[Table of Contents](#)

Selected consolidated ratios:	As of and for the year ended December 31, 2012	2013	2014	2015	2016
Profitability and performance					
Net interest margin (%) (1)	12.07	13.70	15.74	17.90	18.22
Fee income ratio (%) (2)	39.35	37.41	36.50	35.18	33.76
Efficiency ratio (%) (3)	46.35	43.84	43.11	41.57	42.24
Ratio of earnings to fixed charges (excluding interest on deposits) (4)	17.63x	20.70x	25.04x	31.40x	23.65x
Ratio of earnings to fixed charges (including interest on deposits) (5)	2.00x	2.14x	2.01x	2.07x	1.93x
Fee income as a percentage of administrative expense (%)	84.89	85.33	84.67	84.63	79.92
Return on average equity (%)	27.11	33.27	33.37	37.17	34.09
Return on average assets (%)	3.33	4.59	5.13	5.79	5.19
Liquidity					
Loans as a percentage of total deposits (%)	88.67	92.17	82.11	83.41	80.22
Liquid assets as a percentage of total deposits (%) (6)	31.75	33.34	40.57	38.43	47.64
Capital					
Total equity as a percentage of total assets (%)	12.94	14.55	15.32	15.13	14.26
Regulatory capital as a percentage of risk-weighted assets (%)	19.01	25.29	24.02	20.79	30.00
Asset Quality					
Non-performing loans as a percentage of total loans (%) (7)	1.78	1.66	1.95	1.55	1.15
Allowances for loan losses as a percentage of total loans	2.76	2.51	2.64	2.34	2.04
Allowances for loan losses as a percentage of non-performing loans (%) (7)	155.39	151.67	135.29	151.48	176.77
Operations					
Number of branches	428	430	434	439	444
Number of employees (8)	8,500	8,613	8,693	8,727	8,617

(1) Net interest income divided by average interest earning assets.
(2) Service charge income divided by the sum of gross intermediation margin and service charge income.
(3) Administrative expenses divided by the sum of gross intermediation margin and service charge income.
(4) For the purpose of computing the ratio of earnings to fixed charges excluding interest on deposits, earnings consist of income before income taxes plus fixed charges; fixed charges excluding interest on deposits consist of gross interest expense minus interest on deposits.
(5) For the purpose of computing the ratio of earnings to fixed charges including interest on deposits, earnings consist of income before income taxes plus fixed charges; fixed charges including interest on deposits is equal to gross interest expense.
(6) Liquid assets include cash, cash collateral, reverse repos, *Letras del Banco Central* (Central Bank bonds, “Lebacs”) and *Notas del Banco Central* (Central Bank notes, “Nobacs”) and interfinancing loans.
(7) Non-performing loans include all loans to borrowers classified as “3-troubled/medium risk,” “4-with high risk of insolvency/hight risk,” “5-irrecoverable” and “6-irrecoverable according to Central Bank’s Rules” under the Central Bank loan classification system.
(8) Were workers performing their duties pursuant to the “*Acciones de entrenamiento para el trabajo*” program of the Ministry of Labor, Employment and Social Security, and other casual workers included, the number of employees would have been 8,534, 8,708, 8,728, 8,765 and 8,666 for 2012, 2013, 2014, 2015 and 2016, respectively. We do not account for such workers as employees, as we do not remunerate them for their services, which are paid directly by the Argentine province where they work.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

You should carefully consider the risks described below with all of the other information included in the annual report before deciding to invest in our Class B shares or our ADSs. If any of the following risks actually occurs, it may materially harm our business and our financial condition and results of operations. As a result, the market price of our Class B shares, our ADSs could decline and you could lose part or all of your investment.

Investors should carefully read this annual report in its entirety. They should also take into account and evaluate, among other things, their own financial circumstances, their investment goals, and the following risk factors.

Risks relating to Argentina

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

Presidential and congressional elections in Argentina took place on October 25, 2015, and a runoff election (*ballotage*) between the two leading presidential candidates was held on November 22, 2015, which resulted in Mr. Mauricio Macri being elected President of Argentina. The new administration assumed office on December 10, 2015.

Since assuming office, the new administration has announced several significant economic and policy reforms, including:

- *INDEC reforms*. After a long period in which certain statistical information failed to be published, the INDEC launched a plan to review growth data for the periods 2004 to 2015 and began to publish such revised data, including the Consumer Price Index (“CPI”) for the months of May 2016 onwards, as well as the modified statistics of the Gross Domestic Product, foreign trade and balance of payments. The new CPI average inflation index for July, August, September, October, November and December 2016 and January, February and March 2017 was 2.0%, 0.2%, 1.1%, 2.4% 1.6%, 1.2%, 1.3%, 2.5% and 2.4%, respectively. Potential investors are informed that all INDEC information is published and can be reviewed at www.indec.gov.ar/novedades.asp.

- *Foreign exchange reforms.* The new administration eliminated a significant portion of foreign exchange restrictions, including certain currency controls that were imposed by the previous administration. On August 8, 2016, the Central Bank introduced material changes to the foreign exchange regime and established a new foreign exchange regime by means of Communication "A" 6037 that significantly eases access to the free floating foreign exchange market (the "MULC"). See "—Significant devaluation of the Peso against the U.S. dollar may adversely affect the Argentine economy" and Item 10.D "Exchange Controls".

- *Foreign trade reforms*. The new administration eliminated or reduced the export duties applicable to several agricultural products and eliminated the export duties applicable to most exports of industrial and mining products.

- *Financial policy*. The new administration took steps to strengthen public accounts, reducing the fiscal deficit through a series of fiscal and other measures partly through the elimination of subsidies to existing public services, such as those applicable to electricity and gas services. The administration announced that its goal is to balance the primary budget by 2019.

