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- (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 8,708, 8,728, 8,765, 8,666 and 8,826 for 2013, 2014, 2015, 2016 and 2017, 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 this 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:

- ***Agreement with holdout creditors.*** The new administration has settled the substantial majority of outstanding claims brought by holdouts creditors and has issued sovereign bonds in the international financial markets. Argentina’s ability to obtain financing from international markets is limited, which may impair its ability to implement reforms and foster economic growth.
- ***Foreign exchange reforms.*** The new administration eliminated a significant portion of foreign exchange restrictions, including currency controls that were imposed by the previous administration. With the aim of providing more flexibility to the foreign exchange system and promoting competition, allowing the entrance of new participants to the system, the free-floating exchange market (the “Exchange Market”) was created by virtue of Decree No. 27/2018 published on January 11, 2018. Furthermore, 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 and Communication “A” 6244 which significantly ease access to the Exchange Market. In addition, on December 26, 2017, by virtue of Communication “A” 6401, the Central Bank replaced the reporting regimes set forth by Communications “A” 3602 and “A” 4237 with a new, unified regime applicable for information as of December 31, 2017. The unified reporting regime involves an annual mandatory statement filing for every person whose total flow of funds or balance of assets and liabilities is or exceeds U.S.\$1 million during the previous calendar year. 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. On January 2, 2017, the Argentine government enacted a further reduction of the export duties rate set for soybean and soybean products, setting a monthly 0.5% cut on the export duties rate beginning on January 2018 and until December 2019. In addition, importers were offered short-term debt securities issued by the Argentine government to repay outstanding commercial debt for the import of goods.
- ***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, as long as 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 and deposited by November 21, 2016 in special accounts opened at Argentine financial entities.
- *Domestic capital markets:* On November 13, 2017, the Argentine government submitted a draft bill to the Lower House of the Argentine Congress with the goal of developing the domestic capital markets. The draft bill would amend the existing Argentine Capital Markets Law, the Mutual Funds Law No. 24,083 and the Argentine Negotiable Obligations Law, among other relevant complementary legislation with the aim of updating and fostering the development of the domestic capital markets and proposing the derogation of the power granted to the CNV to intervene in the board of directors without court order. In turn, the draft bill seeks to increase the investor base and companies which take part in the capital markets, promoting productive financing, especially regarding micro, small and medium-sized companies. Furthermore, the bill would amend certain tax provisions, regulations relating to derivatives and support for a financial inclusion program. On November 22, 2017, the draft was approved by the Lower House of the Argentine Congress and was sent to the Senate for its signoff. However, as of the date of this annual report, the bill has not been approved. On March 21, 2018 the Senate approved the draft with certain changes, that shall be resent to the Lower House for its approval.
- *Corporate Criminal Liability Law (Ley de Responsabilidad Penal Empresaria):* On November 8, 2017, the Lower House of the Argentine Congress approved the bill (Law No.27.401) providing for the criminal liability of corporate entities for criminal offences against public administration and transnational bribery committed by, among others, its attorneys-in-fact, directors, managers, employees, or representatives. According to the law, a company may be held liable if such offences were committed, directly or indirectly, in its name, behalf or interest, the company obtained or may have obtained a benefit therefrom, and the offence resulted from a company's ineffective control. Companies found liable under this law may be subject to various sanctions, including, among others, fines ranging from two to five times of the undue benefit obtained, total or partial suspension of commercial activities, suspension to participate in bidding processes or activity linked to the National State, dissolution and liquidation of legal status, loss or suspension of benefits or government subsidies that they may have and the publication of the conviction sentence for two days, in a national newspaper.
- *Social security reform bill.* On December 19, 2017, the Argentine Congress passed the social security reform bill which, among other amendments, modified the adjustment formula in the retirement system with a view to supplying the necessary funds of ANSES to guarantee that retirees who earn the minimum pension receive 82% of the minimum salary. Social security payments shall be subject to an updated formula to be applied every year in March, June, September and December, 70% of the calculation will come from the CPI published by INDEC and 30% from the *Remuneración Imponible Promedio de los Trabajadores Estables* ("RIPE" per its initials in Spanish) variation, an indicator published by the Ministry of Labor which measures the evolution of public sector salaries. Moreover, instead of the biannual increase, a quarterly increase will be applied. After the passing of the draft bill, on December 20, 2017, Decree No. 1058 was published and, with the aim of avoiding divergence with the application of the previous formula, established a compensatory bonus for retirees, pensioners and beneficiaries of the universal insurance per child (*asignación universal por hijo*).
- *Labor reform bill.* On November 19, 2017, the Macri administration sent a labor draft bill to Congress in order to amend the current labor law. The draft bill proposes to establish a period for companies to register their employees, obtain benefits and avoid the application of certain sanctions imposed by the current legislation. Furthermore, the draft bill includes amendments to the amount to be considered for the calculation of severance payments. As of the date of this annual report, the draft bill has not yet been considered by the Argentine Congress.
- *Tax reform.* On December 27, 2017, the Argentine Congress approved a tax reform that came into force on December 29, 2017 as Law No. 27,430 (the "Tax Reform"). The reform is intended to eliminate certain inefficiencies in the Argentine tax regime, diminish tax evasion, broaden income taxes to cover more individuals and encourage investment, with the long-term goal of restoring fiscal balance. The reform is part of a larger program announced by President Macri, intended to increase employment, make the Argentine economy more competitive (by reducing the fiscal deficit, for example) and sustainably diminish poverty. The main aspects of the Tax Reform include: (i) capital gains realized by individuals that are Argentine tax residents on sales of real estate (subject to certain exceptions, including a primary residence exemption) acquired after the enactment of the bill will be subject to tax at the rate of 15%, calculated on the acquisition cost adjusted for inflation; (ii) income obtained from currently exempt bank deposits and sales of securities (including government securities) by individuals that are Argentine tax residents will be subject to tax at the rate of (a) 5% in the case of those denominated in Pesos, subject to fixed interest rate and not indexed, and (b) 15% for those denominated in a foreign currency or indexed.

