

Pricing Supplement and Supplemental Offering Circular dated March 29, 2010



City of Buenos Aires

**U.S.\$1,400,000,000
Medium-Term Note Programme**

Series No: 08

U.S.\$475,000,000 12.5 per cent. Notes due 2015

Issue price: 100.0 per cent.

Credit Suisse

This document constitutes the Pricing Supplement and Supplemental Offering Circular relating to the issue of the Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated December 14, 2009. This Pricing Supplement and Supplemental Offering Circular must be read in conjunction with the Offering Circular as so supplemented, which at the date hereof comprises:

- (a) Part A, containing, inter alia, the Terms and Conditions of the Notes and general information regarding the Medium Term Note Programme of the Issuer, dated December 14, 2009;
- (b) Part B, containing the description of the Issuer and certain risk factors, dated December 14, 2009; and
- (c) Any separate amendments of or supplements (other than other Pricing Supplements) to the Offering Circular.

The issue of the Notes was authorised by Laws No. 2,570 dated January 9, 2008, Law No. 2,789 dated July 10, 2008, Law No. 2,999 (as amended on October 29, 2009 by means of Law No. 3,243), Law No. 3,152 and Law No. 3,380 dated December 3, 2009 of the Issuer's Legislature, Decree No. 176 dated February 23, 2010, and Resolutions No. 101/08, dated February 8, 2008, 330/08 dated March 14, 2008, 2,209/08 dated July 30, 2008, 3,971/09 dated December 14, 2009 and 893 dated March 26, 2010 of the Ministry of Finance of the Issuer.

This Pricing Supplement and Supplemental Offering Circular does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Pricing Supplement and Supplemental Offering Circular in any jurisdiction where such action is required.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT"). SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT ("REGULATIONS")). THIS PRICING SUPPLEMENT AND SUPPLEMENTAL OFFERING CIRCULAR HAS BEEN PREPARED BY THE ISSUER FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE NOTES OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATIONS AND WITHIN THE UNITED STATES TO "QUALIFIED INSTITUTIONAL BUYERS" IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") AND FOR LISTING OF THE NOTES ON THE LUXEMBOURG STOCK EXCHANGE. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE NOTES AND DISTRIBUTION OF THIS PRICING SUPPLEMENT AND SUPPLEMENTAL OFFERING CIRCULAR AND THE REMAINDER OF THE OFFERING CIRCULAR, SEE "SUBSCRIPTION AND SALE" CONTAINED WITHIN PART A OF THE OFFERING CIRCULAR.

NOTICE TO CANADIAN INVESTORS

Resale Restrictions

The distribution of the Notes in Canada is being made only on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of the Notes are made. Any resale of the Notes in Canada must be made under applicable securities laws, which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the Notes.

Representations of Purchasers

By purchasing the Notes in Canada and accepting a purchase confirmation a purchaser is representing to us and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the Notes without the benefit of a prospectus qualified under those securities laws,
- where required by law, the purchaser is purchasing as principal and not as agent,
- the purchaser has reviewed the text above under Resale Restrictions, and
- the purchaser acknowledges and consents to the provision of specified information concerning its purchase of the Notes to the regulatory authority that by law is entitled to collect the information.

Further details concerning the legal authority for this information is available on request.

Rights of Action—Ontario Purchasers Only

Under Ontario securities legislation, certain purchasers who purchase a security offered by this circular during the period of distribution will have a statutory right of action for damages, or while still the owner of the Notes, for rescission against us in the event that this circular contains a misrepresentation without regard to whether the purchaser relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the Notes. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the Notes. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against us. In no case will the amount recoverable in any action exceed the price at which the Notes were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, we will have no liability. In the case of an action for damages, we will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the Notes as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Ontario purchasers should refer to the complete text of the relevant statutory provisions.

Enforcement of Legal Rights

All of our directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

Taxation and Eligibility for Investment

Canadian purchasers of the Notes should consult their own legal and tax advisors with respect to the tax consequences of an investment in the Notes in their particular circumstances and about the eligibility of the Notes for investment by the purchaser under relevant Canadian legislation.

1. Issuer: City of Buenos Aires
2. (i) Series Number: 08
(ii) Tranche Number: 01
3. Specified Currency or Currencies: U.S. Dollars
4. Aggregate Nominal Amount: U.S.\$475,000,000
5. (i) Issue Price: 100.0 per cent. of the Aggregate Nominal Amount
(ii) Net proceeds: The net proceeds are expected to be U.S.\$465,500,000, after deduction of the combined underwriting, management and structuring fees but before deduction of expenses
6. (i) Specified Denominations: U.S.\$100,000 and integral multiples of U.S.\$1,000 in excess thereof
(ii) Calculation Amount: U.S.\$100,000
7. (i) Issue Date: April 6, 2010
(ii) Interest Commencement Date: Issue Date
8. Maturity Date: April 6, 2015
9. Interest Basis: Fixed Rate; 12.5 per cent. per annum
10. Redemption/Payment Basis: Redemption at par
11. Change of Interest or Redemption/
Payment Basis: Not Applicable
12. Put/Call Options: Not Applicable
13. Status of the Notes: Senior
14. Listing and/or Trading: Listing: It is expected that the Notes will be listed on the Luxembourg Stock Exchange

Trading: It is expected that the Notes will trade on the Euro MTF Market of the Luxembourg Stock Exchange

Application is expected to be made on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market of the Luxembourg Stock Exchange
15. Method of distribution: Non-syndicated

PROVISIONS RELATING TO INTEREST PAYABLE

16. **Fixed Rate Note Provisions** Applicable
 - (i) Rate of Interest: 12.5 per cent. per annum payable semi-annually in arrear

- (ii) Interest Payment Date(s): April 6 and October 6 in each year from and including October 6, 2010, to and including April 6, 2015
 - (iii) Fixed Coupon Amount(s): U.S.\$6,250 per Calculation Amount
 - (iv) Broken Amount(s): Not Applicable
 - (v) Day Count Fraction: 30/360
 - (vi) Determination Dates: Not Applicable
 - (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: Not Applicable
- 17. **Floating Rate Note Provisions** Not Applicable
 - 18. **Zero Coupon Note Provisions** Not Applicable
 - 19. **Index-Linked Interest Note** Not Applicable
 - 20. **Dual Currency Note Provisions** Not Applicable

PROVISIONS RELATING TO REDEMPTION

- 21. **Call Option** Not Applicable. Not redeemable at the option of the Issuer. No early redemption, except as provided in paragraph 24 below
- 22. **Put Option** Not Applicable
- 23. **Final Redemption Amount of each Note** The Calculation Amount per Note
- 24. **Early Redemption Amount**
 - (i) Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): The Calculation Amount per Note
 - (ii) Original Withholding Level: 0 per cent.
 - (iii) Unmatured Coupons to become void: Not Applicable

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- | | |
|---|---|
| 25. Form of Notes: | Registered Notes |
| (i) DTC Restricted Global Certificates, Regulation S Global Certificates or individual Definitive Certificates: | DTC Restricted Global Certificate and Regulation S Global Certificate available on Issue Date |
| 26. Financial Centre(s) or other special provisions relating to Payment Dates: | New York and Buenos Aires |
| 27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | No |
| 28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | Not Applicable |
| 29. Details relating to Instalment Notes: amount of each instalment, date on which on each payment is to be made: | Not Applicable |
| 30. Redenomination, renominalisation and reconventioning provisions: | Not Applicable |
| 31. Consolidation provisions: | Not Applicable |
| 32. Other terms or special conditions: | Interest Coverage Test: |
- The Conditions of the Notes shall include as new Condition 4(c), the following:
- “(c) For so long as any Notes remain outstanding, the Issuer will not incur, assume or guarantee (“incur”) any Relevant Debt unless, at the proposed date of incurrence, the amount of Interest Expense accrued during the preceding twelve months ending with the Quarter Date ending immediately prior to such proposed date of incurrence does not exceed 8.5% of Revenues collected during such twelve month period, in each case determined on a pro forma basis giving pro forma effect to the incurrence of such Relevant Debt and the use of proceeds therefrom and

the incurrence, repayment or retirement of any other Relevant Debt during such twelve month period.”;

and will include the following additional defined terms in Condition 4(b):

“ “Interest Expense” means the aggregate of the interest expense, discount and commissions, fees and expenses incurred by the Issuer on its Relevant Debt.

“Quarter Date” means March 31, June 30, September 30 and December 31, in each year.”

DISTRIBUTION

33.

(i) If syndicated, names of Managers: Not Applicable

(ii) Stabilising Manager (if any): Not Applicable

34. If non-syndicated, name of Dealer: Credit Suisse Securities (USA) LLC

35. Additional selling restrictions: Not Applicable

OPERATIONAL INFORMATION

36. ISIN Code: XS0500321756 for the Regulation S Global Certificate
US11943HAB50 for the DTC Restricted Global Certificate

37. Common Code: 050032175 for the Regulation S Global Certificate
050013871 for the DTC Restricted Global Certificate

38. Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s): The Depository Trust Company. CUSIP: 11943HAB5 for the DTC Restricted Global Certificate

39. Delivery: Delivery free of payment

40. Additional Paying Agent(s) (if any): None

SUPPLEMENTAL OFFERING CIRCULAR INFORMATION

The Offering Circular is hereby supplemented with the following information, which shall be deemed to be incorporated in, and to form part of, the Offering Circular.

Recent Developments

Economy

According to preliminary estimates from the Federal Government, Argentina’s real GDP increased by 0.2% during the first nine months of 2009 when compared to the same period in 2008. Inflation is estimated to have increased during the twelve months ended December 31, 2009 by 7.7% as measured by the CPI and by 10.3% as measured by the WPI. In addition, the City’s average unemployment rate during the second half of 2009 was an estimated 6.9%.

Revenues and expenditures

Year ended December 31, 2009

Figures presented for the year ended December 31, 2009 are of a provisional nature and have been prepared by the Budget Office and the Office of Public Debt of the City based on records compiled by the Accounting Office of the City. Due to their provisional nature, it is highly likely that the figures for the year ended December 31, 2009 may change as revised provisional or actual figures become available and there can be no assurance that any such changes will not be material.

The following table sets out the City's provisional revenues and expenditures for the year ended December 31, 2009. The actual revenues and expenditures of the City for the year ended December 31, 2008 and estimated revenues and expenditures contained in the City's 2009 budget are also included for comparison purposes. Amounts are presented in nominal pesos. See "Presentation of financial and statistical information" in Part B of the Offering Circular.

	Year ended December 31		
	2008	2009	
	(Actual)	(in millions of pesos)	
		(2009 budget) ⁽¹⁾	(Actual) ⁽²⁾
Current revenues:			
City tax revenues			
Turnover tax.....	P\$7,610.1	P\$9,210.4	P\$8,721.7
Property tax.....	1,253.4	1,250.0	1,301.0
Vehicle licensing fees.....	773.0	908.0	961.3
Stamp tax.....	321.9	582.0	711.2
Subway development contributions.....	115.8	129.8	131.0
Tax deferred payment plan revenues.....	435.0	415.5	498.0
Other City tax revenue.....	132.7	140.0	160.1
Total City tax revenues.....	10,641.9	12,635.7	12,484.4
City non-tax revenues.....	574.7	760.6	679.7
Federal transfers:			
Federal tax – co-participation payments.....	1,322.7	1,698.0	1,433.7
Other Federal funding.....	163.3	451.8	210.8
Total Federal revenues.....	1,486.0	2,149.8	1,644.5
Total current revenues.....	12,702.6	15,546.1	14,808.6
Capital revenues.....	74.3	471.8	247.4
Total current and capital revenues.....	12,776.9	16,017.9	15,056.0
Current expenditures:			
Personnel.....	6,577.0	8,180.1	7,950.1
Non-personnel services.....	2,170.7	2,814.3	2,621.2
Consumption of goods.....	338.6	531.5	439.1
Transfers.....	1,581.4	2,054.4	1,971.7
Interest.....	134.7	210.7	228.5
Total current expenditures.....	10,802.4	13,791.0	13,210.6

Capital expenditures:

Public works	2,516.6	2,702.4	2,069.5
Other	107.0	293.3	152.5
Total capital expenditures	<u>2,625.6</u>	<u>2,995.7</u>	<u>2,222.0</u>
Total expenditures	<u>13,428.0</u>	<u>16,786.7</u>	<u>15,432.6</u>
Operating balance ⁽³⁾	<u>1,900.2</u>	<u>1,755.1</u>	<u>1,598.0</u>
Overall balance ⁽⁴⁾	<u>(651.1)</u>	<u>(768.8)</u>	<u>(376.6)</u>
Primary balance ⁽⁵⁾	<u>P\$(516.4)</u>	<u>P\$(558.1)</u>	<u>P\$(148.1)</u>

Notes:—

- (1) 2009 budget (as amended by Law No. 3,243).
- (2) Provisional figures.
- (3) Current revenues less current expenditures.
- (4) Total revenues less total expenditures.
- (5) Overall balance plus interest expense.

Sources: Budget Office, Office of Public Debt and Accounting Office of the City.

Based on provisional figures, the City estimates its total tax revenues during the year ended December 31, 2009 amounted to P\$12,484.4 million, a 17.3% increase from the P\$10,641.9 million of total tax revenues for the year ended December 31, 2008. Estimated total tax revenues fell slightly short of budget as turnover tax collections are estimated to have increased by 14.6% from P\$7,610.1 million received in the year ended December 31, 2008 to P\$8,721.7 million in the year ended December 31, 2009 while the budgeted increase was 21.0%. The reduced growth was the result of the combined impact of the global economic crisis and the negative effect of the H1N1 virus had on tourism during the first nine months of 2009. Although estimated collections of all other City taxes exceeded budgeted revenues, this was not enough to fully offset the reduced growth in turnover tax receipts. In addition, transfers from the Federal Government are estimated to have amounted to P\$1,644.5 million in the year ended December 31, 2009, a 10.7% increase from the P\$1,486.0 million received in the year ended December 31, 2008 but a 23.5% reduction from the P\$2,149.8 million the City had budgeted to receive based on Federal Government projections.

The City's current expenditures are estimated to have increased by 22.3% to P\$13,210.6 million in the year ended December 31, 2009 from P\$10,802.4 million in the year ended December 31, 2008, which percentage was less than the 27.7% budgeted increase as a result of cost containment measures adopted by the City in line with reduced turnover tax collections. In addition, the City slowed down progress on certain of its infrastructure and public works projects with total capital expenditures for the year ended December 31, 2009 amounting to an estimated P\$2,222.0 million, a 15.3% reduction from the amount of capital expenditures recorded in the year ended December 31, 2008 and 25.8% less than the P\$2,995.7 million originally budgeted.

This resulted in an estimated P\$1,598.0 million surplus in the City's operating balance and a P\$376.6 million deficit in its overall balance in the year ended December 31, 2009 (compared with a P\$1,900.2 million surplus and P\$651.1 million deficit, respectively, in the year ended December 31, 2008).

Two months ended February 28, 2010

Based on preliminary figures for the two months ended February 28, 2010, the City's revenues are estimated to have been in line with budget while expenditures are estimated to have been below budget mainly due to seasonality affecting progress of the City's public works programme.

Public debt

The following table sets out the public debt and cash position of the City as at December 31, 2009, excluding accrued interest and direct indebtedness of Banco de la Ciudad.

	As at December, 31, 2009
	(in millions of pesos)⁽¹⁾
Financial debt:	
Notes issued under Medium-Term Note Programme	P\$823.6
Treasury bills ⁽²⁾	300.0
Debt with Banco de la Ciudad	1.8
Total financial debt.....	1,125.4
Debt with suppliers:	
Suppliers/contractors' bonds ⁽³⁾	416.8
Law No. 2,810 promissory notes ⁽⁴⁾	193.6
Debt under review/Decree No. 225/96	
General	24.3
CEAMSE.....	29.8
Other recognised debts	33.2
Other.....	—
Total debt with suppliers ⁽⁴⁾	697.6
Debt with Federal Government:	
Lecops	—
International loans:	
International Bank for Reconstruction and Development	150.4
Inter-American Development Bank.....	584.3
Spanish Government	35.2
Total international loans.....	769.9
Total indebtedness ⁽²⁾⁽⁴⁾	P\$2,605.6
Cash position ⁽⁵⁾	P\$38.0
Floating debt ⁽⁶⁾	N/A

Notes:—

- (1) The exchange rate used to convert U.S. dollar amounts into pesos has been the selling rate quoted by Banco de la Nación at the close of business on the relevant date. U.S. dollar amounts at December 31, 2009 were translated into pesos using the December 31, 2009 exchange rate of P\$3.800 = U.S.\$1.0. The conversion of euro amounts into pesos has been the result of first converting the euro amounts into U.S. dollars using the euro-U.S. dollar selling rate quoted by Bloomberg at the close of business on the relevant date and then converting the resulting U.S. dollar amount into pesos using the relevant Banco de la Nación U.S. dollar-peso selling rate. Amounts in euros at December 31, 2009 were translated into pesos using the December 31, 2009 exchange rate of P\$5.453 = €1.0.
- (2) This represents the aggregate principal amount of treasury bills outstanding as at December 31, 2009 and with a maturity date falling after such date.
- (3) As at the date of this Pricing Supplement and Supplemental Offering Circular, the City had issued and delivered to suppliers and contractors the maximum principal amount of these bonds authorised by Law No. 3,152 (P\$690.3 million).
- (4) As at December 31, 2009, the City had incurred debt with certain of its suppliers and contractors, which the City estimates originally amounted to approximately P\$800.0 million, of which amount the City paid approximately P\$310.0 million and is in the process of renegotiating the balance through the issue of promissory notes (which, when issued, are recorded under “Law No. 2,810 promissory notes”). See “— Debt with suppliers — Law No. 2,810 promissory notes” in Part B of the Offering Circular.
- (5) Mainly reflects the balances of the consolidation account the City has with Banco de la Ciudad as at December 31, 2009. See “— Cash management” in Part B of the Offering Circular.

- (6) Represents the short term debt the City had, mainly with suppliers. See “Public Debt — Description of direct indebtedness — Floating debt” in Part B of the Offering Circular. At the date of this Pricing Supplement and Supplemental Offering Circular, the City is not able to provide an estimate for this item.

Source: Office of Public Debt of the City.

On December 22, 2009, the City issued U.S.\$50.0 million 12.5 per cent. amortising notes due 2014 (the “Series 07 Notes”) under its medium-term note programme, which notes were placed in the international capital markets. In addition, effective as from January 7, 2010, the City increased the aggregate nominal amount of Notes that may be issued under such programme from U.S.\$1,100.0 million to U.S.\$1,400.0 million.

In 2009, the City repaid P\$537.4 million of debt and paid interest of P\$197.3 million.

The following table sets out the estimated principal and interest payments, broken down by currency, to be made on the City’s direct indebtedness outstanding as at December 31, 2009 in the years 2010 to 2021. The table does not include any interest or any payments due under the City’s debt with suppliers in the process of being verified or in respect of the City’s “floating debt”. See “— Description of direct indebtedness — Debt with suppliers — Law No. 2,810 promissory notes” and “— Debt under review/Decree No. 225/96”, Description of direct indebtedness — Floating debt” in Part B of the Offering Circular.

	Year ending December 31,											
	2010			2011			2012			2013		
	(in millions)											
	U.S.			U.S.			U.S.			U.S.		
	Pesos	dollars	Euros	Pesos	dollars	Euros	Pesos	dollars	Euros	Pesos	dollars	Euros
Banco de la Ciudad	1.8	—	—	—	—	—	—	—	—	—	—	—
Suppliers ⁽¹⁾	13.5	—	—	13.5	—	—	13.5	—	—	13.5	—	—
International organisations ⁽²⁾	—	25.3	1.1	—	23.1	1.1	—	22.2	0.6	—	21.3	0.6
Medium-term note programme.....	6.4	99.4	—	5.7	100.3	—	2.6	19.3	—	—	17.5	—
Law No. 2,810 promissory notes..	114.1	—	—	103.6	—	—	—	—	—	—	—	—
Treasury bills.....	303.1	—	—	—	—	—	—	—	—	—	—	—
Suppliers/contractors’ bonds	211.5	—	—	269.2	—	—	—	—	—	—	—	—
Social security	11.0	—	—	11.0	—	—	11.2	—	—	—	—	—
Total	661.4	124.7	1.1	403.0	123.4	1.1	27.3	41.5	0.6	13.5	38.8	0.6

	Year ending December 31,											
	2014			2015			2016			2017		
	(in millions)											
	U.S.			U.S.			U.S.			U.S.		
	Pesos	dollars	Euros	Pesos	dollars	Euros	Pesos	dollars	Euros	Pesos	dollars	Euros
Banco de la Ciudad	—	—	—	—	—	—	—	—	—	—	—	—
Suppliers ⁽¹⁾	6.8	—	—	—	—	—	—	—	—	—	—	—
International organisations ⁽²⁾	—	20.6	1.8	—	19.2	3.8	—	17.8	6.5	—	17.1	6.3
Medium-term note programme.....	—	15.6	—	—	—	—	—	—	—	—	—	—
Law No. 2,810 promissory notes..	—	—	—	—	—	—	—	—	—	—	—	—
Treasury bills	—	—	—	—	—	—	—	—	—	—	—	—
Suppliers/contractors’ bonds	—	—	—	—	—	—	—	—	—	—	—	—
Social security	—	—	—	—	—	—	—	—	—	—	—	—
Total	6.8	36.2	1.8	—	19.2	3.8	—	17.8	6.5	—	17.1	6.3

	Year ending December 31,											
	2018			2019			2020			2021		
	(in millions)											
	U.S.			U.S.			U.S.			U.S.		
	Pesos	dollars	Euros	Pesos	dollars	Euros	Pesos	dollars	Euros	Pesos	dollars	Euros
Banco de la Ciudad	—	—	—	—	—	—	—	—	—	—	—	—
Suppliers ⁽¹⁾	—	—	—	—	—	—	—	—	—	—	—	—
International organisations ⁽²⁾	—	16.3	5.0	—	15.5	2.8	—	0.8	—	—	0.7	—
Medium-term note programme.....	—	—	—	—	—	—	—	—	—	—	—	—
Law No. 2,810 promissory notes..	—	—	—	—	—	—	—	—	—	—	—	—
Treasury bills.....	—	—	—	—	—	—	—	—	—	—	—	—
Suppliers/contractors' bonds	—	—	—	—	—	—	—	—	—	—	—	—
Social security	—	—	—	—	—	—	—	—	—	—	—	—
Total	—	16.3	5.0	—	15.5	2.8	—	0.8	—	—	0.7	—

Notes:—

- (1) Excludes debt with suppliers in the process of being verified and “floating debt” of the City. See “— Description of direct indebtedness — Debt with suppliers — Law No. 2,810 promissory notes” and “— Debt under review/Decree No. 225/96” and “— Description of direct indebtedness — Floating debt” in Part B of the Offering Circular.
- (2) Does not include P\$5.1 million owed by the City to the Federal Government in connection with payments made by the Federal Government during 2001 and 2002 in respect of the City’s debt with international organisations. The Federal Government did not withdraw an equivalent amount from the transfers it made to the City in respect of Federal tax co-participation payments but the City does not account such amounts as debt as it expects to set them off against amounts owed by the Federal Government to the City. See “— Contingencies — Claims by and against the Federal Government” in Part B of the Offering Circular.

Source: Office of Public Debt of the City.

Banco de la Ciudad

The following tables set out a summary of Banco de la Ciudad’s balance sheet and income statement as at and for the year ended December 31, 2009. Except as described below, the financial information on Banco de la Ciudad included in this Supplemental Offering Circular has been extracted from Banco de la Ciudad’s annual unconsolidated financial statements at and for the year ended December 31, 2009, which have been audited by Pistrelli, Henry Martin y Asociados S.R.L. (member of Ernst & Young Global). In accordance with Central Bank regulations, the financial statements of Banco de la Ciudad at and for the year ended December 31, 2009 have been prepared in accordance with the accounting principles formulated by the Central Bank, which principles differ in many significant respects from Argentine GAAP. As a result, the auditors’ reports for such financial statements include a number of qualifications resulting from such differences. See “City enterprises — Banco de la Ciudad de Buenos Aires” in Part B of the Offering Circular.

Income statement of the Bank

	Year ended December 31, 2009
	(in millions of pesos)
Financial income.....	P\$1,290.0
Financial expense	(493.7)
Net financial income	796.3
Provisions for loan losses	(63.9)

**Year ended
December 31,
2009**

(in millions of pesos)

Service income	266.4
Service expense	(60.4)
Administration expense	(616.2)
<hr/>	
Monetary gain (loss) from financial intermediation.....	322.2
Other income	106.5
Other expense	(82.2)
<hr/>	
Monetary gain (loss) before income tax.....	346.5
Income tax	(103.8)
<hr/>	
Net income	<u>P\$242.7</u>

Balance sheet of the Bank

**As at December 31,
2009**

(in millions of pesos)

Assets:

Cash and banks	P\$2,791.5
Government and private securities	1,833.6
Loans	7,704.8
Other financial intermediation receivables (net of provisions).....	485.9
Investments in other corporations.....	18.2
Sundry credits	382.1
Property, plant and equipment.....	163.0
Sundry assets	145.2
Intangible assets.....	29.5
Unallocated amounts	0.7
<hr/>	
Total assets.....	13,554.5

Liabilities:

Deposits	11,181.9
Other financial intermediation liabilities	230.8
Sundry liabilities.....	316.4
Provisions	240.0
Unallocated amounts	0.9
<hr/>	
Total liabilities	11,970.0
Stockholders' equity	1,584.5
<hr/>	
Total liabilities and stockholders' equity.....	<u>P\$13,554.5</u>

Source: Banco de la Ciudad.

Ratings

The Series 08 Notes have been assigned an international rating of “B2” and a domestic rating of “Aa3.ar” by Moody’s Investors Service, Inc. In addition, the Series 08 Notes have been assigned an international rating of “B-” by Standard & Poor’s Rating Services (“S&P”), and the City has requested that S&P assign a domestic rating to the Series 08 Notes. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency without notice.