- *Correction of monetary imbalances*: The new administration announced the adoption of a series of measures to reduce inflation and set inflation goals through 2019. The Central Bank has increased its efforts to reduce surplus monetary imbalances and increased interest rates in Pesos to offset inflationary pressure.

- *Tax Amnesty Law*: In July 2016, the *Régimen de Sinceramiento Fiscal* (the "Tax Amnesty Law") was introduced to promote the voluntary declaration of assets by Argentine residents. The law allows Argentine tax residents holding undeclared funds or assets located in Argentina or abroad to (i) declare such property until March 31, 2017 without facing prosecution for tax evasion or being required to pay outstanding tax liabilities on the assets, provided they can provide evidence that the assets were held by certain specified cut-off dates, and (ii) keep the declared property outside Argentina and not repatriate such property to Argentina. In the case of cash that was not deposited in bank accounts by the specified cut-off dates, such amounts had to be disclosed by October 31, 2016 and deposited by November 21, 2016 in special accounts opened at Argentine financial entities. As of December 31, 2016, assets totaling approximately, US$97.8 billion had been declared pursuant to which the Argentine Government raised Ps.106.8 billion in the special tax established by such law.

As of the date hereof, the effect that these measures and any future measures taken by the new administration will have on the Argentine economy as a whole, and the financial sector in particular, cannot be predicted. In addition, there is uncertainty as to which measures announced during the presidential campaign of the Macri administration will be enacted and when. We cannot predict how the Macri administration will address certain other political and economic issues that were central during the presidential election campaign, such as the financing of public expenditures, public service subsidies and tax reforms, or the effect that any measures related to these issues that are implemented by the Macri administration will have on the Argentine economy as a whole. In addition, political parties opposed to the Macri administration retained a majority of the seats in the previous Argentine Congress elections, thereby requiring the Macri administration to seek political support from the opposition for its economic proposals and creating further uncertainty as to the ability of the Macri administration to obtain approval for measures which it seeks to implement. Political uncertainty in Argentina relating to the measures to be taken by the Macri administration could lead to volatility in the market prices of securities of Argentine companies, including in particular companies in the financial sector, such as ours, given the high degree of regulatory oversight and involvement in this sector.

A less favorable international economic environment, lack of stability, competitiveness of the Peso against other foreign currencies, lowered levels of confidence among consumers and foreign and domestic investors, a higher inflation rate and future political uncertainties, among other factors, should they occur, may affect the development of the Argentine economy and cause volatility in the local capital markets.

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

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

Financial and securities markets in Argentina are influenced by economic and market conditions in other markets worldwide. The international scenario shows contradictory signals of global growth, as well as high financial and exchange uncertainty. The global financial crisis that commenced in the last quarter of 2008, and from which many economies have not yet fully recovered, negatively affected the economies of numerous countries around the world, including Argentina and certain of its trading partners. In late 2011, the global financial system experienced unprecedented volatility and disruption. The resulting financial turmoil led to greater restrictions on access to credit, low liquidity, extreme volatility in foreign exchange markets and securities, and capital flight from emerging markets, including Argentina. In this context, and for the first time in history, on August 5, 2011, Standard & Poor's Financial Services downgraded the debt instruments issued by the United States from "AAA" to "AA+".

Moreover, emerging markets have been affected by the change in 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, further increasing the difficulties of emerging countries which are exporters of these products.

In addition, on June 23, 2016 the United Kingdom (the "UK") voted in favor of the departure of the UK from the European Union (the "European Union"). At the date of this annual report, the actions to be taken by the UK to effectively leave the European Union and the duration of this process are uncertain. The results of the UK referendum have caused and are anticipated to continue to cause volatility in financial markets, which in turn could have a material adverse effect on our business, financial condition and results of operations.

The economy of Brazil, one of Argentina's most important export markets and the main source of imports, is presently experiencing negative pressure due to the uncertainties arising from the political crisis, resulting in the dismissal of President Dilma Rousseff. On August 31, 2016, the Brazilian Senate resolved that Mr. Michel Temer, former vice president of Brazil, will fill the office until the end of the term on January 1, 2019.

On November 8, 2016, Donald Trump was elected as the President of the United States. During the election campaign, Mr. Trump showed a vested interest in implementing greater controls on free trade and limiting immigration. Possible changes in social, political, regulatory and economic conditions in the United States or in the legislation and policies governing international trade could generate uncertainty in international markets and may have a negative effect on emerging markets, such as Argentina, which could adversely affect our operations.

Although economic conditions vary from country to country, investors' perceptions of events occurring in other countries have, and may continue to, substantially affect capital flows into and investments in securities from issuers in other countries, including Argentina. A prolonged slowdown in economic activity in Argentina or negative effects on the Argentine financial system or the securities markets would adversely affect our business, financial condition and results of operations.

Argentina's economy is vulnerable to external shocks that could be caused by significant economic difficulties of its major regional trading partners or by more general "contagion" effects.

Argentina's economy is vulnerable to adverse developments affecting its principal trading partners. A significant decline in the economic growth of any of Argentina's major trading partners, such as Brazil, China or the United States, could have a material adverse effect on Argentina's trade balance and adversely affect Argentina's economic growth. The economic performance of other trading partners such as Chile, Spain and Canada may also affect Argentina's trade balance.

Economic conditions in South America have recently been adversely affected by falling commodity prices and political uncertainty. More specifically, the current devaluation of the Brazilian currency and the slowdown of its economy may negatively affect the Argentine economy, and in turn, our business and results of operations.

Global economic slowdowns and uncertainty have led to declines in exports in 2015 of 23% with Mercosur (a sub-regional trade bloc consisting of Argentina, Brazil, Paraguay, Uruguay and Venezuela), 22% with NAFTA (USA and Canada), 19% with the European Union and 9% with Chile, each as compared to 2014. Declining demand for Argentine exports could have a material adverse effect on Argentina's economic growth.