Income obtained from the sales of shares made on a stock exchange will remain exempt, subject to compliance with certain requirements; (iii) corporate income tax will initially decline to 30% in 2019 and 2020 and to 25% starting in 2021; (iv) social security contributions will be gradually increased to 19.5% starting in 2022, in lieu of the differential scales currently in effect; and (v) the percentage of tax debits and credits that can be credited towards income tax will be gradually increased over a five year period, from the current 17% for credits to 100% for credits and debits. For further information, see "Taxation—Certain Argentine Tax Considerations" below.

- *Electricity and gas reforms.* The Argentine government has also declared a state of emergency with respect to the national electrical system, which remained in effect until December 31, 2017. Under this state of emergency, the Argentine government was permitted to take actions designed to guarantee the supply of electricity. In this context, subsidy policies were reexamined, and new electricity tariffs went into effect on February 1, 2016 with varying increases depending on geographical location and consumption levels. Following the tariff increases, preliminary injunctions requesting a suspension of tariff increases were filed by customers, politicians and non-governmental organizations that defend customers' rights, which were granted by Argentine courts. The new gas tariff schedule was published on October, 2016 with an increase between 300% and 500%. On October 11, 2016, the Ministry of Energy and Mining (a) expanded the number of eligible beneficiaries of social tariffs to include retirees and pensioners that receive pensions equal to up to two minimum salaries, certain war veterans and medically dependent customers, and (b) decreed that institutions that perform activities of public interest would be entitled to residential rates. The year-on-year increase in the price of energy in the wholesale electricity market for end-users, which excludes transportation and distribution costs and accounts for approximately 45% of the tariff to end-users in the City of Buenos Aires, totaled 233% (from Ps.96/MWh to Ps.320/MWh on average), while the increase in the price of natural gas for end-users was 68% (from Ps.37/MMBtu to Ps.62/MMBtu on average). On March 10, 2017, a public hearing was held in order to discuss the increase in gas rates as of April 2017. On March 31, 2017, the new gas tariff for small and medium sized companies scheme was published by the Macri administration with an increase of 30% in February and 18% in March.
- *Public Private Participation Law.* On November 16, 2016, the Public Private Participation Law was passed by Congress, and has been regulated by Decree No. 118/2017. This new regime seeks to replace existing regulatory frameworks (Decrees Nos. 1299/00 and 967/05) and supports the use of public price participation schemes for a large variety of purposes including the design, construction, extension, improvement, provision, exploitation and/or operation and financing of infrastructure development, provision of services or other activities, provision of services productive, investments, applied research, technological innovation and associated services. The Public Participation Law also includes protection mechanisms in favor of the private sector (contractors and lenders) in order to promote the development of these associative schemes.

In addition, on November 16, 2017, the Argentine government, the governors of the majority of Argentine provinces, including the Province of Buenos Aires, and the Head of Government of the City of Buenos Aires entered into an agreement pursuant to which some guidelines were established in order to harmonize the tax structures of the different provinces and the City of Buenos Aires. Among other commitments, the provinces and the City of Buenos Aires agreed to gradually reduce the tax rates applicable to stamp tax and turnover tax within a five-year period and withdraw their judicial claims against the Argentine government in connection with the federal co-participation regime. In exchange for this, the Argentine government, among other commitments, agreed to (i) compensate the provinces and the City of Buenos Aires (provided they enter into the agreement) for the effective reduction of its resources in 2018, resulting from the proposed elimination of section 104 of Law No. 20.628 and amendments (the "Income Tax Law"), quarterly updating such compensation in the following years, and (ii) issue a 11-year bond where funds generate services for Ps.5,000 million in 2018 and Ps.12,000 every year starting from 2019, to be distributed among all the provinces, with the exception of the Province of Buenos Aires and the City of Buenos Aires, according to the effective distribution coefficients resulting from the federal co-participation regime. The provincial governments which took part in this agreement have committed to file, within the next 30 days after the execution of the agreement, the necessary draft bills for its implementation and authorize their respective executive branches to ensure its fulfilment. This agreement shall only be effective in those provinces where the respective legislative branches have passed it. In this sense, on December 22, 2017, the Argentine Congress passed the projects on fiscal consensus and fiscal liability ("*Consenso Fiscal*" and "*Responsabilidad Fiscal*," respectively), with some amendments.