Use of Proceeds of Series 08 Notes

The City intends to use the net proceeds of the issue under the Series 08 Notes to fund, in full or in part, (i) the expansion of its subway system and (ii) certain infrastructure investments in a variety of areas that include urban developments in the City’s neighbourhoods, infrastructure projects in the City’s hospitals, road developments, urban hygiene programs including the final disposal of garbage, new green areas, and social and economic projects related to culture and education.

The investments in relation to the subway expansion are authorised pursuant to Law No. 3,380. The other investments are established in the Annex to Law No. 3,397 that modified Law No. 2,570 that created a Social Infrastructure Fund (*Fondo de Infraestructura Social*). Law No. 3,397 permits the City to make a total expenditure of P\$913.9 million during the 2010-2012 period on the public projects and programmes specified in the Annex to Law No. 3,397.

The Ministry of Urban Development will be allocated up to P\$186.0 million for application mainly to the development of urban infrastructure projects, including the demolition of the former T.A.T.A. workshops and the construction of the Plaza Boedo, drainage network improvements and several flood prevention and other projects on the banks of the White, Matanza Riachuelo, Medrano, Vega, Ochoa-Elia, Erezcano and Maldonado rivers.

The Ministry of Health will be allocated up to P\$149.8 million for application mainly to infrastructure and equipment investments in the City’s hospitals and healthcare administration buildings, including developing health centres in several City neighbourhoods.

The Ministry of Environment and Public Areas will be allocated up to P\$340.9 million for application mainly to road and pedestrian walkway repair programmes, including the Roadway Recovery Plan (*Plan de Recuperación Vial*); urban hygiene projects, including urban solid waste disposal; green space protections programmes, including park and plaza conservation and development; waterway network improvement projects; and recycling programmes.

The City’s Head of Government will be allocated up to P\$107.1 million for application mainly to projects managed by the City Housing Institute, including the Programme to Reintegrate, Integrate and Transform Marginal Areas (*Programa de Reintegración, Integración y Transformación de Villas*), the La Boca Rehabilitation Project (*Rehabilitación de La Boca*) and the Urban Area Rehabilitation Project (*Rehabilitación de Conjuntos Urbanos*).

The Ministry of Economic Development will be allocated up to P\$69.5 million for application mainly to economic development and communities in emergency programmes, including *Prosur Habitat* and various water and sewer projects.

The Ministry of Social Development will be allocated up to P\$24.0 million for application mainly to the construction of transitional homes, homes for the elderly and kindergartens and to improve infrastructure at several recreation centres.

The Head of the Cabinet of Ministers will be allocated up to P\$3.6 million for application mainly to maintain the Park of Memories (*Parque de las Memorias*) and the Victims’ Monument (*Monumento a las Víctimas*) and support the Commission for Participation and Integration of People with Special Needs (*Comisión Plena Participación e Integración Personas con Necesidades Especiales*).

The Ministry of Culture will be allocated up to P\$33.0 million for application mainly to the refurbishment of the City’s cultural infrastructure, including the San Martin Cultural Centre, the Modern Art Museum and the San Martin General Theatre.

Supplemental Subscription and Sale Information

Under the terms and subject to the conditions contained in (i) the Dealer Agreement dated March 24, 1997, as amended and restated by the Third Supplemental Dealer Agreement dated July 30, 2008 (the “Dealer Agreement”), between the City and the programme dealers named therein relating to the Programme, and (ii) the Dealer Accession Letter and Confirmation Letter, each dated March 29, 2010 and entered into by the City and Credit Suisse Securities (USA) LLC (the “Dealer”), the Dealer has been appointed as a dealer for the purpose of the issue and sale of the Series 08 Notes under the Dealer Agreement, and the City has agreed to sell to the Dealer, and the Dealer has agreed to purchase from the City, U.S.\$475,000,000 aggregate principal amount of the Series 08 Notes.

The Dealer proposes to offer the Series 08 Notes initially at the price set out on the cover page of this Pricing Supplement and Supplemental Offering Circular. After the initial offering, the offering price may be changed.

Fees

In consideration of the agreement by the Dealer to purchase the Series 08 Notes, the City will pay to the Dealer a combined underwriting and management fee of 0.75% of the aggregate principal amount of the Series 08 Notes. In addition, in consideration of structuring services rendered to the City in connection with the Series 08 Notes, the City will pay KBR Corporate Finance GmbH, as Structuring Agent for the Series 08 Notes, and the Dealer a structuring fee of 1.25% of the aggregate principal amount of the Series 08 Notes.

General

The Dealer has represented and agreed that it has not offered, sold or delivered and will not offer, sell or deliver any notes directly or indirectly, or distribute this Pricing Supplement and Supplemental Offering Circular or any other offering material relating to the Series 08 Notes in or from any jurisdiction, except under circumstances that will result in compliance with the applicable laws and regulations thereof and that will not impose any obligations on us except as set forth in the dealer agreement. See “Subscription and Sale” in the Offering Circular.

Purchasers of Series 08 Notes sold outside the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the price to investors on the cover page of this offering circular.

The Dealer and its affiliates have provided, and may provide in the future, investment banking, commercial banking, financial advisory and lending services for us and our affiliates from time to time, for which they have received, or will receive, customary compensation. In addition, the Dealer holds a significant position in Series 07 Notes.

The City has agreed to indemnify the Dealer against certain liabilities or to contribute to payments which it may be required to make in that respect.

The Series 08 Notes are a new issue of securities for which there currently is no market. The Dealer has advised the City that it intends to make a market in the Series 08 Notes as permitted by applicable law. The Dealer is not obligated, however, to make a market in the Series 08 Notes and any market-making may be discontinued at any time at its sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the Series 08 Notes.

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the trading on the Euro MTF Market of the Luxembourg Stock Exchange of the Notes described herein pursuant to the U.S.\$1,400,000,000 City of Buenos Aires Medium Term Note Programme.

MATERIAL ADVERSE CHANGE STATEMENT

Except as disclosed in this document, there has been no significant change in the financial condition, revenues and expenditures of the Issuer since December 14, 2009.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement and Supplemental Offering Circular.

Signed on behalf of City of Buenos Aires:

By:
Duly authorised

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OF THE ISSUER**

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*To the Dealer and the Trustee as to English law
and to the Dealer as to United States law*

Linklaters LLP
1345 Avenue of the Americas
New York, NY 10105
United States of America

**OFFERING CIRCULAR
PART A**



City of Buenos Aires

**U.S.\$1,100,000,000
Medium Term Note Programme
for the issue of Notes due from 30 days to 30 years
from the date of issue**

Under the Medium Term Note Programme (the “**Programme**”), City of Buenos Aires (the “**Issuer**” or the “**City**”) may from time to time issue Medium Term Notes (the “**Notes**”) up to a maximum aggregate nominal amount of U.S.\$1,100,000,000 (or the U.S. dollar equivalent of Notes denominated in other currencies as may be set forth in a supplement to this Offering Circular (a “**Pricing Supplement**”), subject to all legal and regulatory requirements applicable to issuances in such other currencies).

Notes will have maturities from 30 days to 30 years from their issue date as set forth in the applicable Pricing Supplement. Notes may be either interest bearing at fixed or floating rates, be issued on a fully discounted basis and not bear interest, or be indexed. Notes may be issued in bearer or registered form. All Notes denominated in the same currency, having the same maturity date, bearing interest, if any, on the same basis and at the same rate and the terms of which are otherwise identical, except for the issue date, interest commencement date and/or the issue price, will constitute a series (each, a “**Series**”). Each Series shall be all in bearer form or all in registered form and may be issued in one or more tranches (each, a “**Tranche**”) on different issue dates and at different issue prices but on terms otherwise identical (except in relation to interest commencement dates and matters related thereto). The aggregate nominal amount, any interest rate or interest calculation, the issue price, and any other terms and conditions not contained herein with respect to each Series or Tranche of Notes will be established at the time of issuance and set forth in the applicable Pricing Supplement.

The Notes may be offered by the Issuer through one or more of the dealers listed below and any other dealer appointed from time to time by the Issuer (each, a “**Dealer**”) on a continuous basis or through syndicated placements. The applicable Pricing Supplement will specify the Dealer, Dealers or syndicate of Dealers through which the Notes of a particular Series will be offered. Notes may also be sold to a Dealer or Dealers as principal, at negotiated discounts or otherwise, and Notes may be sold to or through syndicates of financial institutions for which a Dealer will act as lead manager. The Issuer also may offer Notes directly to purchasers.

Investing in the Notes involves risk. Prospective investors should have regard to the considerations described under “Risk Factors” in Part B of this Offering Circular.

Notes of each Tranche of each Series to be issued in bearer form (“**Bearer Notes**”) will initially be represented by interests in a temporary global note or by a permanent global note, in either case in bearer form (a “**temporary Global Note**” and a “**permanent Global Note**”, respectively), without interest coupons, which will be deposited with a common depository on behalf of Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) and Euroclear Bank S.A./N.V. (“**Euroclear**”) on the relevant issue date. Interests in a temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent Global Note in bearer form on or after the date 40 days after the later of the commencement of the offering and the relevant issue date (the “**Exchange Date**”), upon certification as to non-U.S. beneficial ownership. Bearer Notes in definitive form will only be available in certain limited circumstances as described herein.

Notes of each Tranche of each Series to be issued in registered form (“**Registered Notes**”) and which are sold in an “offshore transaction” within the meaning of Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), will initially be represented by interests in a global unrestricted Registered Note (each a “**Regulation S Global Certificate**”), without interest coupons, which will be deposited with a common nominee for, and registered in the name of a common nominee of, Clearstream, Luxembourg and Euroclear on its issue date. Beneficial interests in a Regulation S Global Certificate will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear or Clearstream, Luxembourg. Notes of each Tranche of each Series of Registered Notes sold to a qualified institutional buyer within the meaning of Rule 144A under the Securities Act, as referred to in, and subject to the transfer restrictions described in “Subscription and Sale” and “Transfer Restrictions”, will initially be represented by a global restricted Registered Note (each a “**DTC Restricted Global Certificate**” and together with any Regulation S Global Certificates, the “**Global Certificates**”), without interest coupons, which will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (“**DTC**”) on its issue date. Beneficial interests in a DTC Restricted Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. See “Clearing and Settlement”. Registered Notes in definitive form (“**Definitive Certificates**”) will only be available in certain limited circumstances as described herein.

Application has been made to admit the Programme for listing and to list the Notes on the Luxembourg Stock Exchange and the Buenos Aires Stock Exchange and to admit the Notes for trading on the Euro MTF Market of the Luxembourg Stock Exchange and the Mercado Abierto Electrónico S.A. in Argentina. Notes may be listed or traded on one or more stock exchanges or quotation systems or may be unlisted or not quoted, as specified in the applicable Pricing Supplement.

This Offering Circular constitutes a base prospectus for the purposes of listing Notes on the Luxembourg Stock Exchange and trading on the Euro MTF Market, is valid for the period of twelve months from its date of publication and will be published in electronic form on the website of the Luxembourg Stock Exchange (www.bourse.lu). It should be read and construed together with any Pricing Supplement, and supplemental offering circular and with any documents incorporated by reference herein. Information in this Offering Circular replaces and supersedes any information in the Offering Circular of the Issuer dated July 30, 2008 and should only be used as a base for the Notes to be issued under the Programme as set forth in the relevant Pricing Supplement.

Dealers

**Barclays Bank PLC Barclays Capital Inc. Citigroup Global Markets Inc.
Citigroup Global Markets Limited Banco Macro S.A.**

The date of this Offering Circular is December 14, 2009

The Issuer, having made all reasonable enquiries, confirms that this Offering Circular contains all information with respect to the Issuer and to the Republic of Argentina (“Argentina”) and its economy, the Programme and Notes to be issued under the Programme which is material in the context of the issue and offering of Notes, there are no untrue statements of material fact contained in it in relation to the Issuer and to Argentina, there is no omission to state a material fact which is necessary in order to make the statements made in it in relation to the Issuer, Argentina, the Programme or the Notes in the light of the circumstances under which they were made not misleading, the opinions and intentions expressed in this Offering Circular with regard to the Issuer and to Argentina are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, and all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements. The Issuer accepts responsibility accordingly.

This Offering Circular can be used only for the purposes for which it has been published. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe or purchase, any of the Notes. The distribution of this Offering Circular and the offering of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Notes and distribution of this Offering Circular see “Subscription and Sale”.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained or incorporated by reference in this Offering Circular or any Pricing Supplement, or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Dealers. The Pricing Supplement constitutes final terms for the purposes of listing Notes on the Luxembourg Stock Exchange and trading on the Euro MTF Market. Neither the delivery of this Offering Circular, any supplement hereto and any Pricing Supplement, nor any sale made hereunder shall, in any circumstance, create any implication that there has been no change in the affairs of the Issuer since the date hereof or that the information contained herein is correct as of any date subsequent to the date as of which it is given herein. No person is authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes or any information made public by the Issuer and if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer or the Dealers.

The Dealers make no representations or warranties, express or implied, as to the accuracy or completeness of the information contained or incorporated by reference in this Offering Circular.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR ANY STATE SECURITIES LAWS AND THE NOTES MAY INCLUDE NOTES IN BEARER FORM THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE NOTES MAY NOT BE OFFERED, SOLD OR, IN THE CASE OF BEARER NOTES, DELIVERED DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”)), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS OFFERING CIRCULAR HAS BEEN PREPARED BY THE ISSUER FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE NOTES OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S AND WITHIN THE

UNITED STATES TO “QUALIFIED INSTITUTIONAL BUYERS” IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”) AND FOR THE LISTING OF NOTES ON THE LUXEMBOURG STOCK EXCHANGE. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS, SALES AND TRANSFERS OF THE NOTES AND DISTRIBUTION OF THIS OFFERING CIRCULAR, SEE “SUBSCRIPTION AND SALE” AND “TRANSFER RESTRICTIONS”.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF A STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT SHALL BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS AND REGULATIONS.

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

Enforceability of Judgments

The Issuer is a political subdivision of a sovereign state, all of the officers of which are resident, and all of the assets of which are located, in Argentina. Although the Issuer has irrevocably submitted in the Trust Deed (as defined herein) to the jurisdiction of the courts of England to settle any disputes which may arise out of, or in connection with, the Notes or the Trust Deed and has waived, to the fullest extent permitted by applicable law, any immunity from suit, from the jurisdiction of any English court or any court located in any jurisdiction, from attachment prior to judgment, from attachment in aid of execution of judgment, from execution of judgment or from any other legal or judicial process or remedy and consented generally for the purposes of the State Immunity Act 1978 to the giving of any relief or the issue of any process in connection with any such proceedings or judgments, it may be difficult for investors to obtain, or realise, in England or elsewhere upon, judgment against the Issuer. In addition, under the Issuer’s Constitution and legislation any attachment of assets of the Issuer in aid of execution (before or after judgment) on the property and revenues of the Issuer will be subject to significant limitations. See “Risk Factors—Risk Factors relating to the City—Limitation on realisation of judgments against the City or its assets” in Part B of this Offering Circular.

Certain monetary amounts included in this document have been subject to rounding adjustments; accordingly figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetical aggregation of the figures preceding them.

Unless otherwise specified or the context requires, references herein to “dollars”, “U.S. dollars”, “U.S.\$” and “\$” are to United States dollars and references to “pesos” and “P\$” are to Argentine pesos. The exchange rate between the peso and the U.S. dollar on December 11, 2009 as quoted by the Argentine Central Bank for the sale of dollars was P\$3.80 = U.S.\$1.00.

None of the Dealers or their affiliates assumes any obligation to purchase any Notes or to make a market in the Notes, and no assurances can be given that a liquid market for the Notes will exist.

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FORMAT OF THE OFFERING CIRCULAR

This Offering Circular consists of this document (Part A) and Part B which contains information describing the Issuer. In addition, the relevant Pricing Supplement prepared in respect of the particular Tranche of Notes in connection with which this Offering Circular is being used shall be deemed to be incorporated in, and to form part of, this Offering Circular. References to this “Offering Circular” shall be taken to mean this document and Part B, as revised, supplemented and/or amended from time to time, and shall also include the applicable Pricing Supplement.

The Issuer has agreed to comply with any undertakings given by it from time to time to the Luxembourg Stock Exchange and/or the Buenos Aires Stock Exchange in connection with the Notes and, without prejudice to the generality of the foregoing, shall furnish to the relevant stock exchange all such information as required by the rules of such stock exchange in connection with the listing on such stock exchange of the Notes. The Issuer shall, during the continuance of the Programme, prepare a supplement to this Offering Circular or a new Offering Circular whenever required by the rules of the Luxembourg Stock Exchange and/or the Buenos Aires Stock Exchange.

SUMMARY OF THE PROGRAMME AND THE NOTES

The following does not purport to be complete and is a summary of, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined or used in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meaning in this Summary.

Issuer:	City of Buenos Aires.
Dealers:	Barclays Bank PLC, Barclays Capital Inc., Citigroup Global Markets Inc., Citigroup Global Markets Limited, Banco Macro S.A. and such other Dealers as may be appointed from time to time by the Issuer under the Programme.
Specified Currencies:	Notes may be denominated in any currency as may be agreed between the Issuer and the applicable Dealer(s) in the relevant Pricing Supplement, subject to applicable law.
Amount:	Up to U.S.\$1,100,000,000 (or its equivalent as at the respective dates of issue in other currencies) in aggregate nominal amount of Notes outstanding at any time, subject to any duly authorised increase.
Offering:	Notes may be offered (i) in the United States only to QIBs pursuant to Rule 144A and/or (ii) outside the United States to non-U.S. persons in reliance on Regulation S, as specified in the relevant Pricing Supplement. See “Subscription and Sale.”
Maturities:	Subject to compliance with all relevant laws and directives, any maturity between 30 days and 30 years, or in each case such other minimum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body (however called)) or any laws or regulations applicable to the relevant currency or currencies.
Issue Price:	Notes may be issued at par or at a discount to or premium over par. The issue price for each issue of Notes shall be set forth in the relevant Pricing Supplement.
Method of Issue and Further Issues:	The Notes will be issued on a continuous basis, which may include syndicated placements, with a minimum issue size of U.S.\$10,000,000. The Issuer reserves the right, with respect to any Series of Notes, from time to time without the consent of the holders of the Notes, to issue additional Notes of a Series so that the same shall be consolidated with, form a single issue with, and increase the aggregate nominal amount of, such Series of Notes.

Interest Rate:

Notes may (i) bear interest on a fixed rate or floating rate basis (determined by reference to one or more base rates), (ii) be issued on a fully discounted basis and not bear interest or (iii) be indexed, in each case as specified and described more fully in the relevant Pricing Supplement.

Withholding Tax:

All payments of principal and interest will be made free and clear of withholding or deduction for or on account of any taxes, duties, assessments or governmental charges imposed by or within the Republic of Argentina or any authority therein or thereof having power to tax, subject to certain exceptions. The Issuer shall, subject to certain exceptions and limitations, pay additional amounts (as described herein) in respect of such withholding or deduction so that the holder of the Notes receives the amount such holder would receive in the absence of such withholding or deduction although the Issuer may have the option to redeem the Notes in such an event if so specified in the applicable Pricing Supplement. See “Terms and Conditions of the Notes—Taxation.”

Form of Notes:

Notes may be issued in registered form, without interest coupons, or in bearer form, with or without interest coupons.

Registered Notes shall be represented initially by one or more Global Certificates, without coupons, which shall be either a DTC Restricted Global Certificate or a Regulation S Global Certificate, as specified in the applicable Pricing Supplement. In the case of Notes represented by a DTC Restricted Global Certificate, such DTC Restricted Global Certificate will be registered in the name of DTC, as depository, or a successor or nominee thereof, and deposited on behalf of the purchasers thereof with a custodian for DTC, and beneficial interests in the DTC Restricted Global Certificate shall be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Purchasers of Notes may hold their interests in a DTC Restricted Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system. In the case of Notes represented by a Regulation S Global Certificate, such Regulation S Global Certificate will be deposited with a common depository (the “**Common Depository**”) for and registered in the name of a common nominee of Euroclear and Clearstream, Luxembourg for credit to the respective accounts of beneficial owners of the Notes represented thereby. See “Form of the Notes”

Bearer Notes will, unless otherwise specified, only be sold outside the United States to non-U.S. persons in reliance on Regulation S and will, unless otherwise specified in the relevant Pricing Supplement, initially be represented by a temporary Global Note without interest coupons attached,

deposited with or on behalf of a Common Depository located outside the United States for Euroclear and Clearstream, Luxembourg. Interests in a temporary Global Note will be exchangeable for interests in a permanent Global Note in bearer form, without interest coupons, which may be exchangeable in the limited circumstances set out therein in whole, but not in part, for definitive Notes in bearer form (each, a “**Definitive Note**”). See “Form of the Notes”.

Bearer Notes will not be exchangeable for Registered Notes and Registered Notes will not be exchangeable for Bearer Notes. See “Terms and Conditions of the Notes—Form, Denomination and Title” and “Form of the Notes”.

Denominations:

Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, and, in all cases, Notes shall be issued in such other minimum denominations as may be allowed or required from time to time by the relevant central bank or equivalent regulatory authority in the relevant jurisdiction, or any laws or regulations applicable to the Issuer or the relevant Specified Currency, as the case may be, subject in all cases to changes in applicable legal or regulatory requirements.

In the case of any Notes which are to be offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under European Council Directive 2003/71/EC, the minimum denomination shall be at least €50,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes). In the case of any Registered Notes which are resold pursuant to Rule 144A under the United States Securities Act of 1933, as amended, the minimum denomination shall be at least U.S.\$250,000 and integral multiples of U.S.\$1,000 in excess thereof or, in respect of Notes denominated in a currency other than U.S. dollars, its approximate U.S. dollar equivalent. See “Terms and Conditions of the Notes—Form, Denomination and Title” and “Clearing and Settlement”.

Redemption:

The Pricing Supplement relating to each Tranche of Notes will state whether such Notes may be redeemed prior to their stated maturity or if such Notes will be redeemable at par or at such other redemption amount as specified. See “Terms and Conditions of the Notes—Redemption, Purchase and Options”.

Tax Redemption:

The Notes will be redeemable at the Issuer’s option, in whole (but not in part), at the amount specified in the applicable Pricing Supplement, plus accrued interest, in the event the Issuer is obligated to pay any additional amounts in respect of, among other things, Argentine withholding or other taxes as a result of a change in Argentine tax laws or regulations or in the interpretation thereof. See “Terms and Conditions of

the Notes—Redemption, Purchase and Options—Redemption for Taxation Reasons.”

Listing:

Application has been made to admit Notes to be issued under the Programme to listing on the Luxembourg Stock Exchange and the Buenos Aires Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange and the Mercado Abierto Electrónico S.A. However, Notes may be issued under the Programme that will not be listed or traded on such stock exchanges or markets, or any other stock exchange or market, and the Pricing Supplement applicable to a Series will specify whether or not Notes of such Series will be listed on the Luxembourg Stock Exchange and/or the Buenos Aires Stock Exchange and traded on the Euro MTF Market of the Luxembourg Stock Exchange and/or the Mercado Abierto Electrónico S.A. or any other stock exchange or market. In respect of Notes of any Series initially listed on the Luxembourg Stock Exchange and traded on the Euro MTF Market of the Luxembourg Stock Exchange, the Issuer may seek to terminate such listing and list such Notes on an alternative stock exchange outside the European Union in the event that any European Community directive or Luxembourg law imposes onerous obligations on the Issuer at such time as it comes into force. See “General Information”.

Status of the Notes:

All Notes issued under the Programme will be direct, unconditional, unsecured and unsubordinated obligations of the Issuer ranking at all times *pari passu* and without any preference among themselves and shall at all times rank at least equally with all other present and future unsecured and unsubordinated indebtedness of the Issuer. See “Terms and Conditions of the Notes—Status”.

Negative Pledge:

There will be a negative pledge in respect of (i) subject to certain exceptions (which relate to borrowing from official persons, after acquired property, development of property, judgement debts and, subject to certain limitations, a general level of permitted security), any security upon the whole or any part of the assets or revenues, present or future, of the Issuer to secure any obligation (whether present or future, actual or contingent) for any payment or repayment in respect of money borrowed or raised, and (ii) subject to certain exceptions (which relate to existing commitments and the exceptions described in (i) above), any commitment, agreement, understanding or acceptance by the Issuer or which affects the Issuer which allows any revenues present or future to be applied to any particular commitment or obligation in priority to any other commitment or obligation of or on behalf of the Issuer. See “Terms and Conditions of the Notes—Negative Pledge”.

Cross Default:	There will be a cross default in respect of any present or future indebtedness of the Issuer for or in respect of money borrowed or raised, or any guarantee thereof, which becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or is not paid when due provided that the aggregate amount of the relevant indebtedness or guarantee equals or exceeds U.S.\$10,000,000 or its equivalent in another currency, all as more fully set out in Condition 9(c).
Governing Law:	The Notes and the Trust Deed will be governed by, and construed in accordance with, English law.
Selling Restrictions:	The offer and sale of Notes will be subject to selling restrictions including, in particular, those of the United States of America, the United Kingdom, the European Economic Area, Japan, Switzerland, the Republic of Italy and Argentina. Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements in effect at the time of such issuance. See “Subscription and Sale”. Any further restrictions that may apply to a particular issue of Notes will be specified in the relevant Pricing Supplement.
Transfer Restrictions:	There are restrictions on the transfer of Registered Notes sold in reliance on Rule 144A. See “Transfer Restrictions”.
Clearing Systems:	Euroclear and Clearstream, Luxembourg for Bearer Notes and Registered Notes sold in reliance on Regulation S and DTC for Registered Notes sold in reliance on Rule 144A.
Pricing Supplement:	The Pricing Supplement for each issue of Notes shall set forth, among other things, details of the Terms and Conditions of the Notes being offered. Such information may differ from that set forth herein and, in all cases, shall supplement and, to the extent inconsistent herewith, supersede the information herein.
Use of Proceeds:	The net proceeds of any issue of Notes will be used by the Issuer as specified in the applicable Pricing Supplement.
Risk Factors:	Risk factors are contained in Part B of this Offering Circular.
Terms and Conditions:	The Terms and Conditions applicable to each Series of Notes will be as agreed between the Issuer and the relevant Dealers or purchasers at or prior to the date of issue of such Series and will be specified in the Pricing Supplement prepared in respect of such Notes. The Terms and Conditions applicable to each Series will accordingly be those set out in this Offering Circular as supplemented, modified or replaced by

the relevant Pricing Supplement.