Because international investors' reactions to events occurring in one market sometimes demonstrate a "contagion" effect in which an entire region or class of investments is disfavored by international investors, Argentina could be adversely affected by negative economic or financial developments in other countries. This "contagion" effect, in turn, may have an adverse effect on our business, financial condition and results of operations.

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.

In 2005 and 2010, Argentina conducted exchange offers to restructure part of its sovereign debt that had been in default since the end of 2001. As a result of these exchange offers, Argentina restructured over 92% of its eligible defaulted debt. In April 2016, the Argentine government settled U.S.$ 4.2 billion outstanding principal amount of debt held by creditors who had not participated in the 2005 and 2010 restructurings.

As of the date of this annual report, litigation initiated by bondholders that have not accepted Argentina's settlement offer continues in several jurisdictions, although the size of the claims involved has decreased significantly.

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

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

In response to the emergency measures implemented by the Argentine government during the 2001-2002 economic crisis, a number of claims were filed before the International Centre for Settlement of Investment Disputes ("ICSID") against Argentina. Claimants allege that the emergency measures were inconsistent with the fair and equitable treatment standards set forth in various bilateral investment treaties by which Argentina was bound at the time. Claimants have also filed claims before arbitral tribunals under the rules of the United Nations Commission on International Trade Law ("UNCITRAL") and under the rules of the International Chamber of Commerce ("ICC"). Several awards have been issued against Argentina and several cases are still ongoing.

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

Government measures could adversely affect the Argentine economy.

Substantially all our operations, properties and customers are located in Argentina. As a result, our business is, to a very large extent, dependent upon the political, social and economic conditions prevailing in Argentina. In recent years, the Argentine government has increased its direct intervention in the economy and in private sector operations and companies, limiting certain aspects of private sector businesses.

In May 2013, the Argentine Congress passed a law providing for the expropriation of 51% of the share capital of YPF (*Yacimientos Petroliferos Fiscales S.A.*), the principal Argentine oil company, which shares were owned by Repsol, S.A. and its affiliates. In February 2015, the Argentine government sent a bill to the Argentine Congress in order to revoke certain train concessions, return the national rail network to state control and provide authority to review all concessions currently in effect. The bill was enacted on May 20, 2015 as Law No. 27,132.

In addition, on September 23, 2015 the Argentine Congress passed Law No. 27,181, which limits the sale of the Argentine government's shares held in Argentine companies without prior approval of two-thirds of the members of the Argentine Congress, with the exception of the Argentine government's shareholding in YPF.

Furthermore, financial institutions operate in a highly regulated environment. As of the date of this annual report, several different bills to amend various aspects of the Financial Institutions Law No. 21,526 (as amended, the "Financial Institution Law") have been put forth for review in the Argentine Congress. A thorough amendment of the Financial Institutions Law could have a substantial effect on the banking system as a whole. See "—The amendment of the Central Bank's Charter and the Convertibility Law may adversely affect the Argentine economy" and "—Governmental measures and regulatory framework affecting financial entities could have a material adverse effect on the operations of financial entities".

Moreover, the Argentine government has in the past enacted laws and regulations requiring private sector companies to maintain certain salary levels and provide their employees with additional benefits. Employers, both in the public and private sector, have also been experiencing intense pressures from their personnel, or from the labor unions representing them, demanding salary increases and certain benefits for the workers, given the high inflation rates.

Actions taken by the Argentine government concerning the economy, including decisions with respect to interest rates, taxes, price controls, salary increases, provision of additional employee benefits, foreign exchange controls and potential changes in the foreign exchange market, have had and could continue to have a material adverse effect on Argentina's economic growth and in turn affect our business, financial condition and results of operations. In addition, any additional Argentine government policies to preempt, or in response to, social unrest could adversely and materially affect the economy, and thereby our business.

There is proposed legislation aimed at reducing the powers of government to intervene in private companies that is being discussed in the Argentine Congress. However, until this legislation is approved, we cannot provide any assurance that the Argentine government will not make use of such powers, which could have an adverse effect on us.

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

The numerous exchange controls introduced under the former administration gave rise to an unofficial U.S. dollar trading market, and the Peso/U.S. dollar exchange rate in such market differed substantially from the official Peso/U.S. dollar exchange rate. Certain relevant foreign exchange restrictions were lifted in December 2015 and, as a result, the spread between the official and unofficial Peso/U.S. dollar exchange rates has substantially decreased. For more information, see Item 10.D "Exchange Controls".

Since taking office, the new administration has implemented significant reforms related to exchange rate restrictions, notably the elimination of certain exchange controls that had been imposed during the previous administration, in order to provide more flexibility and access to the MULC. On August 4, 2016, the Central Bank of Argentina issued Communication "A" 6037, under which it radically modified the applicable exchange regulations and eliminated the restrictions to access of the MULC.

Despite the measures recently adopted by the new administration, in the future, the Argentine government could impose further exchange controls, transfer restrictions, required repatriation through the MULC of proceeds raised through capital markets transactions conducted abroad or restrictions on the movement of capital and/or take other measures in response to capital flight or a significant depreciation of the Peso, which could limit our ability to access the international capital markets. Such measures could lead to political and social tensions and undermine the Argentine government's public finances, as has occurred in the past, which could adversely affect Argentina's economy and prospects for economic growth, which, in turn, could adversely affect our business, financial condition and results of operations.

Additional controls may adversely affect Argentine entities' ability to access the international capital markets for credit. Furthermore, the imposition of any future restrictions on the transfer of funds abroad may impede our ability to transfer dividends to ADS holders or interest or principal payments to the holders of our notes.

Severe or sustained declines in the international prices for Argentina's main commodity exports or the occurrence of a climate disaster could have an adverse effect on Argentina's economic growth.

High commodity prices have in the past contributed significantly to increases in Argentine exports as well as in governmental revenues from export taxes (witholdings). Argentina's reliance on the export of certain commodities, such as soy, has made the Argentine economy more vulnerable to fluctuations in their prices.

