 831,239</b>	<b>Ps. 751,323</b>
<b><u>Causes of change changes</u></b>			
<b>Operating activities</b>			
Net collection / (payment) on:			
Government and corporate securities.....	(2,777,448)	338,349	(271,617)
Loans			
To the financial sector.....	40,118	(287,502)	(41,950)
To the non-financial public sector .....	27,242	251,970	(289,473)
To the non-financial private sector and foreign residents.....	(4,511,634)	(3,613,014)	(2,155,415)
Other receivables from financial transactions.....	(541,891)	(486,499)	526,995
Deposits			
To the financial sector.....	4,958,013	1,151,917	612,617
To the non-financial public sector .....	-	107	-
To the non-financial private sector and foreign residents.....	2,486,999	1,727,202	1,949,726
Other (except for liabilities under financing activities).....	639,577	158,964	(171,192)
Collections linked with income from services.....	2,609,450	1,737,320	1,172,154
Payments linked with expenses for services.....	(699,632)	(518,029)	(191,331)
Administrative expenses paid.....	(2,940,180)	(1,942,825)	(1,472,844)
Collection net of penalty interest.....	77,329	48,347	51,971
Payment of organization and development expenses.....	(144,341)	(101,985)	(19,673)
Other (payments) linked to miscellaneous income and expenses.....	(278,901)	(56,064)	80,224
Net collection / (Payment) from other operating activities.....	294,350	232,810	(10,877)
	(55,096)		(55,096)
<b>Net cash flow (used in) operating activities.....</b>	<b>Ps. (760,949)</b>	<b>Ps. (1,358,932)</b>	<b>Ps. (285,781)</b>
<b>Investment activities:</b>			
Net payment on bank premises and equipment.....	(54,757)	(20,157)	-
<b>Net cash flow (used in) by investment activities.....</b>	<b>Ps. (54,757)</b>	<b>Ps. (20,157)</b>	<b>Ps. -</b>
<b>Financing activities:</b>			
Collections on subordinated negotiable obligations.....	1,698,654	634,752	
Payment of dividends.....	-	(30,000)	(100,000)
<b>Net cash flow originated by financing activities.....</b>	<b>Ps. 1,698,654</b>	<b>Ps. 604,752</b>	<b>Ps. 165,203</b>
Financial gain / (loss) on holding of cash and cash equivalent (including interest and monetary results).....	2,244,999	1,605,576	879,945
<b>Net increase / (decrease) in cash.....</b>	<b>Ps. 3,127,947</b>	<b>Ps. 831,239</b>	<b>Ps. 751,323</b>

The accompanying notes are an integral part of these consolidated financial statements.



## 1. General

### *a. Description of business*

Banco Hipotecario SA (herein after referred to as the “Bank” or “BHSA”), is a commercial bank, organized under the laws of Argentina.

The Bank historically has provided general banking services, focused on individual residential mortgage loans and construction-project loans directly to customers as well as indirectly through selected banks and other financial intermediaries throughout Argentina. In 2004, as part of its business diversification strategy, the Bank expanded its product offerings, beginning to offer personal loans, credit card loans and also engaging in mortgage loan securitizations, mortgage loan servicing, other corporate loans and insurance in connection with its lending activities.

### *b. Basis of presentation*

The consolidated financial statements of the Bank have been prepared in accordance with the rules of Banco Central de la República Argentina (“Argentine Central Bank” or “BCRA”) which prescribes the accounting reporting and disclosure requirements for banks and financial institutions in Argentina (“Argentine Banking GAAP”). These rules differ in certain respects from generally accepted accounting principles in Argentina (“Argentine GAAP”) applicable to enterprises in general.

Certain reclassifications of prior year’s information have been made to conform to current year presentation. Such reclassifications do not have a significant impact on the Bank financial statements.

### *c. Principles of consolidation*

The consolidated financial statements include the accounts of the Bank and its subsidiaries over which the Bank has effective control. The percentages directly or indirectly held in those companies’ capital stock as of December 31, 2014 and 2013 are as follows:

Issuing Company	December 31,	
	2014	2013
BHN Sociedad de Inversión Sociedad Anónima	100.00%	100.00%
BHN Seguros Generales Sociedad Anónima	100.00%	100.00%
BHN Vida Sociedad Anónima	100.00%	100.00%
BACS Banco de Crédito y Securitización Sociedad Anónima	87.50%	87.50%
BACS Administradora de activos S.A. S.G.F.C.I.	85.00%	85.00%
Tarshop S.A. (*)	80.00%	80.00%
BH Valores SA	100.00%	100.00%

All significant intercompany accounts and transactions have been eliminated in consolidation.

(\*) On October 22, 2014, the Board of Directors of Banco Hipotecario S.A. unanimously approved an irrevocable capital contribution to Tarshop S.A. in the amount of Ps. 110,000 to be made by shareholders Banco Hipotecario S.A. and IRSA Propiedades Comerciales S.A. pro rata of their shareholdings so that Tarshop S.A. should have sufficient resources for its operational activities and to be able to execute its 2015 Business Plan. On December 15, 2014, the General and Extraordinary Shareholder's Meeting unanimously approved such capitalization.

#### *d. Presentation of financial statements in constant Argentine pesos*

The financial statements have been adjusted for inflation in conformity with the guidelines set in Communication “A” 551 of the Argentine Central Bank up to the financial year ended December 31, 1994, and prepared in accordance with the standards laid down by CONAU 1 Circular. As from January 1, 1995, and according to the authorization accorded by Resolution N° 388 of the Argentine Central Bank's Superintendency of Financial and Exchange Institutions, the Bank discontinued the adjustment for inflation of its financial statements until December 31, 2001. As from January 1, 2002, as a result of the application of Communication “A” 3702 which established the repeal of any legal and regulatory rule that did not allow companies to restate their accounting balances at year-end currency values, the Bank resumed the application of the adjustment for inflation in accordance with the rules issued in due time by the Argentine Central Bank using the adjustment coefficient derived from the domestic wholesale price index published by the National Statistics and Census Institute (INDEC). Furthermore, it has been considered that the accounting measurements derived from the changes in the purchasing power of the currency between December 31, 1994 and 2001 are stated in the currency value as of the latter date.

On March 25, 2003, the Executive Branch issued Decree 664 establishing that the financial statements for years ending as from that date are to be stated in nominal currency. Consequently, in accordance with Communication “A” 3921 of the BCRA, the restatement of the financial statements was discontinued as from March 1, 2003.

## **2. Significant Accounting Policies**

The following is a summary of significant accounting policies used in the preparation of the consolidated financial statements.

### **2.1. Foreign Currency Assets and Liabilities**

US dollar assets and liabilities have been valued at the rate of exchange between the peso and the US dollar published by the Argentine Central Bank. Assets and liabilities valued in foreign currencies other than the US dollar were converted into the latter currency using the swap rates communicated by the Argentine Central Bank's operations desk, in force at the close of operations on the last business day of the fiscal year ended December 31, 2014 and 2013.

Foreign currency transactions net gains or losses are recorded within “Financial income” or “Financial expenses” in the accompanying unaudited consolidated statements of income.

### **2.2. Interest accruals and adjustments of principal amounts (CER and CVS)**

Interest accruals were determined using the exponential method for all lending and certain borrowing transactions in local and foreign currency, and interest accruals for loans overdue more than ninety days were discontinued.

Adjustments of principal amounts from application of the CER (Reference Stabilization Index), and CVS were accrued as established by Argentine Central Bank regulations, and interest accruals on loans overdue more than ninety days were discontinued.

### **2.3. Government and Corporate Securities**

Securities classified as "Holdings booked at fair value", "Investment in listed corporate securities" and "Securities issued by the BCRA – quoted bills and notes issued by the BCRA" with volatility published by the BCRA, have been recorded at quoted market prices.

Securities classified as “Holdings booked at cost plus return” and “Securities issued by the BCRA – unquoted bills and notes issued by the BCRA” with no volatility published by the BCRA, have been recorded at their acquisition cost subject to an exponential increase based on their internal rate of return.

As of December 31, 2014, the Bank maintains in its portfolio overdue income coupons from the DICY and PARY bonds to be collected.

## **2.4. Loans**

The portfolio of performing loans and loans due ninety days or less has been valued in terms of the principal amounts actually lent, plus capitalized interest, net of principal amortization collected and debt balance refinancing, plus adjustments (from the application of the CER, and CVS where applicable) and accrued interest receivable and less the estimated reserve for loan losses.

Other loans to the public sector:

i) as of December 31, 2014 and 2013, those loans were valued at cost plus return, taking as cost their book value as of December 31, 2010.

ii) those originally granted in foreign currency have been converted into Ps. at the exchange rate of \$1.40 per US dollar, as established by Law 25561, Decree 214 and complementary rules and amendments. Since February 3, 2002, the CER has been applied to the amount of those loans and maximum rates have been established, in accordance with Decree 1579/02, if those assets were subjected to the Exchange of Provincial Public Debt.

Loans to the non-financial private sector originally granted in foreign currency have been converted into Ps. at the exchange rate of \$1.00 per US dollar, as established by Law 25561, Decree 214 and complementary rules and amendments. Since February 3, 2002, the CER and CVS have been applied to the amount of those loans and maximum rates have been established, depending on the borrower.

## **2.5. Other receivables for financial transactions**

The individual mortgage loans the trustee ownership of which was transferred by the Bank and recorded in this caption have been valued and converted into pesos following the criterion described in points 2.2. and 2.4.

The rights arising from currency swap transactions have been valued at the quotation of that currency following the criterion described in point 2.1.

The financial trust participation certificates have been valued according to the equity method of accounting. Financial trust debt securities have been stated at cost plus return, index-adjusted by applying the CER to the appropriate instruments. BHN II and BHN III participation certificates and Class B BHN III and BHN IV debt securities have been registered under the accounting method described in Note 19.

The interest rate swap transactions carried out for the purposes of hedging assets and liabilities with fixed and floating rates have been valued in accordance with the unsettled balances of agreed upon lending and borrowing interests rates.

Interest rate swaps for agreed-upon fixed rate have been valued in accordance with the balances pending settlement. Futures transactions agreed upon that are mainly closed as hedging for the position in foreign currency have been valued in accordance with the balances pending settlement.

Unlisted negotiable obligations have been valued at acquisition cost exponentially increased according to the internal rate of return.

Securities issued by the BCRA and government securities held as collateral for OTC transactions are valued as explained in item 2.3 of this note.

Repo transactions are carried at the value originally agreed upon, plus accrued premiums.

## **2.6. Receivables for financial leases**

Receivables for financial leases are carried at the current value of the periodic installments and the residual value previously agreed upon, calculated as per the conditions set forth in the respective lease agreements, applying the internal rate of return and net of allowances for loan losses.

## **2.7. Investments in Other Companies**

Permanent equity investments in companies where corporate decision are not influenced, are accounted for the lower of cost and the equity method. As of December 31, 2014 and 2013 these investments were recorded at cost.

This caption mainly includes the equity investments held in: Mercado Abierto Electrónico Sociedad Anónima, ACH Sociedad Anónima, Mercado de Valores de Buenos Aires Sociedad Anónima, and SUPER-CARD S.A..

Additionally the Bank has participations as protecting partner in mutual guarantee companies and has made contributions to the companies' risk fund. These companies are: Confederar NEA S.G.R., Don Mario S.G.R., Los Grobos S.G.R. and Intergarantías S.G.R.

## **2.8. Miscellaneous receivables**

Miscellaneous receivables have been valued at the amounts actually transacted, plus interest accrued and net of allowances for loan losses or impairment, if applicable.

## **2.9. Bank Premises and Equipment and Miscellaneous Assets**

These assets are recorded at cost restated in constant monetary units until February 28, 2003, following the method mentioned in the second and third paragraphs of this Note, net of accumulated depreciation calculated following the straight-line method, based on the estimated useful life of the assets. The cost of assets added before December 31, 1994 is restated in uniform currency as of that date, while subsequent transactions are valued in current purchasing power values of the year to which they correspond.

Depreciation is computed under the straight-line method over the estimated useful lives of the related assets. The estimated useful lives for bank premises and equipment are as follows:

Buildings	50 years
Furniture and fixtures	10 years
Machinery and equipment	5 years
Other	5 years

The cost of maintenance and repairs of these properties is charged to expense as incurred. The cost of significant renewals and improvements is added to the carrying amount of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statement of income.

The Bank records in "Miscellaneous assets – Assets acquired through foreclosures" housing units added to the Bank's assets in repayment of mortgage loans. These housing units have been valued at the lower of market value or the value of the loan, net of allowances.

The net book values of the assets taken as a whole do not exceed their economic value, except for the assets intended for sale, which do not exceed their net realizable value.

## **2.10. Intangible Assets, Net**

Organization and system development expenses have been restated in constant monetary units up until February 28, 2003, following the method mentioned in the second and third paragraphs of this Note, and are being amortized monthly according to the straight-line method, based on their estimated useful life.

Goodwill is recorded by the difference between the purchase price and the book value of the net assets acquired in accordance with Argentine Central Bank rules, and subsequently amortized in a straight line basis over the estimated useful life.

Pursuant to Argentine Central Bank Communication "A" 5392, the Bank has capitalized increased direct expenses incurred in the mortgage loan origination process in its capacity as trustee, which disbursements would not have been incurred by it had it not been for the grant of the related loans. Such origination expenses are amortized in 60 monthly installments

## **2.11 Housing, life and unemployment insurance premiums in lending transactions and other transactions originated in its capacity of insurer, in accordance with the franchise granted by the privatization law**

The Bank's policy is to recognize the premium income when the corresponding loan installment accrues, except for those loans that are more than ninety days in arrears, and allocate the expenditures for claims to the net income/(loss) for the year in which they occur.

The Bank has set up an insurance claim reserve for Ps.1,181 as of December 31, 2014 and 2013, which is shown in the "Provisions" caption under Liabilities.

## **2.12. Deposits**

Deposits have been valued at their placement value, plus adjustments from application of the CER and accrued interest, where applicable. The fixed return on each transaction is accrued on an exponential basis, while the variable return on time deposits adjusted by applying the CER and included in "Investment Accounts" is accrued at the pro rata agreed upon rate of return based on the improvement in the price of the financial asset or financial asset indicator, between the time the transaction is arranged and the end of the month.

### **2.13. Other liabilities from financial transactions**

Unsubordinated negotiable obligations have been valued at their residual value plus accrued interest.

Foreign currency-denominated obligations under swap transactions carried out as a hedge have been converted into Argentine pesos according to the criterion described in note 2.1.

The interest rate swap transactions carried out for the purposes of hedging assets and liabilities with fixed and floating rates have been valued in accordance with the unsettled balances of agreed upon lending and borrowing interests rates. In addition, following a prudent criterion, the Bank creates provisions for these transactions when the value stated above exceeds its fair value.

Interest rate swaps for agreed-upon fixed rate have been valued in accordance with the balances pending settlement of the agreed-upon lending and borrowing interest rates.

### **2.14. Miscellaneous liabilities**

They are valued at the amounts actually transacted, plus accrued interest as of fiscal period or year end.

### **2.15. Provisions**

The Bank estimates contingencies and records them in Provisions, under Liabilities, if applicable according to the estimated likelihood of occurrence. These provisions cover various items, such as insurance risk, provisions for lawsuits, provisions for taxes, other contingencies, etc..

In addition, the Bank has created the allowance required under Communication "A" 5689 issued by the Argentine Central Bank in order to provide for the total amount of administrative and/or disciplinary sanctions and criminal penalties supported by first instance rulings, applied or pursued by the Argentine Central Bank, the Financial Information Unit, the Argentine Securities Commission and the Argentine Superintendence of Insurance.

### **2.16. Dismissal indemnities**

The Bank does not set up any provisions to cover the risk of dismissal indemnities involving the staff. The disbursements in respect thereof are charged to the results for the period or year in which they occur.

### **2.17. Personnel benefits**

The Bank has set up provisions for its employees' retirement plans.

### **2.18. Subordinated Bonds**

Subordinated negotiable obligations have been recorded at their residual value plus interests accrued.

## 2.19. Non-controlling interest

The breakdown of supplementary equity interests recorded in "Non-controlling interest" in the accompanying consolidated balance sheets is as follows:

	December 31,	
	2014	2013
BACS Banco de Crédito y Securitización SA.....	Ps. 30,603	Ps. 23,359
BHN Sociedad de Inversión S.A.....	-	45
Tarshop S.A.....	36,988	47,907
Total	Ps. 67,591	Ps. 71,311

## 2.20. Income Tax

Pursuant to Article 28 of Law 24855, Banco Hipotecario Sociedad Anónima is subject to income tax, except for all the housing loan transactions carried out prior to October 23, 1997, date of registration of its by-laws with the Superintendence of Corporations.

The Bank charges to income and sets up a provision under Liabilities for the income tax determined on its taxable transactions in the fiscal year in which those transactions are carried out.

The Bank recognizes income tax charges and liabilities on the basis of the tax returns corresponding to each fiscal year at the statutory tax rates. For all the periods contemplated in these financial statements, the corporate tax rate was 35%. Under Argentine Banking GAAP the Bank does not recognize deferred income taxes.

## 2.21. Minimum notional income tax

In view of the option granted by the BCRA by means of Communication "A" 4295, as of December 31, 2014 the Bank capitalized as a minimum notional income tax credit the tax amount paid in fiscal year 2012, on the basis of projections prepared and the possibility of recovering it and raising allowances when appropriate.

## 2.22. Shareholders' Equity

- a. Capital stock, treasury shares, non-capitalized contributions, reserves, and capital adjustment:

The Shareholders' Equity account activity and balances prior to December 31, 1994 have been stated in the currency values prevailing at that date, following the method mentioned in this Note. The transactions carried out subsequent to that date have been recorded in currency values of the period or year to which they correspond. The balances of the Shareholders' Equity accounts as of December 31, 2014 have been restated up to February 28, 2003 as explained in the third paragraph. The adjustment derived from the restatement of the balance of "Capital Stock" was allocated to "Equity Adjustments". The issued treasury shares added due to the termination of Total Return Swap transaction are carried at nominal value.



b. Results:

Income and expenses have been recognized against the results for the fiscal year, regardless of whether they have been collected or paid.

The preparation of the financial statements requires that the Bank's Board of Directors perform estimates affecting assets and liabilities, the net income/ (loss) for the fiscal period or year and the determination of contingent assets and liabilities at the date thereof, such as allowances for loan losses and impairment, the recoverable value of assets and provisions. Since these estimates involve value judgments regarding the probability of occurrence of future events, the actual net income/ (loss) may differ from the estimated amount and thus generate losses or profits affecting subsequent periods or years. All legal and regulatory rules in force at the date of presentation of these financial statements have been considered.

The financial statement figures for the previous fiscal period or year, presented for comparative purposes, include certain reclassifications and adjustments that contemplate specific disclosure criteria so as to present them on a consistent basis with those of the current fiscal period or year.

## **2.23. Statements of Cash Flows**

The consolidated statements of cash flows were prepared using the measurement methods prescribed by the BCRA.

For purposes of reporting cash flows, "Cash and cash equivalents" include "Cash and due from banks".

## **3. Adoption of International Financial Reporting Standards**

By virtue of its General Resolution No. 562, the Argentine Securities Commission (CNV) has decided to enforce the provisions under the Technical Pronouncement No. 26 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) that adopts the International Financial Reporting Standards (IFRS) for all the companies overseen by CNV as from the fiscal years beginning on January 1, 2012.

The Bank is not obligated to apply these standards insofar as the CNV has excluded all the entities for which CNV is empowered to accept the accounting criteria laid down by other regulatory and/or oversight authorities (financial institutions, insurance companies, etc.) from using the IFRS.

On February 12, 2014, BCRA issued its Communication "A" 5541 whereby it provides a roadmap to convergence between the informational and accounting regime and IFRS. Pursuant to this Communication, the entities and institutions must start to account for their financial transactions and changes in accordance with the rules issued by BCRA following the above-mentioned convergence regime as from the fiscal years beginning on January 1, 2018. This roadmap includes the following steps:

### First half of 2015

Financial institutions must prepare and file their own convergence plan and provide the name of the compliance officer appointed to such end.

Disclosure of guidelines to be observed by institutions regarding reconciliations are to be filed with the BCRA.

#### Second half of 2015

The institutions shall file with the BCRA, together with the financial statements as of the fiscal year's closing date, a reconciliation of the main asset, liability and shareholders' equity captions with the amounts that would result from applying the rules issued by the BCRA under the scope of the IFRS convergence process. This information shall include a special report by the independent auditor and will be used exclusively by the BCRA for supervision and regulation purposes, and will qualify as non-public. Institutions shall report on the degree of progress made in the IFRS Convergence Plan.

#### Year 2016

According to the method and frequency established in due course, institutions shall continue to report to the BCRA the degree of progress made by them in the IFRS convergence process. In addition, they shall continue to disclose in their published financial statements that they are progressing in the IFRS Convergence Plan. There will be an issuance of a CONAU Circular to communicate the new Minimum Accounts Plan and Form of Financial Statements (New Informational and Accounting Regime for Quarterly / Annual Publication).

#### Year 2017

As of January 1, 2017, institutions shall prepare the opening financial statements that will serve as basis for preparing their comparative financial statements. In each quarterly statement, they shall include a reconciliation of the main asset, liability and shareholders' equity captions and results with the amounts that would result from applying the rules issued by the BCRA under the scope of the IFRS convergence process. Such reconciliations shall be supported by a special report by the independent auditor. The quantitative information and the degree of progress of the IFRS Convergence Plan will be disclosed in a note to the published financial statements.

#### Year 2018

As from the financial statements starting on January 1, 2018, financial institutions shall be required to record their transactions and equity changes in accordance with the rules issued by the BCRA under the IFRS convergence process. Therefore, as from the closing of the first quarter, they shall prepare and submit their published financial statements according to the above mentioned rules; the independent auditor shall issue an opinion thereon and such financial statements will be the ones used by the institutions for all legal and corporate purposes.

On September 22, 2014, through its Communication "A" 5635, the Central Bank of Argentina announced the contents and the formalities that must be satisfied by the Implementation Plan for Convergence towards the International Financial Reporting Standards to be submitted before March 31, 2015. Additionally, Communication "A" 5635 mandates that financial entities' Internal Audit function must prepare a report on the degree of progress and compliance with the terms stipulated in this plan, which must be submitted to the Audit Committee and the Central Bank of Argentina.

As of the date of these financial statements, the Bank is analyzing the scope of the above mentioned plan, which generally provides for the following:

- Filing of half-yearly reports to the BCRA as from March 31, 2015, showing the progress made in the implementation plan.
- Provided that Board approval is obtained and that all the steps necessary are taken for the institution to be able to file the reconciliations required in the roadmap disclosed by the BCRA, other requests for information as required, prepare the opening financial statements and start applying the IFRS as from the fiscal year beginning on January 1, 2018.

- Discussion and approval by the Board of Directors; appointment of a regular and alternate compliance officer for the convergence process; creating a work team for IFRS convergence; coordination with the management of the affiliates in which permanent investments are held, controlled companies or companies in which significant influence is exercised; design and communication of a training plan; identifying impacts on operations and the information to be submitted that requires the implementation of specific actions (adapting information systems, internal control, etc.).
- Report to the BCRA the degree of progress made on a quarterly basis.
- Each half-yearly report shall include a report issued by the Internal Audit Department.

#### 4. Restricted Assets

Certain of the Bank's assets are pledged or restricted from use under various agreements. The following assets were restricted at each balance sheet date:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Banco Hipotecario S.A.</b>		
Securities issued by the BCRA as collateral for OCT transactions.....	24,138	-
Government securities as collateral for OCT transactions.....	51,723	477,583
Deposits in pesos as collateral for visa credit card transactions...	82,706	73,073
Government securities as collateral for the custody of securities.	157,675	130,200
Deposits in pesos as collateral for leases.....	682	719
	<u>Ps. 316,924</u>	<u>Ps. 681,575</u>
<b>Tarshop S.A.</b>		
Deposits in pesos and in US\$ as collateral for leases.....	520	440
Certificates of participation in Financial Trusts granted as commercial pledge for a loan received.....	32,206	32,216
Time deposits pledged for tax obligations arising from Financial Trusts.....	4,263	3,361
Deposits in pesos related to Financial Trusts transactions.....	21,550	28,229
Receivables in trust to secure a syndicated loan received.....	54,144	110,254
	<u>Ps. 112,683</u>	<u>Ps. 174,500</u>
<b>BACS Banco de Crédito y Securitización S.A.</b>		
Deposits as collateral for repurchase agreements.....	Ps. -	Ps. 3,731
Receivables in consumer loans.....	-	2,161
	<u>Ps. -</u>	<u>Ps. 5,892</u>
<b>BH Valores S.A.</b>		
Mercado de Valores de Buenos Aires SA's share pledged on behalf of Chubb Argentina de Seguros SA.....	Ps. 4,000	Ps. 4,000
	<u>Ps. 433,607</u>	<u>Ps. 865,967</u>
Total		

#### 5. Government and Corporate securities

Government and Corporate Securities held by the Bank consist of the following balances:

		<b>December 31,</b>	
		<b>2014</b>	<b>2013</b>
Holding booked at market fair value			
Government securities in pesos.....	Ps.	684,951	Ps. 816,685
Government securities in US\$.....		440,518	483,688
Bills issued by Provincial Governments in US\$.....		357,094	58,056
	Ps.	<u>1,482,563</u>	<u>Ps. 1,358,429</u>

Holding booked at cost plus return			
Government securities in pesos.....	101,943	-	
Government securities in US\$.....	-	71,510	
Bills issued by Provincial Governments in pesos...	-	79,658	
Bills issued by Provincial Governments in US\$.....	39,204	21,919	
	<u>Ps. 141,147</u>	<u>Ps. 173,087</u>	
Investment in listed corporate securities			
Corporate securities in pesos.....	Ps. 369,587	Ps. 179,124	
Corporate securities in US\$.....	-	-	
	<u>Ps. 369,587</u>	<u>Ps. 179,124</u>	
Securities issued by the BCRA			
Quoted bills and notes issued by the BCRA.....	Ps. 636,192	Ps. 29,065	
Unquoted bills and notes issued by the BCRA.....	1,888,546	882	
	<u>Ps. 2,524,738</u>	<u>Ps. 29,947</u>	
Total	<u>Ps. 4,518,035</u>	<u>Ps. 1,740,587</u>	

The bank recorded in their financial statements income from government and corporate securities for an amount of Ps. 974,592 and Ps. 580,384 as of December 31, 2014 and 2013, respectively.