In addition, congressional elections were held on October 22, 2017 and Mauricio Macri's governing coalition obtained the largest share of votes at the national level. However, even when the number of coalition members in Congress increased (holding in the aggregate 107 of a total of 257 seats in the House of Representatives and 24 of a total of 72 seats in the Senate), the coalition still lacks a majority in either chamber of the Argentine Congress and, as a result, some or all of the required changes and improvement to the economy and investment environment (including the reduction of the fiscal deficit, reduction of the inflation rate and fiscal and labor reforms, among others) may not be implemented, which would adversely affect the continued improvement of the economy and investment environment.

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. 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.

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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.

A substantial part of 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, negatively affected the economies of numerous countries around the world, including Argentina and certain of its trading partners.

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. When interest rates rise significantly in developed economies, including the United States, it may be more difficult and burdensome for emerging market economies, including Argentina, to borrow capital and refinance their current debt, which could affect in a negative way its economic growth. 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 its departure from the European Union. The British Government has announced preliminary measures to be implemented to facilitate the UK's exit from the European Union and on March 29, 2017 initiated the formal process, which is expected to be completed by mid-2019. 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.

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.

Furthermore, Brazil's economy, one of the most important export markets in Argentina and the main source of imports, is currently experiencing negative pressure due to the uncertainties arising from the political crisis, including the impeachment of Dilma Rousseff, former president of Brazil, and accusations of corruption against Michel Temer, acting president of Brazil. In 2015 and 2016 the Brazilian economy contracted; the resolution of the political crisis, the fiscal restructuring and major structural reforms contributed to reversing the situation in 2017.

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. In 2016, there was a recovery in export levels with the USA and the European Union, while in the case of exports with Mercosur and Canada, the recovery was observed in 2017. Despite the recovery, the total exports for 2017 were 15% lower than in 2014. Declining demand for Argentine exports could have a material adverse effect on Argentina's economic growth.

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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.\$9.3 billion of outstanding principal debt held by creditors who had not participated in the 2005 and 2010 restructurings.

In 2012, plaintiffs in different actions in New York obtained a U.S. district court order enjoining Argentina from making interest payments in full on the bonds issued pursuant to the 2005 and 2010 exchange offers unless Argentina paid the plaintiffs in full, under the theory that the former payments violated the *pari passu* clause in the 1994 Fiscal Agency Agreement governing those non-performing bonds. The Second Circuit Court of Appeals affirmed the so-called *pari passu* injunctions, and on June 16, 2014, the U.S. Supreme Court denied Argentina's petition for a writ of certiorari and the stay of the *pari passu* injunctions was vacated on June 18, 2014. In February 2016, the Argentine government entered into an agreement in principle to settle claims with certain holders of defaulted debt and put forward a proposal to other holders of defaulted debt, including those with pending claims in U.S. courts. On March 2, 2016, the U.S. district court agreed to vacate the *pari passu* injunctions, subject to certain conditions. In April 2016, the Argentine government settled claims with holders of U.S.\$9.2 billion outstanding principal amount of untendered debt, and upon satisfaction of its conditions, the U.S. district court ordered the vacatur of all *pari passu* injunctions.

The Argentine government has reached settlement agreements with holders of a significant portion of the defaulted bonds and has repaid the majority of the holdout creditors with the proceeds of a U.S.\$16.5 billion international offering of 3-year, 5-year, 10-year and 30-year bonds on April 22, 2016.

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.

More recently, in July 2017, in a split decision, an ICSID tribunal ruled that Argentina had breached the terms of a bilateral investment treaty with Spain, alleging the unlawful expropriation by the Argentine Government of Aerolíneas Argentinas and affiliates (including Optar, Jet Paq, Austral, among others). The ICSID tribunal has fined Argentina for an approximate amount of U.S.\$328.8 million, awarding plaintiffs about 20% of the U.S.\$1.59 billion they had initially claimed.

Future transactions may be affected as litigation with holdout bondholders as well as ICSID and other claims against the Argentine government continues, which in turn could affect the Argentine government's ability to access international credit markets and limit economic growth, adversely affecting 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 December 2012 and August 2013, the National Congress established new regulations related to domestic capital markets that, in general, establish greater intervention in the capital markets by the national government, authorizing, for example, the CNV, to designate inspectors with the ability to veto, under certain circumstances, the decisions of the board of companies that are listed in authorized markets and suspend the board for a period of up to 180 days. On November 17, 2016, the Macri government presented a bill to the National Congress to amend the Capital Markets Law, which could, among other significant changes, eliminate these powers to designate inspectors. The sanction of the bill is still pending.