Recently, commodity prices have suffered declines. If international commodity prices were to further decline or experience sustained declines, the Argentine government's revenues could further decrease significantly, affecting Argentina's economic activity. Accordingly, declines in international commodity prices may adversely affect Argentina's economy, which in turn could produce a negative effect on our business, financial condition and results of operations.

In addition, adverse weather conditions can affect production of commodities in the agricultural sector, which account for a significant portion of Argentina's export revenues. These circumstances could have a negative effect on government revenues, availability of foreign exchange and the government's ability to service its sovereign debt, and could either generate recessionary or inflationary pressures, depending on the government's reaction. The occurrence of any of the above could adversely effect Argentina's economic growth and, therefore, our business, financial condition and results of operations.

An increase in inflation could have a material adverse effect on Argentina's economic prospects.

In January 2016, the new INDEC authorities appointed by the Macri administration announced the discontinuance of the methodology used by the prior administration to calculate national statistics and declared a state of administrative emergency, suspending the publication of all indices until the INDEC is able to calculate such indices based on accurate official data. In the meantime, during this period the INDEC continued to publish the inflation rate based on data provided by the province of San Luis and the City of Buenos Aires. According to the reports of these jurisdictions, the inflation rate in November and December 2015 was 2.9% and 6.5%, respectively, based on data provided by the province of San Luis and 2.0% and 3.9% respectively, based on data provided by the City of Buenos Aires. In January, February, March and April 2016, the monthly inflation rate as measured by the City of Buenos Aires was 4.1%, 4.0%, 3.3% and 6.5%, respectively, while according to the Province of San Luis, it was 4.2%, 2.7%, 3.0% and 3.4%, respectively.

After implementing the announced reforms, in June the INDEC continued reporting the CPI, reporting an inflation of 4.2% for May 2016. INDEC also reported monthly inflation of 3.1% and 2.0% for the months of June and July of 2016, respectively. The new inflation index measured by the INDEC CPI for August, September, October, November, December 2016 and January and February 2017 was 0.2%, 1.1%, 2.4%, 1.6% , 1.2%, 1.3% and 2.5%, respectively.

During 2013, 2014 and 2015, the former administration imposed price controls on certain goods and services to control inflation. The new administration has stated its intention to keep these price controls in effect, and as a consequence, has announced modifications to the previous price control program. The new program ran from September 6, 2016 to January 6, 2017, and was further extended until December 31, 2017.

In the past, inflation has materially undermined the Argentine economy and Argentina's ability to create conditions that would permit growth. High inflation may also undermine Argentina's competitiveness abroad and lead to a decline in private consumption which, in turn, could also affect employment levels, salaries and interest rates. Moreover, a high inflation rate could undermine confidence in the Argentine financial system, reducing the Peso deposit base and negatively affecting long-term credit markets.

There can be no assurance that inflation rates will not continue to escalate in the future or that the measures adopted or that may be adopted by the Argentine government to control inflation will be effective or successful. Inflation remains a challenge for Argentina. Significant inflation could have a material adverse effect on Argentina's economy and in turn could increase our costs of operation, in particular labor costs, and may negatively affect our business, financial condition and results of operations.

Significant devaluation of the Peso against the U.S. dollar may adversely affect the Argentine economy.

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

After several years of moderate variations in the nominal exchange rate, the stock of the international reserves of the Central Bank started to decrease and, in order to contain the fall in reserves, the Central Bank accelerated the rate of nominal devaluation of the Peso. During 2013 the Peso lost more than 30% of its value with respect to the U.S. dollar and the same occurred during 2014. In 2015, the Peso lost approximately 52% of its value with respect to the U.S. dollar. In 2016, an approximate 22% further devaluation of the Peso with respect to the U.S. dollar followed. The stock of international reserves of the Central Bank was US$38.8 billion as of December 31, 2016 and US$50.5 billion as of March 31, 2016.

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

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

During the last few years, the Argentine government has substantially increased public expenditure. In 2016, public sector expenditure increased by 38.2% year over year and the government reported primary fiscal deficit of 4.6% over the GDP, which was below 2015. During recent years, the Argentine government has resorted to the Central Bank and to ANSES to source part of its funding requirements.

The Argentine government has commenced revision of its subsidy policies, particularly those related to energy, electricity and gas, water and public transportation. Accordingly, in September 2016, the Supreme Court of Argentina issued a ruling in favor of increasing electricity rates. The new administration has also ordered an increase in gas tariffs for small and medium enterprises ("SMEs") and businesses.

We cannot assure you that the government will not seek to finance its deficit by gaining access to the liquidity available in the local financial institutions. In that case, government initiatives that increase the exposure of local financial institutions to the public sector could affect our liquidity and assets quality and have a negative effect on clients' confidence.

In addition, further deterioration in fiscal accounts could negatively affect the Argentine government's ability to access the international financing markets and could result in increased pressure on the Argentine private sector to cover the Argentine government's financial needs. This could adversely affect the Argentine economy and our business, financial condition and results of operations.

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 (the "Central Bank Charter") and Law No. 23,298 (the "Convertibility Law"). This law amended the principal objectives of the Central Bank and removed 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.

The key components of the amendment to the Central Bank Charter related to the use of international reserves and 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. Pursuant to the amendment, Central Bank reserves may be made available to the Argentine 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 significantly decreased, from US$44.3 billion in 2012 to US$30.6 billion in 2013. During 2014, the reserves slightly increased to US$31.4 billion, but decreased again during 2015 to US$25.6 billion as of December 31, 2015. The stock of international reserves of the Central Bank was US$50.5 billion as of March 31, 2017.

The use of Central Bank reserves for such expanded purposes may result in Argentina being more vulnerable to inflation or external shocks, affecting Argentina's capacity to overcome the effects of an external crisis, which in turn could negatively affect our business, financial condition and results of operations.

Growing uncertainty over the coming legislative elections may adversely affect the Argentine economy.