## 6. Loans

Other loans to the non-financial private sector and foreign residents are comprised of the following for the years indicated:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Working capital in pesos .....	Ps. 2,624,490	Ps. 1,748,052
Working capital in US dollars.....	482,542	384,064
Loans for the financing of manufacturers.....	33,695	618
Loans for the financing of service providers.....	-	24,443
Export prefinancing .....	395,715	223,567
Other loans.....	-	5
Total	<u>Ps. 3,536,442</u>	<u>Ps. 2,380,749</u>

## 7. Other receivables from financial transactions

The breakdown of the "Other receivables not included in the debtor classification regulations" line, under the "Other receivables for financial transactions" caption, is as follows:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Trust participation certificates.....	Ps. 395,177	Ps. 292,781
Debt securities.....	859,679	254,211
Negotiable obligations held in the Bank's portfolio.....	-	1,029
Other.....	4,497	63
Total	<u>Ps. 1,259,353</u>	<u>Ps. 548,084</u>

## 8. Miscellaneous receivables

Miscellaneous receivables are comprised of the following for the years indicated:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Tax prepayments and withholdings.....	Ps. 71,736	Ps. 46,935
Recoverable expenses, taxes, and advances to third parties.....	227,360	237,127
Attachments for non-restructured ON.....	10,001	8,429
Guarantee deposit securing financial agreements.....	520	4,172
Guarantee deposit for credit card transactions.....	82,706	73,073
Guarantee deposit for global custody duties.....	157,675	130,200
Other Directors fees.....	19,327	15,095
Loans to Bank staff.....	179,944	168,077
Goods, services and insurance related to leasing.....	20,023	5,659
Other.....	188,786	97,047
Total	<u>Ps. 958,078</u>	<u>Ps. 785,814</u>

## 9. Allowance for loan losses

The activity in the allowance for loan losses for the years presented is as follows:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Balance at beginning of the year.....	Ps. 308,632	Ps. 273,101
Provision charged to income .....	343,437	264,290
Loans charged off.....	(244,929)	(228,759)
Balance at end of the year.....	<u>Ps. 407,140</u>	<u>Ps. 308,632</u>

## 10. Bank Premises and Equipment and Intangible Assets

The book values of major categories of bank premises and equipment and total accumulated depreciation as of the years indicated are as follows:

		<b>December 31,</b>	
		<b>2014</b>	<b>2013</b>
Land and buildings.....	Ps.	117,090	Ps. 117,090
Furniture and fixtures.....		56,081	43,590
Machinery and equipment.....		165,292	120,002
Other.....		28,554	17,875
Accumulated depreciation.....		(201,858)	(175,873)
Total	Ps.	<u>165,159</u>	<u>Ps. 122,684</u>

Intangible assets, net of accumulated amortization, as of the end of years indicated are as follows:

		<b>December 31,</b>	
		<b>2014</b>	<b>2013</b>
Third parties fees, re-engineering, restructuring and capitalized software costs.....	Ps.	116,159	Ps. 66,599
Goodwill (*).....		20,222	23,652
Mortgage loan origination expenses related to Pro.Cre.Ar (see note 31).....		206,547	108,336
Total	Ps.	<u>342,928</u>	<u>Ps. 198,587</u>

(\*) Goodwill is mainly related to the acquisition of Tarshop S.A., which has been allocated to the Credit card segment- Tarshop.

#### 11. Miscellaneous assets

Miscellaneous assets consist of the following as of the end of each year:

		<b>December 31,</b>	
		<b>2014</b>	<b>2013</b>
Properties held for sale.....	Ps.	29,847	Ps. 30,283
Assets leased to others.....		26,365	19,341
Stationery and office supplies.....		21,554	14,076
Other.....		3,203	2,986
Accumulated depreciation.....		(21,179)	(19,178)
Total	Ps.	<u>59,790</u>	<u>Ps. 47,508</u>

#### 12. Other Liabilities from Financial Transactions

The breakdown of the "Others" line, under the "Other liabilities from financial transactions" caption, is as follows:



	December 31,	
	2014	2013
Collections and other transactions on behalf of third parties.....	Ps. 59,733	Ps. 47,714
Credit cards consumptions payable.....	853,784	411,535
Retail Bank Network.....	7,991	8,680
Financial hedge contract.....	300,347	182,072
Others.....	21,876	24,917
Total	Ps. 1,243,731	Ps. 674,918

### 13. Miscellaneous Liabilities

Other miscellaneous liabilities consist of the following as of the end of each year:

	December 31,	
	2014	2013
Sundry creditors.....	Ps. 722,139	Ps. 456,907
Other fees and expenses payable.....	81,763	65,768
Tax withholdings and taxes payable.....	64,564	31,685
Taxes payable.....	437,811	249,393
Payroll withholdings and contributions.....	80,837	55,473
Salaries and social security charges payable.....	201,406	137,448
Other.....	151,610	138,662
Total	Ps. 1,740,130	Ps. 1,135,336

### 14. Provisions

Provisions as of the end of each year are as follows:

	December 31,	
	2014	2013
Provision for lawsuits (a).....	Ps. 98,074	Ps. 90,125
Contingency risks.....	93,589	25,087
Tax Provision.....	11,701	15,653
Customers' Loyalty Program.....	32,753	17,475
Total	Ps. 236,117	Ps. 148,340

(a) Includes legal contingencies and expected legal fees.

### 15. Other Liabilities from Financial Transactions – Negotiable obligations

The balance of the negotiable obligations has been included in the “Other liabilities for financial transactions” caption. The residual face values of the different negotiable obligation series issued are as follows:

	Issue date	Maturity date		Annual interest rate	December 31,	
					2014	2013
<b>Banco Hipotecario</b>						
Series 5 (US\$ 250,000 thousand)	04/27/06	04/27/16	a	9.750%	1,799,956	1,368,879
Series V (Ps. 85,264)	08/17/12	02/17/14	b/c	Badlar +375bp	-	77,467
Series VII (Ps. 77,055)	11/08/12	05/08/14	b/c	Badlar +400bp	-	77,055
Series VIII (Ps. 41,003)	04/25/13	04/20/14	a	18.5%	-	38,934
Series IX (Ps. 258,997)	04/25/13	01/25/15	b/c	Badlar +280bp	202,793	234,188
Series X (Ps. 34,523)	08/14/13	08/09/14	a	22.0%	-	32,465
Series XI (Ps. 146,137)	08/14/13	05/14/15	b/c	Badlar +375bp	146,137	99,710
Series XII (US\$. 44,508 thousand)	08/14/13	08/14/17	a	3.95%	322,804	287,586
Series XIII (Ps. 55,510)	11/11/13	11/06/14	a	23.5%	-	55,510
Series XIV (US\$. 115,400)	11/11/13	11/11/15	b/c	Badlar +375bp	115,400	115,400
Series XV (Ps. 12,340)	01/31/14	01/26/15	a	27.0%	12,340	-
Series XVI (Ps. 89,683)	01/31/14	01/31/16	b/c	Badlar +425bp	89,683	-
Series XVIII (Ps. 20,046)	05/16/14	02/16/15	a	27.0%	20,046	-
Series XIX (Ps. 275,830)	05/16/14	11/16/15	b/c	Badlar +375bp	275,830	-
Series XX (Ps. 45,241)	07/30/14	04/30/15	a	25.5%	45,241	-
Series XXI (Ps. 222,345)	07/30/14	01/30/16	b/c	Badlar +275bp	222,345	-
Series XXII (Ps. 253,152)	11/05/14	08/05/15	b/d	LEBACx0.95	253,152	-
Series XXIII (Ps. 119,386)	11/05/14	05/05/16	b/c	Badlar +325bp	119,386	-
<b>BACS Banco de Crédito y Securitización</b>						
Series I (Ps. 130,435)	02/19/14	08/19/15	b/c	Badlar +450bp	130,435	-
Series III (Ps. 132,726)	08/19/14	05/19/16	b/c	Badlar +275bp	132,726	-
Series IV (Ps. 105,555)	11/21/14	08/21/16	b/c	Badlar +350bp	105,555	-
<b>Tarshop</b>						
Series VI (Ps. 70,148)	07/25/12	03/27/14	b/c	Badlar+424bp	-	22,074
Series VIII (Ps. 79,589)	01/28/13	07/30/14	b/c	Badlar+445bp	-	74,761
Series IX (Ps. 10,996)	05/23/13	02/23/14	a	19.75%	-	10,876
Series X (Ps. 72,592)	05/23/13	11/23/14	b/c	Badlar+475bp	-	71,797
Series XI (Ps. 10,837)	05/23/13	05/23/16	b/c	Badlar+580bp	10,755	10,718
Series XII (Ps. 83,588)	08/09/13	08/09/15	a	15.0%	77,848	82,672
Series XIV (Ps. 30,245)	04/21/14	04/21/15	a	30.0%	30,016	-
Series XV (Ps. 119,755)	04/21/14	10/21/15	b/c	Badlar+490bp	118,848	-
Series XVII (Ps. 41,066)	11/26/14	08/26/15	b/d	LEBACx0.95	40,755	-
Series XVIII (Ps. 69,291)	11/26/14	05/26/16	b/c	Badlar+425bp	68,766	-
Series XIX (Ps. 6,314)	11/26/14	11/26/17	b/c	Badlar+525bp	6,267	-
					<u>4,347,084</u>	<u>2,660,092</u>

- (a) Fixed interest rate  
(b) Variable interest rate  
(c) As of December 31, 2014 Badlar rate was 20,37%  
(d) As of December 31, 2014 LEBACS rate was 26,86%

The contractual maturities of the negotiable obligations are as follows as of December 31, 2014:

December 31, 2015.....	Ps.	1,468,840
December 31, 2016.....		2,549,172
December 31, 2017.....		329,072
Thereafter.....		-
Total	Ps.	<u>4,347,084</u>

The General Shareholders' Meeting held on May 23, 2008, approved the creation of a new Global Program for issuing Negotiable Obligations, not convertible into shares, with or without collateral, for an amount of up to two billion US dollars (US\$ 2,000,000,000) or the equivalent thereof in pesos.

On March 27, 2012, the General Ordinary Shareholders' Meeting approved the extension of the Global Program for the issuance of notes referred above. In addition, the meeting resolved to delegate on the Board of Directors the broadest powers to determine the time, amount, as well as the other terms and conditions of each Series to be issued. Additionally, on April 24, 2014, the General Ordinary Shareholders' Meeting renewed such delegation of powers.

## 16. Level I American Depositary Receipts Program

On March 27, 2006 the US Securities and Exchange Commission (SEC) has made effective the Level I American Depositary Receipts, "ADR" program.

This program allows foreign investors to buy the Bank's stock through the secondary market where ADRs are traded freely within the United States. The Bank of New York has been appointed as depositary institution.

## 17. Derivative Financial Instruments

The Bank has carried out its financial risk management through the subscription of several derivative financial instruments. Derivative instruments are recorded under the captions "Other receivable from financial transactions – Amounts receivable under derivative financial instruments" or Liabilities: "Other liabilities from financial transactions – Amounts payable under derivative financial instruments" in the Consolidated Balance Sheet, and the related gain or loss under the captions "Financial Income – Other" or: "Financial Expenses – Other", respectively, in the Consolidated Statement of Income.

The following are the derivative financial instruments outstanding as of December 31, 2014 and 2013:

Type of Contract	Notional amount		Net Book Value Asset/(Liabilities)		Fair Value	
	2014	2013	2014	2013	2014	2013
Cross Currency Swaps (1) (a)	-	-	-	-	-	-
Futures (2)						
Purchases (a)	1,559,490	7,522,780	1,399	14,478	1,399	14,478
Sales (a)	1,221,115	3,460,684	(911)	(12,350)	(911)	(12,350)
Forwards (3)						
Sales (a)	160,223	380,925	14,662	(19,395)	14,256	(18,812)
			<b>15,150</b>	<b>(17,267)</b>	<b>14,744</b>	<b>(16,684)</b>

(a) Underlying: Foreign currency.

(b) Underlying: Interest rate.

1. Cross Currency Swaps: Hedging cross currency Swaps agreed upon with delivery of the underlying asset were carried out in order to reduce the volatility of the Bank's results derived from variations in the Euro quotation, in view of the liability position of that currency, stemming from the issuance of Euro-denominated negotiable obligations. As a result of this transaction, the Bank receives cash flows in euros, in exchange of cash flows in dollars.

Under the Results caption, the Bank records the assets and liabilities variations in Euros or US dollar plus the corresponding interest rate. Within this framework, the following transactions have been carried out:

- On March 5, 2004, the Bank and Deutsche Bank AG executed a currency swap contract for residual values of Euros 25,050 thousand (asset position) and US\$ 30,428 thousand (liability position) which due date shall be December 1, 2013. This swap has been partially reversed with a contra swap whose residual values amount to US\$ 6,868 thousand (asset position) and Euros 5,010 thousand (liability position). These transactions were cancelled on September 30, 2013:

For these transactions, as of December 31, 2013, the Bank has recognized losses for Ps. 1,341.

2. Futures: Future currency transactions have been carried out through which the forward purchase and sale of foreign currencies (US dollar) was agreed upon. These transactions were performed as hedge for foreign currency position. Settlement is carried on a daily basis for the difference.

For these transactions, as of December 31, 2014 and 2013, the Bank has recognized gains for Ps. 392,263 and Ps. 292,832, respectively.

3. Forwards: the Bank has undertaken futures transactions on US Dollars: overall, these are settled upon maturity without delivery of the underlying asset and with the payment in Pesos of currency differences.

For these transactions, as of December 31, 2014 and 2013, the Bank has recognized losses for Ps. 31,114 and Ps. 19,395, respectively.

## **18. Securitization of mortgage loans, consumer loans and credit card loans**

The Bank created separate trusts under its US securitization program and “Cédulas Hipotecarias Argentina – program”; and a consumer trust under BACS’s Global Trust Securities Program. For each mortgage or consumer trust, the Bank transfers a portfolio of mortgages or consumer loans originated by banks and other financial institutions in trust to the relevant trustee. The trustee then issues Class A senior Bonds, Class B subordinated bonds and certificates of participation. The trust’s payment obligations in respect of these instruments are collateralized by, and recourse is limited to, the trust’s assets consisting of the portfolio of mortgage or consumer loans and any reserve fund established by the Bank for such purpose. The securitizations were recorded as sales, and accordingly, the mortgage and consumer loans conveyed to the trusts are no longer recorded as assets of the Bank.

At the date of these financial statements the following trust funds are outstanding:

	Debt Securities Class A1/AV	Debt Securities Class A2/AF	Debt Securities Class B	Certificates of Participation	Total
BHN II – Issued on 05.09.97 (*)					
Face value in Ps.	44,554	51,363	3,730	6,927	106,574
Declared Maturity Date	03.25.2001	07.25.2009	03.25.2012	05.25.2013	
BHN III – Issued on 10.29.97 (*)					
Face value in Ps.	14,896	82,090	5,060	3,374	105,420
Declared Maturity Date	05.31.2017	05.31.2017	05.31.2018	05.31.2018	
BHN IV – Issued on 03.15.00 (*)					
Face value in Ps.	36,500	119,500	24,375	14,625	195,000
Declared Maturity Date	03.31.2011	03.31.2011	01.31.2020	01.31.2020	
BACS I – Issued on 02.15.2001 (*)					
Face value in Ps.	30,000	65,000	12,164	8,690	115,854
Declared Maturity Date	05.31.2010	05.31.2010	06.30.2020	06.30.2020	
BACS III – Issued on 12.23.2005					
Face value in Ps.	77,600		1,200	1,200	80,000
Declared Maturity Date	03.20.2013		09.20.2013	08.20.2015	
BACS Funding I Issued on 11.15.2001 (*)					
Face value in Ps.	-	-	-	29,907	29,907
Declared Maturity Date				11.15.2031	
BACS Funding II Issued on 11.23.2001 (*)					
Face value in Ps.	-	-	-	12,104	12,104
Declared Maturity Date				11.23.2031	
BHSA I Issued on 02.01.2002					
Face value in Ps.	-	-	-	43,412	43,412
Declared Maturity Date				02.01.2021	
CHA VI Issued on 04.07.2006					
Face value in Ps.	56,702	-	-	12,447	69,149
Declared Maturity Date	12.31.2016			12.31.2026	
CHA VII Issued on 09.27.2006					
Face value in Ps.	58,527	-	-	12,848	71,375
Declared Maturity Date	08.31.2017			02.28.2028	
CHA VIII Issued on 03.26.2007					
Face value in Ps.	61,088	-	-	13,409	74,497
Declared Maturity Date	08.31.2024			08.31.2028	
CHA IX Issued on 08.28.2009					
Face value in Ps.	192,509	-	-	10,132	202,641
Declared Maturity Date	02.07.2027			07.07.2027	
CHA X Issued on 08.28.2009					
Face value in Ps.	-	-	-	17,224	17,224
Face value en US\$	85,001	-	-	-	85,001
Declared Maturity Date	01.07.2027			06.07.2028	
CHA XI Issued on 12.21.2009					
Face value in Ps.	204,250	-	-	10,750	215,000
Declared Maturity Date	03.10.2024			10.10.2024	
CHA XII Issued on 07.21.2010					
Face value in Ps.	259,932	-	-	13,680	273,612
Declared Maturity Date	11.10.2028			02.10.2029	
CHA XIII Issued on 12.02.2010					
Face value in Ps.	110,299	-	-	5,805	116,104
Declared Maturity Date	12.10.2029			04.10.2030	
CHA XIV Issued on 03.18.2011					
Face value in Ps.	119,876	-	-	6,309	126,185
Declared Maturity Date	05.10.2030			08.10.2030	

(\*) Trusts subject to the pesification of foreign currency assets and liabilities at the \$1.00=US\$1 rate established by Law 25561 and Decree 214, as they were created under Argentine legislation. Certain holders of Class A debt securities have started declarative actions against the trustee pursuant to the application of the pesification measures set forth in Law 25561 and Decree 214, in order to maintain the currency of origin of said securities. In these declarative actions, the Bank acted together with BACS as third party. The trustee has duly answered to this claim, being the final resolution to this situation is still pending.

Tarshop S.A. has created several financial trusts under its securitization program (“Valores Fiduciarios Tarjeta Shopping – Global program”) destined to assure its long-term financing accessing directly to the capital market. The assets included in the trusts relate to credit card coupons and advances in cash. The table below presents the trusts issued and outstanding as of December 31, 2014:

	Debt Securities	Certificates of Participation	Total
Series LXXV– Issued on 12.03.13			
Face value in Ps.	120,350	32,374	152,724
Estimated Maturity Date	03.05.2015	03.05.2015	
Series LXXVI– Issued on 01.08.14			
Face value in Ps.	100,000	26,600	126,600
Estimated Maturity Date	04.06.2015	04.06.2015	
Series LXXVII– Issued on 02.20.14			
Face value in Ps.	156,650	37,802	194,452
Estimated Maturity Date	03.10.2015	03.10.2015	
Series LXXVIII– Issued on 01.22.14			
Face value in Ps.	153,087	49,100	202,187
Estimated Maturity Date	06.05.2015	06.05.2015	
Series LXXIX– Issued on 03.18.14			
Face value in Ps.	151,750	49,659	201,409
Estimated Maturity Date	08.05.2015	08.05.2015	
Series LXXX– Issued on 05.26.14			
Face value in Ps.	113,000	33,868	146,868
Estimated Maturity Date	08.11.2015	08.11.2015	
Series LXXXI– Issued on 10.17.14			
Face value in Ps.	81,450	28,231	109,681
Estimated Maturity Date	09.10.2015	09.10.2015	
Series LXXXII– Issued on 09.15.14			
Face value in Ps.	87,450	33,489	120,939
Estimated Maturity Date	03.07.2016	03.07.2016	

BACS Banco de Crédito y Securitización S.A. (BACS) has created separate trusts which have personal loans, primary originated by cooperatives and later acquired by BACS, as assets. The mentioned trusts have been issued under the “Fideicomisos Financieros BACS – Global program” for the securitization for a face value up to Ps. 300,000. As of December 31, 2014 there are no trusts outstanding.

As of December 31, 2014 and 2013, the Bank held in its portfolio the following securities corresponding to the abovementioned trusts:

December 31,			
2014		2013	
Class B debt securities – BHN II	Ps. 7,000	Ps. -	
Class B debt securities – BHN III	7,203	7,203	
Class B debt securities – BHN IV	79,351	79,351	
Class B debt securities – BACS I	20,234	20,234	
Class A debt securities – BHN IV	44	45	
Class A debt securities – CHA VI to CHA XIV	73,349	46,308	
Class A debt securities – BACS I	1,081	1,081	
Debt securities – BACS III	17,169	13,570	
Debt securities – Tarshop Series LXXV	158	1,250	
Debt securities – Tarshop Series LXXVI	180	-	
Debt securities – Tarshop Series LXXVII	6,031	-	
Debt securities – Tarshop Series LXXVIII	18,041	-	
Debt securities – Tarshop Series LXXIX	9,894	-	
Subtotal	Ps. 239,735	Ps. 169,042	

December 31,			
2014		2013	
Certificates of participation – BHN II	Ps. 41,722	Ps. 41,722	
Certificates of participation – BHN III	14,970	14,970	
Certificates of participation – CHA VI	13,639	13,909	
Certificates of participation – CHA VII	2,739	6,098	
Certificates of participation – CHA VIII	917	4,611	
Certificates of participation – CHA IX	9,983	11,281	
Certificates of participation – CHA X	26,704	24,258	
Certificates of participation – CHA XI	14,273	14,848	
Certificates of participation – CHA XII	18,887	19,633	
Certificates of participation – CHA XIII	5,817	6,397	
Certificates of participation – CHA XIV	5,978	6,796	
Certificates of participation – BHSA I	6,724	7,567	
Certificates of participation – BACS III (a)	-	-	
Certificates of Participation – Tarshop Series LXXII	-	16,112	
Certificates of Participation – Tarshop Series LXXIII	-	27,267	
Certificates of Participation – Tarshop Series LXXIV	-	20,237	
Certificates of Participation – Tarshop Series LXXV	28,687	29,406	
Certificates of Participation – Tarshop Series LXXVI	24,345	13,159	
Certificates of Participation – Tarshop Series LXXVII	34,272	13,507	
Certificates of Participation – Tarshop Series LXXVIII	46,623	-	
Certificates of Participation – Tarshop Series LXXIX	44,568	-	
Certificates of Participation – Tarshop Series LXXX	29,834	-	
Certificates of Participation – Tarshop Series LXXXI	23,492	-	
Subtotal	Ps. 394,174	Ps. 291,778	
Total	Ps. 633,909	Ps. 460,820	

(a) Net of allowances for impairment of Ps. 1,003 as of December 31, 2014 and 2013.



## 19. Financial Income and Financial Expenses

### *Financial Income*

The breakdown of the "Others" line included in the "Financial income" caption is as follows:

	December 31,		
	2014	2013	2012
Premiums for repo transactions.....	Ps. 51,384	Ps. 28,241	Ps. 39,828
Premiums for forward transactions.....	363,202	273,437	18,156
Others.....	1,730	1,770	-
Total	Ps. 416,316	Ps. 303,448	Ps. 57,984

### *Financial Expenses*

The breakdown of the "Others" line included in the "Financial expenses" caption is as follows:

	December 31,		
	2014	2013	2012
Turnover tax on financial income.....	Ps. 348,955	Ps. 220,751	Ps. 122,974
Premiums on swap and repo transactions.....	46,541	8,679	5,989
Result from interest rate swaps.....	71,124	31,963	14,496
Total	Ps. 466,620	Ps. 261,393	Ps. 143,459

## 20. Income from Services and Expenses on Services

### *Income from Services*

Other income from services consist of the following for each year:

	December 31,		
	2014	2013	2012
Insurance premiums and services.....	Ps. 906,052	Ps. 542,405	Ps. 349,412
Services on loans.....	458,936	373,114	161,601
Fees from deposits.....	77,087	42,610	32,357
Fees from debit cards.....	26,702	15,920	8,131
Fees from PROCLEAR.....	62,093	21,179	3,778
Other.....	78,219	50,626	36,286
Total	Ps. 1,609,089	Ps. 1,045,854	Ps. 591,565

### *Expenses for Services*

Other expenses for services consist of the following for each year:

	December 31,		
	2014	2013	2012
Insurance claims.....	Ps. 137,694	Ps. 87,963	Ps. 67,546
Services on loans.....	304,907	252,758	21,991
Turnover tax.....	58,949	57,679	45,578
Other.....	41,064	18,924	18,278
Total	Ps. 542,614	Ps. 417,324	Ps. 153,393

## 21. Administrative Expenses

Other fees consist of the following as of the end of each year:

	December 31,		
	2014	2013	2012
Legal, notarial, accounting and tax consulting services.....	Ps. 36,753	Ps. 10,597	Ps. 16,795
Temporary personnel.....	107,181	71,478	60,196
Consulting services.....	54,074	40,115	32,450
Collection services.....	28,950	9,388	2,403
Other.....	66,227	54,006	37,223
Total	Ps. 293,185	Ps. 185,584	Ps. 149,067

	December 31,		
	2014	2013	2012
Insurance.....	Ps. 7,162	Ps. 7,793	Ps. 18,387
Rent.....	86,146	58,125	42,997
Telephony, electricity, and mailing services.....	76,403	62,418	40,675
System links .....	12,189	8,066	5,035
Maintenance and conservation of premises and equipment.....	59,778	32,858	27,054
Surveillance .....	36,963	24,730	17,529
Other.....	44,181	29,008	36,328
Total	Ps. 322,822	Ps. 222,998	Ps. 188,005

## 22. Other Miscellaneous Income and Miscellaneous Expenses

### *Miscellaneous Income*

Other miscellaneous income is comprised of the following for each year:

	December 31,		
	2014	2013	2012
Rental income.....	Ps. 2,252	Ps. 2,182	Ps. 1,258
Result on operations with premises and equipment and miscellaneous assets .....	2,846	1,433	651
Interest on loans to bank staff.....	29,751	23,136	18,949
Results on securities given as collateral.....	42,679	17,914	1,749
Interests on pesos and dollars given as collateral....	9,968	6,167	3,848
Other.....	6,631	8,315	21,809
Total	Ps. 94,127	Ps. 59,147	Ps. 48,264

### *Miscellaneous Expenses*

Other miscellaneous expenses are comprised of the following for each year:

	December 31,		
	2014	2013	2012
Turnover tax.....	Ps. 56,902	Ps. 31,254	Ps. 1,944
Other taxes.....	59,767	30,215	18,835
Loss on operations with premises and equipment and miscellaneous assets.....	-	1,292	610
Donations.....	25,371	23,194	14,865
Discounts on early payments.....	8,578	5,451	3,175
Commercial discount.....	-	62	617
Debit card discounts.....	17,422	12,038	13,180
Credit card and others discounts.....	42,933	48,617	55,041
Other .....	29,487	22,734	8,029
Total	Ps. 240,460	Ps. 174,857	Ps. 116,296

### **23. Balances in Foreign Currency**

The balances of assets and liabilities denominated in foreign currency (principally in US dollars and Euros) are as follows:

	US\$	Euro	Yen	Total
	(in Pesos)			
Assets:				
Cash and due from banks.....	1,000,348	13,444	5	1,013,797
Government and corporate securities.....	900,093	-	-	900,093
Loans.....	951,774	-	-	951,774
Other receivables from financial transactions...	289,563	-	-	289,563
Miscellaneous receivables.....	24,712	-	-	24,712
Total as of December 31, 2014	3,166,490	13,444	5	3,179,939
Total as of December 31, 2013	2,946,888	16, 582	4	2,963,474
Liabilities:				
Deposits.....	563,826	-	-	563,826
Other liabilities from financial transactions....	2,213,467	8	-	2,213,475
Miscellaneous liabilities.....	3,040	12	-	3,052
Items pending allocation.....	146	56	-	202
Total as of December 31, 2014	2,780,479	76	-	2,780,555
Total as of December 31, 2013	2,820,372	14	-	2,820,386

## 24. Income Tax

Effective October 1997, as a result of conversion to a *sociedad anónima*, the Bank is subject to income tax in Argentina except on its income attributable to mortgage loan commitments made prior to that date.