In May 2013, the Argentine Congress passed a law providing for the expropriation of 51% of the share capital of YPF (Yacimientos Petrolíferos 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. That law has been recently abrogated by the new Administration through Law No. 27,260, the "*Ley de Sinceramiento Fiscal y Reparación Histórica a los Jubilados*"

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.

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. 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.

***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.***

Since 2011 until President Macri took office in December 2015, the Argentine government increased controls on the sale of foreign currency and the acquisition of foreign assets by local residents, limiting the possibility to transfer funds abroad. Together with the regulations established in 2012 that subjected certain operations exchange rates to the prior approval by the Argentine tax authorities or the Central Bank, the measures adopted by the previous government significantly reduced natural persons and entities of the private sector, the access to the foreign exchange market.

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 8, 2016, the Central Bank introduced substantial reforms to the exchange regime through Communication "A" 6037 and Communication "A" 6244, which significantly eases the access to the exchange market. With the aim of providing more flexibility to the foreign exchange system and promoting competition, allowing the entrance of new player to the system, the Exchange Market was created by virtue of Decree No. 27/2018 published on January 11, 2018. Despite the measures recently

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adopted by the new administration, in the future, the Argentine government could impose further exchange controls, transfer restrictions, required repatriation through the free floating foreign exchange market (the “MELI”) 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.

Additionally, the level of international reserves deposited with the Central Bank significantly decreased from U.S.\$47.4 billion (Ps.723.5 billion) as of November 1, 2011 to U.S.\$25.6 billion (Ps.332.9 billion) as of December 31, 2015, resulting in a reduced capacity of the Argentine government to intervene in the foreign exchange market and to provide access to such markets to private sector entities. International reserves deposited with the Central Bank have grown to U.S.\$55.1 billion as of December 31, 2017. Notwithstanding the measures adopted by the Macri administration in the future, the Argentine government could otherwise reduce the level of international reserves deposited with the Central Bank, which 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.

### ***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 (withholdings). 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 continue to 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 affect 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 previous administration to calculate national statistics and declared a state of administrative emergency, suspending the publication of all indices by the INDEC until the INDEC was able to calculate such indices based on accurate official data. 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.

After implementing the announced reforms, on June 16, 2016 the INDEC began to publish official measurements of its main inflation indicator, the Consumers Price Index “the CPI” (Índice de Precios al Consumidor, or IPC, per its initials in Spanish), reporting an inflation rate of 4.2% for May 2016. The INDEC also reported monthly inflation rates of 3.1% and 2.0% for the months of June and July of 2016, respectively. The CPI during 2017 was 1.3% in January, 2.5% in February, 2.4% in March, 2.6% in April, 1.3% in May, 1.2% in June, 1.7% in July, 1.4% in August, 1.9% in September, 1.5% in October, 1.4% in November and 3.1% in December. The CPI for 2018 was 1.8%, 2.4% and 2.3%, for the months of January, February and March, 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, was further extended until December 31, 2017 and again on January 7, 2018 until May 6, 2018.

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.

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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, during 2002, 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 that depend on domestic market demand for their success, such as utilities, and the financial industry and significantly affected the government's ability to cancel its external debt obligations.

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% and in 2017, 18%. Additionally, the stock of international reserves deposited in the Central Bank was reduced significantly from U.S.\$ 47.7 billion as of November 1, 2011 to U.S.\$ 25.6 billion as of December 31, 2016 and U.S.\$50.5 billion as of December 31, 2017. 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 and 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. These measures reduce public expenditure but impact on prices, affecting them substantially.

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 U.S.\$ 44.3 billion in 2012 to U.S.\$30.6 billion in 2013. During 2014, the reserves slightly increased to U.S.\$31.4 billion, but decreased again during 2015 to U.S.\$25.6 billion as of December 31, 2015. As of that date, with the change in monetary policy, the level of reserves began to recover reaching a level of U.S.\$ 61,7 billion as of March 31, 2018.

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.



**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, 36% in 2015, 33% in 2016 and 52% in 2017, for the financial system as a whole. In spite of the recovery of credit activity, the long-term loans to private sector market (pledged loans and mortgage loans) did not grow at the same pace, with long-term loans to the private sector increasing by only 19% and 23% in 2015 and 2016. In 2017, there was a significant increase in mortgage loans, which grew by 92% compared to 2016.

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.***

The measures implemented by the Argentine government by the end of 2001 and early 2002, particularly the restrictions imposed on depositors in relation to the possibility of freely withdrawing funds from banks and pesification and restructuring of their deposits, caused losses to many depositors and weakened the confidence in the Argentine financial system.

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 38% in 2015, 45% in 2016 and 24% in 2017, 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.

The Argentine financial system growth, depends heavily on deposit levels, due to the small size of its capital market and the absence of foreign investments in previous years. Recently, numerous local financial institutions, including the Bank, have had access to global financial markets to obtain financing through the placement of debt securities, in satisfactory conditions, but this trend may not last and there is uncertainty about whether the current availability of funds in international markets will continue in the coming years.