Constitution:

The Notes are constituted, and investors' rights will be governed, by an amended and restated trust deed (the "**Trust Deed**"), dated July 30, 2008, between the Issuer and The Bank of New York Mellon as trustee, a copy of which will be available for inspection at the specified offices of the trustee, the principal paying agent, the paying agents, the calculation agent, the registrar, the exchange agent and the transfer agents.

Trustee:

The Bank of New York Mellon

Principal Paying Agent and Calculation Agent:

The Bank of New York Mellon

Registrar, Exchange Agent and Transfer Agent:

The Bank of New York Mellon

Paying Agent and Transfer Agent:

The Bank of New York Mellon (Luxembourg) S.A.

London Paying Agent:

The Bank of New York Mellon, acting through its London Branch

TERMS AND CONDITIONS OF THE NOTES

The following, save in respect of provisions in italics, is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes and/or Certificates in definitive form (if any) issued in exchange for the Global Note(s) and/or Global Certificates representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such definitive Bearer Notes or on the definitive Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Bearer Notes or definitive Certificates, as the case may be. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by an amended and restated Trust Deed (as further amended or supplemented in relation to the Notes, the “**Trust Deed**”) dated July 30, 2008 between City of Buenos Aires (the “**Issuer**”) and The Bank of New York Mellon (the “**Trustee**” which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). The issue of the Notes has been authorised by Ordinance No. 51.270 dated December 21, 1996 of the Municipal Council of the Issuer, Law No. 323 dated December 22, 1999 and Law No. 2,570 dated January 9, 2008 of the Legislature of the Issuer, Decrees No. 557/00, 51/08 and 195/08 of the Head of Government of the Issuer and Resolutions No. 101/08 and 330/08 of the Ministry of Finance of the Issuer. Further authorisations, if any, will be specified on the Notes. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Global Notes, Certificates, Receipts, Coupons and Talons referred to below. Copies of the Trust Deed and the amended and restated Agency Agreement (as further amended or supplemented in relation to the Notes, the “**Agency Agreement**”) dated July 30, 2008 and made between the Issuer, the Trustee and the Agents (as defined below) in relation to the Notes are available for inspection during usual business hours at the specified offices of each of the Trustee and the principal paying agent, the paying agents, the calculation agent, the registrar, the exchange agent and the transfer agents for the time being. Such persons are referred to below respectively as the “**Principal Paying Agent**”, the “**Paying Agents**” (which expression shall include the Principal Paying Agent), the “**Calculation Agent**”, the “**Registrar**”, the “**Exchange Agent**” and the “**Transfer Agents**” and together as the “**Agents**”.

The Noteholders, the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) and the holders of the receipts for the payment of instalments of principal (the “**Receipts**”) relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all of the provisions of the Trust Deed and of the relevant Pricing Supplement (as defined below) and are deemed to have notice of those applicable to them of the Agency Agreement.

As used in these conditions, “**Tranche**” means Notes which are identical in all respects.

1 Form, Denomination and Title

The Notes are issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”), in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in

relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(b), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the Register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, “Noteholder” means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 Transfers of Registered Notes

- (a) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (b) **Partial Redemption in Respect of Registered Notes:** In the case of a partial redemption (whether on exercise of an optional redemption or otherwise) of a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder in respect of the balance of the holding not redeemed. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.
- (c) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(a) or (b) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c), “**business day**” means a day,

other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

- (d) **Exchange Free of Charge:** Exchange and transfer of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).
- (e) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.
- (f) **Regulations:** All transfers of Registered Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be made available by the Registrar to any holder of a Registered Note upon request.

3 Status

The Notes, and the Receipts and Coupons relating to them constitute (subject to Condition 4) direct, unconditional, unsecured and unsubordinated obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other present and future unsecured and unsubordinated indebtedness of the Issuer.

4 Negative Pledge

- (a) **Negative Pledge:** So long as any Note, Receipt or Coupon remains outstanding (as defined in the Trust Deed) the Issuer will not create or permit to subsist:
 - (i) any Security, other than Permitted Security, upon the whole or any part of its assets or Revenues, present or future, to secure any Relevant Debt, unless, at the same time or prior thereto, the Issuer's obligations under the Notes, the Receipts, the Coupons and the Trust Deed (1) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, in each case to the satisfaction of the Trustee, or (2) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders, or as shall be approved by an Extraordinary Resolution (as defined in Condition 11(a)) of the Noteholders; or
 - (ii) any law or regulation or any commitment, agreement, understanding or acceptance by the Issuer or which affects the Issuer which allows any Revenues present or future to be applied to any particular commitment or obligation, other than Permitted Security or an Existing Commitment, of or on behalf of the Issuer in priority to any other commitment or obligation of or on behalf of the Issuer, unless, at the same time or prior thereto, the Issuer's obligations under the Notes, the Receipts, the Coupons and the Trust Deed have the benefit of such other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders, or as shall be approved by an Extraordinary Resolution of the Noteholders.
- (b) **Definitions:** For the purposes of this Condition 4:

“Existing Commitment” means (1) the requirement for the Issuer contained in Law No. 23,514, as amended, to apply a specified percentage of amounts collected to finance expansion of the subway system in the City of Buenos Aires, (2) the requirement for the Issuer contained in Ordinance No. 44,407, as amended, to apply a specified percentage of taxes collected by the City to a specified account for payment of incentives to employees of the Issuer and to pay for computer equipment, (3) the commitment of the Issuer to allow the Federal Government to withhold from the tax co-participation payments made or to be made by the Federal Government to the Issuer pursuant to Law No. 23,548, as amended, amounts equal to payments made by the Federal Government under any loans passed on from the Federal Government to the Issuer and originating from an Official Person and in respect of which loans the Issuer has failed to pay the Federal Government in accordance with their terms, and (4) the requirement for the Issuer to apply certain of the funds made available by the Federal Government, separately from the Federal Government’s tax co-participation payments, to particular third party causes under arrangements between the Issuer and the Federal Government whereby such funds are to be applied exclusively or primarily for such causes.

“Fiduciary Arrangements” means any law, regulation, agreement or arrangement pursuant to which the Issuer allows Banco de la Ciudad de Buenos Aires or any other bank or financial institution to (i) deduct or set aside amounts from the funds of the Issuer deposited with any such bank or financial institution or (ii) otherwise have preferential recourse to certain assets or Revenues of the Issuer, in each case to create or fund fiduciary funds for the financing of infrastructure projects carried out by, or for the benefit of, the Issuer, which projects have been considered as a high priority by the Issuer’s Head of Government and provided for in the Issuer’s budget for the relevant period.

“Federal Government” means the federal government of Argentina or any of its federal agencies, funds or entities.

“Maximum Limit” means, the greater of (i) U.S.\$200,000,000 (or its equivalent in another currency (as reasonably determined by the Trustee)) and (ii) 15.0% of the Issuer’s total Revenues in the fiscal year most recently completed (determined at the time of creation of the relevant Security or Fiduciary Arrangement) for which historical accounts are available.

“Official Person” means:

- (A) the International Bank for Reconstruction and Development, the Inter-American Development Bank and any other multi-lateral body or any bi-lateral body of which Argentina is a member and which lends to the Issuer directly or through the Federal Government;
- (B) any official governmental agency or department of any country; and
- (C) any export credit agency of any country.

“Permitted Security” means:

- (A) any Security securing Relevant Debt of the Issuer in an outstanding nominal amount not to exceed, at the time such Security is created, the Maximum Limit at the time such Security is created minus the aggregate amount of Fiduciary Arrangements outstanding under paragraph (B) below at the time such Security is created;
- (B) any Fiduciary Arrangement in an outstanding amount not to exceed, when added to the aggregate outstanding amount of any other Fiduciary Arrangement in existence at the time any such Fiduciary Arrangement is created, the Maximum Limit at the time such Fiduciary Arrangement is

created minus the aggregate principal amount of any Relevant Debt secured under paragraph (A) above at the time such Fiduciary Arrangement is created;

- (C) any Security securing Relevant Debt of the Issuer to an Official Person;
- (D) any Security upon any property of the Issuer to secure Relevant Debt of the Issuer incurred specifically for the purpose of financing the acquisition of the property subject to such Security and provided that the principal amount of the Relevant Debt so secured does not exceed 80.0% of the value of the property (as determined by the Office of the Ministry of Finance of the City) the subject of such Security and such Security is created within 60 days of the date of such acquisition;
- (E) any Security existing on any property at the time of its acquisition to secure Relevant Debt of the Issuer provided that such Security was not created in contemplation of such acquisition;
- (F) any Security securing Relevant Debt incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project provided that the property over which such Security is granted consists solely of the assets and revenues of such project or the ownership interest therein;
- (G) any replacement, renewal, refinancing or extension of the Relevant Debt secured by any Security permitted by paragraphs (C) to (E) above upon the same property theretofore subject to such Security provided that the principal amount of the Relevant Debt so secured is not increased from its original principal amount; and
- (H) any Security upon any property of the Issuer to secure a judgment in respect of Relevant Debt of the Issuer, which judgment is being contested in good faith by the Issuer; and

“**Relevant Debt**” means any obligation (whether present or future, actual or contingent) for any payment or repayment in respect of money borrowed or raised.

“**Revenues**” means the cash receipts by the Issuer from taxes levied by the Issuer, from tax co-participation payments and other transfers made by the Federal Government to the Issuer and from fees, concessions, licences and other non-tax sources of income.

“**Security**” means any mortgage, charge, pledge, lien, fiduciary assignment or other form of encumbrance or security interest.

5 Interest and other Calculations

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with condition 5(h).
- (b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**
 - (i) *Interest Payment Dates:* Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as

Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon
- (y) the Designated Maturity is a period specified hereon and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

- (y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and
- (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market,

as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the reasonable opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

- (iv) *Rate of Interest for Index Linked Interest Notes:* The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.
- (c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).
- (d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.
- (e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.
- (f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (after as well as before judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).
- (g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**

- (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.
 - (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
 - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “**unit**” means the lowest amount of such currency that is available as legal tender in the country(ies) of such currency.
- (h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.
- (i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended

by the Calculation Agent (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 9, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

- (j) **Determination or Calculation by Trustee:** If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.
- (k) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Business Day**” means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or
- (ii) in the case of euro, a day on which the TARGET system is operating (a “**TARGET Business Day**”) and/or
- (iii) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the “**Calculation Period**”):

- (i) if “**Actual/Actual**” or “**Actual/Actual - ISDA**” is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)
- (ii) if “**Actual/365 (Fixed)**” is specified hereon, the actual number of days in the Calculation Period divided by 365
- (iii) if “**Actual/360**” is specified hereon, the actual number of days in the Calculation Period divided by 360
- (iv) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30

- (v) if “**30E/360**” or “**Eurobond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30

- (vi) if “**30E/360 (ISDA)**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D₂** will be 30

- (vii) if “**Actual/Actual-ICMA**” is specified hereon,
- (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
 - (b) if the Calculation Period is longer than one Determination Period, the sum of:
 - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
 - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date and

“**Determination Date**” means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s)

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

“**Interest Accrual Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“**Interest Amount**” means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable

on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“**Interest Commencement Date**” means the Issue Date or such other date as may be specified hereon.

“**Interest Determination Date**” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

“**Interest Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

“**Interest Period Date**” means each Interest Payment Date unless otherwise specified hereon.

“**ISDA Definitions**” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

“**Rate of Interest**” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

“**Reference Banks**” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

“**Reference Rate**” means the rate specified as such hereon.

“**Relevant Screen Page**” means such page, section, caption, column or other part of a particular information service as may be specified hereon.

“**Specified Currency**” means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

“**TARGET System**” means the TARGET2 (the Trans-European Automated Real-Time Gross Settlement Express Transfer) System or any successor thereto.

- (1) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or

investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6 Redemption, Purchase and Options

(a) Redemption by Instalments and Final Redemption:

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) Early Redemption:

- (i) *Zero Coupon Notes:*
 - (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 9 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
 - (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
 - (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 9 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption

Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

- (ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 9, shall be the Final Redemption Amount unless otherwise specified hereon.
- (c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b)) (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts described under Condition 8 in excess of the additional amounts which would be payable in respect of deductions or withholdings made at the rate of the Original Withholding Level, if any, specified on such Notes as a result of any change in, or amendment to, the laws or regulations of the Republic of Argentina, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of a Series of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Before the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee a certificate signed by two duly authorised officers of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on Noteholders and Couponholders.
- (d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon. All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition. In the case of a partial redemption, the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.
- (e) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, subject to compliance with all relevant laws, regulations and directives, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount

together with interest accrued to the date fixed for redemption. To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes), the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (“**Exercise Notice**”) in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

- (f) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.
- (g) **Purchases:** The Issuer may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price, provided that in any such case such purchase or purchases are in compliance with all relevant laws, regulations and directives. The Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 11 and 12.
- (h) **Cancellation:** All Notes purchased by or on behalf of the Issuer may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Principal Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7 **Payments and Talons**

- (a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for final redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. “Bank” means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.
- (b) **Registered Notes:**
 - (i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
 - (ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than the final Instalment Amount) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth RN

Business Day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank. For the purposes of this Condition 7(b), “**RN Business Day**” means, in the case of a Registered Note registered in the name of, or in the name of a nominee for, The Depository Trust Company (“**DTC**”), a DTC Business Day and, in the case of any other Registered Note, and day on which banks are open for business in London and New York City.

- (iii) Payments of principal and interest in respect of Registered Notes registered in the name of, or in the name of a nominee for, DTC and denominated in a Specified Currency other than U.S. dollars will be made or procured to be made by the Principal Paying Agent in the relevant Specified Currency in accordance with the following provisions. The amounts in such Specified Currency payable by the Principal Paying Agent or its agent to DTC with respect to Registered Notes held by DTC or its nominee will be received from the Issuer by the Principal Paying Agent who will make payments in such Specified Currency by wire transfer of same day funds to the designated bank account in such Specified Currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of interest payments, on or prior to the third DTC Business Day after the Record Date for the relevant payment of interest and, in the case of payments of principal, at least 12 DTC Business Days prior to the relevant payment date, to receive that payment in such Specified Currency. The Principal Paying Agent, after the Exchange Agent has converted amounts in such Specified Currency into U.S. dollars, will deliver such U.S. dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such Specified Currency. The Agency Agreement sets out the manner in which such conversions are to be made.
- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.
- (d) **Payments Subject to Fiscal Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Appointment of Agents:** The Principal Paying Agent, the Paying Agents, the Registrar, the Calculation Agent, the Exchange Agent and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Paying Agents, the Registrar, the Calculation Agent, the Exchange Agent and the Transfer Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of

any Agent, to appoint another Registrar, Exchange Agent or Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar and a Transfer Agent in New York City, (iii) a Paying Agent and a Transfer Agent having a specified office in a European city which, so long as the Exchange on which the Notes are listed is the Luxembourg Stock Exchange and the rules of that exchange so require, shall be Luxembourg, (iv) a Calculation Agent, (v) an Exchange Agent and (vi) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c).

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) Unmatured Coupons and Receipts and unexchanged Talons:

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index linked Notes), such Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 10).
- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexpired Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (v) Where any Bearer Note that provides that the relative unexpired Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unexpired Coupons, and where any Bearer Note is presented for redemption without any unexpired Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation and/or surrender, if appropriate of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against

presentation and/or surrender, if appropriate of the relevant Note or Certificate representing it, as the case may be.

- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 10).
- (h) **Non-Business Days and DTC Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7(h), “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “**Financial Centres**” hereon and:
 - (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or
 - (ii) (in the case of a payment in euro) which is a TARGET Business Day.

For the purposes of Condition 7(b), “**DTC Business Day**” means any day on which DTC is open for business.

8 Taxation

- (a) **Additional Amounts:** All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges (together, the “**Taxes**”) of whatever nature imposed, levied, collected, withheld or assessed by or within the Republic of Argentina or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable, with respect to any Note, Receipt or Coupon:
 - (i) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such Taxes in respect of such Note, Receipt or Coupon by reason of his having some connection with the Republic of Argentina other than the mere holding of the Note, Receipt or Coupon; or
 - (ii) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing it is surrendered) for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days; or
 - (iii) **Payment to individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
 - (iv) **Payment by another Paying Agent:** (except in the case of Registered Notes) presented for payment by or on behalf of a holder who would have been able to

avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used in these Conditions, “**Relevant Date**” in respect of any Note, Receipt or Coupon means the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or surrender of the relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “principal” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) “interest” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) “principal” and/or “interest” shall be deemed to include any additional amounts that may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed.

- (b) **Personal Assets Tax:** In the event that the Issuer pays any personal property tax (*impuesto a los bienes personales*) in respect of the Notes, in accordance with Law No. 23,966, as may be amended or modified, replaced or superseded from time to time, the Issuer shall waive any right it may have under Argentine law to seek reimbursement (whether by deduction from payments of principal or interest on such Notes or otherwise) from the holder or beneficial owner of the Notes of any such amounts paid.

9 Events of Default

If any of the following events occurs the Trustee at its discretion may, and if so requested by holders of at least 25% in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to it being indemnified and/or secured to its satisfaction), give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount specified on such Notes or, if none is so specified, at the Principal Amount specified on such Notes (minus the sum of any Instalment Amounts paid in respect of such Note) together with interest accrued to the date of redemption:

- (a) **Non-Payment:** the Issuer fails to pay any principal of the Notes when due or interest on any of the Notes within 30 days of when due; or
- (b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 60 days after notice of such default shall have been given to the Issuer by the Trustee; or
- (c) **Cross Default:** (i) any other Relevant Debt (as defined in Condition 4(b)) becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer, or (ii) any Relevant Debt is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds U.S.\$10,000,000 or its equivalent in another currency (as reasonably determined by the Trustee); or
- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process in respect of an amount equal to or in excess of U.S.\$10,000,000 is levied, enforced or sued out on or

against any material part (in the opinion of the Trustee) of the property, assets or revenues of the Issuer and is not discharged, stayed or contested in good faith by the Issuer within 60 days; or

- (e) **Security Enforced:** (i) any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer and in respect of an amount equal to or in excess of U.S.\$10,000,000 or its equivalent in another currency (as reasonably determined by the Trustee) becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, manager or other similar person) or (ii) any commitment, agreement, understanding or acceptance by the Issuer or which affects the Issuer which allows any Revenues (as defined in Condition 4(b)) present or future to be applied to any particular commitment or obligation of or on behalf of the Issuer, becomes enforceable (other than, in respect of Existing Commitments (as defined in Condition 4(b)), in accordance with the customary terms of their operation) and any step is taken to enforce it (including the taking of possession of assets or revenues other than, in respect of Existing Commitments, in accordance with the customary terms of their operation) or the appointment of a receiver, administrative receiver, manager or other similar person); or
- (f) **Insolvency:** the Issuer is (or is, or could be, deemed by law or a court to be) unable to pay its Relevant Debt (as defined in Condition 4(b)) as it becomes due, stops, suspends or threatens to stop or suspend payment of all or (in the opinion of the Trustee) a material part of its Relevant Debt, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its Relevant Debt (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any such Relevant Debt or a moratorium is agreed or declared in respect of or affecting all or any part of the Relevant Debt of the Issuer; or
- (g) **Authorisations and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, the Coupons, the Receipts and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable or (iii) to make the Notes, the Coupons, the Receipts and the Trust Deed admissible in evidence in the courts of the Republic of Argentina is not taken, fulfilled or done; or
- (h) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or
- (i) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs;

provided that in the case of paragraphs (b), (d), (e), (g) and (h), the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders.

10 Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which, for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date in respect thereof.

11 Meetings of Noteholders, Modification, Waiver and Substitution

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders of each Series to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed as they relate to the Notes. Such a meeting may be convened by

the Issuer or the Trustee, and the Trustee (subject to being indemnified and/or secured to its satisfaction against all costs and expenses thereby occasioned) shall convene such a meeting upon written request of Noteholders holding not less than 10% in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing in aggregate more than 50% in nominal amount of the Notes of the relevant Series for the time being outstanding, or at any adjourned meeting two or more persons holding or representing holders of Notes of the relevant Series whatever the nominal amount of the Notes of the relevant Series held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of maturity or redemption of the Notes or any Instalment Date, or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the Principal Amount, Redemption Amount, Call Redemption Amount, Put Redemption Amount, Early Redemption Amount (if any) or Instalment Amount (if any), of the Notes of any Series, (iii) to reduce the rate or rates of interest in respect of the Notes of any Series or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes of any Series, (iv) if there is specified on the Notes of any Series a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount, to reduce any such Minimum and/or Maximum (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount of any Series, (vi) to vary the currency or currencies of payment or denomination of the Notes of any Series, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders of any Series or the majority required to pass an Extraordinary Resolution in which case the necessary quorum shall be two or more persons holding or representing not less than 75%, or at any adjourned meeting not less than 25%, in nominal amount of the Notes of the relevant Series for the time being outstanding. An "Extraordinary Resolution" is defined in the Trust Deed to mean a resolution passed at a meeting of Noteholders duly convened and held in accordance with these provisions by a majority of at least 75% of the votes cast. A written resolution of holders of not less than 90% in principal amount of the Notes of the relevant Series for the time being outstanding shall take effect as an Extraordinary Resolution for all purposes. Any Extraordinary Resolution duly passed shall be binding on all holders of Notes of the relevant Series (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

- (b) **Modification of the Trust Deed:** The Trustee and the Issuer may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error, (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed and (iii) determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) will not be treated as such, provided that in the case of (ii) and (iii) above such modification, waiver or determination is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.
- (c) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders, or the Noteholders or Couponholders in respect of Notes of any particular Tranche or Series, and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any

indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

12 Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed, the Notes, the Receipts and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 20% in nominal amount of the Notes of such Series outstanding, and (b) it shall have been indemnified and/or secured to its satisfaction. No Noteholder, Receiptholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of and/or provision of security to the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

14 Replacement of Bearer Notes, Coupons, Talons and Definitive Registered Notes

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Paying Agent in Luxembourg (in the case of Bearer Notes, Receipts, Coupons and Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15 Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

16 Notices

Notices to holders of Registered Notes shall be mailed to them at their respective addresses in the Register and shall be published (i) (so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require) either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*), (ii) (if and so long as the Notes are listed on any other stock exchange and the rules of that exchange so require) in any newspaper required by that

stock exchange and (iii) in a leading newspaper having general circulation in Buenos Aires. Any such notice shall be deemed to have been given on the later of the date of such publication and the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes will be valid if published (i) in a daily newspaper having general circulation in London, (ii) (so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require) in a leading newspaper having general circulation in Luxembourg, (iii) (if and so long as the Notes are listed on any other stock exchange and the rules of that exchange so require) in any newspaper required by that stock exchange and (iv) in a leading newspaper having general circulation in Buenos Aires or if in the opinion of the Trustee any such publication in London or Luxembourg is not practicable, in another leading daily English language newspaper having general circulation in Europe approved by the Trustee). It is expected that such publication will be made on the website of the Luxembourg Stock Exchange (www.bourse.lu), in the Financial Times in London, the *Luxemburger Wort* in Luxembourg and *La Nación* in Buenos Aires. Notices will, if published more than once in the same manner, be deemed to have been given on the date of the first publication in both such newspapers as provided above and will, if published more than once on different dates or in a different manner, be deemed to have been given on the date of the last publication in both such newspapers as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

17 Governing Law and Jurisdiction

- (a) **Governing Law:** The Trust Deed, the Notes, the Receipts, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts, the Coupons, the Talons or the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Receipts, the Coupons, the Talons or the Trust Deed (“Proceedings”) may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.
- (c) **Agent for Service of Process:** The Issuer has in the Trust Deed appointed an agent in England to receive service of process in any Proceedings in England. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.
- (d) **Waiver of Immunity:** To the extent that the Issuer or any of its revenues, assets or properties shall be entitled in England or in any jurisdiction in which any suit, action or proceeding may at any time be brought for the purpose of enforcing or executing any final non-appealable judgment in any Proceedings (a “Judgment”) to any immunity from suit, from the jurisdiction of any English court or any court located in any jurisdiction, from set-off, from attachment prior to judgment, from attachment in aid of execution of judgment, from execution of a judgment or from any other legal or judicial process or remedy, and to the extent that in any such jurisdiction there shall be attributed such an immunity, the Issuer has agreed in the Trust Deed not to claim and has irrevocably waived such immunity to the fullest extent permitted by the laws of such jurisdiction (and consents generally for the purposes of the State Immunity Act 1978 to the giving of any relief or the issue of any process in connection with any Proceedings or Judgment). The waiver of immunities referred to herein constitutes only a limited and specific waiver for the purpose of the Notes, the Receipts, the Coupons and the Trust Deed and under no circumstances shall it be interpreted as a general waiver of the Issuer or a waiver with respect to proceedings unrelated to the Notes, the Receipts, the Coupons or the Trust Deed.

18 Contracts (Right of Third Parties) Act 1999

No person shall have any rights to enforce any terms or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

FORM OF THE NOTES

Initial Issue of Notes

Upon the initial deposit of a Global Note with a Common Depositary for Euroclear and Clearstream, Luxembourg or registration of Regulation S Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relevant Regulation S Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. Upon the initial deposit of a DTC Restricted Global Certificate in respect of, and registration of, DTC Restricted Registered Notes in the name of a nominee for DTC and delivery of the relevant DTC Restricted Global Certificate to the Custodian for DTC, DTC will credit each participant with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg, DTC or such clearing system (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, DTC or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

Bearer Notes

Bearer Notes will initially be represented by a temporary Global Note, or by a permanent Global Note, each without Coupons, which will be deposited with a common depositary on behalf of Clearstream, Luxembourg and Euroclear on the relevant Issue Date. Interests in the temporary Global Note shall be exchangeable in whole or in part for interests in a permanent Global Note representing Bearer Notes of the relevant Tranche, not earlier than 40 days after the later of the commencement of the offering of the relevant Tranche and the relevant Issue Date, upon certification as to non-U.S. beneficial ownership.