As a general rule, the income tax law allows the deduction of expenses incurred to obtain or maintain the source of taxable income. For purposes of deducting from the taxable revenues those expenses incurred to obtain jointly taxable and non –taxable income, expenses should be segregated accordingly.

Furthermore, the fiscal rule gives prerogative to the direct allocation method rather than the apportionment method to determine the deductible expenses. Thus, the apportionment method should only be used when it is not possible to make direct allocation of expenses to the taxable revenue.

The Bank records the charges to income, when applicable, and a provision in its liabilities for the tax applicable to its taxable transactions in the fiscal year to which they refer.

As of December 31, 2014 and 2013, the Bank estimated income tax by applying the 35% tax rate to its taxable income. The amount determined as income tax was charged against income for the fiscal period under “Income Tax”. The provision for income tax is recorded under “Miscellaneous Liabilities – Other”.

Tarshop S.A. has a tax net operating loss carry forward of Ps. 75,829 as of December 31, 2014.

## 25. Presumptive Minimum Income Tax

The Bank is subject to presumptive minimum income tax. Pursuant to this tax regime, the Bank is required to pay the greater of the income tax or the presumptive minimum income tax. Any excess of the presumptive minimum income tax over the income tax may be carried forward and recognized as a tax credit against future income taxes payable over a 10-year period. The presumptive minimum income tax provision is calculated on an individual entity basis at the statutory asset tax rate of 1% and is based upon the taxable assets of each company as of the end of

the year, as defined by Argentine law. For financial entities, the taxable basis is 20% of their computable assets.

The tax credit balances held by BHSA at the closing date of these financial statements are the following:

	<b>December 31, 2014</b>
Fiscal year 2006.....	Ps. 11,861
Fiscal year 2007.....	18,634
Fiscal year 2008.....	18,519
Fiscal year 2009.....	19,944
Fiscal year 2010.....	19,855
Fiscal year 2011.....	21,073
Fiscal year 2012.....	28,103
	<u>Ps. 137,989</u>

Additionally, at December 31, 2014, Tarshop S.A. recorded Ps. 50,198 of tax credit.

## 26. Shareholders' Equity

The following information relates to the statements of changes in the Bank's shareholders' equity.

### (a) Common Stock

Prior to June 30, 1997, the Bank's capital stock consisted of assigned capital with no par value owned 100% by the Argentine government. In accordance with the by-laws approved as a result of the conversion of the Bank to a *sociedad anónima*, the Bank's capital stock was established at Ps.1,500,000 and divided into four classes of ordinary common shares.

As of December 31, 2014, the Bank's capital stock consists of:

Shareholder	Class of Shares	Number of Shares	Total % Ownership	Voting Rights
Argentine government (through FFFRI) (b)	A	669,725,120	44.6%	1 vote
<i>Banco Nación</i> , as trustee for the Bank's <i>Programa de Propiedad Participada</i> (a)	B	57,009,279	3.8%	1 vote
Argentine government (through FFFRI)	C	75,000,000	5.0%	1 vote
Public investors (c) (d)	D	698,265,601	46.6%	3 votes
		<u>1,500,000,000</u>	<u>100.0%</u>	

(a) The Bank's *Programa de Propiedad Participada* ("PPP") is the Bank's employee stock ownership plan.

Under Decree 2127/2012 and Resolution 264/2013 issued by the Ministry of Economy and Public Finance, the Programa de Propiedad Participada (Employee Stock Ownership Plan) was implemented. Under this plan, in a first stage, out of a total of 75,000,000, 17,990,721 Class B shares were converted into Class A shares, to be allocated among the employees that have withdrawn from the Bank in accordance with the implementation guidelines. Upon delivery to the former employees, the 17,990,721 shares will become Class D shares.

- (b) Under the Bylaws, the affirmative vote of the holders of Class A Shares is required in order to effectuate: (i) mergers or spin-offs; (ii) an acquisition of shares (constituting a Control Acquisition or resulting in the Bank being subject to a control situation); (iii) the transfer to third parties of a substantial part of the loan portfolio of the Bank, (iv) a change in the Bank's corporate purpose; (v) the transfer of the Bank's corporate domicile outside of Argentina, and (vi) the voluntary dissolution of the Bank.
- (c) For so long as Class A Shares represent more than 42% of the Bank's capital, the Class D Shares shall be entitled to three votes per share, except that holders of Class D Shares will be entitled to one vote per share in the case of a vote on: (i) a fundamental change in the Bank's corporate purpose; (ii) a change of the Bank's domicile to be outside of Argentina; (iii) dissolution prior to the expiration of the Bank's corporate existence; (iv) a merger or spin-off in which the Bank is not the surviving corporation; and (v) a total or partial recapitalization following a mandatory reduction of capital.
- (d) By reason of the expiration on January 29, 2009 of the Total Return Swap that had been executed and delivered on January 29, 2004, Deutsche Bank AG transferred to the Bank 71,100,000 ordinary Class "D" shares in Banco Hipotecario Sociedad Anónima with face value \$ 1 each, which are available for the term and in the conditions prescribed by the Argentine Companies Law, in its Section 221. The General Ordinary Shareholders' Meeting held on April 30, 2010 resolved to extend for a year, counted as from January 31, 2010, the term for realizing the treasury shares held by the Bank.

On April 30, 2010, the General Extraordinary Shareholders' Meeting resolved to delegate upon the Board of Directors the decision to pay with the treasury shares in portfolio the Stock Appreciation Rights (StAR) coupons resulting from the debt restructuring as advisable based on the contractually agreed valuation methods and their actual market value after allowing the shareholders to exercise their preemptive rights on an equal footing.

On June 16, 2010, the Board of Directors resolved to launch a preemptive offer to sell a portion of the Bank's treasury shares, for a total of 36.0 million class D shares. The remaining shares would be delivered in payment to the holders of Stock Appreciation Rights (StAR) coupons arising from the debt restructuring, which fell due on August 3, 2010. On July 26, 2010, within the framework of the referred offer, the Bank sold approximately 26.9 million of the shares mentioned above.

On August 3, 2010 the proceeds of the offer and the balance of the shares referred in the preceding paragraph were made available to the holders of the Stock Appreciation Rights (StAR) coupons. With the above-mentioned offering, 999,312 Class D shares were sold in excess of those required to pay off the obligation previously mentioned. In connection with such excess sale, Ps. 554 thousand were recorded as retained earnings to reflect the addition of the shares to the entity's equity, which took place on January 29, 2009 as detailed in this note, and a further Ps. 834 thousand were booked as Additional paid-in capital for the difference between the value as added to the entity's equity and the sales value.

The General Ordinary Shareholders' Meeting held on April 24, 2013 resolved to allocate 35,100,000 Class D shares held by the Bank to a compensation program for the personnel under the terms of Section 67 of Law 26831. This decision is pending approval of CNV.

On April 24, 2014 the General Ordinary Shareholders' Meeting acknowledged the incentive or compensation program described in the preceding paragraph and its extension to the personnel employed by the subsidiaries BACS Banco de Crédito y Securitización S.A., BH Valores S.A., BHN Sociedad de Inversión S.A., BHN Vida S.A. and BHN Seguros Generales S.A.

The Class B shares have been set aside for sale to the Bank's employees in the future pursuant to the PPP on terms and conditions to be established by the Argentine government. Any Class B shares not acquired by the Bank's employees at the time the Bank implements the PPP will automatically convert into Class A shares. The Class C shares are eligible for sale only to companies engaging in housing construction or real estate activities. Any Class B shares transferred by an employee outside the PPP will automatically convert to Class D shares or Class C shares transferred to persons not engaged in construction or real estate activities will automatically convert into Class D shares.

***(b) Distribution of profits***

No profits may be distributed when any financial year does not produce profits.

Argentine Central Bank Communication "A" 4152 dated June 2, 2004 left without effect the suspension of the distribution of profits established by Communication "A" 3574. However, those banks that proceed to such distribution must be previously authorized by the Financial and Exchange Institutions Superintendency.

Through Communiqué "A" 4526 dated April 24, 2006, the BCRA established that when the Legal Reserve is used to absorb losses, earnings shall not be distributed until the reimbursement thereof. Should the balance prior to the absorption exceed 20% of the Capital Stock plus the Capital Adjustment, profits may be distributed once the latest value is reached.

For purposes of determining distributable balances, the net difference arising from the book value and the market quotation shall be deducted from retained earnings, in the event the Entity records government debt securities and/or debt securities issued by the BCRA not recorded at market prices, with volatility published by such entity.

Pursuant to its Communication "A" 5072, BCRA established that no dividend distribution shall be admitted in so far as: a) the amounts deposited as minimum cash requirements on average – in Pesos, foreign currency or in Government securities – were less than the requirements pertaining to the most recently closed position or the position as projected taking into account the effect of the distribution of dividends, and/or b) the amounts deposited as minimum capital requirements were less than the requirements recalculated as previously mentioned plus a 30% increase, and/or c) the Entity has received financial aid from the BCRA on grounds of illiquidity as set forth in Section 17 of BCRA's Charter.

On January 27, 2012, the BCRA issued Communication "A" 5272 whereby it established that for the calculation of the minimum capital requirement, the minimum capital for operational risk shall be included. On the same date, Communication "A" 5273 was also issued, whereby the BCRA resolved to increase the percentage referred to in the preceding paragraph, subsection b), from 30% to 75%.

Communication "A" 5369 provided that as from January 1, 2013, for the purposes of calculating the position of minimum capitals, the capital requirement for credit risk due to securitizations must be computed over all the transactions outstanding as of the computation date.

On September 23, 2013 the Argentine Congress enacted Law N° 26,983 which amends the Income Tax Law and sets forth that dividends or earnings in money or in kind shall be levied with Income Tax at a 10% tax rate payable in a final and lump sum.



The Ordinary General Shareholders' Meeting, held on April 13, 2011, resolved to distribute the income for the year ended on December 31, 2010 as follows: Ps. 39,063 (20%), to be applied to the legal reserve Ps. 100,000 (61.59%), to be paid out as cash dividends on ordinary shares, and the balance, after the Board's remuneration, to be maintained as retained earnings. On September 20, 2012, the BCRA reported that there were no objections against the Bank's distribution of cash dividends for Ps. 100,000 thousand, as requested. For such reason, on October 10, 2012 such cash funds were made available to the shareholders.

The Ordinary General Shareholders' Meeting, held on August 23, 2013, resolved to distribute the income for the year ended on December 31, 2012 as follows: Ps. 68,721, to be applied to the legal reserve; Ps. 30,000, to be paid out as cash dividends on ordinary shares; and Ps. 244,886 to be maintained as retained earnings. This decision has been approved by BCRA.

On April 24, 2014, the Ordinary General Shareholders' Meeting resolved to distribute the income for the year ended on December 31, 2013 as follows: Ps. 84,190, to be applied to the legal reserve; Ps. 42,000, to be paid out as cash dividends on ordinary shares; and Ps. 294,760 to be maintained as retained earnings. This decision has been approved by BCRA on December 23, 2014. At its meeting dated January 7, 2015, the Board of Directors of Banco Hipotecario S.A. resolved that these dividends should be made available to the shareholders as of January 16, 2015.

## 27. Employee Benefit Plan

The Bank is obligated to make employer contributions to the National Pension Plan System determined on the basis of the total monthly payroll. These expenses are recorded in "Salaries and social security contributions" under the "Administrative expenses" caption in the accompanying consolidated statements of income.

## 28. Financial Instruments with Off-Balance Sheet Risk

In the normal course of its business the Bank is party to financial instruments with off-balance sheet risk in order to meet the financing needs of its customers. These instruments expose the Bank to credit risk in addition to amounts recognized in the balance sheets. These financial instruments include commitments to extend credit.

	December 31,	
	2014	2013
Commitments to extend credit		
Mortgage loans and other loans (a).....	Ps. 119,400	Ps. 228,103
Credit card loans (b).....	11,242,709	8,516,637
Clearing items in process (c).....	248,279	267,882
Other guarantees (d).....	48,680	36,013

- a) Commitments to extend credit are agreements to lend to a customer at a future date, subject to such customers meeting of pre-defined contractual milestones. Typically, the Bank will commit to extend financing for construction project lending on the basis of the certified progress of the work under construction. Most arrangements require the borrower to pledge the land or buildings under construction as collateral. In the opinion of management, the Bank's outstanding commitments do not represent unusual credit risk. The Bank's exposure to credit loss in the event of nonperformance by the other party is represented by the contractual notional amount of those commitments.
- b) The Bank has a unilateral and irrevocable right to reduce or change the credit card limit, thus it considered there is no off-balance sheet risk. In the opinion of management, the

Bank's outstanding commitments do not represent unusual credit risk. The Bank's exposure to credit loss in the event of nonperformance by the other party is represented by the contractual notional amount of those commitments.

- c) The Bank accounts for items drawn on other banks in memorandum accounts until such time as the related item clears or is accepted. In the opinion of management, the Bank's risk of loss on these clearing transactions is not significant as the transactions primarily relate to collections on behalf of third parties.
- d) Mainly includes the amounts given as collateral for transactions held by customers.

## 29. Business combinations

### Purchase of BACS Administradora de activos' shares.

On April 26, 2012 BACS Banco de Crédito y Securitización S.A. acquired 85% of the shares belonging to BACS Administradora de activos S.A. S.G.F.C.I. (former FCMI Argentina Financial Corporation S.A. S.G.F.C.I.). The purchase price was Ps. 6 million.

Pursuant to Argentine Central Bank rules, and due to the difference between the acquisition cost and the estimated fair value of assets and liabilities acquired as of April 30, 2012, a goodwill amounting to Ps. 4,729 was recorded under Intangible Assets – Goodwill. This goodwill is subsequently charged to income on a straight-line basis during 120 months. As of December 31, 2013 and 2012 the Bank such balance amounted to Ps. 3,940 and Ps. 4,413, respectively.

The table below presents a condensed balance sheet of BACS Administradora de activos S.A. S.G.F.C.I. (former FCMI Argentina Financial Corporation S.A. S.G.F.C.I.) according to their financial statements under Argentine Banking GAAP (without considering any elimination as of its consolidation into the Bank's Financial Statements), as of December 31, 2012:

- **Balance Sheet:**

<b>Condensed balance sheet of BACS Administradora de activos S.A. S.G.F.C.I. (former FCMI Argentina Financial Corporation S.A. S.G.F.C.I.) as of December 31, 2012</b>	
Cash and due from banks	Ps. 1,356
Other receivables from financial transactions	698
Other assets	691
<b>Total Assets</b>	<b>Ps. 2,745</b>
Other liabilities	Ps. 906
<b>Total Liabilities</b>	<b>Ps. 906</b>
<b>Shareholder's Equity</b>	<b>Ps. 1,839</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>Ps. 2,745</b>

### Additional disclosures for business combinations

The table below presents an unaudited condensed income statement data of BACS Administradora de activos S.A. S.G.F.C.I. (former FCMI Argentina Financial Corporation S.A. S.G.F.C.I.) for the eight-month period ending December 31, 2012, which represents its results since the acquisition

date included in Banco Hipotecario's consolidated income statement for the year ended December 31, 2012.

<b>Condensed income statement of BACS Administradora de activos S.A. S.G.F.C.I. (former FCMI Argentina Financial Corporation S.A. S.G.F.C.I.) for the eight-month period ending December 31, 2012</b>	
Net financial income	Ps. 729
Net Income from services	1,368
Administrative expenses	(2,402)
<b>Net income from financial transactions</b>	<b>Ps. (305)</b>
Other income	432
<b>Pre-tax income</b>	<b>Ps. 127</b>
Income tax	-
<b>Net Income</b>	<b>Ps. 127</b>

### 30. Commencement of summary proceedings

#### I – Pending Summary Proceedings:

1. On September 13, 2013, the Bank was notified of Resolution No. 611 handed down by the Superintendent of Financial and Foreign Exchange Institutions, whereby it ordered to commence summary proceedings against the Bank and the manager Christian Giummarra and the former manager Aixa Manelli (Summary Proceedings No. 5469 on Foreign Exchange Matters) charging them with alleged violation of the foreign exchange laws in selling foreign currency to persons prohibited from trading foreign currency by the Argentine Central Bank. The cumulative amount derived from the alleged violation in the sale of foreign currency is around US\$ 39.9 thousand and Euro 1.1 thousand. The relevant defenses and arguments have been filed and evidence has been offered in support of all the defendants subject to the summary proceedings. Due to its related subject matter, the record of this case was joined with Summary Proceedings No. 5529 on Foreign Exchange Matters (File 101,327/10). Therefore, its procedural status is described together with the latter.
2. On October 8, 2013, the Bank was notified of Resolution No. 720 handed down by the Superintendent of Financial and Foreign Exchange Institutions, ordering to commence summary proceedings against the Bank and its Organization and Procedures Manager, Mr. Christian Giummarra, and the former Systems Manager, Ms. Aixa Manelli (Summary Proceedings No. 5529 on Foreign Exchange Matters) in accordance with Section 8 of the Criminal Foreign Exchange Regime Law (*Ley de Régimen Penal Cambiario*) –as amended by Decree 480/95- charging them with alleged violation of the foreign exchange laws in selling foreign currency to persons prohibited from trading foreign currency by the Argentine Central Bank. The cumulative amount derived from the alleged violation in the sale of foreign currency is around US\$ 86.4 thousand. The relevant defenses and arguments were filed and evidence was offered in support of all the defendants subject to the summary proceedings. The BCRA opened the discovery stage, which is about to conclude.

In the legal counsel's opinion, at the current status of the proceedings, there are legal and factual arguments that generate reasonable expectations that the physical persons named

defendants and Banco Hipotecario S.A. will be acquitted and that therefore, there are low chances that the Bank will be subject to the economic sanctions set forth by the Criminal Foreign Exchange Regime Law (*Ley de Régimen Penal Cambiario*). For such reason, no allowances have been created in this regard.

3. On February 19, 2014, the Bank was notified of Resolution No. 209/13 handed down by the Chairman of the Financial Information Unit (UIF), whereby it ordered to commence summary proceedings against the Bank, its directors (Messrs. Eduardo S. Elsztain; Mario Blejer; Ernesto M. Viñes; Jacobo J. Dreizzen; Edgardo L. Fornero; Carlos B. Písula; Gabriel G. Reznik; Pablo D. Vergara del Carril; Mauricio E. Wior; Saul Zang); the Risk and Controlling Manager, Mr. Gustavo D. Efkhanián and the Manager of the Money Laundering Prevention and Control Unit Manager, Mr. Jorge Gimeno. In these proceedings, an investigation is made into the defendants' liability for alleged violation of the provisions of Section 21 of Law 25,246, as amended, and Resolution UIF No. 228/2007 due to certain defaults detected by the BCRA in the inspection of the organization and in internal controls implemented for the prevention of money-laundering derived from illegal activities. On March 25, 2014, the relevant defenses and arguments were filed in support of the Bank and the individuals subject to the summary proceedings.

In the legal counsel's opinion, at the current stage of the proceedings and based on the precedents existing at the UIF in connection with similar cases, it is estimated that there are chances of imposing an administrative penalty. For such reason, an allowance has been created in this regard.

4. On August 26, 2014, the Bank was notified of the Resolution passed by the Superintendent of Financial and Foreign Exchange Institutions No. 416 dated August 7, 2014 ordering the start of Summary Proceedings No. 5843 in the terms of Section 8 of the Foreign Exchange Criminal Regime Law No. 19,359 (as signed into law pursuant to Decree No. 480/95). In the above-mentioned summary proceedings, Banco Hipotecario, its directors (Messrs. Eduardo S. Elsztain; Jacobo J. Dreizzen; Edgardo L. Fornero; Carlos B. Písula; Gabriel G. Reznik; Pablo D. Vergara del Carril; Ernesto M. Viñes; Saul Zang; and Mauricio E. Wior) and former directors (Ms. Clarisa D. Lifsic de Estol and Mr. Federico L. Bensadón), and two former managers (Messrs. Gabriel G. Saidón and Enrique L. Benítez), are charged with failure to comply with the rules disclosed by Communication "A" 3471 (paragraphs 2 and 3) and by Communication "A" 4805 (Paragraph 2.2.) due to certain transfers of currency made abroad between August and October 2008 to guarantee the "CER Swap Linked to PG08 and External Debt" swap transaction for a total of US\$ 45,968 thousand, without the authorization of the Argentine Central Bank. BHSA has been allowed to review the proceedings (case file No. 100.308/10) which are being handled by the Argentine Central Bank's Department of Foreign Exchange Contentious Matters and a petition has been made for extending the term for filing the relevant defenses.

In the legal counsel's opinion, at the current stage of the proceedings there are legal and factual arguments that generate reasonable expectations that the physical persons named defendants and Banco Hipotecario S.A. will be acquitted and that therefore, there are low chances that the Bank will be subject to the economic sanctions set forth by the Criminal Foreign Exchange Regime Law (*Ley de Régimen Penal Cambiario*). For such reason, no allowances have been created in this regard.

5. On December 29, 2014, the Bank was notified of the Resolution passed by the Superintendent of Financial and Foreign Exchange Institutions No. 824 dated December 1, 2014 ordering the start of Summary Proceedings No. 6086 on Foreign Exchange Matters (File 101.534/11) against Banco Hipotecario S.A. and a former Manager (Mr. Gabriel Cambiasso) and five

assistants (Claudio H. Martin; Daniel J. Sagray; Rubén E. Perón; Marcelo D. Buzetti and Pablo E. Pizarro) at the Cordoba Branch, in the terms of Section 8 of the Foreign Exchange Criminal Regime Law (as signed into law pursuant to Decree No. 480/95). In the above-mentioned summary proceedings, an investigation is made in connection with excesses in the limits for selling foreign currency to two entities in the City of Cordoba (for a combined amount of US\$ 701,270), which allegedly violate the provisions of Communication “A” 5085, paragraph 4.2.1. As in the month of January the BCRA’s Department of Contentious Matters was in recess, it was not possible to take sufficient knowledge of the proceedings and file the defenses in support of the defendants’ rights. For such reason, as of the date of these financial statements it is not possible to assess the consequences of these proceedings.

6. Banco de Crédito y Securitización S.A. has been notified of Resolution No. 738 dated October 22, 2013 (Summary Proceedings No. 1406/201 on Financial Matters, File 100,553/12) handed down by the BCRA’s Superintendent of Financial and Exchange Institutions, ordering to start summary proceedings against this Bank, its Chairman, Mr. Eduardo S. Elsztain, and the Vice-Chairman, Mr. Ernesto M. Viñes, due to the late filing of documentation related to the appointment of the Bank’s authorities. On November 8, 2013, the defenses in support of the Bank’s rights were filed, and the proceedings are pending an administrative decision by the BCRA.

In connection with these proceedings, the Company has deemed that there are low chances that the Bank be imposed any of the monetary sanctions contemplated by the Financial Institutions Law and applicable regulations issued by the BCRA. For such reason, no allowances have been recorded in the financial statements in this regard.

7. On November 25, 2014, Tarshop S.A. was notified by the Financial Information Unit that summary proceedings had been filed, identified under Resolution No. 234/14, for potential formal violations derived from the alleged non-compliance with Section 21, paragraph a) of Law 25,246 and UIF Resolutions No. 27/11 and 2/12. Summonses were sent to the Company (Tarshop S.A.), its Compliance Officer (Mauricio Elías Wior) and the Directors then in office (Messrs. Eduardo Sergio Elsztain, Saúl Zang, Marcelo Gustavo Cufre and Fernando Sergio Rubín) for them to file their defenses. In the legal counsel’s opinion, at the current stage of the proceedings and based on the precedents existing at the UIF in similar cases, it is likely that a penalty be imposed under the scope of the administrative proceedings. For such reason, allowances have been recorded in this regard.

## II – Summary Proceedings pending Court Decision

1. On May 4, 2012 the Bank was notified of Resolution No. 186, dated April 25, 2012 issued by the Superintendent of Financial and Foreign Exchange Institutions whereby Summary Proceedings No. 4976 on Foreign Exchange Matters were commenced against the Bank, its directors (Messrs. Eduardo S. Elsztain; Gabriel G. Reznik; Pablo D. Vergara del Carril; Ernesto M. Viñes; Saul Zang; Carlos B. Písula; Edgardo L. Fornero; Jacobo J. Dreizzen); former directors (Ms. Clarisa D. Lifsic de Estol; Messrs. Julio A. Macchi; Federico L. Bensadón; and Jorge M. Grouman) and the former Finance Manager Gabriel G. Saidón, under section 8 of the Foreign Exchange Criminal Regime Law (as signed into law by Decree No. 480/95).

In such proceedings, charges were pressed for alleged violations of the provisions of Communications “A” 3640, 3645, 4347 and supplementary rules, due to the acquisition of good delivery silver bars during the 2003-2006 period with funds arising from its General Exchange Position.

The defenses to which the Bank is entitled were raised in due time. Within the period granted to such end, the Bank and the other defendants produced the evidence previously offered. As soon as that stage in the procedure came to a conclusion, the counsel for the defense presented their closing arguments and in August this year, the Argentine Central Bank sent the case file to the competent court (therefore, at present the case is being heard by the Court with Jurisdiction over Criminal Economic Matters No. 7 presided by Judge Juan Galvan Greenway).

In the legal counsel's opinion, at the current status of the proceedings, there are legal and factual arguments that generate reasonable expectations that the physical persons named defendants and Banco Hipotecario S.A. will be acquitted and that therefore, there are low chances that the Bank will be subject to the economic sanctions set forth by the Foreign Exchange Criminal Regime Law (*Ley de Régimen Penal Cambiario*). For such reason, no allowances have been created in this regard.

2. On October 7, 2014, BHSA was notified of Resolution No. 513 dated August 16, 2014 handed down by the Superintendent of Financial and Foreign Exchange Institutions in the summary proceedings in financial matters No. 1365 (on grounds of alleged failure to comply with the minimum requirements in terms of internal controls under Communication "A" 2525) whereby Banco Hipotecario S.A. was imposed a fine for Ps. 112 and its directors (Messrs. Pablo D. Vergara del Carril; Carlos B. Písula, Eduardo S. Elsztain, Jacobo J. Dreizzen, Gabriel G. Reznik; Edgardo L. Fornero; Ernesto M. Viñes; and Saul Zang) and former directors (Ms. Clarisa D. Lifsic de Estol and Messrs. Jorge L. March; and Federico L. Bensadón) were fined for different amounts.