Although liquidity levels are currently reasonable, it is not possible to offer any guarantee that these levels will not decrease in the future due to adverse economic conditions that could negatively affect the Bank's business.

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—generally short termed—issued by the Central Bank as part of their portfolios. As of December 2017, the financial institutions' exposure to the public sector represented 12.7% of total assets. As of December 31, 2017, 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.3,280.2 million, representing 1.5% of our total assets as of that date and the exposure to Central Bank (Lebacs) securities amounted to Ps.35,641.8 million or 15.9% of our assets as of such 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 2.0% as of December 31, 2014. During 2015, the ratio of non-performing private sector lending decreased to 1.7% and during 2016 reached 1.8%, which remained in 2017 for the financial system as a whole.

We experienced similar non-performing loan rates, with a maximum of 1.9% in 2014 and an improvement from 2015 until they reached 1.1% with a coverage ratio of 183% as of December 31, 2017.

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, contains specific rules regarding financial activities and also general rules that may be used to support its application, pursuant to legal precedents. Additionally, the National Civil and Commercial Code has incorporated the principles of Consumers Protection Law and has established its application to banking sector contracts.

Moreover, 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.

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. In such context, Central Bank Communication "A" 5460, provides a wide protection to clients of financial services institutions, limiting the fees and charges that such institutions can charge to their clients. Likewise, the Supreme Court of Justice issued the case law No. 32/2014, by which created the Public Registry of Collective Trials to orderly inscribe all collective processes (class actions) filed in courts of the National Judicial Power. In the event of we are found responsible for violating the provisions of the Consumer Protection Law or the Credit Card Law, potential penalties may limit our ability to collect payments owed for services and credits which may, in turn. And therefore, may adversely affect the financial results of our 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. 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 are 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. The Central Bank could penalize us in case of non-compliance with the applicable regulations. Similarly, the CNV, which authorizes the offer of our securities and regulates Argentina's public markets, may impose sanctions on us and our Board of Directors for violation of corporate governance regulations. Likewise, the CNV may designate inspectors with veto rights regarding the resolutions adopted by the Board of Directors and remove and designate a member of the Board of Directors when, as determined by the CNV, the rights or interests of the bondholders or minority shareholders have been violated. The Financial Information Unit ("UIF") regulates matters related to money laundering and has the power to supervise regulatory compliance by financial entities and, eventually, impose sanctions. Such regulatory agencies could initiate actions against us, our shareholders or directors and, consequently, impose sanctions on us or our subsidiaries.

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. In July 2016, through Communication "A" 6013, the Central Bank eliminated the requirement to maintain a certain threshold of regulatory capital after the distribution of dividends by financial institutions.

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). As a result of the new administration taking office, the Central Bank confirmed the regime.

The Central Bank has also established limitations to the net positive global position in foreign currency to prevent the reduction of the Central Bank's foreign exchange reserves. Due to the reduction of the limits carried out by the previous government, financial entities, including the Bank, were forced to sell part of their position in dollars to comply with aforementioned regulation. The limit reached 10% in the previous government. Since the new government came into power, the limit has been increasing. As of the date of this annual report, the net global position in foreign currency cannot exceed 30% of the RPC or the liquid funds of the Bank.

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.

Even though the Macri administration has adopted measures to increase the flexibility for the regulatory framework of financial institutions, eliminating several restrictions imposed by the previous government, it is not possible to offer any guarantee that new stricter regulations will not be implemented in the future that may generate uncertainty and adversely affect future financial activities and the results of the Bank's operations. 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".

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### ***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 affect 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, 2017, our major shareholders, Jorge Horacio Brito and Delfín Ezequiel Carballo, directly or beneficially own 5,366,463 Class A shares and 105,652,103 Class B shares and 4,895,416 Class A shares and 106,805,523 Class B shares, respectively. Although 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.



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### ***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.

### ***Changes in the laws and regulations may negatively affect us.***

Argentine financial institutions are subject to extensive regulation and supervision by the Argentine Government, particularly by the Central Bank, the UIF and the CNV. We have no control over governmental regulations or the rules governing all aspects of our operations, including:

- minimum capital requirements;
- mandatory reserve requirements;
- requirements for investments in fixed rate assets;
- lending limits and other credit restrictions, including mandatory allocations;
- limits and other restrictions on fees;
- limits on the amount of interest banks can charge or pay, or on the period for capitalizing interest;
- accounting and statistical requirements;
- restrictions on dividends;
- limits on market share;
- reporting or controlling regimes as agents or legally bound reporting parties; and
- changes in the deposit insurance regime.