Each temporary Global Note, permanent Global Note and any Definitive Note, Talon, Coupon and Receipt will bear the following legend:—

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code.”

The sections of the U.S. Internal Revenue Code referred to in the legend provide that a U.S. taxpayer, with certain exceptions, will not be permitted to deduct any loss, and will not be eligible for capital gains treatment with respect to any gain, realised on any sale, exchange or redemption of Bearer Notes or any related Coupons.

Summary of Provisions Relating to Bearer Notes while in Global Form

Each temporary Global Note and each permanent Global Note will contain provisions that apply to the Bearer Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes set out in this document. The following is a summary of certain of those provisions:—

(1) *Exchange:* A temporary Global Note is exchangeable in whole or in part for interests in a permanent Global Note representing Bearer Notes not earlier than 40 days after the later of the commencement of the offering of the relevant Tranche and the relevant Issue Date, upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. If a Global Note is specified in the relevant Pricing Supplement as being exchangeable for Definitive Notes, such Global Note is exchangeable (free of charge to the holder) in whole but not (except where permitted by the rules of the clearing systems and in accordance with the Conditions relating to Partly Paid notes) in part for Definitive Notes, on or after the Exchange Date (as defined below), (i) by the Issuer giving notice to the Principal Paying Agent, the Trustee and the Noteholders of its intention to effect such exchange, (ii) if the Global Note is held on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, or (iii) by a holder giving notice to the Principal Paying Agent of its election for such exchange, if applicable.

On or after any Exchange Date (as defined below), the holder of a Global Note may surrender the Global Note to or to the order of the Principal Paying Agent. In exchange for the Global Note, the Issuer will deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes (having attached to them all Coupons and Talons in respect of interest which has not already been paid on the Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in Schedule 2 Part A to the Trust Deed. On exchange of the Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

“**Exchange Date**” means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and in the cities in which Euroclear and Clearstream, Luxembourg, or an alternative clearing system, are located.

(2) *Payments:* No payments will be made on the temporary Global Note unless exchange for an interest in the permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Bearer Notes represented by the permanent Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Bearer Notes, surrender of the permanent Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the permanent Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Bearer Notes.

(3) *Notices:* So long as the Bearer Notes are represented by the Global Note and the Global Note is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders, except that so long as the Bearer Notes are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, notices shall also be published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and so long as the Bearer Notes are listed on any other stock exchange and the rules of that exchange so require, notices shall also be published in any newspaper required by the rules of that stock exchange.

(4) *Prescription:* Claims against the Issuer in respect of principal and interest in respect of the Global Note will become prescribed unless the Global Note is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

(5) *Meetings*: The holder of the Global Note will (unless the Global Note represents only one Bearer Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, as having one vote in respect of each integral currency unit of the Specified Currency of Notes for which the Global Note may be exchanged.

(6) *Purchase and cancellation*: Cancellation of any Bearer Note required by the Conditions to be cancelled following its purchase will be effected by reduction in the nominal amount of the Global Note, and evidenced by the appropriate notation in the relevant schedule to such Global Note.

(7) *Default*: The Global Note provides that the holder may cause the Global Note to become due and payable in the circumstances described in Condition 9 by giving notice thereof to the Trustee.

(8) *Trustee's powers*: In considering the interests of Noteholders while the Global Note is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders or participants with entitlements to the Global Note and may consider such interests as if such accountholders were the holder of the Global Note.

(9) *Call option*: Any option of the Issuer provided for in the Conditions shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required.

(10) *Put option*: Any option of the Noteholders provided for in the Conditions may be exercised by the holder of the Global Note giving notice to the Issuer within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the Global Note to the Principal Paying Agent, or to a Paying Agent acting on behalf of the Principal Paying Agent, for notation accordingly in the Fourth Schedule to the permanent Global Note.

Registered Notes

Registered Notes which are sold in an “offshore transaction” within the meaning of Regulation S (“**Regulation S Registered Notes**”) will initially be represented by interests in a Regulation S Global Certificate, without interest coupons, deposited with a common nominee for, and registered in the name of a common nominee of, Clearstream, Luxembourg and Euroclear on its Issue Date. Registered Notes of such Tranche resold pursuant to Rule 144A (“**DTC Restricted Registered Notes**”) will initially be represented by a DTC Restricted Global Certificate, without interest coupons, deposited with a custodian for, and registered in the name of a nominee of, DTC on its Issue Date. Any DTC Restricted Global Certificate and any individual definitive DTC Restricted Registered Notes (“**DTC Restricted Certificates**”) will bear a legend applicable to purchasers who purchase the Registered Notes pursuant to Rule 144A as described under “Transfer Restrictions”.

Summary of Provisions Relating to Registered Notes while in Global Form

Each Global Certificate will contain provisions which apply to the Registered Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes set out in this document. The following is a summary of certain of those provisions:—

(1) *Exchange*: Registration of title to Registered Notes in a name other than a depository or its nominee for Clearstream, Luxembourg and Euroclear or for DTC will not be permitted unless (i) in the case of DTC Restricted Registered Notes, DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the DTC Restricted Global Certificates, or ceases to be a “clearing agency” registered under the U.S. Securities Exchange Act of 1934 (the “Exchange Act”), or is at any time no longer eligible to act as such and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC, (ii) in the case of Regulation S Registered

Notes, Clearstream, Luxembourg or Euroclear is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does, in fact do so, or (iii) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of the Noteholders under the Notes and the Trustee has been advised by counsel that in connection with such proceeding it is necessary or appropriate for the Trustee to obtain possession of the Notes. In such circumstances, the Issuer will cause sufficient Definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with:—

- (i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Definitive Certificates; and
- (ii) in the case of a DTC Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Definitive Certificates issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

So long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notice of the availability of Definitive Certificates in any such circumstances shall be given to the Luxembourg Stock Exchange and published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

(2) *Notices:* So long as the Registered Notes are represented by a Global Certificate and such Global Certificate is registered in the name of any nominee for a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders, except that so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, notices shall also be published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and so long as the Notes are listed on any other stock exchange and the rules of that exchange so require, notices shall also be published in any newspaper required by the rules of that stock exchange.

(3) *Meetings:* The holder of Notes represented by a Global Certificate shall (unless such Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, as having one vote in respect of each integral currency unit of the Specified Currency of Notes for which such Global Certificate may be exchanged.

(4) *Trustee's powers:* In considering the interests of Noteholders while any Global Certificate is registered in the name of any nominee for a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders or participants with entitlements to such Global Certificate and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Certificate.

(5) *Call option:* Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a Global Certificate shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions.

(6) *Put option:* Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Global Certificate may be exercised by the holder of the Global Certificate giving notice to the Issuer within the time limits relating to the deposit of Notes with the Registrar or any Transfer Agent set out in the Conditions substantially in the form of the notice available from the Registrar or any Transfer Agent, except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised.

CLEARING AND SETTLEMENT

Book-Entry Ownership

Bearer Notes

The Issuer has made applications to Clearstream, Luxembourg and Euroclear for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note in bearer form without coupons will be deposited with a common depository for Clearstream, Luxembourg and Euroclear. Transfers of interests in a temporary Global Note or a permanent Global Note will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream, Luxembourg and Euroclear.

Registered Notes

The Issuer has made applications to Clearstream, Luxembourg and Euroclear for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Regulation S Global Certificate. Each Regulation S Global Certificate will have an International Securities Identification Number (“**ISIN**”) and a Common Code. Investors in Notes of such Series may hold their interests in a Regulation S Global Certificate only through Clearstream, Luxembourg or Euroclear.

The Issuer and the Principal Paying Agent have made applications to DTC for acceptance in its book-entry settlement system of the DTC Restricted Registered Notes represented by each DTC Restricted Global Certificate. Each DTC Restricted Global Certificate will have a CUSIP number. Each DTC Restricted Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Certificate, as set out under “Transfer Restrictions”. In certain circumstances, as described below in “Transfers of Registered Notes”, transfers of interests in a DTC Restricted Global Certificate may be made as a result of which such legend is no longer applicable.

The custodian with whom the DTC Restricted Global Certificates are deposited (the “**Custodian**”) and DTC will electronically record the nominal amount of the DTC Restricted Registered Notes held within the DTC system. Investors in Notes of such Series may hold their interests in a Regulation S Global Certificate only through Clearstream, Luxembourg or Euroclear. Investors may hold their interests in a DTC Restricted Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Payments of the principal of, and interest on, each DTC Restricted Global Certificate registered in the name of DTC’s nominee will be to or to the order of its nominee as the registered owner of such DTC Restricted Global Certificate. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants’ accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant DTC Restricted Global Certificate as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of beneficial interests in such DTC Restricted Global Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. None of the Issuer, any Paying Agent or any Transfer Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the DTC Restricted Global Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of a Regulation S Global Certificate and/or a DTC Restricted Global Certificate. Definitive Certificates will only be available, in the case of Regulation S Registered Notes, in amounts specified in the applicable Pricing Supplement, and, in the case of DTC Restricted Registered Notes, in amounts of U.S.\$250,000 (or its equivalent in other currencies rounded upwards as agreed between the Issuer and the relevant Dealer(s)), or higher integral multiples of U.S.\$1,000, in certain limited circumstances described below.

Transfers of Registered Notes

Transfers of interests in Global Certificates within DTC, Clearstream, Luxembourg and Euroclear will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a DTC Restricted Global Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a DTC Restricted Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Beneficial interests in a Regulation S Global Certificate may be held only through Clearstream, Luxembourg or Euroclear. Transfers may be made at any time by a holder of an interest in a Regulation S Global Certificate to a transferee who wishes to take delivery of such interest through the DTC Restricted Global Certificate for the same Series of Notes provided that any such transfer made on or prior to the expiration of the Distribution Compliance Period (as defined in “Subscription and Sale”) relating to the Notes represented by such Regulation S Global Certificate will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate from the transferor of such interest to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities law of any state of the United States or any other jurisdiction. Any such transfer made thereafter of the Notes represented by such Regulation S Global Certificate will only be made upon request through Clearstream, Luxembourg or Euroclear by the holder of an interest in the Regulation S Global Certificate to the Principal Paying Agent and receipt by the Principal Paying Agent of details of that account at DTC to be credited with the relevant interest in the DTC Restricted Global Certificate. Transfers at any time by a holder of any interest in the DTC Restricted Global Certificate to a transferee who takes delivery of such interest through a Regulation S Global Certificate will only be made upon delivery to the Registrar or any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear or Clearstream, Luxembourg, as the case may be, and DTC to be credited and debited, respectively, with an interest in the relevant Global Certificates.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under “Transfer Restrictions”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Principal Paying Agent.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Global Certificates will be effected through the Principal Paying Agent, the Custodian and the Registrar receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer and (ii) two business days after receipt by the Principal Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see “Transfer Restrictions”.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of DTC Restricted Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in DTC Restricted Global Certificates are credited and only in respect of such portion of the aggregate nominal amount of the relevant DTC Restricted Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant DTC Restricted Global Certificates for exchange for Definitive Certificates (which will, in the case of DTC Restricted Registered Notes, bear the legend applicable to transfers pursuant to Rule 144A).

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a “banking organisation” under the laws of the State of New York, a member of the U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to the DTC system is available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Paying Agents or the Transfer Agents will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a DTC Restricted Global Certificate is lodged with DTC or the Custodian, DTC Restricted Registered Notes represented by Definitive Certificates will not be eligible for clearing or settlement through DTC, Clearstream, Luxembourg or Euroclear.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 of the U.S. Securities and Exchange Commission under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until the relevant Issue Date will be required, by virtue of the fact the Notes initially may settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes who wish to trade Notes between the date of pricing and the relevant Issue Date should consult their own adviser.

ARGENTINE TAXATION

The following is a general description of certain Argentine, Federal and provincial tax aspects related to the Notes and does not purport to be a comprehensive description of the Argentine tax aspects of the Notes. This discussion is for general information only and is based on current Argentine tax laws. Moreover, while this description is considered to be a correct interpretation of existing laws and regulations in force as at the date of this Offering Circular, no assurance can be given that the courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws will not occur. Prospective purchasers should consult their tax advisers as to the specific tax consequences under the tax laws to which they are subject with respect to the acquisition, holding and disposition of the Notes

Income Tax

Under existing laws and regulations of Argentina, payments of principal, interest (including original issue discount, if any) and additional amounts on the Notes to an individual that is either a resident or a non-resident of Argentina or to a legal entity that is neither organised in nor maintains a permanent establishment in Argentina (collectively, “non-taxable holders”) will not be subject to taxation in Argentina, and no withholding of any Argentine tax will be required on any such payments to any such non-taxable holders of the Notes. In addition, gains obtained by non-taxable holders derived from the sale of Notes by such non-taxable holders will not be subject to Argentine income tax. These exemptions for capital gains and payments of interest on the Notes do not apply in the case of holders which are subject to Argentine Income Tax inflation-adjustment rules (in general, entities organised or incorporated under Argentine law, Argentine branches and permanent establishments of foreign entities, sole proprietorships and individuals carrying on certain commercial activities in Argentina).

Personal Assets Tax

Pursuant to the Argentine Personal Assets Tax Law No. 23,966, as amended (the “Personal Asset Tax Law”), and its implementing Decree No. 127/96 individuals and undivided estates domiciled in Argentina are generally subject to a personal assets tax (the “Personal Asset Tax”) on their holdings of securities issued by any entity domiciled in Argentina and held by such individuals or undivided estates at December 31 of the relevant tax year. The Personal Asset Tax is levied by reference to either the market value, in the case of listed securities, or acquisition cost plus accrued and unpaid interest, in the case of unlisted securities. Net assets subject to this tax up to P\$305,000 are exempt. However, when the amount of the assets subject to this tax exceeds the amount of P\$305,000 all of the assets will be subject to the Personal Assets Tax at the following rates: (i) 0.50% if the value of such assets exceeds P\$305,000 but is less than P\$750,000; (ii) 0.75% if the value of such assets exceeds P\$750,000 but is less than P\$2,000,000; (iii) 1.0% if the value of such assets exceeds P\$2,000,000 but is less than P\$5,000,000; and (iv) 1.25% if the value of such assets exceeds P\$5,000,000. Although pursuant to the personal Assets Tax Law, securities that are held by individuals or undivided estates domiciled outside Argentina would be subject to the Personal Asset Tax, in light of the provisions of Decree No. 127/96 it is clear that the Personal Asset Tax will not be collected in respect of securities that are directly held by such individuals or undivided estates. Securities issued by the Federal Government, the provinces or the City of Buenos Aires, such as the Notes, are exempted from the Personal Assets Tax. Legal entities, whether domiciled in Argentina or abroad, are not subject to the Personal Asset Tax in respect of the securities issued by governmental issuers and governed by non-Argentine laws, such as the Notes.

Value Added Tax

Interest payments and capital gains derived from the sale or disposition of the Notes will not be subject to the Argentine Value Added Tax.

Tax on Minimum Presumed Income

Legal entities domiciled in Argentina are required to pay a “tax on minimum presumed income” at the rate of 1% (0.20% for local financial entities) of the value of assets, including the Notes, held at the end of any fiscal year, with an aggregate value in excess of P\$0.2 million. For purposes of this tax, Notes that are traded on stock exchanges or markets will be valued at their closing price on the last day of the relevant fiscal year. Notes that are traded on stock exchanges or markets will be valued at cost plus any accrued interest and gains or losses arising from differences in exchange rates at the closing date of the relevant fiscal year. This tax is only payable if the Income Tax payable by any such taxpayer for any fiscal year does not equal or exceed the amount owed under the Tax on Minimum Presumed Income. When the Tax on Minimum Presumed Income is payable, only the difference between the Tax on Minimum Presumed Income for the relevant fiscal year and the Income Tax for the same fiscal year shall be payable. Any Tax on Minimum Presumed Income paid will be applied, subject to certain limits, as a credit toward the Income Tax owed in the following 10 fiscal years.

Tax on Debits and Credits

A tax on debits and credits is levied, with certain exceptions, on debits and/or credits in bank accounts maintained at financial institutions located in Argentina and on other transactions that are used as a substitute for the use of Argentine bank accounts. The general tax rate is 0.6% for each debit and credit (although, in certain cases, a higher rate of 1.2% or a reduced rate of 0.075% may apply). Neither the City nor its bank accounts are subject to this tax.

Pursuant to the Tax on Debits and Credits Regulatory Decree, 34.0% of the tax paid on credits levied at the 0.6% tax rate and 17.0% of the tax paid on transactions levied at the 1.2% tax rate may be considered, to its exhaustion, as a payment on account of Income Tax, Tax on Minimum Presumed Income and/or the Special Contribution on the Cooperative’s Capital.

Prospective investors receiving payments under the Notes in bank accounts located in Argentina may be subject to this tax.

Turnover Tax

In general, Argentine provinces and the City provide particular exemptions for any income derived from securities issued by the Federal Government, provinces or municipalities, such as the Notes.

Prospective investors should consider the tax consequences of the jurisdictions in which they are located.

Stamp Tax

In general, Argentine provinces provide particular exemptions from Stamp and Transfer Taxes for securities issued by the Federal Government, provinces or municipalities, such as the Notes. The City’s Stamp Tax exempts transactions related to securities issued by the City of Buenos Aires, such as the Notes.

Prospective investors should consider the tax consequences of the jurisdictions in which they are located.

Court Tax

If it becomes necessary to institute enforcement proceedings in connection with the Notes in the federal courts of Argentina or the courts of the City of Buenos Aires, a court tax (currently at a rate of 3.0%), will be imposed in the amount of any claim brought before such courts.

In the event of the imposition of any deduction or withholding for or on account of any taxes, duties, assessments or other governmental charges on the payments by the City in respect of the Notes, the City has undertaken to make payments of additional amounts as will result in receipt by the Noteholders of the amounts that would otherwise have been receivable by them in respect of payments of such Notes in the absence of such withholdings or deductions, subject to certain limitations.

UNITED STATES TAXATION

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS OFFERING CIRCULAR IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

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The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Programme, and the relevant Pricing Supplement will contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note as appropriate. This summary deals only with purchasers of Notes that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local, foreign or other tax laws. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar).

As used herein, the term "U.S. Holder" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in a partnership that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their tax adviser concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Notes by the partnership.

The summary is based on the tax laws of the United States including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect.

Bearer Notes are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the United States Internal Revenue Code.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF

OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of Interest

General

Interest on a Note, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a “foreign currency”), other than interest on a “Discount Note” that is not “qualified stated interest” (each as defined below under “Original Issue Discount — General”), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the holder’s method of accounting for tax purposes. Interest paid by the Issuer on the Notes and original issue discount, if any, accrued with respect to the Notes (as described below under “Original Issue Discount”) generally will constitute income from sources outside the United States. Prospective investors should consult their tax advisers concerning the applicability of the source of income rules to income attributable to the Notes.

Original Issue Discount

General

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes issued with original issue discount (“OID”). The following summary does not discuss Notes that are characterized as contingent payment debt instruments for U.S. federal income tax purposes. In the event the Issuer issues contingent payment debt instruments the applicable Pricing Supplement will describe the material U.S. federal income tax consequences thereof.

A Note, other than a Note with a term of one year or less (a “Short-Term Note”), will be treated as issued with OID (a “Discount Note”) if the excess of the Note’s “stated redemption price at maturity” over its issue price is equal to or more than a *de minimis* amount (0.25 per cent. of the Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an “installment obligation”) will be treated as a Discount Note if the excess of the Note’s stated redemption price at maturity over its issue price is equal to or greater than 0.25 per cent. of the Note’s stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note’s weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note’s stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of “qualified stated interest.” A qualified stated interest payment is generally any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under “Variable Interest Rate Notes”), applied to the outstanding principal amount of the Note. Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note (“accrued OID”). The daily portion is determined by allocating to each day in any “accrual period” a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect

to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The "adjusted issue price" of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

Acquisition Premium

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "acquisition premium") and that does not make the election described below under "Election to Treat All Interest as Original Issue Discount", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Note immediately after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

Market Discount

A Note, other than a Short-Term Note, generally will be treated as purchased at a market discount (a "Market Discount Note") if the Note's stated redemption price at maturity or, in the case of a Discount Note, the Note's "revised issue price", exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25 per cent. of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of a Note that is an installment obligation, the Note's weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes "*de minimis* market discount". For this purpose, the "revised issue price" of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Under current law, any gain recognised on the maturity or disposition of a Market Discount Note (including any payment on a Note that is not qualified stated interest) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may elect to include market discount in income currently over the life of the Note. This election shall apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the Internal Revenue Service (the "IRS"). A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the U.S. Holder's income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Under current law, market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Market Discount Note with respect to which it is made and is irrevocable.

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under "Original Issue Discount — General," with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, market

discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium (described below under “Notes Purchased at a Premium”) or acquisition premium. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the constant-yield method to all interest on a Note is made with respect to a Market Discount Note, the electing U.S. Holder will be treated as having made the election discussed above under “Market Discount” to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the U.S. Holder. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

Variable Interest Rate Notes

Notes that provide for interest at variable rates (“Variable Interest Rate Notes”) generally will bear interest at a “qualified floating rate” and thus will be treated as “variable rate debt instruments” under Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a “variable rate debt instrument” if (a) its issue price does not exceed the total noncontingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A “qualified floating rate” is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note’s issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Note.

An “objective rate” is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer’s stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note’s term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note’s term. A “qualified inverse floating rate” is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note’s issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a “current value” of that rate. A “current value” of a rate is the value of the rate on any day that is no earlier than 3 months prior to the first day on which that value is in effect and no later than 1 year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a “variable rate debt instrument”, then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a “variable rate debt instrument” will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a “true” discount (i.e., at a price below the Note's stated principal amount) in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Note arising from “true” discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a “variable rate debt instrument” will be converted into an “equivalent” fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an “equivalent” fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a “variable rate debt instrument” and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an “equivalent” fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an “equivalent” fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the “equivalent” fixed rate debt instrument by applying the general OID rules to the “equivalent” fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the “equivalent” fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the “equivalent” fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a “variable rate debt instrument”, then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. The proper U.S. federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt obligations will be more fully described in the applicable Pricing Supplement.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Fungible Issue

The Issuer may, without the consent of the Holders of outstanding Notes, issue additional Notes with identical terms. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with OID even if the original Notes had no OID, or the additional Notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of its principal amount, or for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as "amortisable bond premium", in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortisable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "Original Issue Discount — Election to Treat All Interest as Original Issue Discount".

Purchase, Sale and Retirement of Notes

A U.S. Holder's tax basis in a Note will generally be its cost, increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder's income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note.

A U.S. Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the tax basis of the Note. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under "Original Issue Discount — Market Discount" or "Original Issue Discount — Short Term Notes" or

attributable to changes in exchange rates (as discussed below), gain or loss recognised on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year.

Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source.

Foreign Currency Notes

Interest

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

OID

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale of the Note), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Market Discount

Market Discount on a Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the disposition or maturity of the Note, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

Bond Premium

Bond premium (including acquisition premium) on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date bond premium offsets interest income, a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the Notes were acquired by the U.S. Holder. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a market loss when the Note matures.

Sale or Retirement

As discussed above under “Purchase, Sale and Retirement of Notes”, a U.S. Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and its tax basis in the Note. A U.S. Holder’s tax basis in a Note that is denominated in a foreign currency will be determined by reference to the U.S. dollar cost of the Note. The U.S. dollar cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects).

The amount realised on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement, or the settlement date for the sale, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognise U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder’s purchase price for the Note (or, if less, the principal amount of the Note) (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realised only to the extent of total gain or loss realised on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest).

Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Backup Withholding and Information Reporting

In general, payments of interest and accrued OID on, and the proceeds of a sale, redemption or other disposition of, the Notes, payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments and to accruals of OID if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders (including, among others, corporations) are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Reportable Transactions

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if the loss exceeds U.S.\$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders. In the event the acquisition, holding or disposition of Notes constitutes participation in a reportable transaction for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S.\$10,000 in the case of a natural person and U.S.\$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Accordingly, if a U.S. Holder realizes a loss on any Note (or, possibly, aggregate losses from the Notes) satisfying the monetary thresholds discussed above, the U.S. Holder could be required to file an information return with the IRS, and failure to do so may subject the U.S. Holder to the penalties described above. In addition, the Issuer and its advisers may also be required to disclose the transaction to the IRS, and to maintain a list of U.S. Holders, and to furnish this list and certain other information to the IRS upon written request. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules to the acquisition, holding or disposition of Notes.

CERTAIN ERISA CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended, or ERISA, imposes certain requirements on employee benefit plans subject to Title I of ERISA and on entities that are deemed to hold the assets of such plans, or ERISA Plans, and on those persons who are fiduciaries with respect to ERISA Plans.

Section 406 of ERISA and Section 4975 of the United States Internal Revenue Code of 1986, as amended, or the Code, prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, Plans) and certain persons (referred to as “parties in interest” or “disqualified persons”) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if Notes are acquired, held or disposed of by a Plan with respect to which the Issuer, the Global Arranger, the Dealers or any of their respective affiliates is a party in interest or a disqualified person and such acquisition, holding or disposition is not entitled to an exemption, several of which may be applicable. There can be no assurance however that the conditions of any exemption will be available with respect to the acquisition, holding or disposition of the Notes.

Governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state or other laws that are substantially similar to the foregoing provisions of ERISA and the Code. Fiduciaries of any such plans should consult with their legal advisors before purchasing Notes.

Each purchaser of the Notes will be deemed to have represented and agreed that either: (A) the purchaser is not (i) a Plan, or (ii) a governmental plan or church plan that is subject to any federal, state or local law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (iii) an entity whose underlying assets are considered “plan assets” within the meaning of ERISA or (B) the purchaser’s purchase and holding of the Notes will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or any substantially similar provisions of any federal, state or local law.