As required by Section 42 of the Law of Financial Institutions, the fines were paid and the relevant appeal was lodged with the National Appellate Court with Federal Jurisdiction over Contentious and Administrative Matters against the above-mentioned resolution. By mid December 2014, the proceedings were sent by the BCRA to the competent court, and at present the case is being heard by Panel IV under File No. 71,379/2014. The fine for Ps. 112 paid by the Bank was charged to income.

3. On October 31, 2014, BHSA was notified of Resolution No. 685 dated October 29, 2014 handed down by the Superintendent of Financial and Foreign Exchange Institutions in the summary proceedings in financial matters No. 1320 whereby the Bank and its authorities had been charged, on one hand, with the violation of the rules governing financial aid to the Non-Financial Public Sector, with excess over the limits of fractioned exposure to credit risk from the non-financial public sector, with excess in the allocation of assets to guarantee, with failure to satisfy minimum capital requirements and with objections against the accounting treatment afforded to the "Cer Swap Linked to PG08 and External Debt" transaction and on the other hand, with delays in communicating the appointment of new directors and tardiness in the provision of documentation associated to the directors recently elected by the shareholders' meetings.

Resolution No. 685 then fined Banco Hipotecario S.A. with \$ 4,040,000 and also fined BHSA's directors (Eduardo S. Elsztain; Jacobo J. Dreizzen; Carlos B. Písula; Edgardo L. Fornero; Gabriel G. Reznik; Pablo D. Vergara del Carril; Ernesto M. Viñes; Saul Zang; Mauricio E. Wior), former directors (Clarisa D. Lifsic de Estol; Federico L. Bensadón; Jorge L. March and Jaime A. Grinberg), statutory auditors (Messrs. Ricardo Flammini; José D. Abelovich; Marcelo H. Fuxman; Alfredo H. Groppo; and Martín E. Scotto), the Area Manager Gustavo D. Efkhonian and former managers (Gabriel G. Saidón and Enrique L. Benítez) for an aggregate amount of \$ 51,581,790. Under this decision, former Statutory Auditor Ms. Silvana M. Gentile was acquitted.



On November 25, 2014, Banco Hipotecario and the other individuals affected by the adverse decision lodged an appeal under Section 42 of the Financial Institutions Law, that was sent by the BCRA to the National Appellate Court with Federal Jurisdiction over Contentious and Administrative Matters. Therefore, at present the case is being heard by Panel I of such Appellate Court. Moreover, on December 30, 2014, the Bank and the individuals against whom sanctions were imposed requested the levying of separate injunctions by such court against the enforcements pursued by the BCRA for collection of the fines.

Despite the expectations that the sanctions ordered by the BCRA will be revoked by the Court, Banco Hipotecario S.A. has recorded an allowance equal to 100% of the amount of the penalty ordered by Resolution No. 685/14 against the Bank.

### III – Summary Proceedings in which a Court Decision has been Rendered

Under Resolution No. 286 dated July 2, 2010, issued by the Superintendent of Financial and Foreign Exchange Institutions, summary proceedings were commenced against the Bank and its directors (Summary Proceedings No. 4364 on Foreign Exchange Matters) under section 8 of the Foreign Exchange Criminal Regime Law (as signed into law by Decree No. 480/95).

Under the above-mentioned proceedings, charges were pressed for violation of certain provisions under Communications “A” 4087 and 4177 concerning early repayments of restructured external debt for US\$ 91,420,135 and Euros 2,803,965 in the period February 2004 through June 2005. The relevant defenses and arguments in support of the Bank’s position were filed in due course. Within the period granted for the production of evidence, the Bank and the other defendants produced the evidence previously offered. As soon as that stage in the procedure came to a conclusion, the counsel for the defense presented their closing arguments and in August this year, the Argentine Central Bank sent the case file to the competent court (Court with Jurisdiction over Criminal Economic Matters No. 5 presided by Judge Jorge Brugo).

Through his judgment dated December 12, 2014, the above mentioned Judge decided that Banco Hipotecario S.A. was exempt from liability and acquitted directors: Messrs. Eduardo S. Elsztain; Gabriel G. Reznik; Pablo Vergara del Carril; Ernesto M. Viñes; Carlos B. Písula; Edgardo L. Fornero; Saúl Zang; Jacobo J. Dreizen; former directors: Ms. Clarisa D. Lifsic de Estol; and Messrs. Miguel A. Kiguel; Julio A. Macchi; Federico L. Bensadón; Guillermo H. Sorondo and Jorge Miguel Grouman; and the Area Manager Gustavo D. Efkhanian; Manager Daniel H. Fittipaldi; former general sub-manager Gustavo D. Chiera; former managers Gabriel G. Saidón; Carlos Gonzalez Pagano and Marcelo C. Ickson; and Mr. Miguel J. Diaz, named defendants to those proceedings. The judgment will become final upon expiration of the term for filing appeals.

At this stage of the proceedings, the likelihood that the above mentioned court judgment be reviewed is unfeasible, turning it unreasonable to record any allowances in this regard.

### **31. Programa Crédito Argentino del Bicentenario para la Vivienda Única y Familiar (Pro.Cre.Ar)**

On June 12, 2012, the Argentine Executive Branch issued Decree No. 902 whereby it ordered the creation of a Public Fiduciary Fund referred to as Programa Crédito Argentino del Bicentenario para la Vivienda Única Familiar (Argentine Single Family Housing Program for the Bicentennial) (Pro.Cre.Ar).

On that same date, the Bank’s Board of Directors approved the Bank’s role as trustee of the referred fund.



On July 18, 2012, the Argentine State, as Trustor, and Banco Hipotecario S.A. as Trustee, created the PROCREAR Administrative and Financial Trust, and its underlying assets were transferred to it as trust property.

The Trust's sole and irrevocable purpose is as follows: (i) to manage the trust assets with the aim of facilitating the population's access to housing and the generation of job opportunities as economic and social development policies, in compliance with the principles and objectives set forth in Decree No. 902; (ii) the use by the Trustee of the net proceeds of the placement of the Trust Bonds (Valores Representativos de Deuda or VRDs) and cash contributions by the Argentine State to originate loans for the construction of houses in accordance with the provisions of Decree No. 902 and the credit lines; and (iii) the repayment of the VRDs in accordance with the terms of the agreement that creates the Trust and the provisions of the Trust Law.

The Trust shall be in effect for a term of thirty (30) years as from the date of execution of the agreement (July 18, 2012).

In addition to the obligations imposed on it under the Trust Law and the Commercial Code, the Trustee is required to:

- perform the obligations set forth in the Trust Agreement and follow the instructions imparted on it by the Executive Committee;
- carry out its duties as Trustee with the loyalty, diligence and prudence of a good businessman acting on the basis of the trust placed on him;
- exercise the powers granted to it under the Agreement, and preserve the Trust Assets;
- use the Trust Assets for lawful purposes, in accordance with the provisions of the Agreement and following the Executive Committee's instructions;
- identify the Trust Property and record it in a separate accounting system, segregated from its own assets or the assets of other trusts held by it at present or in the future in the course of its business;
- prepare the Trust's financial statements, hire the relevant audit firms and comply with the applicable disclosure regulations;
- insure the Trust Assets against risks that could affect their integrity;
- invest or reinvest the Trust's funds in accordance with the provisions of the Agreement and following the instructions imparted by the Executive Committee.

In compliance with Communication "A" 5392, the Bank has capitalized mortgage loan origination expenses under this program (see note 2.13.).

### **32. Capital Market Law**

On December 27, 2012, the Capital Market Law No. 26,831 was promulgated, considering a comprehensive amendment to the public offering regime set forth by Law No. 17,811.

Insofar as concerns the matters related to the Company's business, this law broadens the regulatory powers of the Argentine Government in connection with the public offering of securities, through the Argentine Securities Commission (CNV), and concentrates in this agency the powers of authorization, supervision and oversight, disciplinary authority and regulation of all capital market players; further, it establishes that intermediary agents willing to deal in a securities market are no longer required to be members thereof, thus allowing the entry of other participants, and delegates to the CNV the power to authorize, register and regulate the various categories of agents.

On August 1, 2013, Decree 1023/2013, partially regulating the Capital Markets Law, was published in the Official Gazette, and on September 9, 2013, General Resolution No. 622 of the CNV, approving the related regulations, was published in the Official Gazette.

These regulations implement a register of agents that participate in the capital market. To take part in each of the activities regulated by this resolution, agents had to be entered in that register in such capacity by March 1, 2014.

For those agents who have applied for registration with the final registry before March 1, 2014 to comply with all the requirements, on February 7, 2014, the Argentine Securities Commission (CNV) extended the term until December 31, 2014. On June 23, 2014 we were notified by Mercado Abierto Electrónico S.A. that CNV mandated that the Agents registered with MAE S.A. who have proceedings underway before CNV for registration as Agent in any of the categories authorized by currently applicable rules and regulations may continue to do business normally up and until they start operating in the new Agent category as per the CNV rules (N.T.2013)

In turn, pursuant to CNV Resolution No. 17,392 dated June 26, 2014, the Bank was registered with the Registry of Financial Trustees prescribed by Sections 6 and 7 of Chapter IV, Title V of the Rules, under No. 57. And, on September 19, 2014, pursuant to CNV Resolution No. 2122, the Bank has been registered as Settlement and Clearing Agent and Comprehensive Trading Agent No. 40.

Pursuant to the provisions of Section 45 of Law 26,831 and paragraph a), Section 20, Article VI, Chapter II, Title VII, and subsection j) of Section 7, Article IV, Chapter IV, Title V of Resolution No.622 of the CNV, it is made known that Banco Hipotecario's minimum capital composed as required by the rules issued by the Argentine Central Bank exceeds the minimum amount required under such resolution. On the other hand, the Bank's capital was duly paid in as of the closing of the year and the liquid balancing account is identified as BONAR 17 (Government security carried at fair market value) as mentioned in Exhibit "A" to these Financial Statements.

On October 22, 2014, the Board of Directors of Mercado de Valores de Buenos Aires S.A. approved the registration of Banco Hipotecario S.A. in Mercado de Valores de Buenos Aires S.A.'s Registry of Agents as Settlement and Clearing Agent and Trading Agent – Comprehensive (ALyC and AN as per the Spanish acronyms). On December 23, 2014, BHSA was authorized to operate under the provisions of Merval Communication No. 15594.

Pursuant to CNV's Resolution No. 17.338 dated April 24, 2014, BACS Banco de Crédito y Securitización S.A., was registered with the Registry of Financial Trustees prescribed by Sections 6 and 7 of Chapter IV, Title V of the Rules, under No. 55. And, on September 19, 2014, CNV communicated to BACS that in its capacity as Settlement and Clearing Agent - Comprehensive and Trading Agent the Bank has been assigned License No. 25. It must be noted that the composition of BACS equity as of the end of the year was correct and that the liquidity requirement takes the form of Peso-denominated Lebacs as discussed in Exhibit "A" to its financial statements.

As of the date of these financial statements, BH Valores SA has been approved by CNV as a Settlement and Clearing Agent in its own name under Registration Number 189 in the terms of CNV's General Resolution No. 622.

According to the minimum requirements laid down, BH Valores S.A.'s minimum shareholders' equity exceeds the amount prescribed by CNV's General Resolution No. 622 and its composition is correct. As to the liquidity requirements, they have been satisfied in the form of a deposit of the Government security called Bono de la Nación Argentina \$ Badlar Privada + 200 bps. Vto. 2017

[Argentine Government Bond in Pesos, which accrues the Badlar private interest rate plus 200 basis points and matures in 2017], as discussed in Exhibit II to the Company's financial statements.

### **33. Resolutions issued by the Argentine Central Bank**

#### Credit Line for Productive Investments

Under Communication "A" 5319 dated July 5, 2012, the BCRA approved the implementation of a new credit line to be extended by financial institutions, intended to promote productive investments consisting of the purchase of capital goods and the construction of the facilities necessary for producing goods and services. Generally, financial institutions accounting for more than 1% of the total deposits in the financial system and institutions operating as financial agents of the provinces are required to allocate to this new credit line 5% of the total amount of deposits from the private sector held as of June 2012. In all cases, 50% of the loan amounts must be granted to companies qualifying as SMEs.

Under successive BCRA communications, the quotas allocable by financial institutions under this line were expanded and supplemented semi-annually under similar conditions as those set forth in the previous paragraph, i.e., a minimum allocation of 5%/5.5% of the amount of deposits from the non-financial private sector, terms and conditions including interest rates ranging from 15/19% per annum and maturities of up to 36 months.

Under Communication "A" 5681, the BCRA resolved to extend the Credit Line for Productive Investments over the first half of 2015. Therefore, the financial institutions subject to the provisions of this circular must allocate to this credit line an amount of at least 6.50% of the non-financial private sector deposits in pesos, calculated taking into account the monthly average daily balances of November 2014. 100% of the quota must be granted to SMEs, excluding those engaged in financial intermediation and insurance services, or services related to gambling and betting activities. The loans must be fully agreed as of June 30, 2015, and may be disbursed in a single drawing until that date or on a staggered basis until December 31, 2015, in the latter case only when warranted due to the features of the project subject to financing. Moreover, as of March 31, 2015, the loans agreed should amount to at least 30% of the total amount of the first tranche of the 2015 Quota. The highest interest rate applicable in this tranche is a fixed nominal annual rate of 19% per annum for the first 36 months.

At the closing of these financial statements BHSA had recorded Ps. 803,540 as principal and interest under BHSA's assets in connection with this credit line.

#### Compliance with rules on term deposits and investments. Conditions governing interest rates on term deposits

Under Communication "A" 5640 issued by the BCRA dated October 8, 2014, the BCRA resolved to amend the rules on Term deposits and investments, and established that in the case of deposits standing in the name of physical persons for amounts not exceeding the value referred to in section 5.3.1. of the rules on "Application of deposit guarantee insurance system" (Ps. 350 as of 12/31/14), the interest rate must not be lower than the result from multiplying the last "benchmark borrowing rate" by the relevant ratio according to the original deposit term, as follows;

- 30 to 44 days: 0.87
- 45 to 59 days: 0.89
- 60 days or more: 0.93

The “benchmark borrowing rate” will be published by the Central Bank as the simple average of the preset cut-off interest rates of Central Bank Domestic Bills in pesos for terms closer to 90 days, for the second month immediately preceding the dates of deposit.

#### Conditions applicable to benchmark interest rates for personal and pledge loans

Under Communication “A” 5590 dated June 10, 2014, the BCRA adopted a system of benchmark interest rates for personal and pledge loans to individuals not qualifying as SMEs and established a ceiling for these kinds of loans that may not exceed the product arising from multiplying the 90-day LEBACs’ cut-off interest rate by a multiplier ranging from 1.25 to 2.0, depending on the kind of loan and Bank Group. To this end, banks are divided into:

- Group I: financial institutions operating as financial agents of the national, provincial and/or municipal governments and/or other institutions accounting for at least 1% of the total deposits from the non-financial private sector; and
- Group II; the remaining institutions.

The BCRA publishes the “benchmark interest rate” to be applied by the financial institutions in each of these groups to each type of loans (personal loans, pledge loans and portfolio purchases). The rates applied by each institution to each loan within the lines mentioned above may not exceed the “benchmark interest rate” reported by the BCRA.

#### Protection granted to users of financial services

Under Communication “A” 5685 dated December 23, 2014, the BCRA ordered that any new commissions (commissions for new products and/or services intended to be marketed) and increases in commissions must obtain the BCRA’s previous authorization. Changes in charges shall be reported as well. In the case of basic financial products and/or services, the financial institutions and non-financial companies issuers of credit cards shall meet several requirements and procedures and submit various explanations upon applying for such authorization.

### **34. Subsequent events**

#### Negotiable obligations

The following table shows the amount, interest rate and maturity date of each series issued after December 31, 2014:

	<u>Issue date</u>	<u>Maturity date</u>		<u>Annual interest rate</u>
<b>Banco Hipotecario</b>				
Series XXIV (Ps. 27,505)	02/05/15	01/31/16	b	LEBACx0.95
Series XXV (Ps. 308,300)	02/05/15	08/05/16	a/b	Mixed (c)

(a) Fixed interest rate

(b) Variable interest rate

(c) Fixed rate of 27.5% on the first nine months and variable interest rate of Badlar+450bps from that moment on.

## **Independent Auditor's Report**

To the Board of Directors and Shareholders of  
Banco Hipotecario S.A.

We have reviewed the accompanying consolidated interim financial information of Banco Hipotecario S.A. and its subsidiaries, which comprise the consolidated balance sheet as of June 30, 2015, and the related consolidated statements of income and shareholders' equity for the six-month periods ended June 30, 2015 and 2014 and the consolidated statement of cash flows for the six-month periods ended June 30, 2015 and 2014.

### ***Management's Responsibility for the Consolidated Interim Financial Information***

The Company's management is responsible for the preparation and fair presentation of the consolidated interim financial information in accordance with accounting rules prescribed by the *Banco Central de la República Argentina* (the "Argentine Central Bank"); this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of the consolidated interim financial information in accordance with accounting rules prescribed by the Argentine Central Bank.

### ***Auditor's Responsibility***

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in Argentina and performed the auditing procedures required by the Argentine Central Bank applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Argentina, the objective of which is the expression of an opinion regarding the financial information taken as a whole. Accordingly, we do not express such an opinion.

### ***Emphasis of Matter***

As described in Note 1.b. of the financial statements, the Banks's financial statements have been prepared in accordance with accounting rules prescribed by the Argentine Central Bank, which differ in certain respects from, and is a comprehensive basis of accounting other than, Argentine generally accepted accounting principles applicable to enterprises in general.

***Conclusion***

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial information for it to be in accordance with accounting rules prescribed by the Argentine Central Bank.

Price Waterhouse & Co S.R.L.

**Marcelo Trama**  
**Partner**

Buenos Aires, Argentina  
August 5, 2015

**BANCO HIPOTECARIO SA AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED BALANCE SHEET**

**As of June 30, 2015 and December 31, 2014**

**(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)**

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
<b>ASSETS</b>		
Cash and due from banks		
Cash.....	Ps. 492,233	Ps 796,125
Financial institutions and Correspondents.....	2,709,342	4,572,389
Argentine Central Bank (B.C.R.A.).....	2,436,877	4,157,439
Other domestic institutions.....	10,687	14,900
Other foreign institutions.....	261,778	400,050
	<u>3,201,575</u>	<u>5,368,514</u>
Government and corporate securities (Note 5)		
Holdings booked at fair market value.....	2,225,706	1,482,563
Holdings booked at cost plus return.....	192,778	141,147
Investments in listed corporate securities.....	430,855	369,587
Securities issued by the BCRA.....	2,422,244	2,524,738
	<u>5,271,583</u>	<u>4,518,035</u>
Loans		
To the non-financial public sector.....	90,231	112,131
To the financial sector.....	351,000	339,190
Interfinancial (call granted).....	116,000	15,000
Other loans to domestic financial entities.....	232,548	316,480
Accrued interest, adjustments and quotation differences receivable.....	2,452	7,710
To the non-financial private sector and foreign residents.....	19,025,739	17,195,344
Overdrafts facilities.....	685,978	1,173,527
Promissory notes.....	238,162	369,360
Mortgage loans.....	2,473,874	2,349,468
Pledge loans.....	432,994	103,576
Personal loans.....	2,650,126	2,354,793
Credit card loans.....	8,500,601	7,155,260
Unallocated collections.....	(60,472)	(34,565)
Other (Note 6).....	3,889,938	3,536,442
Accrued interest and quotation differences receivable.....	231,916	213,947
Documented interest.....	(17,378)	(26,464)
Allowances (Note 9).....	(433,825)	(407,140)
	<u>19,033,145</u>	<u>17,239,525</u>
Other receivables from financial transactions		
Argentine Central Bank.....	337,185	340,892
Amounts receivable for spot and forward sales to be settled.....	456,553	141,032
Securities to be received under spot and forward purchases to be settled.....	518,209	212,891
Negotiable obligations without quotation.....	192,621	202,723
Balances of forward transactions not yet settled without delivery of underlying asset.....	4,773	20,457
Others not included in the debtor classification regulations (Note 7).....	1,840,690	1,259,353
Others included in the debtor classification regulations .....	42,286	190,161
Accrued interest receivable included in the debtor classification regulations .....	8,440	7,939
Allowances.....	(22,611)	(9,223)
	<u>3,378,146</u>	<u>2,366,225</u>



**BANCO HIPOTECARIO SA AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED BALANCE SHEET – (Continued)**  
**As of June 30, 2015 and December 31, 2014**  
**(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)**

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Assets under financial leases.....		
Receivables for financial leases	124,514	106,740
Accrued interest and adjustments receivable	2,217	1,825
Allowances	<u>(1,270)</u>	<u>(1,045)</u>
	125,461	107,520
Investments in other companies .....	<u>70,806</u>	<u>47,918</u>
Miscellaneous receivables		
Minimum presumed income tax – fiscal credit.....	61,561	188,187
Others (Note 8).....	1,509,531	958,078
Other accrued interest receivable.....	2,103	2,237
Allowances.....	<u>(13,978)</u>	<u>(13,978)</u>
	1,559,217	1,134,524
Bank premises and equipment (Note 10).....	186,320	165,159
Miscellaneous assets (Note 11).....	60,413	59,790
Intangible assets (Note 10)		
Goodwill.....	18,508	20,222
Organization and development expenses.....	<u>407,640</u>	<u>322,706</u>
	426,148	342,928
Items pending allocation.....	<u>8,542</u>	<u>1,373</u>
<b>Total Assets</b> .....	Ps. <u><u>33,321,356</u></u>	Ps. <u><u>31,351,511</u></u>

**BANCO HIPOTECARIO SA AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED BALANCE SHEET – (Continued)**  
**As of June 30, 2015 and December 31, 2014**  
**(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)**

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits (Note 12)		
Non-financial public sector..... Ps.	6,597,313	Ps. 9,100,822
Financial sector.....	10,783	7,416
Non-financial private sector and foreign residents.....	11,820,735	9,225,875
Current accounts.....	1,097,843	760,533
Savings accounts.....	2,953,065	2,479,643
Time deposits.....	6,518,386	4,983,820
Investment accounts.....	940,401	713,438
Others.....	174,986	156,068
Accrued interest and quotation differences payable.....	136,054	132,373
	<u>18,428,831</u>	<u>18,334,113</u>
Other liabilities from financial transactions		
Argentine Central bank.....	115	71
Other.....	115	71
Unsubordinated negotiable obligations (Note 16).....	4,926,694	4,347,084
Amounts payable under spot and forward purchases to be settled...	408,462	213,374
Securities to be delivered under spot and forward sales to be settled.....	561,281	222,221
Loans received from domestic financial institutions.....	300,814	327,527
Interfinancial loans (call received).....	110,000	116,000
Other loans from domestic financial institutions.....	187,357	206,909
Accrued interest payable.....	3,457	4,618
Balances of forward transactions not yet settled without delivery of underlying asset.....	8,417	8,490
Others (Note 13).....	1,352,046	1,243,731
Accrued interest and quotation differences payable.....	132,014	112,874
	<u>7,689,843</u>	<u>6,475,372</u>
Miscellaneous liabilities		
Dividends payable.....	-	137
Fees.....	47,829	41,289
Others (Note 14).....	2,013,627	1,740,130
Accrued interest and quotation differences payable.....	5,304	-
	<u>2,066,760</u>	<u>1,781,556</u>
Provisions (Note 15).....	221,950	236,117
Subordinated bonds (Note 17).....	100,452	-
Items pending allocation.....	44,847	59,855
Non-controlling interest .....	<u>67,957</u>	<u>67,591</u>
<b>Total Liabilities.....</b>	<u><b>28,620,640</b></u>	<u><b>26,954,604</b></u>
<b>SHAREHOLDERS' EQUITY</b>	<u><b>4,700,716</b></u>	<u><b>4,396,907</b></u>
<b>Total Liabilities and Shareholders' Equity..... Ps.</b>	<u><b>33,321,356</b></u>	<u><b>Ps. 31,351,511</b></u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

**BANCO HIPOTECARIO SA AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENT OF INCOME**  
**For the six-months periods ended June 30, 2015 and 2014**  
**(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)**

		<u>2015</u>	<u>2014</u>
Financial income			
Interest on cash and due from banks.....	Ps.	1,020	Ps. 7,828
Interest on loans to the financial sector.....		32,076	28,539
Interest on overdraft facilities.....		117,495	142,135
Interest on promissory notes.....		51,115	58,166
Interest on mortgage loans.....		204,165	173,119
Interest on pledge loans.....		50,986	9,638
Interest on credit card loans.....		969,686	642,030
Interest on financial leases.....		13,194	6,205
Interest on other loans.....		855,627	704,435
Interest on other receivables for financial transactions.....		5,691	12,609
Net income from government and corporate securities.....		627,480	489,566
Adjustments from application of CER clause.....		6,558	18,701
Adjustments from application of CVS clause.....		11	10
Others (Note 21).....		18,323	438,995
		<u>2,953,427</u>	<u>2,731,976</u>
Financial expenses			
Interest on saving accounts deposits.....		1,430	861
Interest on time deposits.....		946,285	740,418
Interest on interfinancial loans received.....		8,694	11,904
Interest on other loans from financial institutions...		27,652	46,216
Interest on other liabilities resulting from financial transactions.....		406,395	272,413
Interest on subordinated bonds.....		452	-
Other interest.....		63,000	79,975
Gold and foreign currency quotation differences...		35,098	84,531
Contribution to the deposits security fund.....		56,766	10,304
Others (Note 21).....		268,789	254,006
		<u>1,814,561</u>	<u>1,500,628</u>
Gross intermediation margin.....	Ps.	1,138,866	Ps. 1,231,348
Provision for loan losses (Note 9).....		198,479	166,646
Income from services			
Linked with lending transactions.....		585,687	397,094
Linked with borrowing transactions.....		59,701	39,347
Other commissions.....		6,099	4,758
Others (Note 22).....		1,102,334	638,049
		<u>1,753,821</u>	<u>1,079,248</u>

**BANCO HIPOTECARIO SA AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENT OF INCOME – (Continued)**  
**For the six-months periods ended June 30, 2015 and 2014**  
**(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)**

	<u>2015</u>	<u>2014</u>
Expenses for services		
Commissions.....	55,228	72,163
Others (Note 22).....	288,807	202,634
	<u>344,035</u>	<u>274,797</u>
Administrative expenses		
Personnel expenses.....	1,087,570	798,439
Directors' and Syndics' fees.....	35,593	25,781
Other fees (Note 23).....	174,469	116,190
Advertising expenses.....	72,496	64,848
Taxes.....	94,510	72,779
Depreciation of bank premises and equipment.....	19,316	11,723
Amortization of organization and development expenses.....	43,139	24,143
Other operating expenses (Note 23).....	213,260	144,705
Other.....	64,663	35,257
	<u>1,805,016</u>	<u>1,293,865</u>
Net income from financial transactions..... Ps.	545,157	Ps. 575,288
Miscellaneous income		
Income from equity investments.....	2,889	-
Penalty interests.....	50,298	40,751
Loans recovered and allowances reversed.....	113,353	46,900
Others (Note 24).....	52,202	43,179
	<u>218,742</u>	<u>130,830</u>
Miscellaneous expenses		
Penalty interest and charges in favor of BCRA.....	31	722
Loan loss provision for miscellaneous receivables and other provisions.....	39,408	23,386
Depreciation and loss of miscellaneous assets.....	170	175
Amortization of goodwill.....	1,714	1,714
Other (Note 24).....	204,210	111,940
	<u>245,533</u>	<u>137,937</u>
Income before income taxes and Non-controlling interest..... Ps.	518,366	Ps. 568,181
Income taxes (Note 26).....	172,212	221,240
Non-controlling interest.....	528	(11,467)
Net income for the period..... Ps.	<u>345,626</u>	<u>Ps. 358,408</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

**BANCO HIPOTECARIO SA AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**For the six-months periods ended June 30, 2015 and 2014**  
**(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)**

	Common stock (Note 28)		Paid in capital (Note 28)		Treasury stock (Note 28)		Inflation adjustment of common stock (Note 28)		<u>Reserves</u>		Retained earnings		Other		
									Legal (Note 28)		Voluntary (Note 28)				
<b>Balance as of the beginning of the year.....</b>	Ps.	1,463,365	Ps.	834	Ps.	54,149	Ps.	699,601	Ps.	679,739	Ps.	949,247	Ps.	549,972	Ps.
Distribution of dividends approved by the General Shareholders' Meeting		-		-		-		-		-		-		(41,817)	
Retained earnings distribution approved by the General Shareholders' Meeting		-		-		-		-		109,994		103,218		(213,212)	
Net income for the period		-		-		-		-		-		-		345,626	
<b>Balance as of the ending of the period.....</b>	Ps.	1,463,365	Ps.	834	Ps.	54,149	Ps.	699,601	Ps.	789,733	Ps.	1,052,465	Ps.	640,569	Ps.