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The regulatory structure is continuously evolving, and the Central Bank, as well as other governmental authorities, have been known to react actively and extensively to developments in the sector. For example, Communication "A" 5319 of the Central Bank has established the so-called "credit facility for productive investment," that must be provided by certain financial institutions in order to allocate in 2012 a certain share of their resources to financing investment projects intended to purchase capital goods and/or to build the facilities required for the production of goods and services and the commercialization of goods, at a maximum interest rate, for certain specific terms. Such rule was supplemented by Communication "A" 5380, which extended the above mentioned productive facility for 2013, and was subsequently amended by Communications "A" 5516, 5620, 5681, 5771, 5999 and 6025, which approved the launching of facilities for 2014, 2015 and 2016. Furthermore, other amendments were introduced, including, without limitation, the possibility that a portion of the amount of the loans be allocated to mortgage loans, and to loans to large companies for investment projects and infrastructure works and exports of capital goods, with the previous consent of the Central Bank, eliminating the previous definition in force up to July 2012, which included only small and mid-sized companies.

Furthermore, the Central Bank issued Communication "A" 5460, as subsequently amended by Communications "A" 6072 and 6167, limiting the ability to charge fees related to loans, including assessment, granting, management and prepayment fees (with certain exceptions). Through Communication "A" 5795, derogated by Communication "A" 5990 dated June 14, 2016, and subsequently amended by Communication "A" 6167, the Central Bank amended the rules regarding the "Protection of financial services users" by limiting the collection of certain items from such users. The amendments included, without limitation, the prohibition to apply charges or fees on transactions made by users in a branch different from the branch where the account was opened, on the cash deposits and withdrawals made in Pesos and on the deposit of checks for the account of the user and/or of third parties. Furthermore, the rule provides that in no event legally bound reporting parties may record any compensation or income in connection with the insurance that users must underwrite as a condition to access to a financial service, and that such items may not be part of the charges transferred to them or directly or indirectly collected from the insurance company.

Furthermore, on November 29, 2012, the Argentine Congress passed the Capital Markets Law, enacted by the Federal Executive Branch on December 27, 2012. The Capital Markets Law derogated the public offering regime set forth by Law No. 17,811, the Transparency Decree No. 677/2001 and its supplementary rules; and amended, without limitation, the regulatory framework governing the capital markets, extended the CNV powers to include permanent supervisory authority not only over all the stages of the public offering but also over the different entities and individuals within its competence, and authorized universities and other entities to register as risk rating agencies. Since the enactment of this law, the CNV concentrated the control over all participants in the public offering of securities to promote and strengthen treatment and participation equality, designing mechanisms that allow to secure the efficient allocation of savings towards investment. On August 1, 2013, through Regulatory Decree No. 1023/2013, the Executive Branch partially regulated the Capital Markets Law. In addition, on September 5, 2013, the CNV issued General Resolution No. 622/2013, approving, in accordance with the Capital Markets Law and Regulatory Decree No. 1023/2013, the new CNV Rules, and derogating the former CNV Rules (N.T. 2001 and amendments), and General Resolutions No. 615/2013 and No. 621/2013, as from the effectiveness of the new CNV Rules (the "CNV Rules").

If the current Financial Institutions Law were significantly amended, we cannot anticipate the effects that such amendments could have on the financial system, financial institutions, our business or the results of our operations. Any such reform or amendment could adversely affect the financial system, financial institutions, and our business, operations and income. Furthermore, we either cannot predict the effects of the application of the new Capital Markets Law on our business or the investor's confidence in Argentina.

At present, the House of Representatives of the Argentine Congress is discussing the bill submitted by the Federal Executive Branch to reform and update the Capital Markets Law, among several other laws, with the main goal of developing the local capital markets and increasing the investor base and the number of companies financed in such jurisdiction, and fostering the integration and federalization of the different markets of Argentina. As of the date of this annual report, the consequences of the application of such law and the impact on our operations cannot be predicted.

In June 2014, the Central Bank issued several regulations (principally, Communication "A" 5590) amending the rules applicable to personal loans and pledge loans, and establishing "reference interest rates applicable to personal loans and pledge loans granted to individuals", under which the lending rates could not exceed the product of the cut-off interest rate of LEBAC (Central Bank Bills) for 90-day terms and a coefficient within the range of 1.25 and 2.00, depending on the type of loan and bank group. As from the effectiveness of the law, financial institutions and non-financial credit card issuers must obtain the previous consent of the Central Bank to increase the cost of such services and to make any change in the items of such cost. On January 21, 2016, the Central Bank issued Communication "A" 5891, eliminating the regulation of rates, both for lending operations and for term deposits, and therefore the rates may be freely agreed upon by the institutions and the customers.

Moreover, the Central Bank issued Communication "A" 5593 (subsequently amended by Communication "5603"), whereby non-financial credit providers regulated by the Central Bank (cooperatives, mutual societies, lenders, non-banking cards and retail shop cards, etc.) must be enrolled in a registry if they intend to be funded by banks (loans or financial trusts). If they operate with their own funds, they are not subject to any restriction on the rates they charge.

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Under the “Protection of financial services users” provisions (set forth in Communication “A” 5591), on August 4, 2014, the Central Bank issued Communication “A” 5608 (subsequently amended by Communication “A” 5849 and other communications) establishing that financial institutions and non-financial credit cards issuers must obtain the prior written consent of the Central Bank to increase the cost of such products and to make any changes in the items that are part of such services, specifying the new price intended to be collected and the technical and economic basis for such increase.