Due to the complexity of these rules and the potential penalties for any non-exempt prohibited transactions, we would advise any persons considering purchasing our Notes on behalf of, or with the assets of, any Plan to consult with their counsel regarding these matters.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Each Plan fiduciary should consult with its legal advisor concerning the potential consequences to the plan under ERISA or the Code of an investment in the Notes.

The sale of Notes to a Plan is in no respect a representation by the Issuer that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

SUBSCRIPTION AND SALE

The following is subject to change in the relevant Pricing Supplement. In addition, the Dealers who have agreed to purchase Notes of a Series from the Issuer will be specified in the relevant Pricing Supplement.

Notes may be sold from time to time by the Issuer to or through any one or more of the Dealers. The arrangements under which the Notes may from time to time be agreed to be sold by the Issuer to or through the Dealers are set out in the Dealer Agreement. Any agreement for the sale of Notes will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, whether the placement of the Notes is underwritten or sold on an agency basis only, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) which are payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for resignation of existing Dealers and the appointment of additional Dealers.

United States of America

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act (“**Regulation S**”) or pursuant to an exemption from the registration requirements of the Securities Act.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and U.S. Treasury regulations thereunder.

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has offered and sold Notes and will offer and sell Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of a Tranche of Notes of which such Notes are a part (the “**Distribution Compliance Period**”), as determined and certified to the Principal Paying Agent by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers with respect to Notes of a Tranche purchased by or through it, in which case the Principal Paying Agent shall notify such Dealer when all such Dealers have so certified), only in accordance with Rule 903 of Regulation S or Rule 144A under the Securities Act as set forth below. Accordingly, each Dealer has represented, warranted and agreed that neither it, its affiliates nor any persons acting on its or their behalf (i) has engaged or will engage in any “directed selling efforts”, as defined in Regulation S, in the United States with respect to Notes, (ii) has made offers or sales of any security, or solicited offers to buy, or otherwise negotiated in respect of any security, under circumstances that would require the registration of Notes under the Securities Act or (iii) has engaged in any form of general solicitation or general advertisement (including but not limited to (A) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast of television or radio and (B) any seminar or meeting whose attendees have been advised by any general solicitation or general advertising), and it and they have complied and will comply with the offering restrictions requirements or Regulation S. Each Dealer and its affiliates also represent, warrant and agree that, at or prior to confirmation of sale of Notes (other than a sale pursuant to Rule 144A), it will have sent to each Dealer, distributor or person receiving a selling concession, fee or other remuneration to which it sells Notes during the Distribution Compliance Period (other than resales pursuant to Rule 144A) a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons to substantially the following effect:

“The Notes covered hereby have not been registered under the United States Securities Act of 1933, as amended, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Tranche of Notes of which such Notes are a part, as determined and certified by the relevant Dealer or Dealers, except in either case in accordance with

Regulation S under, or pursuant to an available exemption from the registration requirements of, the Securities Act. Terms used above have the meaning given to them by Regulation S of the Securities Act.”

Terms used in the above paragraph have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Dealer Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to QIBs in reliance on Rule 144A.

Each Dealer will represent, warrant and agree that it will not, acting either as principal or agent, offer or sell any Notes in the United States other than Notes in registered form bearing a restrictive legend thereon, and it will not, acting either as principal or agent, offer, sell, reoffer or resell any of such Notes (or approve the resale of any such Notes):-

- except (A) inside the United States through a U.S. broker dealer that is registered under the United States Securities Exchange Act of 1934 (the “**Exchange Act**”) to institutional investors, each of which such Dealer reasonably believes is a “qualified institutional buyer” (as defined in Rule 144A thereunder), or a fiduciary or agent purchasing Notes for the account of one or more qualified institutional buyers or (B) otherwise in accordance with the restrictions on transfer set forth in such Notes, the Dealer Agreement, the Offering Circular and the relevant Pricing Supplement; or
- by means of any form of general solicitation or general advertisement, including but not limited to (A) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast of television or radio and (B) any seminar or meeting whose attendees have been advised by any general solicitation or general advertising.

Prior to the sale of any Notes in registered form bearing a restrictive legend thereon, the selling Dealer shall have provided each offeree that is a U.S. person (as defined in Regulation S) with a copy of the Offering Circular in the form the Issuer and Dealers shall have agreed most recently shall be used for offers and sales in the United States.

Each Dealer will represent, warrant and agree that in connection with each sale to a qualified institutional buyer it has taken or will take reasonable steps to ensure that the purchaser is aware that the Notes have not been and will not be registered under the Securities Act and that transfers of Notes are restricted as set forth herein and, in the case of sales in reliance upon Rule 144A, that the selling Dealer may rely upon the exemption provided by Rule 144A under the Securities Act.

In addition, until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such Series of Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States to non-U.S. persons and for the resale of the Notes in the United States and for the listing of the Notes on the Luxembourg Stock Exchange. The Issuer and the Dealers reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the number of Notes which may be offered pursuant to Rule 144A. This Offering Circular does not constitute an offer to any person in the United States or to any U.S. person other than any QIB within the meaning of Rule 144A to whom an offer has been made directly by one of the Dealers or an affiliate of one of the Dealers. Distribution of this Offering Circular by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorized and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S.

person or other person within the United States other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

United Kingdom

Each Dealer represents, warrants and agrees, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:-

- (a) in relation to any Notes which have a maturity of less than one year:-
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:-
 - (1) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses; or
 - (2) whom it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer that is appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), it has not made and will not make an offer to the public of any Notes in the Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer to the public of such Notes in that Relevant Member State:

- (a) if the applicable Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the applicable Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or the relevant Pricing Supplement, as applicable;
- (b) at any time to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

- (d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer;
- (e) at any time if the denomination per Note being offered amounts to at least €50,000; or
- (f) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (f) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

Japan

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that the Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “**Securities and Exchange Law**”). Accordingly, each of the Dealers will be required to represent, warrant and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and other relevant laws and regulations of Japan. As used in this paragraph, resident of Japan means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Switzerland

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that the issue of Notes denominated in Swiss Francs will take place in compliance with the guidelines of the Swiss National Bank regarding the issue of Swiss Francs denominated debt securities.

Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) pursuant to Italian securities legislation and, accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or distributed, and will not offer, sell or distribute, any Notes or any copy of this Offering Circular or any other offer document in the Republic of Italy (“**Italy**”) in an offer to the public of financial products under the meaning of Article 1, paragraph 1, letter t) of Legislative Decree no. 58 of 24 February 1998 (the “**Consolidated Financial Services Act**”), unless an exemption applies. Accordingly, the Notes shall only be offered, sold or delivered in Italy:

- (a) to qualified investors (*investitori qualificati*), pursuant to Article 100 of the Consolidated Financial Services Act and Article 2, paragraph (e)(i) to (iii) of the Prospectus Directive (with the exception of (i) management companies (*società di gestione del risparmio*) authorised to manage individual portfolios on behalf of third parties and (ii) fiduciary companies (*società fiduciarie*) authorised to manage individual portfolios pursuant to Article 60(4) of the Legislative Decree No. 415 of 23 July, 1996, as amended); or

- (b) in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, as provided under the Consolidated Financial Services Act or CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Moreover, and subject to the foregoing, any offer, sale or delivery of the Notes or distribution of copies of this Offering Circular or any other document relating to the Notes in Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Consolidated Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the “**Banking Act**”), CONSOB Regulation No. 16190 of 29 October 2007, all as amended;
- (ii) in compliance with Article 129 of the Banking Act and the implementing guidelines, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy; and
- (iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time, *inter alia*, by CONSOB or the Bank of Italy.

Any investor purchasing the Notes in this offering is solely responsible for ensuring that any offer or resale of the Notes it purchases in this offering occurs in compliance with applicable laws and regulations.

Article 100-bis of the Consolidated Financial Services Act affects the transferability of the Notes in Italy to the extent that any placing of the Notes is made solely with qualified investors and such Notes are then systematically resold to non-qualified investors on the secondary market at any time in the 12 months following such placing. Where this occurs, if a prospectus compliant with the Prospectus Directive has not been published, purchasers of Notes who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and to claim damages from any authorised person at whose premises the Notes were purchased, unless an exemption provided for under the Consolidated Financial Services Act applies.

This Offering Circular and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third-party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this document may rely on it or its contents.

Argentina

There are no restrictions on the offer and sale of Notes in Argentina or to Argentine persons, except that Notes may only be publicly offered or sold in Argentina by the Issuer or through persons or entities duly authorised to publicly offer securities in Argentina.

General

No action has been or will be taken in any jurisdiction by the Dealers or the Issuer that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular, or any part thereof including any Pricing Supplement, or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will, to the best of its knowledge and belief, comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells, or delivers Notes or has in its possession or distributes this Offering Circular, or any part thereof including any Pricing Supplement, or any such other material, in all cases at its own expense. Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will also ensure that no obligations are imposed on the Issuer in any such jurisdiction as a result of any of the foregoing actions (except to the extent that such actions are the actions of the Issuer). The Issuer will have no responsibility for, and each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or

delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it may make any acquisition, offer, sale or delivery.

No Dealer is authorised to make any representation or use any information in connection with the issue, offering and sale of the Notes other than as contained in this Offering Circular, including the applicable Pricing Supplement, and any other information or document supplied.

Selling restrictions may be modified by the agreement of the Issuer and the relevant Dealers. Any such modification will be set out in the Pricing Supplement issued in respect of each Tranche to which it relates or in a supplement to this Offering Circular.

TRANSFER RESTRICTIONS

Each prospective purchaser of DTC Restricted Registered Notes offered in reliance on Rule 144A, by accepting delivery of this Offering Circular, will be deemed to have represented and agreed that such offeree acknowledges that this Offering Circular is personal to such offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of this Offering Circular, or disclosure of any of its contents to any person other than such offeree and those persons, if any, retained to advise such offeree with respect thereto, is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.

Each purchaser of DTC Restricted Registered Notes offered and sold in reliance on Rule 144A will be deemed to have represented, agreed and acknowledged that:—

- (1) It is (a) a qualified institutional buyer within the meaning of Rule 144A (“**QIB**”), (b) acquiring such DTC Restricted Registered Notes for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such DTC Restricted Registered Notes has been advised, that the sale of such DTC Restricted Registered Notes to it is being made in reliance on Rule 144A.
- (2) It understands that the DTC Restricted Registered Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act and have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.
- (3) It understands that such DTC Restricted Registered Notes, unless the Issuer determines otherwise in compliance with applicable law, will bear a legend to the following effect:—

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THIS NOTE.

- (4) The Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any DTC Restricted Registered Notes for the account of one or more QIBs it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

- (5) It understands that the DTC Restricted Registered Notes offered in reliance on Rule 144A will be represented by the DTC Restricted Global Certificate. Before any interest in the DTC Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.
- (6) Either: (A) it is not (i) an employee benefit plan subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended, or ERISA, (ii) a plan that is subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended, or the Code, (iii) a governmental plan or church plan that is subject to any federal, state or local law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (iv) an entity whose underlying assets are considered “plan assets” within the meaning of ERISA, or (B) its purchase and holding of the Notes will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or any substantially similar provisions of any federal, state or local law.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

GENERAL INFORMATION

1. The Bearer Notes and Registered Notes represented by a Regulation S Global Certificate will be accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code for each Series of Bearer Notes, together with the relevant ISIN number and the CUSIP number for each Tranche of Registered Notes, will be contained in the Pricing Supplement relating thereto. In addition, the Issuer will make an application with respect to any DTC Restricted Registered Notes to be accepted for trading in book-entry form by DTC. Acceptance by DTC of DTC Restricted Registered Notes of each Tranche of a Series of Registered Notes will be confirmed in the applicable Pricing Supplement.

2. The Luxembourg Stock Exchange has allocated to the Programme the number 11941 for listing purposes.

3. The establishment of the Programme and the execution of all documents in connection therewith was authorised by Ordinance No. 51.270 dated December 21, 1996 of the Municipal Council of the Issuer, Law No. 323 dated December 22, 1999 and Law No. 2,570 dated January 9, 2008 of the Legislature of the Issuer, Decrees No. 557/00, 51/08 and 195/08 of the Head of Government of the Issuer, Resolutions No. 101/08 and 330/08 of the Ministry of Finance of the Issuer and several resolutions from the Ministry of Economy of Argentina. All consents, approvals, authorisations and other orders of all regulatory authorities under the laws of Argentina have been given for the establishment of the Programme, the issue of Notes under the Programme and the execution of the Trust Deed and the Agency Agreement and are in full force and effect, except that a resolution from the Ministry of Finance of the Issuer in respect of each Series of Notes, is in each case required.

4. Save as disclosed herein, the Issuer is not involved in any litigation or arbitration proceedings which are material in the context of the Programme or the issue of Notes under the Programme and, so far as the Issuer is aware, no such litigation or arbitration proceedings are pending or threatened.

5. Save as disclosed herein, there has been no significant change in the revenues, expenditures or other financial condition of the Issuer since the Issuer's most recently published budget, and no material adverse change in the revenues, expenditures or other financial position or prospects of the Issuer since the date of its most recently published budget.

6. Copies in English of the latest budget of the Issuer and the latest publicly available historical revenues and expenditures of the Issuer (each of which are expected to be prepared and made publicly available annually), may be obtained and copies of the Trust Deed and the Agency Agreement will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes are outstanding. Copies of this Offering Circular and of the Trust Deed will be available for inspection at the registered office of the Issuer. Copies of this Offering Circular and of the Pricing Supplement prepared in connection with each issue of Notes listed on the Luxembourg Stock Exchange will be obtainable at the office of the Paying Agent in Luxembourg.

7. Each Pricing Supplement will set forth, with regard to each Series of Notes, if any, in respect of which this Offering Circular is being delivered, certain information relating to the issuance of Notes under the Programme. A form of Pricing Supplement is attached to this Offering Circular as Annex A.

ANNEX A

FORM OF PRICING SUPPLEMENT

[(to be completed by the Principal Paying Agent in the case of non-syndicated issues and the Issuer and the Lead Manager in the case of syndicated issues)]

Pricing Supplement dated []

[LOGO]

City of Buenos Aires

U.S.\$1,100,000,000 Medium Term Note Programme

Series No: []

[Currency and Amount [Description of Notes] [due]]

Issue price: []

[DEALER NAME(S)]

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated [] [and the supplemental Offering Circular dated []]. This Pricing Supplement must be read in conjunction with the Offering Circular [as so supplemented], which at the date hereof comprises:

The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.

[This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (“the Conditions”) set forth in the Offering Circular dated [original date]. This Pricing Supplement must be read in conjunction with the Offering Circular dated [current date] [and the supplemental Offering Circular dated []], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto. The Offering Circular dated [current date] comprises:]

- (c) Part A, containing, inter alia, the Terms and Conditions of the Notes and general information regarding the medium term note programme of the Issuer, dated [];
- 1 Part B, containing the description of the Issuer, dated [] ; and
- 2 Any separate amendments of or supplements (other than other Pricing Supplements) to the Offering Circular.

The issue of the Notes was authorised by [specify authorisation] of the Issuer dated [] .

This Pricing Supplement does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Pricing Supplement in any jurisdiction where such action is required.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “SECURITIES ACT”) [AND THE NOTES COMPRISE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS]. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE [OFFERED OR SOLD/OFFERED, SOLD OR DELIVERED] WITHIN THE UNITED STATES [OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”))]. THIS PRICING SUPPLEMENT HAS BEEN PREPARED BY THE ISSUER FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE NOTES OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S [AND WITHIN THE UNITED STATES TO “QUALIFIED INSTITUTIONAL BUYERS” IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”)] [AND FOR LISTING OF THE NOTES ON THE LUXEMBOURG STOCK EXCHANGE]. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A]. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE NOTES AND DISTRIBUTION OF THIS PRICING SUPPLEMENT AND THE REMAINDER OF THE OFFERING CIRCULAR, SEE “SUBSCRIPTION AND SALE” CONTAINED WITHIN PART A OF THE OFFERING CIRCULAR.

* In case of bearer notes, include the following language on the face of the note: **“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”**

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]

1. Issuer: City of Buenos Aires
2. [(i)] Series Number: []
 [(ii)] Tranche Number: []
 (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount: []
 (i) Series: []
 (ii) Tranche: []
5. (i) Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
 [(ii) Net proceeds: [] (*Required only for listed issues*)]
6. (i) Specified Denominations: []¹
 (ii) Calculation Amount []
7. (i) Issue Date: []
 (ii) Interest Commencement Date [Specify/Issue date/Not Applicable]
8. Maturity Date: [*specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
9. Interest Basis: [• per cent. Fixed Rate]
 [[*specify reference rate*] +/- • per cent. Floating Rate]
 [Zero Coupon]
 [Index Linked Interest]
 [Other (*specify*)]
 (further particulars specified below)

¹ Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

10. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (*specify*)]
11. Change of Interest or Redemption/
Payment Basis: [*Specify details of any
provision for convertibility of Notes into another interest or
redemption/ payment basis*]
12. Put/Call Options: [Put Option]
[Call Option]
[(further particulars specified below)]
13. Status of the Notes: [Senior/[Dated/Perpetual]/ Subordinated]
14. Listing and/or Trading: [[] (*specify*)/None]
15. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this
paragraph*)
- (i) Rate[(s)] of Interest: [] per cent. per annum [payable [annually/semi-
annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [] in each year [adjusted in accordance with [*specify Business
Day Convention and any applicable Business Centre(s) for the
definition of "Business Day"*]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [] per Calculation Amount
- (iv) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment
Date falling [in/on] []
- (v) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA) / other]
- (vi) [Determination Dates: [] in each year (*insert regular interest payment dates, ignoring
issue date or maturity date in the case of a long or short first or last
coupon. N.B. only relevant where Day Count Fraction is
Actual/Actual (ICMA))*]
- (vii) Other terms relating to the [Not Applicable/*give details*]
method of calculating interest
for Fixed Rate Notes:

17. **Floating Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph.)
- (i) Interest Period(s): []
- (ii) Specified Interest Payment []
- Dates:
- (iii) Interest Period Date [...] *(Not applicable unless different from Interest Payment Date)*
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/
Modified Following Business Day Convention/ Preceding Business
Day Convention/ other *(give details)*]
- (v) Business Centre(s): []
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate
Determination/ISDA
Determination/other *(give details)*]
- (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]): []
- (viii) Screen Rate Determination:
- Reference Rate: []
- Interest Determination Date(s): []
- Relevant Screen Page: []
- (ix) ISDA Determination:
- Floating Rate Option: []
- Designated Maturity: []
- Reset Date: []
- [ISDA Definitions: [2000/2006]]
- (x) Margin(s): [+/-][] per cent. per annum
- (xi) Minimum Rate of Interest: [] per cent. per annum
- (xii) Maximum Rate of Interest: [] per cent. per annum
- (xiii) Day Count Fraction: []

(xiv) Fall back provisions, rounding [] provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:

18. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Amortisation Yield: [] per cent. per annum

(iii) Any other formula/basis of determining amount payable: []

19. **Index-Linked Interest Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Index/Formula: [give or annex details]

(ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]): []

(iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted: []

(iv) Interest Period(s): []

(v) Specified Interest Payment Dates: []

(vi) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]

(vii) Business Centre(s): []

(viii) Minimum Rate of Interest: [] per cent. per annum

(ix) Maximum Rate of Interest: [] per cent. per annum

(x) Day Count Fraction: []

20. **Dual Currency Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Rate of Exchange/method of calculating Rate of Exchange: [give details]

(ii) Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the[Agent]): []

(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: []

(iv) Person at whose option Specified Currency(ies) is/ are payable: []

PROVISIONS RELATING TO REDEMPTION

21. **Call Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Optional Redemption Date(s): []

(ii) Optional Redemption Amount(s) of each Note and specified denomination method, if any, of calculation of such amount(s): [] per Calculation Amount

(iii) If redeemable in part:

(a) Minimum Redemption Amount: [] per Calculation Amount

(b) Maximum Redemption Amount: [] per Calculation Amount

(iv) Notice period []

22. **Put Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

paragraph)

- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption [] per Calculation Amount Amount(s) of each Note and method, if any, of calculation of such amount(s):
- (iii) Notice period []

23. **Final Redemption Amount of each Note** [] per Calculation Amount

24. **Early Redemption Amount**

- (i) Early Redemption Amount(s) [] per Calculation Amount payable on redemption for taxation reasons or on event of default and/ or the method of calculating the same (if required or if different from that set out in the Conditions):
- (ii) Original Withholding Level: []
- (iii) Unmatured Coupons to become void: [Yes/No/N/A]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes: *[Bearer Notes/Registered Notes] [delete as appropriate]*

Bearer Notes

- (i) Temporary or Permanent Global Note: [Temporary Global Note exchangeable for a permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note]
[Temporary Global Note exchangeable for Definitive Notes on [] days' notice]
[permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note]
- (ii) Applicable TEFRA exemption: [C Rules/D Rules/ N/A]

Registered Notes

- (iii) DTC Restricted Global Certificates, Regulation S Global Certificates or individual Definitive Certificates: [DTC Restricted Global Certificate and/or Regulation S Global Certificate available on Issue Date]
[Individual Definitive Certificates available on Issue Date]
26. Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraphs 16 (ii), 17(iv) and 19(vii) relate]
27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
29. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/give details]
30. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition •] [annexed to this Pricing Supplement] apply]
31. Consolidation provisions: [Not Applicable/The provisions [in Condition •] [annexed to this Pricing Supplement] apply]
32. Other terms or special conditions: [Not Applicable/give details]

DISTRIBUTION

33. (i) If syndicated, names of Managers: [Not Applicable/give names]
- (ii) Stabilising Manager (if any): [Not Applicable/give name]
34. If non-syndicated, name of Dealer: [Not Applicable/give name]

35. Additional selling restrictions: [Not Applicable/*give details*]

OPERATIONAL INFORMATION

36. ISIN Code: []

37. Common Code: []

38. Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]

39. Delivery: Delivery [against/free of] payment

40. Additional Paying Agent(s) (if any): []

[Supplemental Offering Circular Information

The Offering Circular is hereby supplemented with the following information, which shall be deemed to be incorporated in, and to form part of, the Offering Circular.

[Set out any additional disclosure and, if applicable, an indication as to where it should be inserted into the Offering Circular]]

(For the purpose only of listing this issue of Notes on the Stock Exchange)

The current Offering Circular (as supplemented from time to time) relating to the Programme is dated [] and was most recently supplemented by the [Supplemental] Offering Circular dated [].

[PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the [*specify relevant stock exchange/market*] of the Notes described herein pursuant to the U.S.\$1,100,000,000 City of Buenos Aires medium term note programme.]

[MATERIAL ADVERSE CHANGE STATEMENT

Except as disclosed in this document, there has been no significant change in the financial condition, revenues and expenditures of the Issuer since [*insert date of latest public accounts and annual budget*].]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of [name of the Issuer]:

By:
Duly authorised

**Offering Circular
Part B**



City of Buenos Aires

U.S.\$1,100,000,000
Medium-Term Note Programme
for the issue of Notes due from 30 days to 30 years
from the date of issue

Description of the City of Buenos Aires

The date of this document is December 14, 2009

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RISK FACTORS

Noteholders should carefully read this entire document. Noteholders should consider, among other things, the risk factors with respect to the City not normally associated with investments in other countries or in securities of other sovereign or quasi-sovereign issuers, including those set forth below.

Risk factors relating to Argentina

Argentine sovereign risk and economic policy

The Argentine Federal Government has historically exercised significant influence over the Argentine economy. Governmental actions concerning the economy continue to have an important effect on Argentina, its provinces and the City, and on market conditions, prices and returns on Argentine securities, including the Notes. The value of the Notes may also be affected by changes in inflation, interest rates, exchange rates, taxation, labour costs, employment levels, social instability and other political or economic developments in Argentina.

In addition, the City's economic performance and public finances are subject to the general economic conditions in Argentina and may be significantly affected by different events prevailing in Argentina from time to time, including fluctuations in the inflation rates, exchange rates, interest rates, changes in government policies, social instability, and other political, economic or international events either taking place in, or otherwise affecting, Argentina. During 2001 and 2002, Argentina experienced a severe political, economic and social crisis ("Argentina's 2001-2002 economic crisis"). Although the economic situation in Argentina has since improved resulting in Argentina completing in 2008 a six-year growth period, the Argentine economy still faces significant challenges, including widespread poverty, increasing unemployment and underemployment, high inflation and energy shortages. In addition, Argentina, like other emerging economies, has been affected by the global financial crisis, which started in the last quarter of 2008 and has continued in 2009, and which has resulted in a significant slowdown in economic activity, major capital outflows and declining commodity prices. Argentina's gross domestic product ("GDP") has continued to grow, but it has done so at a less rapid pace than in the 2004-2008 period.

Furthermore, the interests of the City may not always be aligned with those of the Federal Government or Argentine provinces and, as a result, the City cannot assure you that the decisions or measures adopted by the Federal Government will not have an adverse effect on the City's economy and its ability to service its outstanding debt, including the Notes.

Foreign exchange availability risk

The City is an Argentine autonomous entity, all the revenues of which are received in pesos. Its obligations under certain of the Notes are denominated in U.S. dollars and euros. Pursuant to Decree No. 1,570 dated December 1, 2001, as supplemented by Decree No. 1,606, a majority of transfers of funds outside Argentina to make payment of financial indebtedness were required to have the prior authorisation of the Argentine Central Bank (the "Central Bank").

Although the City was not previously subject to any such restrictions, on September 5, 2002, the Central Bank issued Communication "A" 3,715, which required the prior authorisation of the Central Bank to transfer funds outside Argentina for the purpose of making payments of principal and interest due under bonds and financial indebtedness owed by local governments (such as the payments by the City under the Notes). Since then, the Federal Government has been relaxing such exchange controls and pursuant to Communication "A" 3,944 issued by the Central Bank on May 6, 2003, local governments, such as the City, are not subject to any restrictions on their ability to transfer funds outside Argentina for the purpose of making payments of principal or interest under any of their financial indebtedness. However, there is no certainty that any such restrictions will not be imposed again in the future, preventing or restricting the City's access to foreign currencies with which to meet its payment obligations under the Notes or the City's ability to transfer funds outside Argentina in order to make timely payments under the Notes.