**The accompanying notes are an integral part of these unaudited consolidated financial statements**

**BANCO HIPOTECARIO SA AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the six-months periods ended June 30, 2015 and 2014**  
**(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)**

	<u>2015</u>	<u>2014</u>
Cash at beginning of fiscal year.....	Ps. 5,368,514	Ps. 2,240,567
Cash at period end.....	3,201,575	3,008,168
<b>Net increase / (decrease) in cash.....</b>	<b>Ps. (2,166,939)</b>	<b>Ps. 767,601</b>
<b><u>Causes of change changes</u></b>		
<b>Operating activities</b>		
Net collection / (payment) on:		
Government and corporate securities.....	(753,548)	(1,654,605)
Loans		
To the financial sector.....	(11,810)	248,383
To the non-financial public sector .....	21,900	(245,075)
To the non-financial private sector and foreign residents.....	(2,002,189)	(2,036,963)
Other receivables from financial transactions.....	(1,628,243)	(1,415,134)
Deposits		
To the financial sector.....	(2,503,509)	1,965,921
To the non-financial public sector .....	3,367	107
To the non-financial private sector and foreign residents.....	2,594,860	1,052,296
Other (except for liabilities under financing activities).....	1,137,517	1,075,877
Collections linked with income from services.....	1,791,865	1,079,248
Payments linked with expenses for services.....	(382,079)	(274,797)
Administrative expenses paid.....	(1,867,471)	(1,257,999)
Collection net of penalty interest.....	50,298	40,751
Payment of organization and development expenses.....	(83,220)	(45,953)
Other (payments) linked to miscellaneous income and expenses.....	(192,649)	(29,422)
Net collection / (Payment) from other operating activities.....	(100,135)	145,296
<b>Net cash flow (used in) operating activities.....</b>	<b>Ps. (3,925,046)</b>	<b>Ps. (1,352,069)</b>
<b>Investment activities:</b>		
Net payment on bank premises and equipment.....	(21,784)	(30,780)
<b>Net cash flow (used in) by investment activities.....</b>	<b>Ps. (21,784)</b>	<b>Ps. (30,780)</b>
<b>Financing activities:</b>		
Collections on unsubordinated negotiable obligations.....	611,058	853,282
Payment of dividends.....	(41,956)	-
Issue of subordinated bonds.....	100,452	-
<b>Net cash flow originated by financing activities.....</b>	<b>Ps. 669,554</b>	<b>Ps. 853,282</b>
Financial gain on holding of cash and cash equivalent (including interest and monetary results).....	1,110,337	1,297,168
<b>Net increase / (decrease) in cash.....</b>	<b>Ps. (2,166,939)</b>	<b>Ps. 767,601</b>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

## 1. General

### *a. Description of business*

Banco Hipotecario SA (herein after referred to as the “Bank” or “BHSA”), is a commercial bank, organized under the laws of Argentina.

The Bank historically has provided general banking services, focused on individual residential mortgage loans and construction-project loans directly to customers as well as indirectly through selected banks and other financial intermediaries throughout Argentina. In 2004, as part of its business diversification strategy, the Bank expanded its product offerings, beginning to offer personal loans, credit card loans and also engaging in mortgage loan securitizations, mortgage loan servicing, other corporate loans and insurance in connection with its lending activities.

### *b. Basis of presentation*

The unaudited consolidated financial statements of the Bank have been prepared in accordance with the rules of Banco Central de la República Argentina (“Argentine Central Bank” or “BCRA”) which prescribe the accounting reporting and disclosure requirements for banks and financial institutions in Argentina (“Argentine Banking GAAP”). These rules differ in certain respects from generally accepted accounting principles in Argentina (“Argentine GAAP”) applicable to enterprises in general.

Certain reclassifications of prior period’s information have been made to conform to the current period presentation. Such reclassifications do not have a significant impact on the Bank financial statements.

### *c. Principles of consolidation*

The unaudited consolidated financial statements include the accounts of the Bank and its subsidiaries over which the Bank has effective control. The percentages directly or indirectly held in those companies’ capital stock as of June 30, 2015, December 31, 2014 and June 30, 2014 are as follows:

Issuing Company	% held of capital stock
BHN Sociedad de Inversión Sociedad Anónima	100.00%
BHN Seguros Generales Sociedad Anónima	100.00%
BHN Vida Sociedad Anónima	100.00%
BACS Banco de Crédito y Securitización Sociedad Anónima	87.50%
BACS Administradora de activos S.A. S.G.F.C.I.	85.00%
Tarshop S.A.	80.00%
BH Valores SA	100.00%

The procedure followed by the Bank to include the controlled investees BHN Sociedad de Inversión Sociedad Anónima –consolidated– and BACS Banco de Crédito y Securitización Sociedad Anónima -consolidated-, BH Valores SA and Tarshop SA's accounts was as follows:

- 1.1. The Bank's financial statements have been prepared in line with the valuation and disclosure standards laid down by the Central Bank of the Republic of Argentina, including consolidated balances reported in the Balance Sheet, the Statement of Income, Memorandum



Accounts and Statement of Cash Flow and Cash Equivalents of the referred companies, in compliance with such standards.

- 1.2. Items resulting from intercompany transactions not disclosed to third parties were eliminated from the Balance Sheet, the Statement of Income, Memorandum Accounts and Statement of Cash Flow and Cash equivalents.
- 1.3. The portion of the Shareholders' Equity corresponding to the minority interest has been disclosed in the Consolidated Balance Sheet, in the line captioned "Minority Interest".
- 1.4. The portion of the net income/ (loss) on the minority interest has been disclosed in the Consolidated Statement of income, in the line captioned "Net income / (loss) on Minority Interest".

*d. Presentation of financial statements in constant argentine pesos*

The financial statements have been adjusted for inflation in conformity with the guidelines set in Communication "A" 551 of the Argentine Central Bank up to the financial year ended December 31, 1994, and prepared in accordance with the standards laid down by CONAU 1 Circular. As from January 1, 1995, and according to the authorization accorded by Resolution N° 388 of the Argentine Central Bank's Superintendency of Financial and Exchange Institutions, the Bank discontinued the adjustment for inflation of its financial statements until December 31, 2001. As from January 1, 2002, as a result of the application of Communication "A" 3702 which established the repeal of any legal and regulatory rule that did not allow companies to restate their accounting balances at year-end currency values, the Bank resumed the application of the adjustment for inflation in accordance with the rules issued in due time by the Argentine Central Bank using the adjustment coefficient derived from the domestic wholesale price index published by the National Statistics and Census Institute (INDEC). Furthermore, it has been considered that the accounting measurements derived from the changes in the purchasing power of the currency between December 31, 1994 and 2001 are stated in the currency value as of the latter date.

On March 25, 2003, the Executive Branch issued Decree 664 establishing that the financial statements for years ending as from that date are to be stated in nominal currency. Consequently, in accordance with Communication "A" 3921 of the BCRA, the restatement of the financial statements was discontinued as from March 1, 2003.

## **2. Significant Accounting Policies**

The following is a summary of significant accounting policies used in the preparation of the unaudited consolidated financial statements.

### **2.1. Foreign Currency Assets and Liabilities**

US dollar assets and liabilities have been valued at the rate of exchange between the peso and the US dollar published by the Argentine Central Bank. Assets and liabilities valued in foreign currencies other than the US dollar were converted into the latter currency using the swap rates communicated by the Argentine Central Bank's operations desk, in force at the close of operations on the last business day of the fiscal period ended June 30, 2015 and the fiscal year ended December 31, 2014.

Foreign currency transactions net gains or losses are recorded within "Financial income" or "Financial expenses" in the accompanying unaudited consolidated statements of income.

## **2.2. Interest accruals and adjustments of principal amounts (CER and CVS)**

Interest accruals were determined using the exponential method for all lending and certain borrowing transactions in local and foreign currency, and interest accruals for loans overdue more than ninety days were discontinued.

Adjustments of principal amounts from application of the CER (Reference Stabilization Index), and CVS were accrued as established by Argentine Central Bank regulations, and interest accruals on loans overdue more than ninety days were discontinued.

## **2.3. Government and Corporate Securities**

As of June 30, 2015 and December 31, 2014, the securities classified as "Holdings booked at fair market value", "Investment in listed corporate securities" and "Securities issued by the BCRA" with volatility published by the BCRA, have been valued at period-end or year-end market quotation, respectively.

As of June 30, 2015, the Bank maintains in its portfolio overdue income coupons from the DICY and PARY bonds to be collected.

As of June 30, 2015 and December 31, 2014, the securities classified as "Holdings booked at cost plus return" and "Securities issued by the BCRA" with no volatility published by the BCRA or with volatility but which the Entity decides to book under the first category, have been valued at their acquisition cost subject to an exponential increase based on the internal rate of return, net of contra accounts, if applicable.

## **2.4. Loans**

The portfolio of performing loans and loans due ninety days or less has been valued in terms of the principal amounts actually lent, plus capitalized interest, net of principal amortization collected and debt balance refinancing, plus adjustments (from the application of the CER, and CVS where applicable) and accrued interest receivable and less the estimated reserve for loan losses.

Other loans to the public sector:

- i) as of June 30, 2015 and December 31, 2014, those loans were valued at cost plus return, taking as cost their book value as of December 31, 2010.
- ii) those originally granted in foreign currency have been converted into Ps. at the exchange rate of \$1.40 per US dollar, as established by Law 25561, Decree 214 and complementary rules and amendments. Since February 3, 2002, the CER has been applied to the amount of those loans and maximum rates have been established, in accordance with Decree 1579/02, if those assets were subjected to the Exchange of Provincial Public Debt.

Loans to the non-financial private sector originally granted in foreign currency have been converted into Ps. at the exchange rate of \$1.00 per US dollar, as established by Law 25561, Decree 214 and complementary rules and amendments. Since February 3, 2002, the CER and CVS have been applied to the amount of those loans and maximum rates have been established, depending on the borrower.

## **2.5. Other receivables for financial transactions**

The individual mortgage loans the trustee ownership of which was transferred by the Bank and recorded in this caption have been valued and converted into pesos following the criterion described in points 2.2. and 2.4.

The rights arising from currency swap transactions have been valued at the quotation of that currency following the criterion described in point 2.1.

The financial trust participation certificates have been valued according to the equity method of accounting. Financial trust debt securities have been stated at cost plus return, index-adjusted by applying the CER to the appropriate instruments. BHN II and BHN III participation certificates and Class B BHN III and BHN IV debt securities have been registered under the accounting method described in Note 20.

The interest rate swap transactions carried out for the purposes of hedging assets and liabilities with fixed and floating rates have been valued in accordance with the unsettled balances of agreed upon lending and borrowing interests rates.

Interest rate swaps for agreed-upon fixed rate have been valued in accordance with the balances pending settlement. Futures transactions agreed upon that are mainly closed as hedging for the position in foreign currency have been valued in accordance with the balances pending settlement.

Unlisted negotiable obligations have been valued at acquisition cost exponentially increased according to the internal rate of return.

Securities issued by the BCRA and government securities held as collateral for OTC transactions are valued as explained in item 2.3 of this note.

Repo transactions are carried at the value originally agreed upon, plus accrued premiums.

## **2.6. Receivables for financial leases**

Receivables for financial leases are carried at the current value of the periodic installments and the residual value previously agreed upon, calculated as per the conditions set forth in the respective lease agreements, applying the internal rate of return and net of allowances for loan losses.

## **2.7. Investments in Other Companies**

Permanent equity investments in companies where corporate decision are not influenced, are accounted for the lower of cost and the equity method. As of June 30, 2015 and December 31, 2014 these investments were recorded at cost.

This caption mainly includes the equity investments held in: Mercado Abierto Electrónico Sociedad Anónima, ACH Sociedad Anónima, Mercado de Valores de Buenos Aires Sociedad Anónima, and SUPER-CARD S.A..

Additionally the Bank has participations as protecting partner in mutual guarantee companies and has made contributions to the companies' risk fund. These companies are: Confederar NEA S.G.R., Don Mario S.G.R., Los Grobos S.G.R. and Intergarantías S.G.R.

## **2.8. Miscellaneous receivables**

Miscellaneous receivables have been valued at the amounts actually transacted, plus interest accrued and net of allowances for loan losses or impairment, if applicable.

## **2.9. Bank Premises and Equipment and Miscellaneous Assets**

These assets are recorded at cost restated in constant monetary units until February 28, 2003, following the method mentioned in the second and third paragraphs of this Note, net of accumulated depreciation calculated following the straight-line method, based on the estimated useful life of the assets. The cost of assets added before December 31, 1994 is restated in uniform currency as of that date, while subsequent transactions are valued in current purchasing power values of the year to which they correspond.

Depreciation is computed under the straight-line method over the estimated useful lives of the related assets. The estimated useful lives for bank premises and equipment are as follows:

Buildings	50 years
Furniture and fixtures	10 years
Machinery and equipment	5 years
Other	5 years

The cost of maintenance and repairs of these properties is charged to expense as incurred. The cost of significant renewals and improvements is added to the carrying amount of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the unaudited consolidated statement of income.

The Bank records in "Miscellaneous assets – Assets acquired through foreclosures" housing units added to the Bank's assets in repayment of mortgage loans. These housing units have been valued at the lower of market value or the value of the loan, net of allowances.

The net book values of the assets taken as a whole do not exceed their economic value, except for the assets intended for sale, which do not exceed their net realizable value.

## **2.10. Intangible Assets, Net**

Organization and system development expenses have been restated in constant monetary units up until February 28, 2003, following the method mentioned in the second and third paragraphs of this Note, and are being amortized monthly according to the straight-line method, based on their estimated useful life.

The Goodwill stemming from the purchase of 80% of Tarshop SA's capital stock has been valued at acquisition cost, net of the accumulated amortization that had been calculated pro rata of the estimated useful life months.

Pursuant to Argentine Central Bank Communication "A" 5392, the Bank has capitalized increased direct expenses incurred in the mortgage loan origination process in its capacity as trustee, which disbursements would not have been incurred by it had it not been for the grant of the related loans. Such origination expenses are amortized in 60 monthly installments (See note 32).

## **2.11 Housing, life and unemployment insurance premiums in lending transactions and other transactions originated in its capacity of insurer, in accordance with the franchise granted by the privatization law**

The Bank's policy is to recognize the premium income when the corresponding loan installment accrues, except for those loans that are more than ninety days in arrears, and allocate the expenditures for claims to the net income/(loss) for the year in which they occur.

The Bank has set up an insurance claim reserve for Ps.1,181 as of June 30, 2015 and December 31, 2014, which is shown in the "Provisions" caption under Liabilities.

## **2.12. Deposits**

Deposits have been valued at their placement value, plus adjustments from application of the CER and accrued interest, where applicable. The fixed return on each transaction is accrued on an exponential basis, while the variable return on time deposits adjusted by applying the CER and included in "Investment Accounts" is accrued at the pro rata agreed upon rate of return based on the improvement in the price of the financial asset or financial asset indicator, between the time the transaction is arranged and the end of the month.

## **2.13. Other liabilities from financial transactions**

Unsubordinated negotiable obligations have been valued at their residual value plus accrued interest.

Foreign currency-denominated obligations under swap transactions carried out as a hedge have been converted into Argentine pesos according to the criterion described in note 2.1.

The interest rate swap transactions carried out for the purposes of hedging assets and liabilities with fixed and floating rates have been valued in accordance with the unsettled balances of agreed upon lending and borrowing interest rates. In addition, following a prudent criterion, the Bank creates provisions for these transactions when the value stated above exceeds its fair value.

Interest rate swaps for agreed-upon fixed rate have been valued in accordance with the balances pending settlement of the agreed-upon lending and borrowing interest rates.

## **2.14. Miscellaneous liabilities**

They are valued at the amounts actually transacted, plus accrued interest as of fiscal period or year end.

## **2.15. Provisions**

The Bank estimates contingencies and records them in Provisions, under Liabilities, if applicable according to the estimated likelihood of occurrence. These provisions cover various items, such as insurance risk, provisions for lawsuits, provisions for taxes, other contingencies, etc..

In addition, the Bank has created the allowance required under Communication "A" 5689 issued by the Argentine Central Bank in order to provide for the total amount of administrative and/or disciplinary sanctions and criminal penalties supported by first instance rulings, applied or pursued by the Argentine Central Bank, the Financial Information Unit, the Argentine Securities Commission and the Argentine Superintendence of Insurance.

## **2.16. Dismissal indemnities**

The Bank does not set up any provisions to cover the risk of dismissal indemnities involving the staff. The disbursements in respect thereof are charged to the results for the period or year in which they occur.

#### **2.17. Personnel benefits**

The Bank has set up provisions for its employees' retirement plans.

#### **2.18. Subordinated Bonds**

Subordinated negotiable obligations have been recorded at their residual value plus interests accrued.

#### **2.19. Non-controlling interest**

The breakdown of supplementary equity interests recorded in "Non-controlling interest" in the accompanying unaudited consolidated balance sheets is as follows:

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
BACS Banco de Crédito y Securitización SA.....	Ps. 32,610	Ps. 30,603
Tarshop S.A.....	35,347	36,988
Total	<u>Ps. 67,957</u>	<u>Ps. 67,591</u>

#### **2.20. Income Tax**

Pursuant to Article 28 of Law 24855, Banco Hipotecario Sociedad Anónima is subject to income tax, except for all the housing loan transactions carried out prior to October 23, 1997, date of registration of its by-laws with the Superintendence of Corporations.

The Bank charges to income and sets up a provision under Liabilities for the income tax determined on its taxable transactions in the fiscal year in which those transactions are carried out.

The Bank recognizes income tax charges and liabilities on the basis of the tax returns corresponding to each fiscal year at the statutory tax rates. For all the periods contemplated in these financial statements, the corporate tax rate was 35%. Under Argentine Banking GAAP the Bank does not recognize deferred income taxes.

#### **2.21. Minimum notional income tax**

In view of the option granted by the BCRA by means of Communication "A" 4295, as of June 30, 2015 the Bank capitalized as a minimum notional income tax credit the tax amount paid in fiscal year 2012, on the basis of projections prepared and the possibility of recovering it and raising allowances when appropriate.

#### **2.22. Shareholders' Equity**

- a. Capital stock, treasury shares, non-capitalized contributions, reserves, and capital adjustment:

The Shareholders' Equity account activity and balances prior to December 31, 1994 have been stated in the currency values prevailing at that date, following the method mentioned in this Note. The transactions carried out subsequent to that date have been recorded in currency values of the period or year to which they correspond. The balances of the Shareholders' Equity accounts as of June 30, 2015 have been restated up to February 28, 2003 as explained in the third paragraph. The adjustment derived from the restatement of the balance of "Capital Stock" was allocated to "Equity Adjustments". The issued treasury shares added due to the termination of Total Return Swap transaction are carried at nominal value.

b. Results:

Income and expenses have been recognized against the results for the fiscal year, regardless of whether they have been collected or paid.

The preparation of the financial statements requires that the Bank's Board of Directors perform estimates affecting assets and liabilities, the net income/ (loss) for the fiscal period or year and the determination of contingent assets and liabilities at the date thereof, such as allowances for loan losses and impairment, the recoverable value of assets and provisions. Since these estimates involve value judgments regarding the probability of occurrence of future events, the actual net income/ (loss) may differ from the estimated amount and thus generate losses or profits affecting subsequent periods or years. All legal and regulatory rules in force at the date of presentation of these financial statements have been considered.

The financial statement figures for the previous fiscal period or year, presented for comparative purposes, include certain reclassifications and adjustments that contemplate specific disclosure criteria so as to present them on a consistent basis with those of the current fiscal period or year.

## **2.23. Statements of Cash Flows**

The unaudited consolidated statements of cash flows were prepared using the measurement methods prescribed by the BCRA.

For purposes of reporting cash flows, "Cash and cash equivalents" include "Cash and due from banks".

## **3. Adoption of International Financial Reporting Standards**

By virtue of its General Resolution No. 562, the Argentine Securities Commission (CNV) has decided to enforce the provisions under the Technical Pronouncement No. 26 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) that adopts the International Financial Reporting Standards (IFRS) for all the companies overseen by CNV as from the fiscal years beginning on January 1, 2012.

The Bank is not obligated to apply these standards insofar as the CNV has excluded all the entities for which CNV is empowered to accept the accounting criteria laid down by other regulatory and/or oversight authorities (financial institutions, insurance companies, etc.) from using the IFRS.

On February 12, 2014, BCRA issued its Communication "A" 5541 whereby it provides a roadmap to convergence between the informational and accounting regime and IFRS. Pursuant to this Communication, the entities and institutions must start to account for their financial transactions and changes in accordance with the rules issued by BCRA following the above-mentioned



convergence regime as from the fiscal years beginning on January 1, 2018. This roadmap includes the following steps:

- First half of 2015

Financial institutions must prepare and file their own convergence plan and provide the name of the compliance officer appointed to such end.

Disclosure of guidelines to be observed by institutions regarding reconciliations are to be filed with the BCRA.

- Second half of 2015

The institutions shall file with the BCRA, together with the financial statements as of the fiscal year's closing date, a reconciliation of the main asset, liability and shareholders' equity captions with the amounts that would result from applying the rules issued by the BCRA under the scope of the IFRS convergence process. This information shall include a special report by the independent auditor and will be used exclusively by the BCRA for supervision and regulation purposes, and will qualify as non-public. Institutions shall report on the degree of progress made in the IFRS Convergence Plan.

- Year 2016

According to the method and frequency established in due course, institutions shall continue to report to the BCRA the degree of progress made by them in the IFRS convergence process. In addition, they shall continue to disclose in their published financial statements that they are progressing in the IFRS Convergence Plan. There will be an issuance of a CONAU Circular to communicate the new Minimum Accounts Plan and Form of Financial Statements (New Informational and Accounting Regime for Quarterly / Annual Publication).

- Year 2017

As of January 1, 2017, institutions shall prepare the opening financial statements that will serve as basis for preparing their comparative financial statements. In each quarterly statement, they shall include a reconciliation of the main asset, liability and shareholders' equity captions and results with the amounts that would result from applying the rules issued by the BCRA under the scope of the IFRS convergence process. Such reconciliations shall be supported by a special report by the independent auditor. The quantitative information and the degree of progress of the IFRS Convergence Plan will be disclosed in a note to the published financial statements.

- Year 2018

As from the financial statements starting on January 1, 2018, financial institutions shall be required to record their transactions and equity changes in accordance with the rules issued by the BCRA under the IFRS convergence process. Therefore, as from the closing of the first quarter, they shall prepare and submit their published financial statements according to the above mentioned rules; the independent auditor shall issue an opinion thereon and such financial statements will be the ones used by the institutions for all legal and corporate purposes.

On March 31, 2015 the Bank's Board of Directors has approved (i) the Implementation Plan for Convergence towards the International Financial Reporting Standards dictated by the Communication "A" 5541 for Financial Entities subject to supervision of the BCRA; and (ii) the designation of the coordinators which will have the obligation to inform the Board of Directors the status and degree of progress of the project.

The plan contains the creation of a work team; coordination with the management of the related companies in which permanent investments are held, controlled companies or companies in which

significant influence is exercised; design and communication of a training plan; identifying impacts on operations and the information to be submitted that requires the implementation of specific actions (adapting information systems, internal control, etc.).

Half-yearly reports must be made to the BCRA, showing the progress made in the Implementation Plan. The first due date of this presentation operates on September 30, 2015. Each half-yearly report shall include a report issued by the Internal Audit Department.