Furthermore, in September 2014, the Central Bank issued Communication “A” 5627 setting forth that the net global foreign currency position of banking institutions could not exceed 20 per cent of the regulatory capital of each institution. Furthermore, on November 20, 2015, the Central Bank issued Communication “A” 5834 setting forth that the net global foreign currency position of banking institutions could not exceed 15% of their regulatory capital for the month prior to the relevant month. Such decision implied a 5% point reduction as compared to the 20% in force as of such date. The measure included both the financial institutions’ liquid cash and U.S. dollar denominated securities. Through Communication “A” 5917, dated March 1, 2016, the Central Bank continued to adjust the rules on the net global foreign currency position. Thereunder, the limit of the net forward positive position in foreign currency—monthly average of daily balances translated into Pesos at the reference exchange rate—cannot currently exceed 7.5% of the regulatory capital for the month prior to the relevant month, while the net positive and negative global positions in foreign currency remain limited to 15% of the regulatory capital for the month prior to the relevant month. The above mentioned communications have been derogated by Communication “A” 6128, which provides that the negative net global position in foreign currency shall not exceed 25% of the regulatory capital for the month prior to the relevant month. Furthermore, such communication also sets forth that the positive net global foreign currency position shall not exceed the lower of 25% of the regulatory capital or the own liquid cash, both of them for the month prior to the relevant month.

Communication “A” 5659 of the Central Bank modified the amount of the deposit guarantee subject to the Deposits Guarantee Fund (“*Fondo de Garantía de los Depósitos*”) to a maximum of Ps.350,000 and increased the contribution allocated to such fund from 0.015% to 0.06% of the monthly average of the daily deposits’ balance.

Additionally, according to Communication “A” 5689 of the Central Bank, dated January 8, 2015, banks must record as “losses” in their financial statements all the fines imposed by any controlling entities, even if injunctions are in place allowing to suspend payment of such fines. Such requirement also applies to criminal actions with first instance judgments. In this case, the banks must disclose and make an allowance for 100% of these fines in their financial statements, and report them in the accompanying notes. The impact of these new measures on us and our operations is still uncertain.

On September 18, 2014, an initiative was approved to regulate certain issues related to the defense of consumers’ rights, and the Preliminary Settlement Service in Consumer Relations (*Conciliación Previa en las Relaciones de Consumo* or “COPREC”) was created. Users and consumers may submit their claims to the COPREC gratuitously, and the COPREC is required to settle them within a 30-day term. Users and consumers are required to file their claims (which shall not exceed an amount equal to 55 minimum salaries), through a form to be determined in the implementing regulations. Moreover, companies that do not attend settlement hearings shall be subject to fines.

If the parties are unable to reach an agreement, consumers may file a claim with the Consumer Relations Audit Department in the first place, and then with the Federal Court of Appeals in Consumer Relations or the applicable Federal Court of Appeals. Although the consequences arising out of the approval of this law are uncertain, it could derive in an increase in the amount of consumer defense claims and have an adverse effect on our operations.

In turn, the UIF has substantially amended the regime applicable to financial institutions in their capacity as legally bound reporting parties.

Argentine financial institutions must comply with all the money-laundering rules set forth by the Central Bank, the UIF, and, if applicable, the CNV. In this sense, Resolution 121/2011 issued by the UIF was applicable to the financial institutions subject to the provisions of the Financial Institutions Law, entities subject to the system of Law No. 18,924, as amended, and individuals and legal entities authorized by the Central Bank to operate in the purchase and sale of foreign currency in the form of cash or checks drawn in foreign currency or through the use of debit or credit cards or the transfer of funds within Argentina or abroad. Resolution No. 229/2011 issued by the UIF, was applicable to brokers and brokerage firms, managers of 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 in forwards or options markets. Resolution 121 and Resolution 229 regulated, among other things, 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.

However, Resolution 21/2018, dated March 5, 2018, was enacted to complement previous Resolution 30/2017, directed at the financial sector, including the guidelines for money laundering and terrorist financing Risk Management and minimum compliance that the legally bound financial reporting participants in the capital markets sector must adopt and apply to manage, in accordance with their policies, procedures and controls, the risk of being used by third parties with criminal objectives of money laundry and terrorist financing and substantially amended the scope of application of the abovementioned rules, and established new methodologies regarding the money-laundering prevention policy to be implemented by legally bound reporting parties.

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New changes in the laws and regulations, as well as the adoption of these or other measures that could be implemented in the future, could adversely affect the Argentine financial system, our business, operations and income, and no assurance may be given that the imposition of fines will not adversely affect our business, reputation, financial condition and results of operations.

### ***Liquidity issues could arise.***

We are mostly a wholesale bank, and a large portion of our funding derives from corporate, rather than individual, accounts. Any significant changes in the liquidity conditions prevailing in the market arising from material adverse effects on the Argentine economy, on the financial system, and on us, could affect our regular performance of business and, in particular, our funding sources.