The next legislative elections will take place on October 22, 2017. The composition of the Argentine Congress following the elections and the impact it will have on policies in Argentina and consequently in the Argentine economy remains uncertain.

Risks relating to the Argentine financial system

The health of Argentina's financial system depends on the growth of the long-term credit market.

In recent years, the loan portfolio of the Argentine financial system has grown significantly. Loans to the private sector grew by approximately 20% in 2014, 37% in 2015 and 32% in 2016 for the financial system as a whole. In spite of the recovery of credit activity, the long-term loans market (pledged loans and mortgage loans) did not grow at the same pace, with long-term loans to the private sector increasing by only 22% in 2015.

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

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

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

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

As a consequence of the 2008 global economic crisis, the banking industry in Argentina suffered a significant slowdown. This trend was reversed by the end of 2009. Total deposits with the financial system increased by 30% in 2014, 38% in 2015 and 45% in 2016, but the ratio of total financial system deposits to GDP is still low when compared to international levels and lower than the periods prior to the crisis.

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

The asset quality of financial institutions, including us, may be affected by exposure to public sector debt.

Argentine financial institutions hold bonds of, and extend loans to, the Argentine federal and provincial governments as part of their portfolios. The financial institutions' exposure to the public sector has decreased year after year, from 48.9% in 2002 to 3.1% of total assets in 2016.

As of December 31, 2016, our exposure to the public sector, excluding *Letras del Banco Central* (Central Bank bonds, "Lebacs") and *Notas del Banco Central* (Central Bank notes, "Nobacs"), amounted to Ps.5.8 billion, representing 3.7% of our total assets as of that date.

To some extent, the value of the assets held by Argentine financial institutions, as well as their income generation capacity, is dependent on the public sector's creditworthiness, which is in turn dependent on the Argentine and the provincial government's ability to promote sustainable long-term economic growth, generate tax revenues and control public spending. Should the public sector fail to fulfill its commitments in due time and proper form, this could have a negative adverse effect on our business, financial situation and results of operations.

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

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

From 2009 to 2011, the ratio of non-performing private sector lending declined overall, with a record minimum ratio of 1.4% as of December 31, 2011 for the financial system as a whole. The improvement was reflected in both the consumer loan portfolio and the commercial portfolio. From 2012, the ratio of non-performing private sector lending increased, reaching 1.9% as of December 31, 2014. During 2015, the ratio of non-performing private sector lending decreased to 1.6% and during 2016 reached 1.7% for the financial system as a whole.

Our credit portfolio quality ratio followed the financial system trend standing at 1.1% for our entire portfolio, as of December 31, 2016. During 2016 our coverage ratio reached 176%.

Despite the quality of our portfolio, we may not succeed in recovering substantial portions of outstanding loans. If Argentina's economic growth slows or the financial condition of the private sector deteriorates, the financial system, including us, could experience an increase in the incidence of non-performing loans.

Limitations on enforcement of creditors' rights in Argentina may adversely affect financial institutions.

To protect debtors affected by the economic crisis, beginning in 2002, the Argentine government has adopted measures that temporarily suspended proceedings to enforce creditors' rights, including mortgage foreclosures and bankruptcy petitions. Such limitations have restricted creditors' ability to collect defaulted loans.

Despite the fact that most of these measures have been rescinded, we cannot assure you that in an adverse economic environment the government will not adopt new measures in the future, restricting the ability of creditors to enforce their rights, which could have a material adverse effect on the financial system and our business.

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

Law No. 24,240 (the "Consumer Protection Law") sets forth certain rules and principles designed to protect consumers, which include our customers. The Consumer Protection Law was amended on March 12, 2008 by Law No. 26,361 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 several mandatory regulations designed to protect credit card holders.

On September 18, 2014, a dispute resolution mechanism was created by Law No. 26,993, so that consumers and suppliers can resolve any claim, the amount of which does not exceed a value equivalent to fifty-five (55) minimum monthly wage payments, within thirty (30) days. These regulations provide for fines for companies that do not attend the hearings.

Both the involvement of the applicable administrative authorities at the federal, provincial and local levels, and the enforcement of the Consumer Protection Law and the Credit Card Law by the courts are increasing. This trend has increased general consumer protection levels. We cannot provide any assurance that judicial and administrative rulings based on applicable regulations, or measures adopted by the enforcement authorities, will not increase the consumer protection given to debtors and other clients in the future, nor can we provide any assurance that these rulings and measures will not favor the claims initiated by consumer groups or associations. In such circumstances, certain penalties and remedies could prevent or limit the collection of payments due for services and in connection with financing provided by banks, which could materially and adversely affect our business, financial condition and results of operations.

Furthermore, the rules that govern the credit card business provide for variable caps on the interest rates that financial entities may charge clients and the fees that they may charge merchants. The Secretary of Commerce issued Resolution 51/2017 on January 20, 2017, which imposed certain changes to the methodology for the display of financed prices, among other issues related to consumption in quotas by individuals. Moreover, general legal provisions exist pursuant to which courts could decrease the interest rates and fees agreed upon by the parties on the grounds that they are excessively high. On the other hand, the Central Bank has also established certain rules that grant broad protections for consumers of financial services that offer greater control over the relationship between them and their clients. The Central Bank regulations provide: (i) that prior authorization is required to implement new commissions for new products and/or services offered and to increase existing commissions for products that are considered commodities and (ii) the ability of financial institutions to receive remuneration for any insurance product that the client is forced to purchase as a condition of access to financial services. A change in applicable law or the handing down of court decisions that lower the cap on interest rates and fees that clients and merchants may be charged could reduce our revenues and therefore negatively affect our results of operations.