#### 4. Restricted Assets

Certain of the Bank's assets are pledged or restricted from use under various agreements. The following assets were restricted at each balance sheet date:

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
<b>Banco Hipotecario S.A.</b>		
Securities issued by the BCRA as collateral for OTC transactions.....	70,464	24,138
Government securities as collateral for OTC transactions.....	40,200	51,723
Deposits in pesos as collateral for visa credit card transactions...	117,723	82,706
Securities issued by the BCRA as collateral for the custody of securities.....	162,759	-
Government securities as collateral for the custody of securities.	-	157,675
Deposits in pesos as collateral for leases.....	754	685
	<u>Ps. 391,900</u>	<u>Ps. 316,927</u>
<b>Tarshop S.A.</b>		
Deposits in pesos and in U\$S as collateral for leases.....	505	520
Certificates of participation in Financial Trusts granted as commercial pledge for a loan received.....	32,203	32,206
Time deposits pledged for tax obligations arising from Financial Trusts.....	4,891	4,263
Deposits in pesos related to Financial Trusts transactions.....	16,182	21,550
Receivables in trust to secure a syndicated loan received.....	-	54,144
Deposits in pesos as collateral for visa credit card transactions...	512	-
Government securities as collateral for visa credit card transactions.....	1,038	-
	<u>Ps. 55,331</u>	<u>Ps. 112,683</u>
<b>BH Valores S.A.</b>		
Mercado de Valores de Buenos Aires SA's share pledged on behalf of Chubb Argentina de Seguros SA.....	Ps. 4,000	Ps. 4,000
<b>Total</b>	<u><u>Ps. 451,231</u></u>	<u><u>Ps. 433,610</u></u>

#### 5. Government and Corporate securities

Government and Corporate Securities held by the Bank consist of the following balances:

<u>June 30,</u>	<u>December 31,</u>
-----------------	---------------------

	<b>2015</b>	<b>2014</b>
Holding booked at market fair value		
Government securities in pesos.....	Ps. 1,581,383	Ps. 684,951
Government securities in US\$.....	340,053	440,518
Bills issued by Provincial Governments in US\$.....	297,137	357,094
Bills issued by Provincial Governments in pesos.....	7,133	-
	<u>Ps. 2,225,706</u>	<u>Ps. 1,482,563</u>
Holding booked at cost plus return		
Government securities in pesos.....	-	101,943
Bills issued by Provincial Governments in pesos...	66,916	-
Bills issued by Provincial Governments in US\$.....	125,862	39,204
	<u>Ps. 192,778</u>	<u>Ps. 141,147</u>
Investment in listed corporate securities		
Corporate securities in pesos.....	Ps. 430,855	Ps. 369,587
Corporate securities in US\$.....	-	-
	<u>Ps. 430,855</u>	<u>Ps. 369,587</u>
Securities issued by the BCRA		
Quoted bills and notes issued by the BCRA.....	Ps. 672,239	Ps. 636,192
Unquoted bills and notes issued by the BCRA.....	1,750,005	1,888,546
	<u>Ps. 2,422,244</u>	<u>Ps. 2,524,738</u>
Total	<u>Ps. 5,271,583</u>	<u>Ps. 4,518,035</u>

The bank recorded in their financial statements income from government and corporate securities for an amount of Ps. 627,480 and Ps. 489,566 as of June 30, 2015 and 2014, respectively.

## 6. Loans

Other loans to the non-financial private sector and foreign residents are comprised of the following for the periods indicated:

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Working capital in pesos .....	Ps. 2,729,866	Ps. 2,624,490
Working capital in US dollars.....	692,217	482,542
Loans for the financing of manufacturers.....	61,234	33,695
Export prefinancing .....	406,621	395,715
Total	<u>Ps. 3,889,938</u>	<u>Ps. 3,536,442</u>

## 7. Other receivables from financial transactions

The breakdown of the "Other receivables not included in the debtor classification regulations" line, under the "Other receivables for financial transactions" caption, is as follows:

<b>June 30, 2015</b>	<b>December 31, 2014</b>
--------------------------	------------------------------

Trust participation certificates.....	Ps.	388,249	Ps.	395,177
Debt securities.....		1,452,437		859,679
Other.....		4		4,497
Total	Ps.	<u>1,840,690</u>	Ps.	<u>1,259,353</u>

## 8. Miscellaneous receivables

Other miscellaneous receivables are comprised of the following for the periods indicated:

		<b>June 30, 2015</b>	<b>December 31, 2014</b>
Tax prepayments and withholdings.....	Ps.	44,465	Ps. 71,736
Recoverable expenses, taxes, and advances to third parties.....		605,487	227,360
Attachments for non-restructured ON.....		7,526	10,001
Other receivables from lawsuits.....		11,160	-
Guarantee deposit securing financial agreements.....		9,133	520
Guarantee deposit for credit card transactions.....		117,723	82,706
Guarantee deposit for global custody duties.....		162,759	157,675
Other Directors fees.....		13,750	19,327
Loans to Bank staff.....		177,485	179,944
Collections pending reporting by collecting entities.....		96,680	56,208
Goods, services and insurance related to leasing.....		21,689	20,023
Other.....		241,674	132,578
Total	Ps.	<u>1,509,531</u>	Ps. <u>958,078</u>

## 9. Allowance for loan losses

The activity in the allowance for loan losses for the periods presented is as follows:

		<b>June 30, 2015</b>	<b>December 31, 2014</b>
Balance at beginning of the period.....	Ps.	407,140	Ps. 308,632
Provision charged to income .....		198,479	343,437
Loans charged off.....		(171,794)	(244,929)
Balance at end of the period.....	Ps.	<u>433,825</u>	Ps. <u>407,140</u>

## 10. Bank Premises and Equipment and Intangible Assets

The book values of major categories of bank premises and equipment and total accumulated depreciation as of the periods indicated are as follows:

		<b>June 30, 2015</b>	<b>December 31, 2014</b>
Land and buildings.....	Ps.	117,090	Ps. 117,090
Furniture and fixtures.....		63,913	56,081

Machinery and equipment.....	185,369	165,292
Other.....	40,107	28,554
Accumulated depreciation.....	(220,159)	(201,858)
Total	Ps. 186,320	Ps. 165,159

Intangible assets, net of accumulated amortization, as of the end of periods indicated are as follows:

	June 30, 2015	December 31, 2014
Third parties fees, re-engineering, restructuring and capitalized software costs.....	Ps. 131,713	Ps. 116,159
Goodwill (*).....	18,508	20,222
Mortgage loan origination expenses related to Pro.Cre.Ar (see note 32).....	275,927	206,547
Total	Ps. 426,148	Ps. 342,928

(\*) Goodwill is mainly related to the acquisition of Tarshop S.A., which has been allocated to the Credit card segment- Tarshop.

#### 11. Miscellaneous assets

Miscellaneous assets consist of the following as of the end of each period:

	June 30, 2015	December 31, 2014
Properties held for sale.....	Ps. 29,779	Ps. 29,847
Assets leased to others.....	22,656	26,365
Stationery and office supplies.....	23,350	21,554
Other.....	5,494	3,203
Accumulated depreciation.....	(20,866)	(21,179)
Total	Ps. 60,413	Ps. 59,790

#### 12. Deposits

The breakdown of deposits is as follows:

	June 30, 2015	December 31, 2014
Time deposits.....	Ps. 12,134,683	Ps. 9,671,476
Saving deposits.....	4,119,023	2,816,343
Checking accounts.....	2,006,280	4,962,612
Other deposits.....	168,845	883,682
Total	Ps. 18,428,831	Ps. 18,334,113

#### 13. Other Liabilities from Financial Transactions

The breakdown of the "Others" line, under the "Other liabilities from financial transactions" caption, is as follows:

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Collections and other transactions on behalf of third parties.....	Ps. 122,345	Ps. 59,733
Credit cards consumptions payable.....	880,236	853,784
Retail Bank Network.....	7,507	7,991
Financial hedge contract.....	321,792	300,347
Others.....	20,166	21,876
Total	<u>Ps. 1,352,046</u>	<u>Ps. 1,243,731</u>

#### 14. Miscellaneous Liabilities

Other miscellaneous liabilities consist of the following as of the end of each period:

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Sundry creditors.....	Ps. 1,076,365	Ps. 722,139
Summary proceedings in financial matters N° 1320 (*).....	53,632	-
Other fees and expenses payable.....	68,735	81,763
Tax withholdings and taxes payable.....	94,552	64,564
Taxes payable.....	326,186	437,811
Payroll withholdings and contributions.....	103,424	80,837
Salaries and social security charges payable.....	121,194	201,406
Other.....	169,539	151,610
Total	<u>Ps. 2,013,627</u>	<u>Ps. 1,740,130</u>

(\*) At the close of these Financial Statements, the Bank's Board of Directors granted its approval to the actions undertaken by the Executive Committee concerning the deposit of the penalties imposed on directors, former directors, managers, former managers and statutory auditors and the fact that such amounts were charged against the statement of income in the framework of Financial Summary Proceedings No. 1320 (Note 31).

#### 15. Provisions

Provisions as of the end of each period are as follows:

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Provision for lawsuits (a).....	Ps. 87,589	Ps. 98,074
Contingency risks.....	85,433	89,549
Tax Provision.....	11,401	11,701
Customers' Loyalty Program.....	33,355	32,753
Provision for administrative-disciplinary-criminal penalties (b). ..	4,172	4,040
Total	<u>Ps. 221,950</u>	<u>Ps. 236,117</u>

(a) Includes legal contingencies and expected legal fees.

(b) Includes a charge relating to a sanction for Ps. 4,040 imposed on BHSA by the Superintendent of Financial and Foreign Exchange Institutions through Resolution No. 685 in connection with the Financial Summary

Proceedings No. 1320 (Note 31). At the close of these Financial Statements, this amount was deposited as resolved by the Executive Committee and the Bank's Board of Directors

## 16. Other Liabilities from Financial Transactions – Negotiable obligations

The balance of the negotiable obligations has been included in the “Other liabilities for financial transactions” caption. The residual face values of the different negotiable obligation series issued are as follows:

	Issue date	Maturity date		Annual interest rate	June 30, 2015
<b>Banco Hipotecario</b>					
Series 5 (US\$ 250,000 thousand)	04/27/06	04/27/16	a	9.750%	1,914,484
Series XII (US\$. 44,508 thousand)	08/14/13	08/14/17	a	3.95%	358,989
Series XIV (US\$. 115,400)	11/11/13	11/11/15	b/c	Badlar +375bp	115,400
Series XVI (Ps. 89,683)	01/31/14	01/31/16	b/c	Badlar +425bp	89,683
Series XIX (Ps. 275,830)	05/16/14	11/16/15	b/c	Badlar +375bp	275,830
Series XXI (Ps. 222,345)	07/30/14	01/30/16	b/c	Badlar +275bp	222,345
Series XXII (Ps. 253,152)	11/05/14	08/05/15	b/d	LEBACx0.95	253,152
Series XXIII (Ps. 119,386)	11/05/14	05/08/16	b/c	Badlar +325bp	119,386
Series XXIV (Ps. 27,505)	02/05/15	01/31/16	a/b	LEBACx0.95	27,505
Series XXV (Ps. 308,300)	02/05/15	08/05/16	a/b	Mixed (e)	298,496
Series XXVII (Ps. 281,740)	05/22/15	11/22/16	a/b	Mixed (e)	260,096
<b>BACS Banco de Crédito y Securitización</b>					
Series I (Ps. 130,435)	02/19/14	08/19/15	b/c	Badlar +450bp	130,435
Series III (Ps. 132,726)	08/19/14	05/19/16	b/c	Badlar +275bp	132,726
Series IV (Ps. 105,555)	11/21/14	08/21/16	b/c	Badlar +350bp	105,555
Series V (Ps. 150,000)	04/17/15	01/17/17	a/b	Mixed (e)	150,000
<b>Tarshop</b>					
Series XI (Ps. 10,837)	05/23/13	05/23/16	b/c	Badlar+580bp	10,775
Series XII (Ps. 83,588)	08/09/13	08/09/15	a	15.0%	83,112
Series XV (Ps. 119,755)	04/21/14	10/21/15	b/c	Badlar+490bp	113,967
Series XVII (Ps. 41,066)	11/26/14	08/26/15	b/d	LEBACx0.95	40,832
Series XVIII (Ps. 69,291)	11/26/14	05/26/16	b/c	Badlar+425bp	68,896
Series XIX (Ps. 6,314)	11/26/14	11/26/17	b/c	Badlar+525bp	6,280
Series XX (Ps. 69,100)	04/24/15	01/24/16	a	27.5%	68,707
Series XXI (Ps. 80,500) <sup>v</sup>	04/24/14	10/24/16	a	28.5%	80,043
					<u>4,926,694</u>

(a) Fixed interest rate

(b) Variable interest rate

(c) As of June 30, 2015 Badlar rate was 20,81%

(d) As of June 30, 2015 LEBACS rate was 26,04%

(e) Fixed rate on the first nine months (between 27.48% and 28.0%) and variable interest rate of Badlar+450bps from that moment on.

The contractual maturities of the negotiable obligations are as follows as of June 30, 2015:

June 30, 2016.....	Ps.	3,667,236
June 30, 2017.....		900,469
June 30, 2018.....		358,989
Thereafter.....		-
Total	Ps.	<u>4,926,694</u>



The General Shareholders' Meeting held on May 23, 2008, approved the creation of a new Global Program for issuing Negotiable Obligations, not convertible into shares, with or without collateral, for an amount of up to two billion US dollars (US\$ 2,000,000,000) or the equivalent thereof in pesos.

On March 27, 2012, the General Ordinary Shareholders' Meeting approved the extension of the Global Program for the issuance of notes referred above. In addition, the meeting resolved to delegate on the Board of Directors the broadest powers to determine the time, amount, as well as the other terms and conditions of each Series to be issued. Additionally, on April 24, 2014, the General Ordinary Shareholders' Meeting renewed such delegation of powers.

On February 11, 2015 the Bank's Board of Directors approved the increase in the Program amount for up to US Dollars seven hundred million (US\$ 700,000,000) or its equivalent in pesos.

On May 6, 2015, the Bank's Board of Directors approved the increase in the Program amount for up to US dollars eight hundred million (US\$ 800,000,000) or its equivalent in pesos.

#### **17. Subordinated Bonds**

At the Extraordinary General Shareholders' Meeting of BACS Banco de Crédito y Securitización S.A., dated December 12, 2013, the issuance of Convertible Subordinated Negotiable Obligations through private offering was approved for an amount of up to Ps.100,000.

On June 22, 2015, BACS issued negotiable obligations that are convertible into the Company's ordinary and book-entry shares for a principal amount of Ps.100,000.

The private offering of the convertible negotiable obligations was solely addressed to the Company's shareholders. As of June 30, 2015, IRSA Inversiones y Representaciones Sociedad Anónima subscribed all the convertible negotiable obligations.

#### **18. Level I American Depositary Receipts Program**

On March 27, 2006 the US Securities and Exchange Commission (SEC) has made effective the Level I American Depositary Receipts, "ADR" program.

This program allows foreign investors to buy the Bank's stock through the secondary market where ADRs are traded freely within the United States. The Bank of New York has been appointed as depositary institution.

#### **19. Derivative Financial Instruments**

The Bank has carried out its financial risk management through the subscription of several derivative financial instruments. Derivative instruments are recorded under the captions "Other receivable from financial transactions – Balances of forward transactions not yet settled without delivery of underlying asset" or Liabilities: "Other liabilities from financial transactions – Balances of forward transactions not yet settled without delivery of underlying asset" in the unaudited Consolidated Balance Sheet, and the related gain or loss under the captions "Financial Income – Other" or: "Financial Expenses – Other", respectively, in the unaudited Consolidated Statement of Income.

The following are the derivative financial instruments outstanding as of June 30, 2015 and December 31, 2014:

Type of Contract	Notional amount		Net Book Value Asset/(Liabilities)	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Futures (1)				
Purchases	2,405,951	1,559,490		
Sales	(1,519,307)	1,221,115	(505)	488
Forwards (2)				
Sales	-	160,223	-	14,662
Interest Rate Swaps	30,000	-	63	-
- Receives fixed, pays variable interest rate (3)				
- CHA IX (4)	134,557	139,780	(802)	(801)
- CHA XI (6)	130,175	137,506	(476)	(800)
- CHA XII (7)	172,231	182,876	(730)	(734)
- CHA XIII (8)	91,041	92,973	(603)	(605)
- CHA XIV (9)	98,812	101,159	(592)	(592)
Currency Swaps (5)	(321,690)	(300,414)	(320,354)	(298,789)
			<b>(323,999)</b>	<b>(287,171)</b>

1. Futures: Future currency transactions have been carried out through which the forward purchase and sale of foreign currencies (US dollar) was agreed upon. These transactions were performed as hedge for foreign currency position. Settlement is carried on a daily basis for the difference.

For these transactions, as of June 30, 2015 and 2014, the Bank has recognized losses for Ps. 28,266 and gains for Ps. 417,949, respectively.

2. Forwards: the Bank has undertaken futures transactions on US Dollars: overall, these are settled upon maturity without delivery of the underlying asset and with the payment in Pesos of currency differences.

For these transactions, as of June 30, 2015 and 2014, the Bank has recognized gains for Ps. 3,270 and Ps. 6,802, respectively.

3. On February 18, 2015, OTC Transactions – Badlar rate swaps for agreed upon fixed interest rate were conducted. These are settled by paying the difference in Pesos. Income has been accounted for in the amount of Ps. 391 as of June 30, 2015.

4. Interest rate swaps: On August 28, 2009, the Bank issued Series IX of Cédulas Hipotecarias Argentinas (CHA). For purposes of covering the holders of Trust Debt Securities and the Participation Certificate held by BHSA (see note 20) from potential fluctuations in the BADLAR rate at which the referred trust Debt Securities were issued, the Bank entered into a total return swap whereby it pays a variable BADLAR rate less 245 bps and receives a fixed rate (9.1%). This transaction is periodically settled to reflect financial flow differences without any exchange of the main securities. In addition, this transaction is not subject to

early termination and no assets are given as collateral. The Bank recorded losses for Ps.6,126 and Ps.9,394 as of June 30, 2015 and 2014, respectively.

5. Currency Swap: On August 28, 2009, the Bank issued Series X of Cédulas Hipotecarias Argentinas (CHA). For purposes of covering the holders of Trust Debt Securities and the Participation Certificate held by BHSA (see note 20) from potential fluctuations in the dollar exchange rate at which the referred trust Debt Securities were issued, the Bank entered into a total return swap whereby it pays a rate of 2% on a flow of dollars and receives a fixed rate on a flow of pesos (9.25%). This transaction is periodically settled to reflect financial flow differences without any exchange of the main securities. In addition, this transaction is not subject to early termination and no assets are given as collateral. The Bank recorded profits for Ps.5,576 and Ps.6,633 as of June 30, 2015 and 2014, respectively.
6. Interest rate swaps: On December 21, 2009, the Bank issued Series XI of Cédulas Hipotecarias Argentinas (CHA). For purposes of protecting the holders of Trust Debt Securities and the Participation Certificate held by BHSA (see note 20) against potential fluctuations in the BADLAR rate at which the referred trust Debt Securities were issued, the Bank entered into a total return swap whereby it pays a variable BADLAR rate less 291 bps and receives a fixed rate (11.33%). This transaction is periodically settled to reflect financial flow differences without any exchange of the main securities. In addition, this transaction is not subject to early termination and no assets are given as collateral. The Bank recorded losses for Ps.4,135 and Ps.7,499 as of June 30, 2015 and 2014, respectively.
7. Interest rate swaps: On July 21, 2010, the Bank issued Series XII of Cédulas Hipotecarias Argentinas (CHA). For purposes of protecting the holders of Trust Debt Securities and the Participation Certificate held by BHSA (see note 20) against potential fluctuations in the BADLAR rate at which the referred trust Debt Securities were issued, the Bank entered into a total return swap whereby it pays a variable BADLAR rate plus 10 bps and receives a fixed rate (13.25%). This transaction is periodically settled to reflect financial flow differences without any exchange of the main securities. In addition, this transaction is not subject to early termination and no assets are given as collateral. The Bank recorded losses for Ps.6,431 and Ps.10,993 as of June 30, 2015 and 2014, respectively.
8. Interest rate swaps: On December 2, 2010, the Bank issued Series XIII of Cédulas Hipotecarias Argentinas (CHA). For purposes of protecting the holders of Trust Debt Securities and the Participation Certificate held by BHSA (see note 20) against potential fluctuations in the BADLAR rate at which the referred trust Debt Securities were issued, the Bank entered into a total return swap whereby it pays a variable BADLAR rate plus 27 bps and receives a fixed rate (9.279%). This transaction is periodically settled to reflect financial flow differences without any exchange of the main securities. In addition, this transaction is not subject to early termination and no assets are given as collateral. The Bank recorded losses for Ps.5,229 and Ps.7,338 as of June 30, 2015 and 2014, respectively.
9. Interest rate swaps: On March 18, 2011, the Bank issued Series XIV of Cédulas Hipotecarias Argentinas (CHA). For purposes of protecting the holders of Trust Debt Securities and the Participation Certificate held by BHSA (see note 20) against potential fluctuations in the BADLAR rate at which the referred trust Debt Securities were issued, the Bank entered into a total return swap whereby it pays a variable BADLAR rate less 20 bps and receives a fixed rate (9.91%). This transaction is periodically settled to reflect financial flow differences without any exchange of the main securities. In addition, this transaction is not subject to early termination and no assets are given as collateral. The Bank recorded losses for Ps.5,133 and Ps.7,434 as of June 30, 2015 and 2014, respectively.

## 20. Securitization of mortgage loans, consumer loans and credit card loans

The Bank created separate trusts under its US securitization program and “Cédulas Hipotecarias Argentina – program”; and a consumer trust under BACS’s Global Trust Securities Program. For each mortgage or consumer trust, the Bank transfers a portfolio of mortgages or consumer loans originated by banks and other financial institutions in trust to the relevant trustee. The trustee then issues Class A senior Bonds, Class B subordinated bonds and certificates of participation. The trust’s payment obligations in respect of these instruments are collateralized by, and recourse is limited to, the trust’s assets consisting of the portfolio of mortgage or consumer loans and any reserve fund established by the Bank for such purpose. The securitizations were recorded as sales, and accordingly, the mortgage and consumer loans conveyed to the trusts are no longer recorded as assets of the Bank.

At the date of these financial statements the following trust funds are outstanding:

	Debt Securities Class A1/AV	Debt Securities Class A2/AF	Debt Securities Class B	Certificates of Participation	Total
BHN II – Issued on 05.09.97 (*)					
Face value in Ps.	44,554	51,363	3,730	6,927	106,574
Declared Maturity Date	03.25.2001	07.25.2009	03.25.2012	05.25.2013	
BHN III – Issued on 10.29.97 (*)					
Face value in Ps.	14,896	82,090	5,060	3,374	105,420
Declared Maturity Date	05.31.2017	05.31.2017	05.31.2018	05.31.2018	
BHN IV – Issued on 03.15.00 (*)					
Face value in Ps.	36,500	119,500	24,375	14,625	195,000
Declared Maturity Date	03.31.2011	03.31.2011	01.31.2020	01.31.2020	
BACS I – Issued on 02.15.2001 (*)					
Face value in Ps.	30,000	65,000	12,164	8,690	115,854
Declared Maturity Date	05.31.2010	05.31.2010	06.30.2020	06.30.2020	
BACS III – Issued on 12.23.2005					
Face value in Ps.	77,600		1,200	1,200	80,000
Declared Maturity Date	03.20.2013		09.20.2013	08.20.2015	
BACS Funding I Issued on 11.15.2001 (*)					
Face value in Ps.	-	-	-	29,907	29,907
Declared Maturity Date				11.15.2031	
BACS Funding II Issued on 11.23.2001 (*)					
Face value in Ps.	-	-	-	12,104	12,104
Declared Maturity Date				11.23.2031	
BHSA I Issued on 02.01.2002					
Face value in Ps.	-	-	-	43,412	43,412
Declared Maturity Date				02.01.2021	
CHA VI Issued on 04.07.2006					
Face value in Ps.	56,702	-	-	12,447	69,149
Declared Maturity Date	12.31.2016			12.31.2026	
CHA VII Issued on 09.27.2006					
Face value in Ps.	58,527	-	-	12,848	71,375
Declared Maturity Date	08.31.2017			02.28.2028	
CHA VIII Issued on 03.26.2007					
Face value in Ps.	61,088	-	-	13,409	74,497
Declared Maturity Date	08.31.2024			08.31.2028	
CHA IX Issued on 08.28.2009					
Face value in Ps.	192,509	-	-	10,132	202,641
Declared Maturity Date	02.07.2027			07.07.2027	

CHA X Issued on 08.28.2009					
Face value in Ps.	-	-	-	17,224	17,224
Face value en US\$	85,001	-	-	-	85,001
Declared Maturity Date	01.07.2027			06.07.2028	
CHA XI Issued on 12.21.2009					
Face value in Ps.	204,250	-	-	10,750	215,000
Declared Maturity Date	03.10.2024			10.10.2024	
CHA XII Issued on 07.21.2010					
Face value in Ps.	259,932	-	-	13,680	273,612
Declared Maturity Date	11.10.2028			02.10.2029	
CHA XIII Issued on 12.02.2010					
Face value in Ps.	110,299	-	-	5,805	116,104
Declared Maturity Date	12.10.2029			04.10.2030	
CHA XIV Issued on 03.18.2011					
Face value in Ps.	119,876	-	-	6,309	126,185
Declared Maturity Date	05.10.2030			08.10.2030	

(\*) Trusts subject to the pesification of foreign currency assets and liabilities at the \$1.00=US\$1 rate established by Law 25561 and Decree 214, as they were created under Argentine legislation. Certain holders of Class A debt securities have started declarative actions against the trustee pursuant to the application of the pesification measures set forth in Law 25561 and Decree 214, in order to maintain the currency of origin of said securities. In these declarative actions, the Bank acted together with BACS as third party. The trustee has duly answered to this claim, being the final resolution to this situation is still pending.

Tarshop S.A. has created several financial trusts under its securitization program (“Valores Fiduciarios Tarjeta Shopping – Global program”) destined to assure its long-term financing accessing directly to the capital market. The assets included in the trusts relate to credit card coupons and advances in cash. The table below presents the trusts issued and outstanding as of June 30, 2015:

	Debt Securities	Certificates of Participation	Total
Series LXXVIII– Issued on 01.22.14			
Face value in Ps.	153,087	49,100	202,187
Estimated Maturity Date	06.05.2015	06.05.2015	
Series LXXIX– Issued on 03.18.14			
Face value in Ps.	151,750	49,659	201,409
Estimated Maturity Date	08.05.2015	08.05.2015	
Series LXXXI– Issued on 10.17.14			
Face value in Ps.	81,450	28,231	109,681
Estimated Maturity Date	09.10.2015	09.10.2015	
Series LXXXII– Issued on 01.19.15			
Face value in Ps.	87,450	33,489	120,939
Estimated Maturity Date	03.07.2016	03.07.2016	
Series LXXXIII– Issued on 05.27.15			
Face value in Ps.	111,222	42,591	153,813
Estimated Maturity Date	08.05.2016	08.05.2016	
Series LXXXIV– Privately issued on 03.15.15			
Face value in Ps.	61,273	23,829	85,102
Estimated Maturity Date	09.15.2016	09.15.2016	
Series LXXXV– Privately issued on 06.15.15			
Face value in Ps.	60,265	23,436	83,701
Estimated Maturity Date	12.15.2016	12.15.2016	

In all cases, the payment of class B debt securities is subordinated to the payment of the class A securities. In addition, the reimbursement of the participation certificates shall be done once all the class A and B securities issued have been settled, to the extent that there are sufficient remaining funds in the trust fund.

On July 29, 2005, the Bank and the subsidiary BACS Banco de Crédito y Securitización SA initiated legal actions against First Trust of New York National Association, in its capacity of trustee under BACS I Mortgage Trust, demanding fulfillment of the Trust Agreement and a compensation for damages caused by the trustee's behavior.