We have, and we expect that we will continue to have, significant liquidity and capital resource requirements to finance our business.

However, our current and future potential indebtedness could have significant consequences, including the limitation on our ability to refinance existing debt or to borrow money to finance working capital, acquisitions and capital expenditures and the need to allocate a significant part of our cash flow to repay principal and interest, adversely affecting our ability to make dividend payments on our shares and the ADSs.

We cannot assure that changes in the liquidity conditions of the Argentine financial system, either at present or in the future, will not have an adverse effect on our business. If so, our financial, economic or other condition, our results, operations, business, and/or our general repayment ability could be significantly and adversely affected.

### **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 entities 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 provides that penalties must be probable and that their amount can be reasonably estimated).

For the 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 the fiscal years ended December 31, 2013 and 2014. For the fiscal years ended December 31, 2014 and 2015 we obtained authorization from the Central Bank to distribute dividends and distributed such dividends in March 2016 and August 2016, respectively. On March 12, 2018, the Central Bank issued Communication "6464" pursuant to which, the prior approval of the SEFyC in order to distribute dividends is no longer required. However, the authorization will still be needed for those financial entities that, in order to determine the distributable dividends, have not increased the ranges of COn1 net of deductions (CDCOn1) foreseen in the tables of points 4.2.3. (on "integration") and 4.2.4. ("Limitation on the distribution of results") of the rules on "Distribution of results" by 1 percentage point. No assurance can be given that in the future, a new modification may be introduced, by which the SEFyC authorization will be needed again to distribute dividends.

***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 U.S. Securities Act of 1933, as amended (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. .

***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 are a non-Argentine company and you fail to register with IGJ, your ability to exercise your rights as a holder of our Class B shares may be limited.

***You may not be able to sell your ADSs at the time or the price you desire because an active or liquid market may not develop.***

Prior to March 24, 2006, there has not been a public market for the ADSs or, in the case of our Class B shares, a market outside of Argentina. We cannot assure you that any market for our Class B shares or for the ADSs will be available or liquid nor can we assure of the price at which the Class B shares or the ADSs may be sold in any such market.

The relative volatility and illiquidity of the Argentine securities markets may substantially limit your ability to sell Class B shares underlying the ADSs at the price and time you desire.

Investing in securities that trade in emerging markets, such as Argentina, often involves greater risk than investing in securities of issuers in the United States, and such investments are generally considered to be more speculative in nature. The Argentine securities market is substantially smaller, less liquid and can be more volatile than major securities markets in the United States, and is not as highly regulated or supervised as such other markets. There is also significantly greater concentration in the Argentine securities market than in major securities markets in the United States. As of December 31, 2017, the ten largest companies in terms of market capitalization represented more than 84% of the aggregate market capitalization of the BYMA). Accordingly, although you are entitled to withdraw the Class B shares underlying the ADSs from the depositary at any time, your ability to sell such shares at a price and time at which you wish to do so may be substantially limited. Furthermore, new capital controls imposed by the Central Bank could have the effect of further impairing the liquidity of the BYMA by making it unattractive for non-Argentines to buy shares in the secondary market in Argentina.

***We are traded on more than one market, which may result in price variations and investors may not be able to easily move shares for trading between such markets.***

The trading prices of our ADSs and our Class B shares may differ on different markets due to various factors. Any decrease in the price of our Class B shares on the BYMA or the Mercado Abierto Electrónico (“MAE”) could cause a decrease in the trading price of the ADSs on the NYSE. Investors could seek to sell or buy our shares to take advantage of any price differences between the markets through a practice referred to as arbitrage. Any arbitrage activity could create unexpected volatility in both our share prices on one exchange, and the ADSs available for trading on the other exchange. In addition, holders of ADSs will not be immediately able to surrender their ADSs and withdraw the underlying Class B shares for trading on the other market without effecting necessary procedures with the depositary. This could result in time delays and additional cost for holders of ADSs.

***Our shareholders may be subject to liability for certain votes of their securities.***

Our shareholders are not liable for our obligations. Instead, shareholders are generally liable only for the payment of the shares they subscribe. However, shareholders who have a conflict of interest with us and who do not abstain from voting may be held liable for damages to us, but only if the transaction would not have been approved without such shareholders’ votes. Furthermore, shareholders who willfully or negligently vote in favor of a resolution that is subsequently declared void by a court as contrary to the Argentine Corporate Law or our bylaws may be held jointly and severally liable for damages to us or to other third parties, including other shareholders.



***Payments on Class B shares or ADSs may be subject to FATCA withholding.***

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“foreign pass thru payments”) to persons that fail to meet certain certification, reporting, or related requirements. We are a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“IGAs”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Class B Shares and the ADSs, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Class B shares or the ADSs, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Class B Shares and the ADSs, such withholding would not apply prior to January 1, 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Class B Shares and the ADSs