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

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

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

The Argentine government has historically exercised significant influence over the economy. Financial institutions, in particular, have operated in a highly regulated environment. Between 2001 and 2015, a series of new regulations were issued, mainly regulating the foreign exchange market, capital and minimum cash requirements, lending activity, interest rate limits and dividend distribution for financial institutions. In addition, various international developments such as the adoption in Argentina of risk-based capital, leverage and liquidity standards by the Basel Committee on Banking Supervision in December 2010 known as “Basel III” will likely continue to impact us in the coming years.

Moreover, the Central Bank imposed new restrictions on the distribution of dividends, including a limitation on the maximum distributable amount of dividends. In addition, since January 2016, pursuant to Central Bank Communication “A” 5827, additional capital margin requirements have to be complied with, including a capital conservation margin and a counter-cycle margin. The capital conservation margin shall be 2.5% of the amount of capital risk weighted assets (“RWA”), in the case of entities considered systemically important (“D-SIB”), like us, the margin will be increased to 3.5% of the amount of capital RWA. The counter-cycle margin shall be within a range of 0% to 2.5% of RWA, but Communication “A” 5938 of the Central Bank, established countercyclical margin in 0% as of April 1, 2016. This margin can be reduced or cancelled by the Central Bank when it considers that the systematic risk has been diminished.

Since June 2012, the Central Bank has had in place a regime to finance productive investment, by which certain financial entities, including us, must allocate a certain amount of the deposits held by the non-financial private sector, at a fixed interest rate in Pesos determined by the Central Bank, to fund investment projects for the acquisition of capital goods, the construction of plants, the marketing of goods or the acquisition of property (subject in this case to certain additional requirements). The Central Bank extended the term of this regime during 2013, 2014, 2015 and 2016. As a result of the new administration taking office, the Central Bank established certain guidelines, and continued with the regime to finance productive investment setting its limitof at least 18% of the monthly average of the deposits held by the non-financial private sector (for first semester of 2017).

In addition, in March 2016, the Central Bank established that the net global position in foreign currency of financial institutions cannot exceed the lesser of 10% of the bank´s regulatory capital (*Responsabilidad Patrimonial Computable*, or the “RPC”) or the liquid funds of the institution, effective as of April, 2016. This limit shall be increased by an amount equal to the increase in the monthly balance of financing received from abroad and settled through the MULC, converted to Pesos at the reference exchange rate, during the time period between January 31, 2014 and the last month to which the global net position is referred to. As a result, financial entities, including us, sold part of their position in U.S. dollars in order to comply with such rule. We cannot assure that laws and regulations currently governing the economy or the financial sector will not continue to change in the future or that any changes will not adversely affect our business, financial condition and results of operations.

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

In addition, the new Civil and Commercial Code also modifies the applicable regime for contractual provisions regarding payment obligations in foreign currency, stating that such obligations can be settled in Pesos. This modifies the legal regime, under which debtors could only cancel such obligations by making the payment in the specific currency agreed in their contracts. Notwithstanding the foregoing, it is still under discussion as to whether the option to cancel an obligation in foreign currency in Pesos can be waived by the debtor.

Such changes in the regulatory framework and further changes in the future could limit the ability of financial institutions, including us, to make long-term decisions, such as asset allocation decisions, which could cause uncertainty with respect to our future financial condition and results of operations. We cannot assure that laws and regulations currently governing the economy or the financial sector will not continue to change in the future or that any changes will not adversely affect our business, financial condition and results of operations. For more information, see Item 4.B “Argentine Banking Regulation”.

Argentina’s insufficient or incorrect implementation of certain anti-money laundering and combating the financing of terrorism (“AML/CFT”) recommendations may result in difficulties to obtain international financing and attract direct foreign investments.

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

In 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 Argentine 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.

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

Since October 2013, Argentina has taken steps towards improving its AML/CFT regime, including the issuance of new regulations strengthening suspicious transaction reporting requirements and 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, in June 2014 the FATF stated that Argentina had made significant progress in addressing the deficiencies in its AML/CFT measures as identified in the Mutual Report, and that subsequent to the adoption of such measures, Argentina had strengthened its legal and regulatory framework, citing certain specific examples. As a result of such progress, the FATF plenary decided that Argentina had taken sufficient steps in addressing technical compliance with the core and key recommendations, such that Argentina could be removed from the compliance monitoring process. In addition, on October 24, 2014 the FATF welcomed Argentina’s significant progress in improving its AML/CFT regime and stated that Argentina would work with the FATF and the Financial Action Task Force of Latin America (*Grupo de Acción Financiera de América del Sur*) 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 ongoing global AML/CFT compliance process, no assurance can be given that Argentina will continue to comply with AML/CFT international standards, or that Argentina will not be subject to the FATF’s ongoing global AML/CFT compliance process in the future, circumstances which could adversely affect Argentina’s ability to obtain financing from international markets and attract foreign investments and which could in turn, negatively effect our business.

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

We receive income from the commissions we charge merchants on debit and credit card transactions. A change in applicable law that place limits on the fees that merchants may be charged may adversely reduce our revenues. On September 8, 2016, one of the chambers of the Argentine Congress approved a draft bill that aims to reduce credit card sales commissions from 3% to 1.5%, and debit card sales commissions from 1.5% to 0%. The draft bill was not approved by the Argentine Congress in 2016. Nevertheless, on March 31, 2017, the Central Bank issued Communication “A” 6212, effective as of April 1, 2017, which reduces credit card and debit card sales commissions on a gradual annual plan. Pursuant to Communication “A” 6212, the maximum credit card sales commission rate for 2017 is 2.0% and for 2018, 2019, 2020 and 2021 and after, will be 1.85%, 1.65%, 1.50% and 1.30%, respectively. The maximum debit card sales commissions for 2017 is 1.0% and for 2018, 2019, 2020 and 2021 and after, will be 0.90%, 0.80%, 0.70% and 0.60%, respectively.

The application of the limits set by the Central Bank and any further reductions on credit and debit cards sales commissions could adversely affect our profitability, financial condition and results of operations.