The same default behavior by the Trustee was detected in financial trusts BHN II, BHN III, and BHN IV. In the opinion of the legal counselors representing the Bank and BACS Banco de Crédito y Securitización SA in said legal proceedings, pursuant to the regulations in force, this lawsuit should be successful, and therefore there is no potential risk to any of the banks, and it is estimated that the assets shall be recovered. Notwithstanding, in exercise of a prudent criterion, as of June 30, 2015, the entity has not recognized amounts on account of interest, adjustments and possible impairments arising from these trusts.

BACS Banco de Crédito y Securitización S.A. (BACS) has created separate trusts which have personal loans, primary originated by cooperatives and later acquired by BACS, as assets. The mentioned trusts have been issued under the "Fideicomisos Financieros BACS – Global program" for the securitization for a face value up to Ps. 300,000. As of June 30, 2015 there are no trusts outstanding.

As of June 30, 2015 and December 31, 2014, the Bank held in its portfolio the following securities corresponding to the abovementioned trusts:

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Class B debt securities – BHN II	Ps. 7,000	Ps. 7,000
Class B debt securities – BHN III	7,203	7,203
Class B debt securities – BHN IV	79,351	79,351
Class B debt securities – BACS I	20,234	20,234
Class A debt securities – BHN IV	44	44
Class A debt securities – CHA VI to CHA XIV	75,417	73,349
Class A debt securities – BACS I	1,081	1,081
Debt securities – BACS III	15,768	17,169
Debt securities – Tarshop Series LXXV	-	158
Debt securities – Tarshop Series LXXVI	-	180
Debt securities – Tarshop Series LXXVII	-	6,031
Debt securities – Tarshop Series LXXVIII	-	18,041
Debt securities – Tarshop Series LXXIX	2,042	9,894
Debt securities – Tarshop Series LXXXII	7,198	-
Debt securities – Tarshop Series LXXXIII	13,530	-
Debt securities – Tarshop Series LXXXIV	20,927	-
Debt securities – Tarshop Series LXXXV	19,448	-
Subtotal	<u>Ps. 269,243</u>	<u>Ps. 239,735</u>
	<b>June 30, 2015</b>	<b>December 31, 2014</b>

Certificates of participation – BHN II	Ps.	41,722	Ps.	41,722
Certificates of participation – BHN III		14,970		14,970
Certificates of participation – CHA VI		13,592		13,639
Certificates of participation – CHA VII		953		2,739
Certificates of participation – CHA VIII		-		917
Certificates of participation – CHA IX		10,677		9,983
Certificates of participation – CHA X		26,085		26,704
Certificates of participation – CHA XI		14,488		14,273
Certificates of participation – CHA XII		18,298		18,887
Certificates of participation – CHA XIII		5,330		5,817
Certificates of participation – CHA XIV		5,401		5,978
Certificates of participation – BHSA I		9,192		6,724
Certificates of participation – BACS III (a)		-		-
Certificates of Participation – Tarshop Series LXXV		-		28,687
Certificates of Participation – Tarshop Series LXXVI		-		24,345
Certificates of Participation – Tarshop Series LXXVII		-		34,272
Certificates of Participation – Tarshop Series LXXVIII		-		46,623
Certificates of Participation – Tarshop Series LXXIX		48,523		44,568
Certificates of Participation – Tarshop Series LXXX		47,053		29,834
Certificates of Participation – Tarshop Series LXXXI		23,782		23,492
Certificates of Participation – Tarshop Series LXXXII		24,551		-
Certificates of Participation – Tarshop Series LXXXIII		34,032		-
Certificates of Participation – Tarshop Series LXXXIV		23,486		-
Certificates of Participation – Tarshop Series LXXXV		25,111		-
Subtotal	Ps.	387,246	Ps.	394,174
Total	Ps.	656,489	Ps.	633,909

(a) Net of allowances for impairment of Ps. 1,003 as of June 30, 2015 and December 31, 2014.

## 21. Financial Income and Financial Expenses

### *Financial Income*

The breakdown of the "Others" line included in the "Financial income" caption is as follows:

	June 30,	
	2015	2014
Premiums for repo transactions.....	Ps. 14,532	Ps. 11,799
Premiums for forward transactions.....	384	424,751
Others.....	3,407	2,445
Total	Ps. 18,323	Ps. 438,995

### *Financial Expenses*

The breakdown of the "Others" line included in the "Financial expenses" caption is as follows:

	June 30,	
	2015	2014



Turnover tax on financial income.....	Ps.	195,981	Ps.	183,701
Premiums on swap and repo transactions.....		46,516		30,060
Result from interest rate swaps.....		26,292		40,245
Total	Ps.	<u>268,789</u>	Ps.	<u>254,006</u>

## 22. Income from Services and Expenses on Services

### *Income from Services*

Other income from services consist of the following for each period:

		June 30,	
		2015	2014
Insurance premiums and services.....	Ps.	645,144	Ps. 395,418
Services on loans.....		284,036	149,309
Fees from deposits.....		51,436	34,713
Fees from debit cards.....		17,793	11,644
Fees from PROCREAR.....		60,378	15,853
Other.....		43,547	31,112
Total	Ps.	<u>1,102,334</u>	Ps. <u>638,049</u>

### *Expenses for Services*

Other expenses for services consist of the following for each period:

		June 30,	
		2015	2014
Insurance claims.....	Ps.	99,107	Ps. 60,735
Services on loans.....		126,541	95,273
Turnover tax.....		45,731	26,223
Other.....		17,428	20,403
Total	Ps.	<u>288,807</u>	Ps. <u>202,634</u>

## 23. Administrative Expenses

Other fees consist of the following as of the end of each period:

		June 30,	
		2015	2014
Legal, notarial, accounting and tax consulting services.....	Ps.	10,628	Ps. 10,115
Temporary personnel.....		57,266	42,608
Consulting services.....		36,240	22,802
Collection services.....		26,656	9,895
Other.....		43,679	30,770

Total	Ps. 174,469	Ps. 116,190
-------	-------------	-------------

	June 30,	
	2015	2014
Insurance.....	Ps. 6,556	Ps. 4,396
Rent.....	52,044	40,815
Telephony, electricity, and mailing services.....	61,654	35,645
System links .....	5,973	4,915
Maintenance and conservation of premises and equipment.....	35,985	23,130
Surveillance .....	23,754	18,281
Other.....	27,294	17,523
Total	Ps. 213,260	Ps. 144,705

#### 24. Other Miscellaneous Income and Miscellaneous Expenses

##### *Miscellaneous Income*

Other miscellaneous income is comprised of the following for each period:

	June 30,	
	2015	2014
Rental income.....	Ps. 1,120	Ps. 1,105
Result on operations with premises and equipment and miscellaneous assets .....	78	2,346
Interest on loans to bank staff.....	15,964	14,231
Results on securities given as collateral.....	24,638	16,401
Other.....	10,402	9,096
Total	Ps. 52,202	Ps. 43,179

##### *Miscellaneous Expenses*

Other miscellaneous expenses are comprised of the following for each period:

	June 30,	
	2015	2014
Turnover tax.....	Ps. 39,839	Ps. 24,960
Other taxes.....	32,828	27,068
Loss on operations with premises and equipment and miscellaneous assets.....	-	629
Donations.....	27,746	15,277
Discounts on early payments.....	3,966	3,277
Debit card discounts.....	10,716	7,514
Credit card and others discounts.....	18,618	20,949
Payment Summary proceedings in financial matters	53,632	-

N° 1320 (*).....		
Other .....	16,865	12,266
Total	<u>Ps. 204,210</u>	<u>Ps, 111,940</u>

(\*)At the close of these Financial Statements, the Bank's Board of Directors granted its approval to the actions undertaken by the Executive Committee concerning the deposit of the penalties imposed on directors, former directors, managers, former managers and statutory auditors and the fact that such amounts were charged against the statement of income in the framework of the Financial Summary Proceedings No. 1320 (Note 31).

## 25. Balances in Foreign Currency

The balances of assets and liabilities denominated in foreign currency (principally in US dollars and Euros) are as follows:

	US\$	Euro	Yen	Total
	(in Pesos)			
Assets:				
Cash and due from banks.....	732,799	18,561	5	751,365
Government and corporate securities.....	797,684	-	-	797,684
Loans.....	1,223,758	-	-	1,223,758
Other receivables from financial transactions...	471,249	-	-	471,249
Miscellaneous receivables.....	28,059	30	-	28,089
Total as of June 30, 2015	<u>3,253,549</u>	<u>18,591</u>	<u>5</u>	<u>3,272,145</u>
Total as of December 31, 2014	<u>3,166,490</u>	<u>13,444</u>	<u>5</u>	<u>3,179,939</u>
Liabilities:				
Deposits.....	609,328	-	-	609,328
Other liabilities from financial transactions....	2,470,533	101,460	-	2,571,993
Miscellaneous liabilities.....	2,286	12	-	2,298
Items pending allocation.....	177	18	-	195
Total as of June 30, 2015	<u>3,082,324</u>	<u>101,490</u>	<u>-</u>	<u>3,183,814</u>
Total as of December 31, 2014	<u>2,780,479</u>	<u>76</u>	<u>-</u>	<u>2,780,555</u>

## 26. Income Tax

Effective October 1997, as a result of conversion to a *sociedad anónima*, the Bank is subject to income tax in Argentina except on its income attributable to mortgage loan commitments made prior to that date.

As a general rule, the income tax law allows the deduction of expenses incurred to obtain or maintain the source of taxable income. For purposes of deducting from the taxable revenues those expenses incurred to obtain jointly taxable and non –taxable income, expenses should be segregated accordingly.

Furthermore, the fiscal rule gives prerogative to the direct allocation method rather than the apportionment method to determine the deductible expenses. Thus, the apportionment method should only be used when it is not possible to make direct allocation of expenses to the taxable revenue.

The Bank records the charges to income, when applicable, and a provision in its liabilities for the tax applicable to its taxable transactions in the fiscal year to which they refer.

As of June 30, 2015 and December 31, 2014, the Bank estimated income tax by applying the 35% tax rate to its taxable income. The amount determined as income tax was charged against income for the fiscal period under “Income Tax”. The provision for income tax is recorded under “Miscellaneous Liabilities – Other”.

Tarshop S.A. has a tax net operating loss carry forward of Ps. 54,244 as of June 30, 2015.

## 27. Presumptive Minimum Income Tax

The Bank is subject to presumptive minimum income tax. Pursuant to this tax regime, the Bank is required to pay the greater of the income tax or the presumptive minimum income tax. Any excess of the presumptive minimum income tax over the income tax may be carried forward and recognized as a tax credit against future income taxes payable over a 10-year period. The presumptive minimum income tax provision is calculated on an individual entity basis at the statutory asset tax rate of 1% and is based upon the taxable assets of each company as of the end of the year, as defined by Argentine law. For financial entities, the taxable basis is 20% of their computable assets.

The tax credit balance held by BHSA at the closing date of these financial statements is Ps. 4,172. Additionally, at June 30, 2015, Tarshop S.A. recorded Ps. 57,389 of tax credit.

## 28. Shareholders' Equity

The following information relates to the statements of changes in the Bank's shareholders' equity.

### (a) Common Stock

Prior to June 30, 1997, the Bank's capital stock consisted of assigned capital with no par value owned 100% by the Argentine government. In accordance with the by-laws approved as a result of the conversion of the Bank to a *sociedad anónima*, the Bank's capital stock was established at Ps.1,500,000 and divided into four classes of ordinary common shares.

As of June 30, 2015, the Bank's capital stock consists of:

Shareholder	Class of Shares	Number of Shares	Total % Ownership	Voting Rights
Argentine government (through FFFRI) (b)	A	668,711,843	44.6%	1 vote
Banco Nación, as trustee for the Bank's Programa de Propiedad Participada (a)	B	57,009,279	3.8%	1 vote
Argentine government (through FFFRI)	C	75,000,000	5.0%	1 vote
Public investors (c) (d)	D	699,278,878	46.6%	3 votes
		<u>1,500,000,000</u>	<u>100.0%</u>	

(a) The Bank's Programa de Propiedad Participada (“PPP”) is the Bank's employee stock ownership plan.

Under Decree 2127/2012 and Resolution 264/2013 issued by the Ministry of Economy and Public Finance, the Programa de Propiedad Participada (Employee Stock Ownership Plan) was implemented. Under this plan, in a first stage, out of a total of 75,000,000, 17,990,721 Class B shares were converted into Class A shares, to be allocated among the employees that have withdrawn from the Bank in accordance with the implementation guidelines. Upon delivery to the former employees, the 17,990,721 shares will become Class D shares.

- (b) Under the Bylaws, the affirmative vote of the holders of Class A Shares is required in order to effectuate: (i) mergers or spin-offs; (ii) an acquisition of shares (constituting a Control Acquisition or resulting in the Bank being subject to a control situation); (iii) the transfer to third parties of a substantial part of the loan portfolio of the Bank, (iv) a change in the Bank's corporate purpose; (v) the transfer of the Bank's corporate domicile outside of Argentina, and (vi) the voluntary dissolution of the Bank.
- (c) For so long as Class A Shares represent more than 42% of the Bank's capital, the Class D Shares shall be entitled to three votes per share, except that holders of Class D Shares will be entitled to one vote per share in the case of a vote on: (i) a fundamental change in the Bank's corporate purpose; (ii) a change of the Bank's domicile to be outside of Argentina; (iii) dissolution prior to the expiration of the Bank's corporate existence; (iv) a merger or spin-off in which the Bank is not the surviving corporation; and (v) a total or partial recapitalization following a mandatory reduction of capital.
- (d) By reason of the expiration on January 29, 2009 of the Total Return Swap that had been executed and delivered on January 29, 2004, Deutsche Bank AG transferred to the Bank 71,100,000 ordinary Class "D" shares in Banco Hipotecario Sociedad Anónima with face value \$ 1 each, which are available for the term and in the conditions prescribed by the Argentine Companies Law, in its Section 221. The General Ordinary Shareholders' Meeting held on April 30, 2010 resolved to extend for a year, counted as from January 31, 2010, the term for realizing the treasury shares held by the Bank.

On April 30, 2010, the General Extraordinary Shareholders' Meeting resolved to delegate upon the Board of Directors the decision to pay with the treasury shares in portfolio the Stock Appreciation Rights (StAR) coupons resulting from the debt restructuring as advisable based on the contractually agreed valuation methods and their actual market value after allowing the shareholders to exercise their preemptive rights on an equal footing.

On June 16, 2010, the Board of Directors resolved to launch a preemptive offer to sell a portion of the Bank's treasury shares, for a total of 36.0 million class D shares. The remaining shares would be delivered in payment to the holders of Stock Appreciation Rights (StAR) coupons arising from the debt restructuring, which fell due on August 3, 2010. On July 26, 2010, within the framework of the referred offer, the Bank sold approximately 26.9 million of the shares mentioned above.

On August 3, 2010 the proceeds of the offer and the balance of the shares referred in the preceding paragraph were made available to the holders of the Stock Appreciation Rights (StAR) coupons. With the above-mentioned offering, 999,312 Class D shares were sold in excess of those required to pay off the obligation previously mentioned. In connection with such excess sale, Ps. 554 were recorded as retained earnings to reflect the addition of the shares to the entity's equity, which took place on January 29, 2009 as detailed in this note, and a further Ps. 834 were booked as Additional paid-in capital for the difference between the value as added to the entity's equity and the sales value.

The General Ordinary Shareholders' Meeting held on April 24, 2013 resolved to allocate 35,100,000 Class D shares held by the Bank to a compensation program for the personnel under the terms of Section 67 of Law 26831. This decision is pending approval of CNV.

On April 24, 2014 the General Ordinary Shareholders' Meeting acknowledged the incentive or compensation program described in the preceding paragraph and its extension to the personnel

employed by the subsidiaries BACS Banco de Crédito y Securitización S.A., BH Valores S.A., BHN Sociedad de Inversión S.A., BHN Vida S.A. and BHN Seguros Generales S.A.

The Class B shares have been set aside for sale to the Bank's employees in the future pursuant to the PPP on terms and conditions to be established by the Argentine government. Any Class B shares not acquired by the Bank's employees at the time the Bank implements the PPP will automatically convert into Class A shares. The Class C shares are eligible for sale only to companies engaging in housing construction or real estate activities. Any Class B shares transferred by an employee outside the PPP will automatically convert to Class D shares or Class C shares transferred to persons not engaged in construction or real estate activities will automatically convert into Class D shares.

***(b) Distribution of profits***

No profits may be distributed when any financial year does not produce profits.

Argentine Central Bank Communication “A” 4152 dated June 2, 2004 left without effect the suspension of the distribution of profits established by Communication “A” 3574. However, those banks that proceed to such distribution must be previously authorized by the Financial and Exchange Institutions Superintendency.

Through Communication “A” 4526 dated April 24, 2006, the BCRA established that when the Legal Reserve is used to absorb losses, earnings shall not be distributed until the reimbursement thereof. Should the balance prior to the absorption exceed 20% of the Capital Stock plus the Capital Adjustment, profits may be distributed once the latest value is reached.

For purposes of determining distributable balances, the net difference arising from the book value and the market quotation shall be deducted from retained earnings, in the event the Entity records government debt securities and/or debt securities issued by the BCRA not recorded at market prices, with volatility published by such entity.

Pursuant to its Communication “A” 5072, BCRA established that no dividend distribution shall be admitted in so far as: a) the amounts deposited as minimum cash requirements on average – in Pesos, foreign currency or in Government securities – were less than the requirements pertaining to the most recently closed position or the position as projected taking into account the effect of the distribution of dividends, and/or b) the amounts deposited as minimum capital requirements were less than the requirements recalculated as previously mentioned plus a 30% increase, and/or c) the Entity has received financial aid from the BCRA on grounds of illiquidity as set forth in Section 17 of BCRA’s Charter.

On January 27, 2012, the BCRA issued Communication “A” 5272 whereby it established that for the calculation of the minimum capital requirement, the minimum capital for operational risk shall be included. On the same date, Communication “A” 5273 was also issued, whereby the BCRA resolved to increase the percentage referred to in the preceding paragraph, subsection b), from 30% to 75%.

Communication “A” 5369 provided that as from January 1, 2013, for the purposes of calculating the position of minimum capitals, the capital requirement for credit risk due to securitizations must be computed over all the transactions outstanding as of the computation date.

On September 23, 2013 the Argentine Congress enacted Law N° 26,983 which amends the Income Tax Law and sets forth that dividends or earnings in money or in kind shall be levied with Income Tax at a 10% tax rate payable in a final and lump sum.

The Ordinary General Shareholders' Meeting, held on April 13, 2011, resolved to distribute the income for the year ended on December 31, 2010 as follows: Ps. 39,063 (20%), to be applied to the legal reserve Ps. 100,000 (61.59%), to be paid out as cash dividends on ordinary shares, and the balance, after the Board's remuneration, to be maintained as retained earnings. On September 20, 2012, the BCRA reported that there were no objections against the Bank's distribution of cash dividends for Ps. 100,000, as requested. For such reason, on October 10, 2012 such cash funds were made available to the shareholders.

The Ordinary General Shareholders' Meeting, held on August 23, 2013, resolved to distribute the income for the year ended on December 31, 2012 as follows: Ps. 68,721, to be applied to the legal reserve; Ps. 30,000, to be paid out as cash dividends on ordinary shares; and Ps. 244,886 to be maintained as retained earnings. This decision has been approved by BCRA.

On April 24, 2014, the Ordinary General Shareholders' Meeting resolved to distribute the income for the year ended on December 31, 2013 as follows: Ps. 84,190, to be applied to the legal reserve; Ps. 42,000, to be paid out as cash dividends on ordinary shares; and Ps. 294,760 to be maintained as retained earnings. This decision has been approved by BCRA on December 23, 2014. At its meeting dated January 7, 2015, the Board of Directors of Banco Hipotecario S.A. resolved that these dividends should be made available to the shareholders as of January 16, 2015.

## 29. Employee Benefit Plan

The Bank is obligated to make employer contributions to the National Pension Plan System determined on the basis of the total monthly payroll. These expenses are recorded in "Salaries and social security contributions" under the "Administrative expenses" caption in the accompanying unaudited consolidated statements of income.

## 30. Financial Instruments with Off-Balance Sheet Risk

In the normal course of its business the Bank is party to financial instruments with off-balance sheet risk in order to meet the financing needs of its customers. These instruments expose the Bank to credit risk in addition to amounts recognized in the balance sheets. These financial instruments include commitments to extend credit.

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Commitments to extend credit		
Mortgage loans and other loans (a).....	Ps. 291,342	Ps. 119,400
Credit card loans (b).....	14,049,429	11,242,709
Clearing items in process (c).....	137,944	248,279
Other guarantees (d).....	57,739	48,680

- a) Commitments to extend credit are agreements to lend to a customer at a future date, subject to such customers meeting of pre-defined contractual milestones. Typically, the Bank will commit to extend financing for construction project lending on the basis of the certified progress of the work under construction. Most arrangements require the borrower to pledge the land or buildings under construction as collateral. In the opinion of management, the Bank's outstanding commitments do not represent unusual credit risk. The Bank's



exposure to credit loss in the event of nonperformance by the other party is represented by the contractual notional amount of those commitments.

- b) The Bank has a unilateral and irrevocable right to reduce or change the credit card limit, thus it considered there is no off-balance sheet risk. In the opinion of management, the Bank's outstanding commitments do not represent unusual credit risk. The Bank's exposure to credit loss in the event of nonperformance by the other party is represented by the contractual notional amount of those commitments.
- c) The Bank accounts for items drawn on other banks in memorandum accounts until such time as the related item clears or is accepted. In the opinion of management, the Bank's risk of loss on these clearing transactions is not significant as the transactions primarily relate to collections on behalf of third parties.
- d) Mainly includes the amounts given as collateral for transactions held by customers.

### **31. Commencement of summary proceedings**

#### I – Pending Summary Proceedings:

1. On September 13, 2013, the Bank was notified of Resolution No. 611 handed down by the Superintendent of Financial and Foreign Exchange Institutions, whereby it ordered to commence summary proceedings against the Bank and the manager Christian Giummarra and the former manager Aixa Manelli (Summary Proceedings No. 5469 on Foreign Exchange Matters) charging them with alleged violation of the foreign exchange laws in selling foreign currency to persons prohibited from trading foreign currency by the Argentine Central Bank. The cumulative amount derived from the alleged violation in the sale of foreign currency is around US\$ 39.9 thousand and Euro 1.1 thousand. The relevant defenses and arguments have been filed and evidence has been offered in support of all the defendants subject to the summary proceedings. Due to its related subject matter, the record of this case was joined with Summary Proceedings No. 5529 on Foreign Exchange Matters (File 101,327/10). Therefore, its procedural status is described together with the latter.
2. On October 8, 2013, the Bank was notified of Resolution No. 720 handed down by the Superintendent of Financial and Foreign Exchange Institutions, ordering to commence summary proceedings against the Bank and its Organization and Procedures Manager, Mr. Christian Giummarra, and the former Systems Manager, Ms. Aixa Manelli (Summary Proceedings No. 5529 on Foreign Exchange Matters) in accordance with Section 8 of the Criminal Foreign Exchange Regime Law (*Ley de Régimen Penal Cambiario*) –as amended by Decree 480/95- charging them with alleged violation of the foreign exchange laws in selling foreign currency to persons prohibited from trading foreign currency by the Argentine Central Bank. The cumulative amount derived from the alleged violation in the sale of foreign currency is around US\$ 86.4 thousand. The relevant defenses and arguments were filed and evidence was offered in support of all the defendants subject to the summary proceedings. The BCRA opened the discovery stage, and evidence was produced in due time. Once the discovery stage came to a conclusion, the attorneys submitted their closing arguments. The Argentine Central Bank now is expected to send the case file to the competent courts.

In the legal counsel's opinion, at the current status of the proceedings, there are legal and factual arguments that generate reasonable expectations that the physical persons named defendants and Banco Hipotecario S.A. will be acquitted and that therefore, there are low

chances that the Bank will be subject to the economic sanctions set forth by the Criminal Foreign Exchange Regime Law (*Ley de Régimen Penal Cambiario*). For such reason, no allowances have been created in this regard.

3. On February 19, 2014, the Bank was notified of Resolution No. 209/13 handed down by the Chairman of the Financial Information Unit (UIF), whereby it ordered to commence summary proceedings against the Bank, its directors (Messrs. Eduardo S. Elsztain; Mario Blejer; Ernesto M. Viñes; Jacobo J. Dreizzen; Edgardo L. Fornero; Carlos B. Písula; Gabriel G. Reznik; Pablo D. Vergara del Carril; Mauricio E. Wior; Saul Zang); the Risk and Controlling Manager, Mr. Gustavo D. Efkhanián and the Manager of the Money Laundering Prevention and Control Unit Manager, Mr. Jorge Gimeno. In these proceedings, an investigation is made into the defendants' liability for alleged violation of the provisions of Section 21 of Law 25,246, as amended, and Resolution UIF No. 228/2007 due to certain defaults detected by the BCRA in the inspection of the organization and in internal controls implemented for the prevention of money-laundering derived from illegal activities. On March 25, 2014, the relevant defenses and arguments were filed in support of the Bank and the individuals subject to the summary proceedings.

In the legal counsel's opinion, at the current stage of the proceedings and based on the precedents existing at the UIF in connection with similar cases, it is estimated that there are chances of imposing an administrative penalty. For such reason, the bank has estimated allowances of Ps. 20.

4. On August 26, 2014, the Bank was notified of the Resolution passed by the Superintendent of Financial and Foreign Exchange Institutions No. 416 dated August 7, 2014 ordering the start of Summary Proceedings No. 5843 in the terms of Section 8 of the Foreign Exchange Criminal Regime Law No. 19,359 (as signed into law pursuant to Decree No. 480/95). In the above-mentioned summary proceedings, Banco Hipotecario, its directors (Messrs. Eduardo S. Elsztain; Jacobo J. Dreizzen; Edgardo L. Fornero; Carlos B. Písula; Gabriel G. Reznik; Pablo D. Vergara del Carril; Ernesto M. Viñes; Saul Zang; and Mauricio E. Wior) and former directors (Ms. Clarisa D. Lifsic de Estol and Mr. Federico L. Bensadón), and two former managers (Messrs. Gabriel G. Saidón and Enrique L. Benítez), are charged with failure to comply with the rules disclosed by Communication "A" 3471 (paragraphs 2 and 3) and by Communication "A" 4805 (Paragraph 2.2.) due to certain transfers of currency made abroad between August and October 2008 to guarantee the "CER Swap Linked to PG08 and External Debt" swap transaction for a total of US\$ 45,968 thousand, without the authorization of the Argentine Central Bank. BHSA has been allowed to review the proceedings (case file No. 100.308/10) which are being handled by the Argentine Central Bank's Department of Foreign Exchange Contentious Matters. The relevant defenses and arguments were filed in support of the subjects to the summary proceedings. The BCRA opened the discovery stage on March 16, 2015.