Foreign exchange rate risk

As a result of inflationary pressures, the Argentine currency was significantly devalued numerous times in the thirty years to 1991. During that period, the Federal Government utilised a variety of exchange rate systems, including sudden devaluations, mini-devaluations, floating rates, dual markets, multi-tier markets and public auctions. Although over long periods devaluation rates generally matched rates of inflation, over shorter periods such governmental actions resulted in significant fluctuations in the real exchange rate between the Argentine currency and the U.S. dollar. On March 27, 1991, the Argentine Federal Congress passed Federal Law No. 23,928 (together with its implementing Decree No. 529/91, the “Convertibility Law”), pursuant to which the Central Bank was obliged by law, from April 1, 1991, to sell U.S. dollars at an exchange rate of one peso per one U.S. dollar, and maintain reserves in foreign currencies, public bonds denominated in foreign currencies (valued at their market value), gold and certain other international reserves in an aggregate amount at least equal to the amount of the monetary base.

On January 6, 2002, the Federal Congress ended more than ten years of U.S. dollar-peso parity under the Convertibility Law and granted discretion to the executive branch of the Federal Government to establish a new foreign exchange regime. On January 9, 2002, the executive branch established a dual exchange rate system with a fixed rate of P\$1.4 per U.S. dollar for transactions subject to Central Bank approval and import and export transactions and a floating rate to be freely determined by the market for all other transactions. This two-tier exchange rate regime was eliminated on February 11, 2002 and replaced with a single exchange rate set by the market. Although the peso devalued significantly during the first half of 2002 reaching an exchange rate of P\$3.87 per U.S.\$1.00, it appreciated during the second half of 2002 and 2003 and it has fluctuated since then at levels around an exchange rate of P\$3.15 per U.S.\$1.00, principally as a result of the Central Bank intervening on several occasions by selling or buying U.S. dollars in an attempt to manage the exchange rate fluctuations and limits imposed by the Federal Government in relation to capital inflows and outflows. The devaluation of the peso had a negative impact on the ability of Argentine borrowers to honour their foreign currency-denominated debt, led to very high inflation initially, significantly reduced real wages, had a negative impact on businesses whose success is dependent on domestic market demand and adversely affected the Federal Government’s ability to honour its foreign debt obligations. In addition, the devaluation of the peso has had, and is likely to continue to have, a material adverse effect on the financial condition of the City as a material portion of its direct indebtedness is denominated in currencies other than the peso.

On the other hand, a substantial increase in the value of the peso against the U.S. dollar also presents risks for the Argentine economy. In the short term, a significant real appreciation of the peso would adversely affect exports. This could have a negative effect on GDP growth and employment as well as reduce the Argentine public sector’s revenues by reducing tax collection in real terms, given its current reliance on taxes on exports.

Inflation risk

Argentina suffered extremely high rates of inflation in the thirty years to 1991. Between 1991 and January 2002, Argentina experienced relatively low levels of inflation and, in certain years, even deflation under the economic programme anchored on the Convertibility Law. Following the amendments to the Convertibility Law, on January 23, 2002, the Federal Congress amended the charter of the Central Bank to allow the Central Bank to print currency in excess of the amount of international reserves it holds, make short-term advances to the Federal Government and provide financial assistance to financial institutions with liquidity or solvency problems. The Federal Government recorded fiscal deficits in each of 1999, 2000, 2001 and 2002. While the Federal Government has recorded surpluses in each of the following years, there is uncertainty as to whether it will be able to sustain such surpluses or at least have a balanced budget in the future. During 2002, Argentina recorded inflation of 41.0% as measured by the consumer price index (the “CPI”) and of 118.2% as measured by the wholesale price index (the “WPI”). Inflation decreased from these levels during 2003 when the CPI increased by 3.7% and the WPI increased by 2.0%. During 2004, inflation levels increased by 6.1% as measured by the CPI and 7.9% as measured by the WPI. This trend continued during 2005, when inflation levels increased by 12.3% as measured by the CPI and 10.7% as measured by the WPI, and in 2006, when inflation levels increased by 9.8% and 7.1%, respectively. In 2007

inflation increased by 8.5% as measured by the CPI and 14.6% as measured by the WPI, and in 2008 it increased by 7.2% as measured by the CPI and 8.8% as measured by the WPI. Between December 31, 2008 and August 31, 2009, inflation increased by 4.2% as measured by the CPI and 5.6% as measured by the WPI. In the past, inflation has materially undermined the Argentine economy and the Federal Government's ability to create conditions that would permit growth. A return to a high inflation environment would also undermine Argentina's foreign competitiveness by diluting the effects of the peso devaluation, with the same negative effects on the level of economic activity and employment. In addition, periods of substantial inflation are likely to have significant adverse effects on the City's financial condition and on its ability to comply with its obligations under the Notes.

There are concerns about the accuracy of the consumer price index and other economic data published by INDEC

In January 2007, the Federal Government's Statistics and Census Institute ("INDEC") modified the methodology it uses to determine the CPI, which is calculated as the monthly average of a weighted basket of consumer goods and services that reflects the pattern of consumption of Argentine households. Several economists, as well as the international and Argentine press, have suggested that this change in methodology was related to the Federal Government's policy aimed at curbing inflation. Further, at the time that INDEC adopted this change in methodology, the Federal Government also replaced several key officers at INDEC. The alleged governmental interference prompted complaints from the technical staff at INDEC, which, in turn, has led to the initiation of several judicial investigations involving members of the Federal Government aimed at determining whether there was a breach of classified statistical information relating to the collection of data used in the calculation of the CPI. These events have affected the credibility of the CPI, as well as other indexes published by INDEC which are based on the CPI, including poverty and GDP estimates. Most recently, the International Monetary Fund required Argentina to clarify its inflation rates and the Federal Government created a council consisting of representatives of certain Argentine public universities to analyze the application and accuracy of INDEC's methodology for estimating the CPI. If it is determined that it is necessary to correct the CPI and other INDEC indexes derived from the CPI, there could be a further decrease in confidence in the Argentine economy, which could, in turn, have adverse consequences to the City's economy and financial condition.

Sovereign default and limited availability of financing

After defaulting on over U.S.\$144.5 billion in external debt, as part of its debt restructuring process the Federal Government consummated a debt exchange offer that concluded in the first quarter of 2005, with a rate of participation by bondholders of approximately 76.0% and an aggregate tendered amount of U.S.\$62.3 billion. The settlement of the debt exchange offer was completed on June 2, 2005 due to a delay resulting from legal action by certain bondholders who did not participate in the exchange offer and who attempted to attach the tendered bonds. Despite the high levels of acceptance of the exchange offer, the amounts not tendered for exchange totalled approximately U.S.\$29.1 billion at June 30, 2009. Certain bondholders in the United States, Italy, Germany and Japan filed legal actions against Argentina that are still pending resolution, and holdout creditors may initiate new suits in the future. Additionally, sovereign debt owed to the Paris Club that is still in default totalled approximately U.S.\$3.1 billion. Taking into consideration the amounts owed to holders that did not participate in the exchange offer, the debt owed to the Paris Club and Argentina's other financial obligations, Argentina's total sovereign debt is still significant and may inhibit economic growth and result in lower fiscal surpluses that could restrict Argentina's ability to repay its outstanding debt.

In addition, foreign shareholders of certain Argentine companies have filed claims in excess of U.S.\$17.0 billion before the International Center for Settlement of Investment Disputes ("ICSID"), alleging that certain Federal Government measures were inconsistent with the fair and equitable treatment standards set forth in several bilateral treaties to which Argentina is a party.

The Federal Government's insolvency and potential actions taken by the holders who did not accept the terms of its exchange offer or other creditors may limit the Federal Government's sources of financing and as a result affect adversely its ability to implement economic reforms, potentially undermining the private

sector's ability to maintain economic growth on a sustainable basis and as a result are likely to have a material adverse effect on the financial condition of the City and on its ability to comply with its obligations under the Notes.

Risk factors relating to the City

Sources of revenues

Turnover tax (a tax on gross business sales receipts) collections are the City's largest revenue source representing 59.6% of the City's 2008 total revenues and are directly linked to levels of economic activity prevailing in the City. Although the economy of the City, in line with that of Argentina, has experienced robust levels of growth between 2002 and 2008, there can be no assurance that the City's economy and therefore turnover tax collections will continue to grow at current rates, or at all.

In addition, in January 1994, the City, acting through the President of Argentina, entered into the August 1993 economic agreement between the Federal Government and the provinces (the "1993 Fiscal Pact") before its change of status under the Federal Constitution had occurred. The 1993 Fiscal Pact, which became effective on January 1, 1994, required the provinces and the City to reform their respective tax structures over a period which originally ended on December 31, 2001 but has been subsequently extended to December 31, 2010 by gradually replacing certain taxes that may inhibit production (such as the turnover tax) with taxes on sales, and by improving their tax administrations and collection systems. In accordance with its obligations under the 1993 Fiscal Pact, in 1994 the City enacted an expansion of the exemption from City turnover tax including the manufacturing and construction industries. The City has not enacted any further exemptions to the turnover tax although, effective January 1998, it reduced the scope of the exemption for the manufacturing sector in order to bring it into line with the exemption enacted by the neighbouring Province of Buenos Aires on its own turnover tax. If fully implemented, the reforms to the turnover tax required pursuant to the 1993 Fiscal Pact could represent a significant adjustment to the City's revenue composition.

Furthermore, the City has experienced in the past relatively high levels of unpaid City taxes, in particular during the lead-up to and following Argentina's 2001-2002 economic crisis. No assurances can be given that such high levels of unpaid taxes will not recur.

Any significant reduction in City tax collections is likely to have a material adverse change on the financial condition of the City and on its ability to comply with its obligations under the Notes.

Relative inflexibility of City's expenditures

The City's total expenditures during the year ended December 31, 2008 amounted to P\$13,428.0 million, 35.4% higher than the P\$9,917.6 million spent in 2007, which was 20.0% higher than the P\$8,263.1 million spent during 2006. The City's largest expense item is the payment of salaries, which amounted to P\$6,577.0 million during the year ended December 31, 2008, or 49.0% of the City's total expenditures for the year. The City's employees are covered by constitutional guarantees of job security and salaries which cannot be reduced in nominal terms and this therefore limits the actions the City may take to reduce its largest expense component. In addition, in response to pressure from labour unions to realign, in real terms, the compensation and benefits of the City employees to the levels prevailing prior to Argentina's 2001-2002 economic crisis, since 2004 the City has been awarding salary increases at rates that, in most cases, exceeded in the aggregate the prevailing inflation rates. Furthermore, the City has hired as employees a number of people who previously provided services to the City as independent contractors and otherwise has increased its overall number of employees and positions to meet social demands, in particular in the areas of health, education and security services. Also aimed at meeting such social demands, the City has increased its level of capital expenditures from P\$555.0 million in 2004 to P\$2,625.6 million in 2008. If the growth of the City's expenditures continues to outpace growth in the City's revenues, the City will continue experiencing deficits in both its overall and primary balances which deficits are likely to have a material adverse effect on the City's financial condition and its ability to comply with its obligations under the Notes.

Levels of indebtedness

Although the City reduced its stock of total direct (long-term) indebtedness by 18.4% from P\$2,379.3 million as at December 31, 2004 to P\$1,941.8 million as at December 31, 2006. During 2007 the City incurred additional debt with its suppliers and contractors in an amount the City estimates originally amounted to approximately P\$800.0 million. Such additional debt mainly related to invoices submitted to the City by suppliers and contractors in respect of price adjustments in relation to the provision of goods and services to the City. Processing of these invoices was delayed as the change in administration in 2007 resulted in a general slowdown in the City's administrative functions. The City paid approximately P\$310.0 million of such invoices and was authorised pursuant to Law No. 2,810 of the City ("Law No. 2,810") to renegotiate the payment terms of the invoices that remained outstanding by offering suppliers and contractors promissory notes in respect of the principal amount of the accepted claims (up to P\$490.0 million principal amount). The promissory notes mature on six instalments due between March 2009 and December 2011, with interest payable on a monthly basis at a floating rate set by reference to the Buenos Aires interbank rate. At September 30, 2009, the City issued promissory notes in the principal amount of P\$226.7 million, of which a principal amount of P\$181.7 million remained outstanding at that date. In addition, during the first nine months of 2009, the City issued and placed with domestic investors approximately P\$1,577.3 million principal amount of treasury bills in order to finance short-term cash needs with maturities ranging from 41 days to 272 days, of which P\$533.0 million remained outstanding at September 30, 2009. The City, in accordance with the provisions of Law No. 70 of the City (the "City Financial Administration and Control Law") does not reflect the principal amount outstanding of such short-term bills as part of its direct indebtedness unless they mature on a fiscal year different from the one on which they have been issued (P\$31.2 million as at September 30, 2009). Furthermore, pursuant to the provisions of Law No. 3,152, the City has been authorised to issue up to P\$690.3 million principal amount of debt instruments to be offered to suppliers and contractors as consideration for goods provided and services rendered to the City. The terms of these debt instruments provide for five equal principal instalments falling due between March 2010 and November 2011 and interest set by reference to the Buenos Aires interbank rate plus 2.0% per annum. Between October 9, 2009 and November 30, 2009, the City issued and delivered to suppliers and contractors bonds in an aggregate principal amount of P\$243.5 million with the balance expected to be issued and delivered during the remainder of 2009 and the first six months of 2010.

The City's stock of total direct (long-term) indebtedness, excluding the amount of such invoices that had not been renegotiated and the City's treasury bills maturing in 2009, was P\$1,804.5 million and P\$1,731.1 million at December 31, 2007 and 2008, respectively, and P\$1,716.2 million at September 30, 2009.

In addition, the City's current administration intends to implement an ambitious capital expenditure programme over the course of the next few years, to be mainly financed by the incurrence of debt by the City, including by the issue of Notes. No assurances can be provided that the City will be able to manage and service such increasing levels of indebtedness.

Limited availability of financing

The City recorded a P\$658.1 million deficit in its overall balance in 2006, a P\$336.3 million deficit in its overall balance during 2007 and a P\$651.1 million deficit in its overall balance during 2008. In addition, the 2009 budget and the 2010 budget contemplate estimated deficits of P\$768.8 million and P\$462.0 million, respectively, in the City's overall balance. The Federal Government's 2002 default on its sovereign debt and 2005 debt restructuring have limited the access by Argentine public sector issuers to the international and domestic capital markets. In addition, on August 4, 2004, the Federal Congress approved Law No 25,917 (the "Federal Fiscal Responsibility Law") which, starting with the budget for the year ended December 31, 2005, requires each of the Argentine provinces and the City as long as they have adhered to its provisions not to increase the amount of its total expenditures (excluding interest expense, expenditure items funded with financing from multilaterals and certain expenses in social infrastructure programs) by a percentage exceeding the projected percentage growth in Argentina's GDP as estimated by the Federal Government, to achieve balanced budgets and to ensure that its annual debt service does not exceed 15.0% of its current

revenues (net of any transfers to municipalities in the case of the provinces). Furthermore, pursuant to the provisions of Central Bank Communication “A” 3,911, dated March 28, 2003, Argentine banks (including the Bank) cannot provide credit to the Argentine public sector (including the City) other than on a secured basis and if previously authorised by the Central Bank. Pursuant to the provisions of the Federal Fiscal Responsibility Law, the adhering entities shall require the authorisation of the Federal Ministry of Economy for the incurrence of indebtedness. On August 14, 2008, the City based on its compliance with the requirements of such law, requested the authorisation of the Federal Ministry of Economy for the issue of Notes, with the Federal Ministry of Economy not responding to such request. On November 26, 2009 the City Legislature, pursuant to Law No. 3,297 of the City (“Law No. 3,297”), withdrew the City’s adherence to the Federal Fiscal Responsibility Law and as a result the City understands it is no longer required to request authorisation from the Federal Government for the incurrence of indebtedness by it. Although the City has recently been able to issue and place with domestic investors short-term treasury bills and to deliver debt instruments to its suppliers and contractors as consideration for goods provided and services rendered to the City, the City may not be able to finance any future deficits it may experience which inability is likely to have a material adverse effect on the financial condition of the City and its ability to comply with its obligations under the Notes.

Governing party

In the City elections held on June 3, 2007, Mr. Mauricio Macri of the Propuesta Republicana (PRO) political organisation obtained 45.6% of the votes, ahead of the Frente para la Victoria (FPV) political organisation candidate, which obtained 23.7% of the votes. In the run-off elections held on June 24, 2007, Mr. Macri obtained 60.9% of the votes while the FPV candidate obtained 39.0% of the votes. Following the most recent legislative elections held on June 28, 2009, the PRO, as from December 10, 2009, holds 26 seats in the Legislature. As a result, the PRO, although the largest political block in the Legislature, does not have a majority of votes in the Legislature and needs the support of members of other parties to pass certain legislation. Although the current City administration has been able to have certain legislation passed since taking office on December 10, 2007, there can be no assurance that politics will not slow down or prevent the passage of legislation which may be required by the City administration to implement its policies.

Financial information

The financial information relating to the City presented in this Offering Circular for 2004 to 2009 is principally derived from the City’s records as maintained and compiled by the City’s Accounting Office. The City’s statements of actual revenues and expenditures and of budgetary performance (“*cuentas de inversión*”) for each of the years ended December 31, 2004, 2005, 2006, 2007 and 2008 have been submitted to the Legislature, but the Legislature has not commented on these statements at the date of this Offering Circular. Therefore, there is currently no independent review of certain of the City’s finances. In addition, figures presented for the nine months ended September 30, 2009 are preliminary estimates only and may change materially as a result of new information becoming available after the date of this Offering Circular.

2009 and 2010 budgets

The 2009 budget was approved by the Legislature on December 23, 2008 and amended on October 29, 2009 by means of Law No. 3,243 to reflect an increase in the level of estimated personnel expenditures and a reduction in the level of estimated capital expenditures. The 2009 budget (as amended) includes an estimated P\$16,017.9 million of total revenues (25.4% higher than the total revenues received by the City during 2008) and an estimated P\$16,786.7 million of total expenditures (25.0% higher than the total expenditures incurred by the City during 2008). As a result, the City contemplates an estimated P\$768.8 million deficit in its overall balance and an estimated P\$558.1 million deficit in its primary balance.

The 2010 budget was approved by the Legislature on December 8, 2009. The 2010 budget includes an estimated P\$16,995.8 million of total revenues (6.1% higher than the total revenues estimated by the City in the 2009 budget) and an estimated P\$17,457.8 million of total expenditures (4.2% higher than the total expenditures estimated by the City in the 2009 budget). As a result, the City contemplates an estimated P\$462.0 million deficit in its overall balance and an estimated P\$10.7 million surplus in its primary balance.

The 2009 and 2010 budgets are based on a series of projections and estimates regarding Argentina's and the City's economy, revenues and expenditures and inflation. The 2009 and 2010 budgets contain estimates of historical results and forward-looking information that involve certain risks and uncertainties. Potential risks and uncertainties include the level of activity of the City's economy, the level of inflation, the level of tax collections, the level of compliance with tax laws, the transfer by the Federal Government of the amounts it is required to transfer to the City, the ability of the City's administration to control expenditure in line with its budget and to obtain financing for its projected overall deficits, the City being able to reach a satisfactory agreement with certain of its suppliers and contractors to whom it owes substantial amounts, there being a satisfactory settlement with the Federal Government regarding mutual claims of the City and the Federal Government, the satisfactory resolution of certain material litigation proceedings the City currently faces, the occurrence of unusual political, legislative or constitutional events which disrupt the City administration's ability to manage its finances, and the occurrence of events which may have a material adverse effect in Argentina. As a result of any of such risks or uncertainties, actual revenues and expenditures for 2009 and 2010 are highly likely to differ materially from the projected revenues and expenditures contained in the 2009 budget and the 2010 budget, respectively.

Federal transfers

In 2008, the City received P\$1,486.0 million, or 11.6% of its total revenues, from the Federal Government pursuant to transfers that constituted the second largest source of revenues for the City. These transfers were comprised mainly of Federal tax co-participation payments made by the Federal Government pursuant to Federal Law No. 23,548 and several other supplemental Federal tax revenue-sharing arrangements among the Federal Government and the provinces (the "Federal Tax Co-Participation Law") constituting the Federal tax co-participation system. There have been negotiations towards the establishment of a new Federal tax co-participation system among the Federal Government, the provinces and the City. In the context of such negotiations, on December 12, 2002, the City and the Federal Government entered into a bilateral agreement whereby the Federal Government agreed to begin transferring to the City the equivalent of 1.4% of the net Federal tax revenues subject to the Federal tax Co-Participation Law on an annual basis from January 1, 2003 in lieu of the fixed sum of P\$157.0 million per year previously allocated to the City. Thus the City has been included with the provinces in the second tier of distribution of the net Federal tax co-participation payments and the overall share of the Federal Government has been reduced by 1.4%. No assurance can be given that, as a result of the overall negotiations between the Federal Government, the provinces and the City, the City's new share of such Federal tax transfers will not be reduced.

Forward-looking statements

This Offering Circular includes "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this Offering Circular, including, without limitation, those regarding the City's economy, revenues and expenditures and inflation are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the City, to be materially different from any future results or performance expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the City's and Argentina's present and future economic and financial condition and strategies. The important factors that could cause the City's actual results or performance to differ materially from those in the forward-looking statements include, among others, those discussed under Risk Factors. These forward-looking statements speak only as of the date of this Offering Circular. The City expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the City's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Contingencies — Claims by and against the Federal Government

The City and the Federal Government each has claims against the other for various amounts in relation to obligations, most of which were incurred prior to April 1991 and which in some cases date back to the

early 1980s. The major claims by the Federal Government against the City relate to foreign debt of City enterprises that was assumed by the Federal Government and refinanced as part of the “Brady Plan” and payments made to suppliers and pensioners by the Federal Government on behalf of the City. The major claims by the City against the Federal Government relate to City taxes not paid by Federal Government enterprises, foreign exchange insurance taken out by the City in connection with a highway construction project and not paid by the Central Bank, compensation for certain Federal tax credits generated by losses incurred during the construction of such highway and payments not made by the Federal Government to the City to compensate for the higher expenditure of the City resulting from the transfer of schools and hospitals from the Federal Government to the City which was made without a corresponding transfer of resources in 1992. The Federal Government has quantified its claims in an aggregate amount of approximately P\$977.9 million and U.S.\$732.0 million and the City has quantified its claims in an aggregate amount of approximately P\$10,846.5 million. Since 1997, the City and the Federal Government have engaged in negotiations from time to time aimed at settling their reciprocal claims without success. However, no judicial proceedings have been commenced in relation to these claims.

The Federal Fiscal Responsibility Law expressly provides for the setting off of the reciprocal claims between the Federal Government on the one hand and the provinces and the City on the other hand and instructed the Federal Government to progress the final settlement of all such claims which had arisen prior to December 31, 2004. As a result, the Federal Government has set up a procedure for the review and settlement of such claims. On November 23, 2006, the City submitted to the Federal Government a detailed description of each of the claims the City has against the Federal Government, which description is currently being reviewed by the Federal Government. The City expects the Federal Government to challenge certain or all of the claims from the City and to raise its own claims against the City so no assurances can be provided as to whether this process will resolve these matters, whether the result will be positive for the City or as to the timing of any such resolution.

Contingencies — Litigation

Among several litigation proceedings arising in the ordinary course of its operations, the City faces a potentially material claim arising from the termination by the City in 1983 of a contract to build and operate a new zoological and botanical garden, and an amusement park in the City. Only the amusement park was completed and the City took over operation of it following termination of the contract. The former contractor, which later went bankrupt, filed a claim for undetermined damages against the City alleging breach of the contract. The damages claimed by the former contractor were assessed by a third-party expert to be in the order of approximately P\$497.3 million at December 12, 1983, although such assessment was made on the basis of financial statements later proved to have been fraudulently prepared. However, if the City were required to pay any amount under the claim from the receiver, it intends to offset a large portion of such amount against credits it has against the Federal Government, as several entities of the Federal Government represent approximately 80.0% of the credits in the bankruptcy proceedings of the former contractor. No assurances can be given as to the final outcome of the proceedings or as to whether the City will be able to offset any amounts it may be required to pay against credits it has against the Federal Government, in which case there is likely to be a material adverse change in the financial condition of the City.

In addition, as a result of a fire which broke out in a private night club located in the City on December 30, 2004, 194 people died and approximately 700 others were injured. Although the fire is believed to have been started by the setting off of pyrotechnic flare by some of the attendants to a rock concert that was taking place at the club, there have been allegations that the venue was in breach of a number of fire prevention and other regulations, that the reaction of the emergency forces to the tragedy was inadequate and that the City’s system of inspections was flawed. As a result, a large number of civil judicial claims have been commenced against the Federal Government (which has control over the fire department and police force which operates in the City) and the City (which authorises and controls the opening and operation of such venues). At November 30, 2009, the City was a defendant in 1,196 claims involving in the aggregate approximately P\$619.0 million. In addition, the City expects approximately 1,000 additional claims to be filed against it due to a ruling from a criminal court of first instance holding the management of the night club and the

management of the band playing in the club guilty of criminal charges and, jointly with the Federal Government and the City, responsible for the civil judicial claims. The City has appealed such ruling and the consideration of its appeal is currently ongoing. The City has alleged that the Federal Government has main responsibility for the enacting and enforcement of fire regulations in the City and hence that the Federal Government should bear primary responsibility for any potential failures in the regulations or control system. In addition, the City has alleged that its capacity to authorise and control the opening and operation of venues such as the night club does not constitute a causal link to the tragedy, which was caused by circumstances that were unconnected to any such authorisation or control, sufficient to hold the City legally responsible in respect of such claims. At the date of this Offering Circular, no assurances can be given as to the final number of the aggregate amount of claims the City may face as a result of this event, the outcome of such claims or the final amount of any liability which may result to the City from them.