Increased operating costs may affect our results of operations

We face the risk of potential claims initiated by individual workers or unions, and possible strikes or general strikes, in the context of negotiations relating to salary increases, benefits and / or compensation. The occurrence of any of the above could increase our operating costs, which could in turn have a negative impact on our business, financial position and results of operations

Risks relating to us

Our target market may be the most adversely affected by economic recessions.

Our business strategy is to increase fee income and loan origination in one of our principal target markets; low- and middle-income individuals and small- and medium-sized companies ("Pymes").

This target market is particularly vulnerable to economic recessions and, in the event of a recession, growth in our target market may slow and consequently adversely affect our business. The Argentine economy as a whole, and our target market in particular, have not stabilized enough for us to be certain that demand will continue to grow. Therefore, we cannot assure you that our business strategy will ultimately be successful without undue delay or at all.

Major shareholders have the ability to direct our business and their interests could conflict with yours.

As of December 31, 2016, our major shareholders, Jorge Horacio Brito and Delfín Ezequiel Carballo, directly or beneficially own 5,366,463 Class A shares and 107,431,304 Class B shares and 4,895,416 Class A shares and 106,805,523 Class B shares, respectively. Although currently there is no formal agreement among them, if voting together, they could control all decisions made by shareholders with respect to us. They may, without the concurrence of the remaining shareholders, elect a majority of our directors, effect or prevent a merger, sale of assets or other business acquisition or disposition, cause us to issue additional equity securities, effect a related party transaction and determine the timing and amounts of dividends, if any.

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

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

Increased competition in the banking industry may adversely affect our operations.

We expect that competition in the banking industry, particularly with respect to Pymes, is likely to increase. As a result, even if the demand for financial products and services from these markets continues to grow, competition may adversely affect our results of operations by decreasing the net margins we are able to achieve.

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 financial system have increased. This increase was sustained by a steady demand for consumer loans in recent years. During 2014, the Central Bank established new limits on borrowing and lending rates. However, the net interest margin of the financial system remained stable due to a substantial growth both in loan and deposit portfolios. As of December 17, 2015 these limits were removed by the new administration.

We cannot guarantee that interest rate spreads will remain attractive unless increases in our volume of lending or additional cost-cutting takes place. A reversal of this trend could adversely affect our profitability.

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

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

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

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

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

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

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

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

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

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.

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

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

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

Argentine corporate disclosure and governance requirements differ from those regulating highly-developed capital markets, such as the United States, and differences in the accounting standards applicable in Argentina and the United States may make it difficult to compare our financial statements and reported earnings with companies in other countries, such as the United States.

As a foreign private issuer, the Bank applies disclosure policies and requirements that differ from those governing U.S. domestic registrants. The securities laws of Argentina that govern publicly listed companies, such us, impose disclosure requirements that are more limited than those in the United States. In addition, publicly available corporate information about us in Argentina is different from and may be more difficult to obtain than the information available for registered public companies in certain countries with highly developed capital markets, such as the United States. See Item 16.G "Corporate Governance".

Moreover, there are important differences between accounting and financial reporting standards applicable to financial institutions in Argentina and to those in the U.S. Except as otherwise described herein, we prepare our financial statements in accordance with Central Bank Rules, which differ in certain significant respects from U.S. GAAP and, to a certain extent, from Argentine GAAP. As a result, our financial statements and reported earnings are not directly comparable to those of banks in the United States. See Item 5. "Operating and Financial Review and Prospects—U.S. GAAP and Central Bank Rules Reconciliation" for a description of the principal differences between Central Bank Rules and U.S. GAAP and how they affect our financial statements and note 35 to our audited consolidated financial statements as of and for the three years ended December 31, 2016 for a summary of significant differences between Central Bank Rules and U.S. GAAP.

On February 12, 2014, the Central Bank, through Communication "A" 5541, established the general guidelines towards conversion to the IFRS issued by the International Accounting Standards Board (IASB) for preparing financial statements of the entities under its supervision, for the annual fiscal years beginning on January 1, 2018, as well as those of interim-periods. We are in the process of implementing such IFRS conversion process. See note 7 to our audited consolidated financial statements as of and for the three years ended December 31, 2016.

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 Law 26,831 (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 refers to the powers of the CNV. The incorporation of Section 20 has raised concern in the market, especially among listed companies, as 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 ocurred during the first quarter of 2015 to several financial system entities, including with Banco Macro and our subsidiary Macro Securities. For more information see Item 8. "Legal Proceedings".

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 of 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 applicable banking and securities laws and regulations or we don't 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. In particular, pursuant to Communication "A" 5785, as amended, sanctions imposed by the Central Bank, the UIF, the CNV and/or the National Superintendency of Insurance on financial institutions and/or their authorities, may result in the revocation of their licenses to operate as financial institutions. Such revocation may occur when, in the opinion of the board of directors of the Central Bank, there was a material change in the conditions deemed necessary to maintain such license, including those relating to the suitability, experience, moral character or integrity of (i) the members of a financial institution's Board of Directors (directors, counselors or equivalent authorities), (ii) its shareholders, (iii) the members of its supervisory committee and (iv) others, such as its managers.

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

Risks relating to our Class B shares and the ADSs

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

In 2003, the Central Bank prohibited financial institutions from distributing dividends. In 2004, the Central Bank amended the restriction to require the Central Bank's prior authorization for the distribution of dividends. We have consistently obtained authorization from the Central Bank to distribute dividends corresponding to fiscal years 2003 through 2010. Under new Central Bank Rules on distribution of dividends, the capital remaining after the distribution of dividends must be sufficient to meet the regulatory capital increased by 75%. See "—Risks relating to the Argentine financial system – Governmental measures and regulatory framework affecting financial entitites could have a material adverse effect on the operations of financial entities".