In the legal counsel's opinion, at the current stage of the proceedings there are legal and factual arguments that generate reasonable expectations that the physical persons named defendants and Banco Hipotecario S.A. will be acquitted and that therefore, there are low chances that the Bank will be subject to the economic sanctions set forth by the Criminal Foreign Exchange Regime Law (*Ley de Régimen Penal Cambiario*). For such reason, no allowances have been created in this regard.

5. On December 29, 2014, the Bank was notified of the Resolution passed by the Superintendent of Financial and Foreign Exchange Institutions No. 824 dated December 1, 2014 ordering the start of Summary Proceedings No. 6086 on Foreign Exchange Matters

(File 101.534/11) against Banco Hipotecario S.A. and a former Manager (Mr. Gabriel Cambiasso) and five assistants (Claudio H. Martin; Daniel J. Sagray; Rubén E. Perón; Marcelo D. Buzetti and Pablo E. Pizarro) at the Cordoba Branch, in the terms of Section 8 of the Foreign Exchange Criminal Regime Law (as signed into law pursuant to Decree No. 480/95). In the above-mentioned summary proceedings, an investigation is made in connection with excesses in the limits for selling foreign currency to two entities in the City of Cordoba (for a combined amount of US\$ 701,270), which allegedly violate the provisions of Communication “A” 5085, paragraph 4.2.1.

On July 3, 2015 the writ containing the defenses and arguments was filed with the Central Bank and the relevant evidence was offered.

In the legal counsel’s opinion, at the current stage of the proceedings there are legal and factual arguments that generate reasonable expectations that the physical persons named defendants will be acquitted. For such reason, no allowances have been created in this regard.

6. Banco de Crédito y Securitización S.A. has been notified of Resolution No. 738 dated October 22, 2013 (Summary Proceedings No. 1406/201 on Financial Matters, File 100,553/12) handed down by the BCRA’s Superintendent of Financial and Exchange Institutions, ordering to start summary proceedings against this Bank, its Chairman, Mr. Eduardo S. Elsztain, and the Vice-Chairman, Mr. Ernesto M. Viñes, due to the late filing of documentation related to the appointment of the Bank’s authorities. On November 8, 2013, the defenses in support of the Bank’s rights were filed, and the proceedings are pending an administrative decision by the BCRA.

In connection with these proceedings, the Company has deemed that there are low chances that the Bank be imposed any of the monetary sanctions contemplated by the Financial Institutions Law and applicable regulations issued by the BCRA. For such reason, no allowances have been recorded in the financial statements in this regard.

7. On November 25, 2014, Tarshop S.A. was notified by the Financial Information Unit that summary proceedings had been filed, identified under Resolution No. 234/14, for potential formal violations derived from the alleged non-compliance with Section 21, paragraph a) of Law 25,246 and UIF Resolutions No. 27/11 and 2/12. Summonses were sent to the Company (Tarshop S.A.), its Compliance Officer (Mauricio Elías Wior) and the Directors then in office (Messrs. Eduardo Sergio Elsztain, Saúl Zang, Marcelo Gustavo Cufre and Fernando Sergio Rubín) for them to file their defenses. In the legal counsel’s opinion, at the current stage of the proceedings and based on the precedents existing at the UIF in similar cases, it is likely that a penalty be imposed under the scope of the administrative proceedings. For such reason, allowances have been recorded in this regard. In the framework of the summary proceedings described above, the evidence offered by the defendants in the summary proceedings was produced and the next stage is the submission of closing arguments.

## II –Summary Proceedings pending Court Decision

1. On May 4, 2012 the Bank was notified of Resolution No. 186, dated April 25, 2012 issued by the Superintendent of Financial and Foreign Exchange Institutions whereby Summary Proceedings No. 4976 on Foreign Exchange Matters were commenced against the Bank, its directors (Messrs. Eduardo S. Elsztain; Gabriel G. Reznik; Pablo D. Vergara del Carril; Ernesto M. Viñes; Saul Zang; Carlos B. Písula; Edgardo L. Fornero; Jacobo J. Dreizzen); former directors (Ms. Clarisa D. Lifsic de Estol; Messrs. Julio A. Macchi; Federico L.

Bensadón; and Jorge M. Grouman) and the former Finance Manager Gabriel G. Saidón, under section 8 of the Foreign Exchange Criminal Regime Law (as signed into law by Decree No. 480/95).

In such proceedings, charges were pressed for alleged violations of the provisions of Communications “A” 3640, 3645, 4347 and supplementary rules, due to the acquisition of good delivery silver bars during the 2003-2006 period with funds arising from its General Exchange Position.

The defenses to which the Bank is entitled were raised in due time. Within the period granted to such end, the Bank and the other defendants produced the evidence previously offered. As soon as that stage in the procedure came to a conclusion, the counsel for the defense presented their closing arguments and in August 2014, the Argentine Central Bank sent the case file to the competent court (therefore, at present the case is being heard by the Court with Jurisdiction over Criminal Economic Matters No. 7 presided by Judge Juan Galvan Greenway).

In the legal counsel’s opinion, at the current status of the proceedings, there are legal and factual arguments that generate reasonable expectations that the physical persons named defendants and Banco Hipotecario S.A. will be acquitted and that therefore, there are low chances that the Bank will be subject to the economic sanctions set forth by the Foreign Exchange Criminal Regime Law (*Ley de Régimen Penal Cambiario*). For such reason, no allowances have been created in this regard.

2. On October 7, 2014, BHSA was notified of Resolution No. 513 dated August 16, 2014 handed down by the Superintendent of Financial and Foreign Exchange Institutions in the summary proceedings in financial matters No. 1365 (on grounds of alleged failure to comply with the minimum requirements in terms of internal controls under Communication “A” 2525) whereby Banco Hipotecario S.A. was imposed a fine for Ps. 112 and its directors (Messrs. Pablo D. Vergara del Carril; Carlos B. Písula, Eduardo S. Elsztain, Jacobo J. Dreizen, Gabriel G. Reznik; Edgardo L. Fornero; Ernesto M. Viñes; and Saul Zang) and former directors (Ms. Clarisa D. Lifsic de Estol and Messrs. Jorge L. March; and Federico L. Bensadón) were fined for different amounts.

As required by Section 42 of the Law of Financial Institutions, the fines were paid and the relevant appeal was lodged with the National Appellate Court with Federal Jurisdiction over Contentious and Administrative Matters against the above-mentioned resolution. The fine for Ps. 112 paid by the Bank was booked in an allowance.

3. On October 31, 2014, BHSA was notified of Resolution No. 685 dated October 29, 2014 handed down by the Superintendent of Financial and Foreign Exchange Institutions in the summary proceedings in financial matters No. 1320 whereby the Bank and its authorities had been charged, on one hand, with the violation of the rules governing financial aid to the Non-Financial Public Sector, with excess over the limits of fractioned exposure to credit risk from the non-financial public sector, with excess in the allocation of assets to guarantee, with failure to satisfy minimum capital requirements and with objections against the accounting treatment afforded to the “Cer Swap Linked to PG08 and External Debt” transaction and on the other hand, with delays in communicating the appointment of new directors and tardiness in the provision of documentation associated to the directors recently elected by the shareholders’ meetings.

Resolution No. 685 then fined Banco Hipotecario S.A. with \$ 4,040,000 and also fined BHSA's directors (Eduardo S. Elsztain; Jacobo J. Dreizen; Carlos B. Písula; Edgardo L. Fornero; Gabriel G. Reznik; Pablo D. Vergara del Carril; Ernesto M. Viñes; Saul Zang; Mauricio E. Wior), former directors (Clarisa D. Lifsic de Estol; Federico L. Bensadón; Jorge L. March and Jaime A. Grinberg), statutory auditors (Messrs. Ricardo Flammini; José D. Abelovich; Marcelo H. Fuxman; Alfredo H. Groppo; and Martín E. Scotto), the Area Manager Gustavo D. Efkhonian and former managers (Gabriel G. Saidón and Enrique L. Benitez) for an aggregate amount of Ps.51,581.8. Under this decision, former Statutory Auditor Ms. Silvana M. Gentile was acquitted.

On November 25, 2014, Banco Hipotecario and the other individuals affected by the adverse decision lodged an appeal under Section 42 of the Financial Institutions Law, that was sent by the BCRA to the National Appellate Court with Federal Jurisdiction over Contentious and Administrative Matters. Therefore, at present the case is being heard by Panel I of such Appellate Court. Moreover, on December 30, 2014, the Bank and the individuals against whom sanctions were imposed requested the levying of separate injunctions by such court against the enforcements pursued by the BCRA for collection of the fines.

Upon being notified of the resolution handed down on June 30 by the Appellate Court that denied the motion for injunction filed by the Bank and by the directors, managers and some of the statutory auditors and in order to prevent further conflicts and financial damage that could result from the actions to compel payment of fines, the Bank's Executive Committee decided to apply the indemnity rules regarding directors, high ranking officers and statutory auditors, as an alternative for the amounts not covered by the D&O insurance policy approved by the Bank's Board of Directors at its meetings held on August 2, 2002 and May 8, 2013, and resolved to deposit the amounts of the fines.

Such deposit, including the amount corresponding to the fine imposed on the Bank and the respective legal costs, totaled Ps. 57,671.9. Out this amount, Ps. 53,631.9 were computed as losses for this period in the manner described in the Minutes of the Meeting held by Banco Hipotecario S.A.'s Executive Committee on July 2, 2015 and in the Minutes of the Board Meeting held on July 15, 2015, and Ps. 4,040 were covered by a provision made in the previous fiscal year.

This notwithstanding, in the brief filed with the court that is hearing the proceedings to compel payment it was sustained that the amounts deposited in the judicial accounts opened to such end were subject to attachment, and a petition was filed for the respective amounts to be invested in automatically renewable term deposits for 180 days in order to ensure the integrity of the funds until the Appellate Court with Federal Jurisdiction over Contentious and Administrative Matters hands down a decision on the appeal lodged against Resolution No. 685/14 of the Argentine Central Bank.

### III – Summary Proceedings in which a Court Decision has been Rendered

Under Resolution No. 286 dated July 2, 2010, issued by the Superintendent of Financial and Foreign Exchange Institutions, summary proceedings were commenced against the Bank and its directors (Summary Proceedings No. 4364 on Foreign Exchange Matters) under section 8 of the Foreign Exchange Criminal Regime Law (as signed into law by Decree No. 480/95).

Under the above-mentioned proceedings, charges were pressed for violation of certain provisions under Communications "A" 4087 and 4177 concerning early repayments of restructured external



debt for US\$ 91,420,135 and Euros 2,803,965 in the period February 2004 through June 2005. The relevant defenses and arguments in support of the Bank's position were filed in due course. Within the period granted for the production of evidence, the Bank and the other defendants produced the evidence previously offered. As soon as that stage in the procedure came to a conclusion, the counsel for the defense presented their closing arguments and in August 2014, the Argentine Central Bank sent the case file to the competent court (Court with Jurisdiction over Criminal Economic Matters No. 5 presided by Judge Jorge Brugo).

Through his judgment dated December 12, 2014, the above mentioned Judge decided that Banco Hipotecario S.A. was exempt from liability and acquitted directors: Messrs. Eduardo S. Elsztain; Gabriel G. Reznik; Pablo Vergara del Carril; Ernesto M. Viñes; Carlos B. Písula; Edgardo L. Fornero; Saúl Zang; Jacobo J. Dreizzen; former directors: Ms. Clarisa D. Lifsic de Estol; and Messrs. Miguel A. Kiguel; Julio A. Macchi; Federico L. Bensadón; Guillermo H. Sorondo and Jorge Miguel Grouman; and the Area Manager Gustavo D. Efkhonian; Manager Daniel H. Fittipaldi; former general sub-manager Gustavo D. Chiera; former managers Gabriel G. Saidón; Carlos Gonzalez Pagano and Marcelo C. Ickson; and Mr. Miguel J. Diaz, named defendants to those proceedings.

In response to the appeal filed by the State Attorney against the judgment, Panel "A" of the Appellate Court with Jurisdiction over Criminal Economic Matters handed down a decision on July 17, 2015 confirming the appealed resolution to the extent that it acquits Banco Hipotecario S.A., Clarisa Lifsic de Estol, Eduardo S. Elsztain; Gabriel G. Reznik; Pablo Vergara del Carril; Ernesto M. Viñes; Carlos B. Písula; Edgardo L. Fornero; Saúl Zang; Jacobo J. Dreizzen; Miguel A. Kiguel; Julio A. Macchi; Federico L. Bensadón; Guillermo H. Sorondo and Jorge Miguel Grouman; Gustavo D. Efkhonian; Daniel H. Fittipaldi; Gustavo D. Chiera; Gabriel G. Saidón; Carlos Gonzalez Pagano; Marcelo C. Ickson; and Miguel J. Diaz without any award of costs.

### **32. Programa Crédito Argentino del Bicentenario para la Vivienda Única y Familiar (Pro.Cre.Ar)**

On June 12, 2012, the Argentine Executive Branch issued Decree No. 902 whereby it ordered the creation of a Public Fiduciary Fund referred to as Programa Crédito Argentino del Bicentenario para la Vivienda Única Familiar (Argentine Single Family Housing Program for the Bicentennial) (Pro.Cre.Ar).

On that same date, the Bank's Board of Directors approved the Bank's role as trustee of the referred fund.

On July 18, 2012, the Argentine State, as Trustor, and Banco Hipotecario S.A. as Trustee, created the PROCREAR Administrative and Financial Trust, and its underlying assets were transferred to it as trust property.

The Trust's sole and irrevocable purpose is as follows: (i) to manage the trust assets with the aim of facilitating the population's access to housing and the generation of job opportunities as economic and social development policies, in compliance with the principles and objectives set forth in Decree No. 902; (ii) the use by the Trustee of the net proceeds of the placement of the Trust Bonds (Valores Representativos de Deuda or VRDs) and cash contributions by the Argentine State to originate loans for the construction of houses in accordance with the provisions of Decree No. 902 and the credit lines; and (iii) the repayment of the VRDs in accordance with the terms of the agreement that creates the Trust and the provisions of the Trust Law.

The Trust shall be in effect for a term of thirty (30) years as from the date of execution of the agreement (July 18, 2012).

In addition to the obligations imposed on it under the Trust Law and the Commercial Code, the Trustee is required to:

- perform the obligations set forth in the Trust Agreement and follow the instructions imparted on it by the Executive Committee;
- carry out its duties as Trustee with the loyalty, diligence and prudence of a good businessman acting on the basis of the trust placed on him;
- exercise the powers granted to it under the Agreement, and preserve the Trust Assets;
- use the Trust Assets for lawful purposes, in accordance with the provisions of the Agreement and following the Executive Committee's instructions;
- identify the Trust Property and record it in a separate accounting system, segregated from its own assets or the assets of other trusts held by it at present or in the future in the course of its business;
- prepare the Trust's financial statements, hire the relevant audit firms and comply with the applicable disclosure regulations;
- insure the Trust Assets against risks that could affect their integrity;
- invest or reinvest the Trust's funds in accordance with the provisions of the Agreement and following the instructions imparted by the Executive Committee.

In compliance with Communication "A" 5392, the Bank has capitalized mortgage loan origination expenses under this program (see note 2.10.).

### **33. Capital Market Law**

On December 27, 2012, the Capital Market Law No. 26,831 was promulgated, considering a comprehensive amendment to the public offering regime set forth by Law No. 17,811.

Insofar as concerns the matters related to the Company's business, this law broadens the regulatory powers of the Argentine Government in connection with the public offering of securities, through the Argentine Securities Commission (CNV), and concentrates in this agency the powers of authorization, supervision and oversight, disciplinary authority and regulation of all capital market players; further, it establishes that intermediary agents willing to deal in a securities market are no longer required to be members thereof, thus allowing the entry of other participants, and delegates to the CNV the power to authorize, register and regulate the various categories of agents.

On August 1, 2013, Decree 1023/2013, partially regulating the Capital Markets Law, was published in the Official Gazette, and on September 9, 2013, General Resolution No. 622 of the CNV, approving the related regulations, was published in the Official Gazette.

These regulations implement a register of agents that participate in the capital market. To take part in each of the activities regulated by this resolution, agents had to be entered in that register in such capacity by March 1, 2014.

For those agents who have applied for registration with the final registry before March 1, 2014 to comply with all the requirements, on February 7, 2014, the Argentine Securities Commission (CNV) extended the term until December 31, 2014. On June 23, 2014 we were notified by Mercado Abierto Electrónico S.A. that CNV mandated that the Agents registered with MAE S.A. who have proceedings underway before CNV for registration as Agent in any of the categories authorized by currently applicable rules and regulations may continue to do business normally up and until they start operating in the new Agent category as per the CNV rules (N.T.2013)



In turn, pursuant to CNV Resolution No. 17,392 dated June 26, 2014, the Bank was registered with the Registry of Financial Trustees prescribed by Sections 6 and 7 of Chapter IV, Title V of the Rules, under No. 57. And, on September 19, 2014, pursuant to CNV Resolution No. 2122, the Bank has been registered as Settlement and Clearing Agent and Comprehensive Trading Agent No. 40.

Pursuant to the provisions of Section 45 of Law 26,831 and paragraph a), Section 20, Article VI, Chapter II, Title VII, and subsection j) of Section 7, Article IV, Chapter IV, Title V of Resolution No.622 of the CNV, it is made known that Banco Hipotecario's minimum capital composed as required by the rules issued by the Argentine Central Bank exceeds the minimum amount required under such resolution. On the other hand, the Bank's capital was duly paid in as of the closing of the period and the liquid balancing account is identified as BONAR 17 (Government security carried at fair market value).

On October 22, 2014, the Board of Directors of Mercado de Valores de Buenos Aires S.A. approved the registration of Banco Hipotecario S.A. in Mercado de Valores de Buenos Aires S.A.'s Registry of Agents as Settlement and Clearing Agent and Trading Agent – Comprehensive (ALyC and AN as per the Spanish acronyms).

On December 23, 2014, BHSA was authorized to operate under the provisions of Merval Communication No. 15594.

Pursuant to CNV's Resolution No. 17.338 dated April 24, 2014, BACS Banco de Crédito y Securitización S.A., was registered with the Registry of Financial Trustees prescribed by Sections 6 and 7 of Chapter IV, Title V of the Rules, under No. 55. And, on September 19, 2014, CNV communicated to BACS that in its capacity as Settlement and Clearing Agent - Comprehensive and Trading Agent the Bank has been assigned License No. 25. It must be noted that the composition of BACS' equity as of the end of the period was correct and that the liquidity requirement takes the form of Peso-denominated Lebacks.

As of the date of these financial statements, BH Valores SA has been approved by CNV as a Settlement and Clearing Agent in its own name under Registration Number 189 in the terms of CNV's General Resolution No. 622.

According to the minimum requirements laid down, BH Valores S.A.'s minimum shareholders' equity exceeds the amount prescribed by CNV's General Resolution No. 622 and its composition is correct. As to the liquidity requirements, they have been satisfied in the form of a deposit of the Government security called Bono de la Nación Argentina \$ Badlar Privada + 200 bps. Vto. 2017, as discussed in Exhibit II to the Company's financial statements.

In view of the latest tax, regulatory and operational developments that have modified BH Valores S.A.'s commercial strategy and decreased the competitive advantages of running such a business, the Board of Directors of BH Valores S.A. has, as of the date of these financial statements, decided to substantially diminish the volume of operations with an eye towards suspending the operations of Sociedad BH Valores S.A. in the future to prevent two structures that are presently highly similar in terms of their functions and have been rendered redundant within the same conglomerate from overlapping.

#### **34. Resolutions issued by the Argentine Central Bank**

##### Credit Line for Productive Investments

Under Communication “A” 5319 dated July 5, 2012, the BCRA approved the implementation of a new credit line to be extended by financial institutions, intended to promote productive investments consisting of the purchase of capital goods and the construction of the facilities necessary for producing goods and services. Generally, financial institutions accounting for more than 1% of the total deposits in the financial system and institutions operating as financial agents of the provinces are required to allocate to this new credit line 5% of the total amount of deposits from the private sector held as of June 2012. In all cases, 50% of the loan amounts must be granted to companies qualifying as SMEs.

Under successive BCRA communications, the quotas allocable by financial institutions under this line were expanded and supplemented semi-annually under similar conditions as those set forth in the previous paragraph, i.e., a minimum allocation of 5%/5.5% of the amount of deposits from the non-financial private sector, terms and conditions including interest rates ranging from 15/19% per annum and maturities of up to 36 months.

Under Communication “A” 5771, the BCRA resolved to extend the Credit Line for Productive Investments over the second half of 2015. Therefore, the financial institutions subject to the provisions of this circular must allocate to this credit line an amount of at least 7.50% of the non-financial private sector deposits in pesos, calculated taking into account the monthly average daily balances of May 2015. 100% of the quota must be granted to SMEs, excluding those engaged in financial intermediation and insurance services, or services related to gambling and betting activities. The loans must be fully agreed as of December 31, 2015, and may be disbursed in a single drawing until that date or on a staggered basis until June 30, 2016, in the latter case only when warranted due to the features of the project subject to financing. Moreover, as of September 30, 2015, the loans agreed should amount to at least 30% of the total amount of the second tranche of the 2015 Quota. The highest interest rate applicable in this tranche is a fixed nominal annual rate of 18% per annum for the first 36 months.

At the closing of these financial statements BHSA had recorded Ps. 870,718 as principal and interest under BHSA’s assets in connection with this credit line.

#### Compliance with rules on term deposits and investments. Conditions governing interest rates on term deposits

Pursuant to its Communication “A” 5781, the Argentine Central Bank raised the floor of the interest rates payable on term deposits and the maximum amount of the placements that may obtain such benefit. The rest of the transactions shall be agreed upon freely, that is, without the involvement of the Argentine Central Bank.

It has been determined that starting on July 27, 2015 the minimum rates on deposits shall be as follows:

- from 30 to 44 days: 23.58%
- from 45 to 59 days: 24.10%
- from 60 to 89 days: 25.13%
- from 90 to 119 days: 25.61%
- from 120 to 179 days: 25.87%

These minimum rates apply to all Peso-denominated term deposits of up to Ps.1,000.

Finally, the Argentine Central Bank provides that failure to comply with the minimum rate level shall result in an increase in minimum cash requirements in Pesos for an amount equivalent to all relevant term deposits for the month following that when the failure to comply takes place. No offsets among term deposits are allowed. In addition to the foregoing, summary proceedings shall be commenced in accordance with the guidelines laid down by the Superintendent of Financial and Foreign Exchange Institutions.

#### Conditions applicable to benchmark interest rates for personal and pledge loans

Under Communication “A” 5590 dated June 10, 2014, the BCRA adopted a system of benchmark interest rates for personal and pledge loans to individuals not qualifying as SMEs and established a ceiling for these kinds of loans that may not exceed the product arising from multiplying the 90-day LEBACs’ cut-off interest rate by a multiplier ranging from 1.25 to 2.0, depending on the kind of loan and Bank Group. To this end, banks are divided into:

- Group I: financial institutions operating as financial agents of the national, provincial and/or municipal governments and/or other institutions accounting for at least 1% of the total deposits from the non-financial private sector; and
- Group II; the remaining institutions.

The BCRA publishes the “benchmark interest rate” to be applied by the financial institutions in each of these groups to each type of loans (personal loans, pledge loans and portfolio purchases). The rates applied by each institution to each loan within the lines mentioned above may not exceed the “benchmark interest rate” reported by the BCRA.

#### Protection granted to users of financial services

Under Communication “A” 5685 dated December 23, 2014, the BCRA ordered that any new commissions (commissions for new products and/or services intended to be marketed) and increases in commissions must obtain the BCRA’s previous authorization. Changes in charges shall be reported as well. In the case of basic financial products and/or services, the financial institutions and non-financial companies issuers of credit cards shall meet several requirements and procedures and submit various explanations upon applying for such authorization.

In addition, Communication “A” 5715 dated February 13, 2015 imposes a new monthly reporting duty that requires disclosing the amounts of commissions and/or charges collected for each product or service offered to individuals in their capacities as final users and the number of transactions, movements or services rendered during the month.

Lastly, the Argentine Central Bank approved a new methodology to find a solution for the requests of increases in the commissions for financial services and products by the entities that provide them. This methodology includes both basic and non-basic services, except for high-end products, whose increases shall be vetoed if considered abusive. Increases in commissions shall be subject to a maximum 20 per cent limit for all types of services and products.

### **35. Subsequent events**

#### Negotiable obligations

The following table shows the amount, interest rate and maturity date of each series issued after June 30, 2015:

	<b>Issue date</b>	<b>Maturity date</b>		<b>Annual interest rate</b>
<b>Banco Hipotecario</b>				
Series XXX (Ps. 314,611)	09/04/15	03/04/17	a/b	Mixed (c)
Series XXXI (US\$. 14,730 thousand)	09/04/15	09/04/18	a	2.0%
<b>BACS Banco de Crédito y Securitización</b>				
Series VI (Ps. 141,666)	07/23/15	04/24/17	a/b	Mixed (d)
<b>Tarshop</b>				
Series XXII (Ps. 126,667)	07/30/15	01/30/17	a	29.0%

- (a) Fixed interest rate
- (b) Variable interest rate
- (c) Fixed rate of 28.25% on the first nine months and variable interest rate of Badlar+450bps from that moment on.
- (d) Fixed rate of 27.5% on the first nine months and variable interest rate of Badlar+450bps from that moment on.

**Banco Hipotecario S.A.**  
Reconquista 151  
(C1003ABC), Ciudad Autónoma de Buenos Aires  
Argentina

**AUDITORS**  
**Price Waterhouse & Co. S.R.L.**  
Bouchard 557, Piso 7  
(C1106ABG), Ciudad Autónoma de Buenos Aires  
Argentina

**LEGAL ADVISORS TO THE BANK**

*In respect of U.S. Law*  
**Simpson Thacher & Bartlett LLP**  
425 Lexington Avenue  
New York, NY 10017  
United States of America

*In respect of Argentine Law*  
**Zang, Bergel & Viñes Abogados**  
Florida 537, Piso 18, Galería Jardín  
(C1005AAK), Ciudad Autónoma de Buenos Aires  
Argentina

**LEGAL ADVISORS TO THE DEALERS**

*In respect of U.S. Law*  
**Shearman & Sterling LLP**  
599 Lexington Avenue  
New York, NY 10022  
United States of America

*In respect of Argentine Law*  
**Bruchou, Fernández Madero & Lombardi**  
Ing. Enrique Butty 275, Piso 12  
(C1001AFA), Ciudad Autónoma de Buenos Aires  
Argentina

**LUXEMBOURG PAYING AGENT AND TRANSFER AGENT AND LISTING AGENT**

**Deutsche Bank Luxembourg S.A.**  
2, Boulevard Konrad Adenauer  
L-1115 Luxembourg  
Grand Duchy of Luxembourg