Banco de la Ciudad

Banco de la Ciudad de Buenos Aires (“Banco de la Ciudad” or the “Bank”) is a statutory corporation wholly-owned by the City. Under the City Constitution, the Bank is the official bank of the City and acts as the City’s financial agent, providing banking services for the City’s treasury. In addition, pursuant to the terms of the Bank’s charter, the City guarantees all obligations of the Bank. Until 1996, the Bank suffered significant losses in its commercial loan portfolio. As a result, the City made a U.S.\$100.0 million capital contribution to the Bank in 1997.

In the lead-up to Argentina’s 2001-2002 economic crisis, the Bank held a substantial portfolio of debt securities issued by the Federal Government. During the second half of 2001, the Bank participated in a debt exchange undertaken by the Federal Government by tendering the Federal Government debt securities the Bank held in its portfolio and receiving in exchange an equivalent principal amount in loans to the Federal Government secured by certain Federal tax receipts. The exchange resulted in a lengthening of the average maturity of the Bank’s claims against the Federal Government and a reduction in the average interest rate earned. In addition, during 2002 and 2003, the Federal Government organised an exchange of loans which banks, including the Bank, had extended to Argentine provinces for an equivalent principal amount in securities to the Federal Government secured by certain Federal tax receipts. As a result of these exchanges, at September 30, 2009 and December 31, 2008 the Bank held loans and securities to the Federal Government which amounted, in the aggregate, to P\$2,364.7 million and P\$2,416.8 million, respectively.

As required by the Central Bank, Argentine banks (including the Bank) prepare their financial statements in accordance with Central Bank regulations, which regulations differ in many significant respects from Argentina’s generally accepted accounting principles (“Argentine GAAP”). In particular, in accordance with Central Bank regulations, the Bank does not mark-to-market its loans to the Argentine public sector (including the loans resulting from the above described exchanges) or its holdings of debt instruments issued by the Argentine public sector, as required by Argentine GAAP and does not follow the deferred income tax principle as required by Argentine GAAP. Had the Bank prepared its financial statements in accordance with Argentine GAAP, the Bank’s net worth would have been reduced by P\$672.3 million (from P\$1,497.1 million) at September 30, 2009, P\$1,250.9 million (from P\$1,341.8 million) at December 31, 2008, P\$478.1 million (from P\$1,442.6 million) at December 31, 2007 and P\$345.4 million (from P\$1,409.8 million) at December 31, 2006. In addition, compliance with Argentine GAAP would have increased the net income of the Bank in the nine months ended September 30, 2009 by P\$578.7 million (resulting in income of P\$734.0 million) and reduced the net income of the Bank in the nine months ended September 30, 2008 by P\$245.4 million (resulting in a P\$151.7 million loss), P\$949.8 million (resulting in a P\$808.9 million loss) in the year ended December 31, 2008, P\$355.7 million (resulting in a P\$162.4 million loss) in the year ended December 31, 2007 and P\$345.0 million (resulting in a P\$120.6 million loss) in the year ended December 31, 2006.

The City cannot provide assurance that the Bank will not be required to start preparing its financial statements in accordance with Argentine GAAP and, as a result, to record significant losses and a substantial reduction in its net worth, that the significant loan losses suffered by the Bank in the 1990s will not recur, that the Bank will not have to make substantial provisions, that the Bank will be able to obtain financing

from the Central Bank or other sources to cover its liquidity needs, or that the City will not have to contribute further capital to the Bank in the future.

Limitation on realisation of judgments against the City or its assets

Under the City Constitution and Law No. 70 of the City (the “City Financial Administration and Control Law”), payments which are not provided for in the annual budget or in a special law passed by the Legislature may not be validly made. Pursuant to Law No. 189/99 of the City, if the Notes become due and payable on an accelerated basis, or are otherwise enforced against the City, or a final binding judgment is obtained against the City for payment on the Notes on or before July 31 in any fiscal year, the Head of Government must provide for the payment of the amounts due in the draft City budget for the following fiscal year to be submitted to the Legislature for approval. If any such event occurs after August 1 but before the end of such fiscal year, the Head of Government is required to submit to the Legislature by March 31 in the following fiscal year a draft amendment to the budget for such fiscal year providing for the payment of any amount due by the City. Only after failure by the City to pay any such amount in the fiscal year for which a provision in the City budget was made or should have been made, would enforcement action by creditors of the City (such as Noteholders) be permissible under Law No. 189/99 of the City.

In addition, property of the City considered to be used for or related to the provision of essential public services, City property deemed to be in the public domain and the City’s revenues which, pursuant to Article 400 of Law No. 189/99 of the City, are not subject to attachment (although provisions similar to such Article have been, in certain cases, declared by Argentine courts to be contrary to Federal constitutional principles and therefore inapplicable). As a result, creditors of the City (including holders of the Notes) will be substantially limited in their ability to attach assets of the City prior to, or in aid of, execution of judgements they may obtain against the City.

Risk factors relating to the Notes

Market volatility

The market for securities issued by Argentine issuers is influenced by economic and market conditions in Argentina and, to varying degrees, market conditions in other Latin American and emerging market countries. For example, following the 1994 devaluation of the Mexican peso (the “Mexican Crisis”) and the global crisis triggered by financial crises in several Asian countries, Russia and Brazil between 1997 and 1999 (the “1997-1999 Global Crisis”), the market for debt instruments issued by Latin American issuers (including Argentine issuers) experienced increased levels of volatility, which adversely affected the price of such securities. Levels of volatility further increased during most of 2000 and 2001 fuelled by concerns about Argentina’s impending default and devaluation and then again following the global financial crisis, which started in the last quarter of 2008 and has continued in 2009. Furthermore, the Argentine economy may be affected by events in developed economies which are trading partners or that otherwise impact the global economy. The City cannot provide assurance that events in Argentina, Latin America or elsewhere will not cause a recurrence of such market volatility or that such volatility will not adversely affect the price of the Notes.

No existing market

Although applications will be made to list the Notes on the Luxembourg Stock Exchange and the Buenos Aires Stock Exchange and to have the Notes admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange and on the Mercado Abierto Electrónico S.A., the City cannot provide assurance that an active trading market for the Notes will develop, or, that if developed, it will be maintained. If an active trading market for the Notes does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected.

PRESENTATION OF FINANCIAL AND STATISTICAL INFORMATION

Presentation and accounting principles

The City maintains its books and records in pesos. The City follows the accounting principles and general accounting rules set out by the City Financial Administration and Control Law and its implementing regulations.

The principal features of these principles and rules are:

- Revenues (including certain Federal taxes collected by the Federal Government and paid to the City) are recognised in the period in which they are received by the City;
- Expenditures are accrued in the period incurred and not accounted for when paid;
- Capital investments must be carried at cost, without reduction for depreciation or amortisation;
- Capital expenditures and investments in intangible assets are not capitalised but instead are expensed in the year incurred;
- Construction contracts are expensed using the percentage of completion method; and
- The City does not adjust its information on revenues, expenditures or public debt for inflation.

Figures for 2004-2008

The financial information for 2004-2008 relating to the City presented in this Offering Circular is principally derived from the City's statements of actual revenues and expenses and of budgetary performance ("*cuentas de inversión*") as compiled and maintained by the Accounting Office of the City. Pursuant to the City Constitution, the statements of revenues and expenditures and of budgetary performance for each fiscal year must be submitted by June 30 of the following year to the Legislature for its approval. In addition, the City Financial Administration and Control Law establishes that the City's Audit Office within the jurisdiction of the Legislature is to perform an audit of such statements and issue a report to the Legislature. The City's statements of actual revenues and expenditures and of budgetary performance for 2004, 2005, 2006, 2007 and 2008 have been submitted to the Legislature, but the Legislature has not yet commented on these statements at the date of this Offering Circular.

Pursuant to the provisions of the Federal Fiscal Responsibility Law, the City was required to submit the annual budgets and statements of actual revenues and expenditures and of budgetary performance to the Federal Council of Fiscal Responsibility. The City has submitted to the Council its 2005, 2006, 2007 and 2008 budgets and statements and the Council has found them to be generally in compliance with the Federal Fiscal Responsibility Law. On November 26, 2009, the City Legislature, pursuant to Law No. 3,297, withdrew the City's adherence to the Federal Fiscal Responsibility Law and as a result the City is no longer required to submit to the Council its annual budgets and statements.

Preliminary 2009 figures

Figures presented at and for the nine months ended September 30, 2009 are preliminary estimates only and have been prepared by the Budget Office and the Office of Public Debt of the City based on records compiled by the Accounting Office of the City. Due to their preliminary nature, it is highly likely that the figures at and for the nine months ended September 30, 2009 may change as revised provisional or actual figures become available and there can be no assurance that any such changes will not be material.

Method of calculation and presentation of gross domestic product information

The City, in accordance with internationally accepted methodology, calculates its GDP by reference to the GDP of the geographic region comprising the City without taking into account any exports out of Argentina or imports into Argentina attributable to the City. In December 1998, the City engaged the United Nations Economic Commission for Latin America and the Caribbean to produce a revised calculation of the

City's GDP for the years 1993 to 1998, using a methodology substantially in accordance with the methodology employed by the Federal Government for the calculation of Argentina's GDP. Under this methodology, the City: (i) uses 1993 instead of the previously used 1986, as a base year to calculate its GDP to better reflect the new structure of relative prices that resulted from the process of market liberalisation, economic deregulation and privatisation carried out in Argentina and the City in the early 1990s; (ii) assigns revised weights to different sectors of the economy in the calculation of its GDP to more accurately reflect their relative importance; and (iii) seeks to measure its "informal economy".

Since then, the City through its Statistics and Census Office (*Dirección General de Estadística y Censos*) has calculated the City's GDP and a sectoral breakdown presented in two forms: in nominal pesos, which are pesos not adjusted for inflation, and in 1993 constant pesos. In addition, this calculation is prepared by reference to basic producer prices. Basic producer prices are market prices less commercialisation margins, freight charges and less value-added, turnover, other sales taxes and import duties. Such prices have been used in order to avoid double-counting problems arising from difficulties in the allocation of each of these taxes between the different Argentine provinces and the City. For purposes of analysing the evolution of the different sectors of the City's economy, this Offering Circular presents GDP information in 1993 constant prices and prepared by reference to basic producer prices since the City believes this presentation more accurately reflects variations between and within sectors. Argentina's GDP is presented in both nominal pesos and 1993 constant pesos.

Following the change in the City's administration in December 2007, the City undertook a review of its GDP and GDP sectoral information for the 2004-2006 period, which it completed in 2009 and which resulted in certain revisions to such information. This Offering Circular presents the City's revised GDP and GDP sectoral information for such period.

Presentation of information relating to historic revenues, expenditures and public debt

Financial information in this Offering Circular relating to historic revenues, expenditures and public debt of the City is presented in nominal pesos as the City believes such form of presentation is likely to result in fewer distortions to the period-on-period comparability of such information, than those which would result from adjusting such information for inflation.

In addition, certain of the breakdowns used for presenting the information relating to historic revenues and expenditures in this Offering Circular differ from the breakdowns used in the City's annual statements of actual revenues and expenditures and of budgeting performance, as the City believes the form of presentation used in this Offering Circular is likely to make the analysis of the period-on-period information more meaningful.

Banco de la Ciudad information

Except as described below, the financial information on Banco de la Ciudad included in this Offering Circular has been extracted from Banco de la Ciudad's annual non-consolidated financial statements at and for each of the years ended December 31, 2006, 2007 and 2008 which have been audited by Pistrelli, Henry Martin y Asociados S.R.L. (member of Ernst & Young Global) and the financial statements of Banco de la Ciudad at and for each of the nine months ended September 30, 2008 and 2009 which have been subject to a limited review by Pistrelli, Henry Martin y Asociados S.R.L. (member of Ernst & Young Global). In accordance with Central Bank regulations, the financial statements of Banco de la Ciudad at and for each of the three years ended December 31, 2006, 2007 and 2008 and at and for the nine months ended September 30, 2008 and 2009 have been prepared in accordance with the accounting principles formulated by the Central Bank, which principles differ in many significant respects from Argentine GAAP. As a result, the auditors' reports for such financial statements include a number of qualifications resulting from such differences. See "City enterprises — Banco de la Ciudad de Buenos Aires".

On April 16, 2008, the Board of Directors of Banco de la Ciudad decided to revert, with retroactive effect as from January 1, 2006, the creation of a P\$400.0 million intangible asset to reflect a decision by the Federal Supreme Court of Justice that the U.S. dollar amounts held by Banco de la Ciudad as judicial escrow agent must be returned in U.S. dollars (despite the statutory conversion of U.S. dollar deposits into pesos at

the P\$1.4 per U.S.\$1.0 exchange rate which took place in 2002). This resulted in changes to several line items of Banco de la Ciudad's financial information as at and for the years ended December 31, 2006 and 2007. Although neither the accounting principles formulated by the Central Bank nor Argentine GAAP allows for the restatement of historic financial statements, the Banco de la Ciudad information included in this Offering Circular reflects such changes as the City considers that the revised information provides a more meaningful basis for comparison with the Banco de la Ciudad financial information as at and for the year ended December 31, 2008 and as at and for the nine months ended September 30, 2008 and 2009.

Rounding of figures

Certain numerical figures presented in this Offering Circular have been subject to rounding adjustments. Accordingly, amounts shown as totals in tables or elsewhere may not be an arithmetic aggregation of the numbers which precede them. In addition, certain percentages presented in the tables in this Offering Circular reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculation were based upon the rounded numbers.

FOREIGN EXCHANGE RATES AND EXCHANGE CONTROLS

Prior to December 1989, the Argentine foreign exchange market was subject to exchange controls and as a result of inflationary pressures, the Argentine currency was devalued repeatedly during the 30 years to 1991. In December 1989, Argentina adopted a freely floating exchange rate for all foreign currency transactions. On April 1, 1991, the Convertibility Law became effective, with the Argentine currency being freely convertible into U.S. dollars. Under the Convertibility Law, the Central Bank (i) was required to sell U.S. dollars to any person who so requires at a rate of one peso per one U.S. dollar and (ii) had to maintain a reserve in foreign currencies, gold, net claims on ALADI (*Asociación Latinoamericana de Intercambio*), and certain public bonds denominated in foreign currency (such bonds not to exceed 33.0% of such reserve), all valued at market prices, in an aggregate amount at least equal to the amount of the monetary base (which consisted of currency in circulation and peso deposits of the financial sector with the Central Bank).

On January 6, 2002, the Federal Congress enacted the Public Emergency Law No. 25,561 (the “Public Emergency Law”) putting an end to over ten years of U.S. dollar-peso parity and eliminating the requirement that the Central Bank’s reserves in gold and foreign currency be at all times at least equal to the aggregate amount of the monetary base. The Public Emergency Law grants the Federal executive branch the power to set the exchange rate between the peso and foreign currencies and to issue regulations related to the foreign exchange market. On January 9, 2002, pursuant to the Public Emergency Law, the Federal executive branch established a dual exchange rate system. One exchange rate, covering exports and essential imports, was set at a rate of PS1.4 per U.S.\$1.0 while the other, covering all other transactions, was to be freely determined by the market.

On January 11, 2002, the Central Bank ended a suspension of banking and foreign exchange activities that had started on December 21, 2001. The exchange rate began to float freely for the first time in eleven years. The shortage of U.S. dollars and their heightened demand caused the peso to further devalue significantly. On February 3, 2002, the executive branch repealed the dual exchange system, and since February 11, 2002, there has been only one freely floating exchange rate for all currency transactions. The peso has continued to fluctuate significantly and the Central Bank has intervened on several occasions in an attempt to manage the exchange rate fluctuations.

The following table sets forth, for the periods indicated, the high and low, month-end average and period-end rates of exchange for U.S. dollars.

<u>Year ended December 31,</u>	<u>High</u>	<u>Low</u>	<u>Average⁽¹⁾</u>	<u>Period End</u>
2004	3.07	2.80	2.94	2.97
2005	3.05	2.86	2.92	3.03
2006	3.11	3.03	3.07	3.07
2007	3.18	3.06	3.12	3.15
2008	3.45	3.01	3.16	3.45
2009				
January	3.49	3.45	3.46	3.49
February	3.56	3.49	3.51	3.56
March	3.72	3.59	3.65	3.71
April	3.72	3.67	3.69	3.72
May	3.75	3.69	3.72	3.75
June	3.80	3.74	3.77	3.80
July	3.83	3.80	3.81	3.83
August	3.85	3.82	3.84	3.85
September	3.85	3.83	3.84	3.84
October	3.85	3.82	3.83	3.82
November	3.82	3.80	3.81	3.81

Note:—

(1) Based on monthly average exchange rates.

Source: Central Bank reference exchange rate.

On December 11, 2009, the peso-U.S. dollar exchange rate quoted by the Central Bank for the sale of dollars was P\$3.80 per U.S.\$1.0.

In the period between 1989 and December 1, 2001, there were no foreign exchange controls preventing or restricting the conversion of pesos into foreign currency or the transfer of funds outside Argentina. Pursuant to Decree No. 1,570 dated December 1, 2001, as supplemented by Decree No. 1,606, the majority of transfers of funds outside Argentina to effect payment of financial indebtedness required prior authorisation from the Central Bank. Although the City was not previously subject to any such restrictions, on September 5, 2002 the Central Bank issued Communication “A” 3,715, which required the prior authorisation of the Central Bank to transfer funds outside Argentina for the purpose of making payments of principal and interest due under bonds and financial indebtedness owed by local governments (such as the payments by the City under the Notes). Since then, Federal Government has been relaxing such exchange controls and pursuant to Communication “A” 3,944 issued by the Central Bank on May 6, 2003, local governments, such as the City, are not subject to any restrictions on their ability to transfer funds outside Argentina for the purpose of making payments of principal or interest under any of their financial indebtedness.

In addition, with the aim of controlling capital inflows and outflows, on June 30, 2003, the Federal Government prohibited the transfer outside Argentina of any funds which had entered the country within less than 180 calendar days from the date of entry of such funds into Argentina. On June 10, 2005, the Central Bank issued Communication “A” 4,359 which extended the minimum period to 365 calendar days and imposed the requirement that 30.0% of such funds be deposited in a non-interest bearing account opened with a bank in Argentina for the duration of the minimum period in relation to certain of such transfers of funds. The City is not subject to such requirements.

SUMMARY OF THE CITY

The following does not purport to be complete and is a summary of, and is qualified in its entirety by, the remainder of this document.

Introduction

The City of Buenos Aires was founded in 1580 and became the Federal capital of Argentina in December 1880. The City today remains the seat of the Federal Government and is the country's principal financial and business centre. The City is the largest city in Argentina and has a resident population of approximately 3.05 million people, which was approximately 7.6% of the estimated total population of Argentina in 2008, according to the 2001 national census. The City is surrounded by a larger metropolitan area known as Greater Buenos Aires, in the adjacent Province of Buenos Aires. The City is located at the mouth of the Río de la Plata, occupies an area of 203 square kilometres and contains 15 "communities" (*comunas*).

The City holds a special autonomous status under Argentina's Federal Constitution as the seat of the Federal Government and, since October 1996, has had its own constitution. The City Constitution provides for executive, legislative and judicial branches of government. In the City's run-off elections held on June 24, 2007, Mr. Mauricio Macri was elected Head of Government and Ms. Gabriela Michetti as Deputy Governor, each for a term expiring on December 10, 2011. Ms. Michetti resigned as Deputy Governor on April 20, 2009 following the announcement of her candidacy to the Legislature (to which Ms. Michetti has been elected), and she will not be replaced.

Economic performance and highlights

In 2008, the City had total revenues of P\$12,776.9 million and total expenditures, including interest expense, of P\$13,428.0 million, resulting in a deficit in its overall balance, after debt service, of P\$651.1 million. In 2007, total revenues were P\$9,581.3 million and total expenditures, including interest expense, of P\$9,917.6 million, resulting in a deficit in its overall balance, after debt service, of P\$336.3 million.

The economy of the City is diversified among a number of economic sectors, the largest of which in 2008 were, according to the City's preliminary estimates, community, social and personal services (18.6%), real estate and business services (18.3%), commerce, hotels and restaurants (17.1%), financial services (13.7%) and manufacturing (10.5%). In 2008, the City generated an estimated GDP of P\$88,437 million (calculated at basic producer prices and in 1993 constant pesos), representing approximately 25.1% of an estimated total national GDP of P\$352,857 million (calculated at basic producer prices and in 1993 constant pesos) in that year, ranking it as the second largest economic region in Argentina after the Province of Buenos Aires.

Consistent with its economic performance, the City has the highest percentage rate of economically active population in the country (53.9% in the second half of 2008 compared to an average of 45.9% for the country in the third and fourth quarters of 2008), a significantly lower unemployment rate (5.4% in the second half of 2008 compared to an average of 7.6% for the country in the third and fourth quarters of 2008) and the highest GDP per capita (P\$29,067 in 2008 compared to P\$8,687 for the country (calculated at basic producer prices in 1993 constant pesos)). In addition, the City has the highest literacy rate (99.5% of the population aged 10 or older in 2008, compared to approximately 97.0% for the country in 2007 according to the 2007 World Bank World Development Indicators (the latest date for which such data is available)), the lowest infant mortality rate (7.3 per thousand in 2008, compared to 14.0 per thousand for the country in 2007 according to the 2007 World Bank World Development Indicators (the latest date for which such data is available)) and the highest life expectancy rate (an average of 75.6 years in 2008, compared to an average of 75 years for the country according to the 2007 World Bank World Development Indicators (the latest date for which such data is available)).

The City is the country's largest financial and business centre. It has significant public infrastructure, including approximately 41.6 kilometres of freeways and 52.4 kilometres of subway and light railway lines.

The City is home to the nation's major domestic airport and principal maritime port. The City has 2,687 schools (1,149 of which are state schools), 33 public hospitals and one public health institute. The City also hosts all of the departments of the Federal Government. The police force (which includes the fire department) for the City is provided, and mainly paid for, by the Federal Government, although the City is currently in the early stages of deploying its own security force. In addition to providing the infrastructure to attract businesses to operate in it, the City primarily provides health, education, social, cultural and administrative services to its residents. The City is the most important tourist centre in Argentina and it is Argentina's largest educational, research and cultural centre.

Summary information

City economy and finances

The following table sets out certain summary information for the City as at and for the five years ended December 31, 2008. For information on how financial and statistical information is presented in this Offering Circular, see "Presentation of financial and statistical information". This summary is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Circular.

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008⁽¹⁾</u>
	(in millions of pesos, except where specified)				
City economy:					
Nominal GDP (in pesos) ⁽²⁾	P\$95,298	P\$114,147	P\$146,261	P\$183,111	P\$233,022
Change in nominal GDP (%).....	19.8	19.8	28.1	25.2	27.3
Rate of change in Consumer Price Index (%)	6.1	12.3	9.8	8.5	7.2
Population (in millions) ⁽³⁾	3.01	3.02	3.03	3.04	3.05
Labour participation rate (%) ⁽⁴⁾	52.8	54.6	54.2	55.1	53.9
Unemployment (%) ⁽⁵⁾	8.7	7.8	7.9	6.1	5.4
GDP per capita (in pesos) ⁽⁶⁾	19,763	22,340	25,174	27,552	29,067
City economy compared to national economy:					
City nominal GDP as a percentage of national nominal GDP (%) ⁽²⁾	22.6	22.9	23.8	24.9	25.2
City population as a percentage of national population (%) ⁽³⁾	7.9	7.9	7.8	7.8	7.6
National labour participation rate (%) ⁽⁴⁾ ..	46.1	46.1	46.2	45.9	45.9
National unemployment rate (%) ⁽⁵⁾	12.7	10.6	9.5	7.8	7.6
National GDP per capita (in pesos) ⁽⁶⁾	6,696	7,195	7,697	8,246	8,687
City finances⁽⁷⁾					
Total revenues	5,144.5	6,167.0	7,605.0	9,581.3	12,776.9
Total expenditures	4,279.0	5,815.7	8,263.1	9,917.6	13,428.0
Overall balance ⁽⁸⁾	865.5	351.3	(658.1)	(336.3)	(651.1)
Operating balance ⁽⁹⁾	1,414.7	1,356.1	864.3	1,128.9	1,900.2
Interest expense	126.7	136.7	176.8	124.0	134.7
Primary balance ⁽¹⁰⁾	992.2	488.0	(481.3)	(212.3)	(516.4)
Interest expense as a percentage of total revenues (%)	2.5	2.2	2.3	1.3	1.1
Operating balance/current revenues (%) ..	27.5	22.2	11.5	11.8	15.0
Overall balance/total revenues (%)	16.8	5.7	(8.7)	(3.5)	(4.0)
Overall balance/City GDP (%) ⁽²⁾	0.9	0.3	(0.4)	(0.2)	(0.2)
Federal source revenues/City current revenues (%)	13.0	12.9	12.6	13.0	11.7

Notes:—

- (1) Preliminary estimates except for information in respect of City finances.
- (2) In nominal pesos and at basic producer prices.
- (3) Population figures are presented at year-end of the respective year and are based on projections on the basis of information from the 2001 national census.
- (4) Calculated by dividing the portion of the population 14 years or older employed or actively seeking employment (“economically active population”) by the total population. In the case of City information, based on the survey for the second half of the relevant year and, in the case of national information, based on the average of the surveys for the third quarter and the fourth quarter of the relevant year.
- (5) Calculated by dividing the unemployed population seeking employment by the economically active population. In the case of City information, based on the survey for the second half of the relevant year and, in the case of national information, based on the average of the surveys for the third quarter and the fourth quarter of the relevant year.
- (6) In 1993 constant pesos and at basic producer prices.
- (7) In nominal pesos.
- (8) Total revenues less total expenditures.
- (9) Current revenues less current expenditures.
- (10) Overall balance excluding interest expense.

Sources: For City statistics and financial information, Statistics and Census Office of the City, Office of Public Debt and Accounting Office of the City. For national statistics, Federal Ministry of Economy and INDEC.