Since January 2016, pursuant to Central Bank Communication "A" 5827, additional capital margin requirements have to be complied with, including a capital conservation margin and a countercyclical margin. The capital conservation margin shall be 2.5% of the amount of capital RWA, in the case of entities considered D-SIB, like us, and the margin will be increased to 3.5% of the amount of capital RWA. The countercyclical margin shall be within a range of 0% to 2.5% of RWA, but Central Bank Communication "A" 5938, established countercyclical margin of 0% as of April 1, 2016. This margin can be reduced or cancelled by the Central Bank upon its determination that the systematic risk has been diminished.

Since January 2015, Central Bank Communication "A" 5827, as amended, has required that financial entities must make an accounting entry of any administrative and/or disciplinary penalties and adverse criminal judgments pending before the courts, provisioning 100% of the respective penalty provided under each such action until payment is made or a final judgment is entered. Pursuant to Central Bank

Communication “A” 5827 this provisioned amount must also be deducted from the distributable amount. In April 2016, the Central Bank issued Communication “A” 5940, pursuant to which the financial entities that, as of the date thereof, had an amount for such penalties and judgments registered in the account “Provisions – For administrative, disciplinary and criminal penalties,” must analyze, according to the enforcing legal reports, if each such penalty meets the conditions for its total or partial accountable registration, according to the provisions in the “Accounts Plan and Manual” issued by the Central Bank (which set forth that penalties must be probable and that their amount can be reasonably estimated).

For fiscal years ended December 31, 2011 and 2012, we were not able to distribute dividends because we did not reach the regulatory threshold for dividend distribution under Central Bank regulations. We did reach such regulatory threshold for fiscal years ended December 31, 2013 and 2014. For fiscal year 2014 and 2015 we obtained authorization from the Central Bank to distribute dividends and distributed such dividends in March 2016 and August 2016, respectively. In addition, we have met the regulatory threshold for the fiscal year ended December 31, 2016 and are currently awaiting Central Bank and shareholder’s meeting approval to pay the relevant dividends accordingly.

No assurance can be given that in the future we will be able to reach the regulatory threshold or that, even if we are able to do so, the Central Bank will continue to grant us the authorization to distribute dividends or that such authorization shall be for the full amount of distributable dividends.

Additional regulatory and contractual restrictions exist which could affect the distribution of earnings and are included in note 16 to our audited consolidated financial statements as of and for the three years ended December 31, 2016.

Holders of our Class B shares and the ADSs located in the United States may not be able to exercise preemptive rights.

Under Argentine Corporate Law No. 19,550 (the “Argentine Corporate Law”), if we issue new shares as part of a capital increase, our shareholders may have the right to subscribe to a proportional number of shares to maintain their existing ownership percentage. Rights to subscribe for shares in these circumstances are known as preemptive rights. In addition, shareholders are entitled to the right to subscribe for the unsubscribed shares remaining at the end of a preemptive rights offering on a pro rata basis, known as accretion rights. Upon the occurrence of any future increase in our capital stock, U.S. holders of Class B shares or ADSs will not be able to exercise the preemptive and related accretion rights for such Class B shares or ADSs unless a registration statement under the Securities Act of 1933 (the “Securities Act”) is effective with respect to such Class B shares or ADSs or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to those Class B shares or ADSs. We cannot assure you that we will file such a registration statement or that an exemption from registration will be available. Unless those Class B shares or ADSs are registered or an exemption from registration applies, a U.S. holder of our Class B shares or ADSs may receive only the net proceeds from those preemptive rights and accretion rights if those rights can be sold by the depositary. If they cannot be sold, they will be allowed to lapse. Furthermore, the equity interest of holders of Class B shares or ADSs located in the United States may be diluted proportionately upon future capital increases.

Changes in the Argentine tax laws may adversely affect the results of our operations and the tax treatment of our Class B shares and/or ADSs.

On September 23, 2013, Law No. 26,893 amending the Argentine Income Tax Law (as amended by Decree 649/97 and its subsequent modifications, the “Income Tax Law”) was enacted. According to the amendments, the sale, exchange or disposition of shares and other securities not traded in or listed on capital markets and securities exchanges is subject to income tax at a rate of 15% when the income is obtained by Argentine resident individuals or by foreign beneficiaries (in the case of foreign beneficiaries, the capital gain tax could apply at a 13.5% rate on the gross price or 15% rate on actual net income, unless a treaty to avoid double taxation provides a reduced capital gains rate). These amendments were regulated by Decree 2334/2013. See “Taxation—Material Argentine tax considerations relating to our Class B shares and ADSs”. However, as of today, many aspects of this capital gain tax remain unclear. Pursuant to certain announcements made by Argentine tax authorities, the capital gain tax would be subject to further regulation and interpretation, which may adversely affect our results and the results of our subsidiaries, as well as the tax treatment of our Class B shares and/or ADSs.

The source of income derived from the sale of ADSs, distribution of dividends or exchanges of shares from the ADS facility may not be uniform under the revised Argentine income tax law. The possibly varying treatment of source income could impact both Argentine resident holders as well as non-Argentine resident holders. In addition, should a sale of ADSs be deemed to give rise to Argentine source income, as of the date of this annual report no regulations have been issued regarding the mechanism for paying the Argentine capital gains tax when the sale exclusively involves non-Argentine parties. As of the date of this annual report, no administrative or judicial rulings have clarified the ambiguity in the law.

Therefore, holders of both our Class B shares and ADSs, are encouraged to consult their tax advisors as to the particular Argentine income tax consequences under their specific facts.

Non-Argentine companies that own our Class B shares directly and not as ADSs may not be able to exercise their rights as shareholders unless they are registered in Argentina.

Under Argentine law, foreign companies that own shares in an Argentine corporation incorporated within the City of Buenos Aires are required to register with IGJ, in order to exercise certain shareholder rights, including voting rights. If you own Class B shares directly (rather than in the form of ADSs) and you fail to register with IGJ, your ability to exercise your rights as a holder of our Class B shares may be limited.