Public debt

The following table sets out the public debt, cash position and level of “floating debt” of the City as at December 31, 2004, 2005, 2006, 2007 and 2008 and as at September 30, 2009, in each case, excluding accrued interest and direct indebtedness of Banco de la Ciudad.

	At December 31,					At
	2004	2005	2006	2007	2008	September 30, 2009
	(in millions of pesos ⁽¹⁾)					
Financial debt:						
Notes issued under Medium-Term Note Programme.....	PS\$1,790.3	PS\$1,660.8	PS\$1,373.2	PS\$1,072.2	PS\$921.7	PS\$646.3
Treasury bills ⁽²⁾	—	—	—	—	—	31.2
Debt with Banco de la Ciudad.....	9.1	7.9	6.5	5.1	3.5	2.2
Total financial debt.....	1,799.4	1,668.7	1,379.7	1,077.3	925.2	679.7
Debt with suppliers:						
Law No. 2,810 promissory notes ⁽³⁾	—	—	—	—	57.4	181.7
Debt under review/Decree No. 225/96						
General.....	48.8	48.8	47.3	42.3	27.0	24.3
CEAMSE.....	21.5	23.0	24.5	26.1	27.9	29.3
Other recognised debts.....	38.9	35.9	34.3	34.1	33.5	33.2
Other.....	0.5	—	—	6.7	—	—
Total debt with suppliers ⁽³⁾	109.8	107.7	106.1	109.3	145.7	268.5
Debt with Federal Government:						
Lecops.....	140.6	140.6	—	—	—	—
International loans:						
International Bank for Reconstruction and Development.....	37.0	34.2	30.0	26.0	54.3	110.7

	At December 31,					At
	2004	2005	2006	2007	2008	September 30, 2009
	(in millions of pesos ⁽¹⁾)					
Inter-American Development Bank	254.6	282.6	391.1	558.2	571.4	620.3
Spanish Government	37.9	36.7	34.9	33.7	34.5	37.0
Total international loans	329.5	353.5	456.0	617.9	660.2	768.0
Total indebtedness ^{(2) (3)}	P\$2,379.3	P\$2,270.5	P\$1,941.8	P\$1,804.5	P\$1,731.1	P\$1,716.2
Cash position ⁽⁴⁾	P\$1,309.5	P\$1,797.1	P\$1,300.7	P\$326.6	P\$118.8	P\$296.2
Floating debt ⁽⁵⁾	P\$383.7	P\$897.0	P\$1,101.0	P\$875.4	P\$1,901.7	N/A

Notes:—

- (1) The exchange rate used to convert U.S. dollar amounts into pesos has been the selling rate quoted by Banco de la Nación at the close of business on the relevant date. U.S. dollar amounts at December 31, 2008 were translated into pesos using the December 31, 2008 exchange rate of P\$3.453 = U.S.\$1.0 and at September 30, 2009, the September 30, 2009 exchange rate of P\$3.843 = U.S.\$1.0. The conversion of euro amounts into pesos has been the result of first converting the euro amounts into U.S. dollars using the euro-U.S. dollar selling rate quoted by Bloomberg at the close of business on the relevant date and then converting the resulting U.S. dollar amount into pesos using the relevant Banco de la Nación U.S. dollar-peso selling rate. Amounts in euros at December 31, 2008 were translated into pesos using the December 31, 2008 exchange rate of P\$4.824 = €1.0 and at September 30, 2009, the September 30, 2009 exchange rate of P\$5.6277 = €1.0.
- (2) This represents the aggregate principal amount of treasury bills outstanding as at September 30, 2009 and with a maturity date falling after December 31, 2009. It does not include an additional P\$501.8 million principal amount outstanding of treasury bills as at September 30, 2009 and which mature on or prior to December 31, 2009. Pursuant to the provisions of the City Financial Administration and Control Law, treasury bills maturing on the same year they are issued are not considered public debt of the City. See “Public Debt — Description of direct indebtedness — Treasury bills”.
- (3) As at December 31, 2007 and 2008 and as at September 30, 2009, the City had incurred debt with certain of its suppliers and contractors, which the City estimates originally amounted to approximately P\$800.0 million, of which amount the City paid approximately P\$310.0 million and is in the process of renegotiating the balance through the issue of promissory notes (which, when issued, are recorded under “Law No. 2,810 promissory notes”). See “Public Debt — Debt with suppliers — Law No. 2,810 promissory notes”.
- (4) Mainly reflects the balances of the consolidation account the City has with Banco de la Ciudad as at December 31 in each year and as at September 30, 2009. See “Public Debt — Description of direct indebtedness — Cash management”.
- (5) Represents, at each such date, short term debt the City had, mainly with suppliers. The City only estimates the amount of its "floating debt" at year-end. See “Public Debt — Description of direct indebtedness — Floating debt”.

Source: Office of Public Debt of the City.

Banco de la Ciudad

The following tables set out a summary of Banco de la Ciudad’s balance sheet and income statement as at and for the years ended December 31, 2006, 2007 and 2008 and at and for the nine months ended September 30, 2008 and 2009. In accordance with Central Bank regulations, the financial statements of Banco de la Ciudad as at and for each of the three years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2008 and 2009 have been prepared in accordance with the accounting principles formulated by the Central Bank, which principles differ in many significant respects from Argentine GAAP. See “City Enterprises — Banco de la Ciudad de Buenos Aires”.

In addition, on April 16, 2008, the Board of Directors of Banco de la Ciudad decided to revert, with retroactive effect as from January 1, 2006, the creation of a P\$400.0 million intangible asset to reflect a decision by the Federal Supreme Court of Justice that the U.S. dollar amounts held by Banco de la Ciudad as judicial escrow agent must be returned in U.S. dollars (despite the statutory conversion of U.S. dollar deposits into pesos at the P\$1.4 per U.S.\$1.0 exchange rate which took place in 2002). This resulted in

changes to several line items of Banco de la Ciudad's financial information as at and for the years ended December 31, 2006 and 2007. Although neither the accounting principles formulated by the Central Bank nor Argentine GAAP allows for the restatement of historic financial statements, the Banco de la Ciudad information included in this Offering Circular reflects such changes as the City considers that the revised information provides a more meaningful basis for comparison with the Banco de la Ciudad financial information as at and for the year ended December 31, 2008 and as at and for the nine months ended September 30, 2008 and 2009.

Income statement of the Bank

	Year ended December 31,			Nine months ended September 30,	
	2006	2007	2008	2008	2009
	(in millions of pesos)				
Financial income.....	P\$948.8	P\$927.9	P\$1,118.4	P\$831.6	P\$842.0
Financial expense.....	(338.8)	(438.5)	(644.3)	(447.4)	(383.7)
Net financial income.....	610.1	489.4	474.1	384.2	458.3
Provisions for loan losses.....	(38.7)	(52.1)	(52.9)	(38.6)	(50.0)
Service income.....	151.4	185.2	228.8	163.8	195.7
Service expense.....	(30.9)	(35.9)	(44.1)	(30.8)	(44.2)
Administration expense.....	(308.2)	(382.2)	(479.8)	(346.8)	(429.6)
Monetary gain (loss) from financial intermediation	383.6	204.4	126.1	131.8	130.2
Other income.....	61.7	73.1	121.0	73.4	87.8
Other expense.....	(585.3)	(43.6)	(100.1)	(86.2)	(27.1)
Monetary gain (loss) before income tax....	(140.0)	233.9	147.0	119.0	190.9
Income tax.....	(35.6)	(40.6)	(6.1)	(25.3)	(35.6)
Net income.....	<u>P\$(175.6)</u>	<u>P\$193.3</u>	<u>P\$140.9</u>	<u>P\$93.7</u>	<u>P\$155.3</u>

Balance sheet of the Bank

	At December 31,			At September 30,
	2006	2007	2008	2009
	(in millions of pesos)			
Assets:				
Cash and banks	P\$1,220.8	P\$1,002.5	P\$1,425.4	P\$2,683.0
Government and private securities.....	2,275.9	2,196.3	1,359.2	1,411.7
Loans.....	5,442.3	5,933.6	7,097.7	7,520.8
Other financial intermediation receivables (net of provisions)	853.2	789.1	811.7	645.7
Investments in other corporations	13.3	13.3	18.1	18.2
Sundry credits	166.5	263.3	327.7	381.3
Property, plant and equipment	146.1	147.1	146.8	154.9
Sundry assets.....	99.7	108.3	115.7	134.0

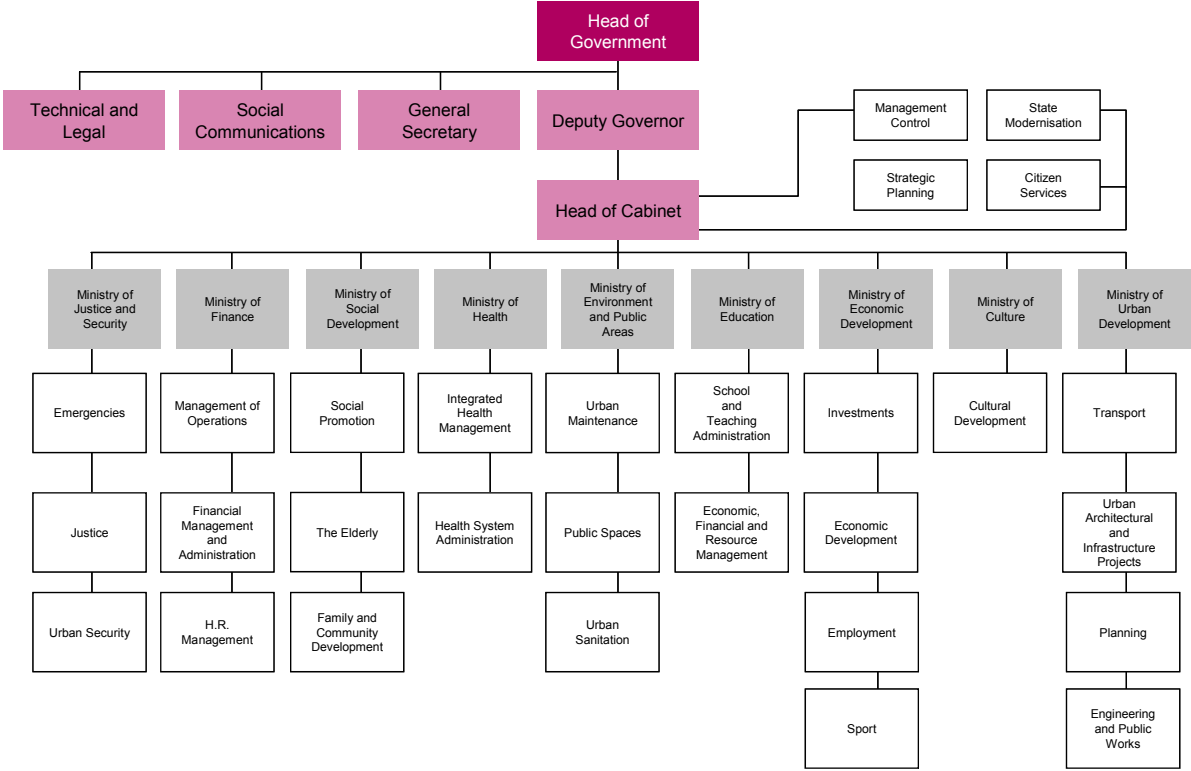
	At December 31,			At September 30,
	2006	2007	2008	2009
	(in millions of pesos)			
Intangible assets	29.5	18.7	22.4	27.7
Unallocated amounts	0.5	3.0	6.5	0.5
Total assets	10,247.8	10,475.2	11,331.2	12,977.8
Liabilities:				
Deposits	8,076.7	8,073.1	9,102.0	10,789.0
Other financial intermediation liabilities	410.6	685.4	470.6	252.6
Sundry liabilities	110.8	163.5	194.5	236.0
Provisions	639.6	349.7	220.6	202.8
Unallocated amounts	0.3	0.9	1.6	0.4
Total liabilities	9,238.0	9,272.6	9,989.3	11,480.8
Stockholders' equity	1,009.8	1,202.6	1,341.9	1,497.0
Total liabilities and stockholders' equity .	<u>PS10,247.8</u>	<u>PS10,475.2</u>	<u>PS11,331.2</u>	<u>PS12,977.8</u>

Source: Banco de la Ciudad.

MAP



ORGANISATIONAL DIAGRAM



THE CITY OF BUENOS AIRES

Territory, population and basic infrastructure

The City of Buenos Aires was founded in 1580 and became the Federal capital of Argentina in December 1880. The City today remains the seat of the Federal Government and is the country's principal financial and business centre. The City is the largest city in Argentina and has a resident population of approximately 3.05 million people, which is approximately 7.6% of the estimated total population of Argentina in 2008, according to the 2001 national census. The City is surrounded by a larger metropolitan area known as Greater Buenos Aires, in the adjacent Province of Buenos Aires. The Greater Buenos Aires area and the City had an estimated combined resident population of approximately 11.5 million in 2008, according to the 2001 national census. In 2008, the City accounted for approximately 25.1% of total national GDP calculated as set out under "Economy of the City", with the services sectors being the largest contributors to the City GDP.

The City is located at the mouth of the Río de la Plata, occupies an area of 203 square kilometres and contains 15 "communities" (*comunas*). The City is bounded to the east and northeast for 18 kilometres by the Río de la Plata, one of Argentina's principal rivers, and to the south for 14 kilometres by the smaller Riachuelo river. To the west and northwest it is bordered by the Province of Buenos Aires.

The City has significant public infrastructure, including approximately 41.6 kilometres of freeways and 49.8 kilometres of subway lines. The City is home to the nation's major domestic airport and principal maritime port. The City has 2,687 schools (1,149 of which are state schools), 33 public hospitals and one public health institute. The City also hosts all of the departments of the Federal Government. The police force (which includes the fire department) for the City is provided, and mainly paid for, by the Federal Government, although the City is currently in the early stages of deploying its own security force. The first class of City police officers completed its training in November 2009, and the City expects to have approximately 850 City police officers serving by the end of 2009. In addition to providing the infrastructure to attract businesses to operate in it, the City primarily provides health, education, social, cultural and administrative services to its residents. The City is the most important tourist centre in Argentina and it is Argentina's largest educational, research and cultural centre.

Constitutional framework

The Federal Constitution sets forth a division of powers in Argentina between the Federal and provincial governments. Each province has its own constitution which establishes its governmental structure and provides for the election of a provincial governor and legislature. The provinces have jurisdiction over education, municipal institutions, provincial police, provincial courts, and other matters of purely provincial or local concern. Each province has jurisdiction over the borrowing of money on its own credit, subject in certain cases to prior approval by the Federal Government through the Federal Ministry of Economy. The Federal Government only has jurisdiction over those areas that are expressly delegated to it by the provinces in the Federal Constitution, which include civil, criminal, commercial, mining and labour legislation, Federal public debt and property, the regulation of trade, commerce and bankruptcy, the issuance of currency, the regulation of banks and banking activity, the national defence, foreign relations, customs and the regulation of shipping and ports.

The City holds a special autonomous status under the Federal Constitution. Before the amendments made in 1994 to the Federal Constitution, the City, as the seat of the Federal Government, was a municipality under the jurisdiction of the Federal Government and was administered by a Mayor appointed by the President of Argentina. Significant City legislation was enacted by the Federal Congress, although a Municipal Council (*Concejo Deliberante*) comprising popularly elected members had limited legislative authority in certain areas. Under amendments to the Federal Constitution in 1994, the City was granted autonomous status under the Federal Constitution. The amendments provided for a Federal law to guarantee the interests of the Federal Government so long as the City remains the Federal capital of Argentina. This law was passed in November 1995 and provided, inter alia, for the continuation of Federal jurisdiction over those assets located in the City used or owned by the Federal Government, established the legal status of the

City as successor to the former Municipality of Buenos Aires, confirmed the effectiveness of all national and municipal legislation then applicable to the City until otherwise provided by local or national authorities, and accepted Federal responsibility for continued provision of certain services to the City, such as the police force. The provisions of such Federal law have recently been amended to the effect that the City can set up its own security force although the law does not contemplate the simultaneous transfer of the corresponding resources to the City. As a result, the City is currently in the early stages of deploying its own security force. The City's security force will primarily focus on prevention and enforcement in respect of certain crimes for which City courts have jurisdiction. See "Judicial branch".

Another Federal law provided for elections to appoint the Head of Government and the Deputy Governor of the City, as well as members of a Constitutional Convention. The Constitutional Convention met from August 6, 1996 until October 1, 1996 and the City Constitution drafted by the Convention became effective on October 10, 1996.

The City Constitution provides for executive, legislative and judicial branches of government.

Executive branch

The executive branch comprises the Head of Government, a Deputy Governor and a number of Ministries. The Head of Government and Deputy Governor are elected by popular vote of the residents of the City, hold office for four years and may be re-elected for one successive term. Ministers are appointed, and may be dismissed, by the Head of Government. The City has a Head of Cabinet and Ministers of Culture, Education, Finance, Justice and Security, Urban Development, Economic Development, Social Development, Health, and Environment and Public Areas.

The previously elected Head of Government, Mr. Aníbal Ibarra, was impeached and dismissed by the Legislature on March 7, 2006 following a fire which broke out in a private night club located in the City resulting in 194 deaths and approximately 700 people suffering injuries. There were allegations that the venue was in breach of several fire prevention and other regulations, that the reaction of the emergency forces was inadequate and that the City's system of inspections was flawed. See "Public debt — Contingencies". As a result, the elected Deputy Governor, Mr. Jorge Telerman, assumed the role of Head of Government and completed the original term of office.

In the City elections held on June 3, 2007, Mr. Mauricio Macri of the PRO obtained 45.6% of the votes, ahead of Mr. Daniel Filmus of the FPV, who obtained 23.7% of the votes and Mr. Jorge Telerman, then incumbent Head of Government who obtained 20.7% of the votes. In the run-off elections held on June 24, 2007, Mr. Macri obtained 60.9% of the votes while Mr. Filmus obtained 39.0% of the votes. On December 9, 2007, Mr. Macri was sworn in as Head of Government, and Ms. Gabriela Michetti was sworn in as Deputy Governor, each for a term expiring on December 10, 2011. Ms. Michetti resigned as Deputy Governor on April 20, 2009 following the announcement of her candidacy to the Legislature (to which Ms. Michetti has been elected), and she will not be replaced.

Legislative branch

The City Constitution provides for a legislative body, the Legislature, consisting of 60 members elected by popular vote and presided over by the Deputy Governor. Members of the Legislature hold office for a term of four years and may be re-elected for one successive term. Elections to renew half of the members of the Legislature are held every two years.

As a result of the most recent legislative elections held on June 28, 2009, the PRO, as from December 10, 2009 holds 26 seats, the Coalición Cívica holds 8 seats, the Proyecto Sur holds 8 seats, the Diálogo por Buenos Aires holds 5 seats and other political forces hold the remaining 13 seats.

Under the City Constitution, the Legislature holds all legislative power not conferred upon the Federal Government pursuant to the Federal Constitution.

Judicial branch

Prior to the 1994 amendments to the Federal Constitution, the City had local courts with jurisdiction over parking and other transit offences as well as violations of other local regulations. The City was also the seat of courts with jurisdiction over civil, commercial, labour and criminal matters involving residents of the City or crimes taking place in the City, which courts were part of the national judiciary. The judicial branch of the City was established in 1998 and is comprised of the Supreme Tribunal of Justice of the City, appeals courts, lower courts, public defendants, public attorneys and the Magistrates' Council. Judges are appointed by the Legislature on the basis of proposals made by the Magistrates' Council which includes members of the Legislature, lawyers and judges. Judges serve for life and can only be removed by a jury of impeachment according to special proceedings initiated by the Magistrates' Council. The Supreme Court of Justice can, in the context of a dispute, declare a law or other City regulation to be contrary to the provisions of the City Constitution thereby rendering it invalid unless such law or regulation is ratified by the Legislature (with the vote of a special majority of its members) within three months after any such declaration.

The City courts currently have jurisdiction over tax and administrative matters involving the City and over violations of parking, transit, health, safety and other local regulations. Law N° 7 of the City dated March 12, 1998 which created the judicial branch of the City also contemplated the establishment of City courts with jurisdiction over civil, commercial, labour and criminal matters. The City and the Federal Government have been in negotiations to agree the terms pursuant to which the national courts sitting in the City and having jurisdiction over those matters would be transferred to the City. On February 28, 2008 the Federal Congress approved the terms of a 2004 agreement between the City and the Federal Government pursuant to which the City courts have jurisdiction in respect of certain crimes, such as home trespassing, abandonment of persons, refusal of aid, illegal matrimony and others, when committed in the City. The City and the Federal Government still have to agree the terms of the transfer of any national courts having jurisdiction over such matters and related resources to the City.

Control entities

The City Constitution provides for certain entities to be in charge of the supervision and control of the City's administration. The General Syndic performs the internal audit of the City's accounts and reviews all uses of public funds by City officers. The City Constitution also provides for the external audit of the City's accounts and control of the use of public funds by City officers to be carried out by the City's Audit Office. The Attorney-General controls the legality of administrative decisions and is under the jurisdiction of the Head of Government. Finally, the City Constitution created an Ombudsman, or "people's attorney" in charge of protecting citizens' human and constitutional rights against violations by the City's administration or by providers of public services.

Administrative communities

The City Constitution establishes that the City's administration will be decentralised through the creation of "communities" (*comunas*) covering the City's territory. On September 1, 2005, the Legislature enacted Law No. 1,777 addressing, among other things, the geographical division, organisation, functions and administration of 15 communities within the City's territory. Pursuant to Law No. 1,777, each community will be governed by a seven-member Community Board elected by the residents of such community. Each Community Board will be in charge of, among other things, maintaining secondary roads and green areas within the community, and organising activities aimed at improving the quality of life of community residents. As established in the City Constitution, Community Boards will not have the capacity to collect taxes or raise funds, and the City will instead assign specific amounts in its annual budget to finance the activities of each Community Board. The City believes that the reassignment of amounts within its budget from central administration to each community will not result in an increase in overall expenditure.

On August 16, 2007, the Legislature enacted Law No. 2,405 which established August 10, 2008 as the election date for the Community Boards and September 1, 2008 as the date on which the elected members of the Administrative Boards will start their terms of office. The current Head of Government, however,

announced the postponement of the election date due to the inability by the electoral courts to prepare revised voting rolls due to the inexistence of an official City map adjusted to the geographical divisions set out by Law No. 1,777. The City completed the preparation and obtained the necessary approvals for such map in early 2009, and, on October 20, 2009, the Legislature established June 5, 2011 as the new election date for the Community Boards. Until the elections take place, Centres of Community Administration and Participation (*Centros de Gestión y Participación Comunal*) managed by the City serve the needs of the communities. The City has been in the process of increasing the scope of services, updating technologies and implementing other changes at these centres aimed at improving the efficiency and quality of the services provided to community residents.

Political parties

Traditionally, the most important political parties in Argentina and the City have been the Unión Cívica Radical (UCR), founded in 1890 and the Partido Justicialista (PJ), founded in the 1940s. More recently, Argentina's political spectrum has broadened with a number of new political forces and alliances being established, in particular the Afirmación para una República Igualitaria (ARI), founded in 2001, and the Frente para la Victoria (FVP), founded in 2003 and to which both the current and previous Presidents of Argentina belong. Since the City gained constitutional autonomy in 1996, its political spectrum has mainly consisted of changing and often short-lived political forces and alliances formed around political or other charismatic figures.

The PRO is currently the principal political force in the City and comprises an alliance of several political parties, mainly the Compromiso para el Cambio and the Recrear para el Crecimiento. The PRO has a platform centred on implementing specific government actions aimed at answering the needs of the City's inhabitants in terms of public infrastructure, health and education services while leveraging the City's position as a cultural and tourist attraction. Various other smaller political parties operate in the City and occupy positions across the political spectrum. Other political alliances which have received significant support in recent City elections are the Coalición Cívica, which is supported, among other political groups, by part of the ARI, Proyecto Sur, a recently created political force led by Mr. Fernando Solanas, and the Diálogo por Buenos Aires, which is an alliance of various smaller political parties.

The current Head of Government, Mr. Mauricio Macri, is a member of the PRO. In the City elections held on June 3, 2007, the PRO candidate obtained 45.6% of the votes, ahead of the FPV candidate, who obtained 23.7% of the votes. In the run-off elections held on June 24, 2007, the PRO candidate obtained 60.9% of the vote while the FPV candidate obtained 39.0% of the votes. As a result of the most recent legislative elections held on June 28, 2009, the PRO, as from December 10, 2009, holds 26 seats, the Coalición Cívica holds 8 seats, Proyecto Sur holds 8 seats, the Diálogo por Buenos Aires holds 5 seats and other forces hold the remaining 13 seats.

ECONOMY OF THE CITY

Introduction

The economy of the City needs to be looked at in the broader context of the Argentine national economy. During the 1970s and 1980s, the Federal Government instituted several economic plans designed to stabilise the economy and foster real growth, all of which, after achieving limited success in some cases, eventually failed. During the 1980s, the City implemented a variety of measures to reduce the fiscal deficits resulting from the erosion of its tax base caused by the economic recession, the sharp declines in the collectability of its taxes and the monetary loss, in real terms, of tax revenues attributable to the effects of inflation between the time of assessment and the time of collection of its taxes. The City also significantly curtailed its investment programmes.

Following the implementation of the Convertibility Law in 1991, Argentina experienced a significant decrease in its inflation rate, growth of national GDP and a large inflow of foreign currency until 1995. In 1995, Argentina's real GDP contracted by 2.8% due to the capital flight, reduced demand and investment that affected Argentina and the Latin American region as a whole following the Mexican Crisis.

In 1996, the Argentine economy began to recover, with Argentina's real GDP increasing by 5.5%, primarily due to increased foreign and domestic investment and burgeoning consumer confidence. Argentina's real GDP grew 8.1% during 1997 and by a further 3.9% in 1998 as a result of continued foreign and domestic investment and an increase in personal consumption and domestic demand.

The 1997-1999 Global Crisis that started at the end of 1997 and continued through 1999 negatively affected the Argentine economy. The 1997-1999 Global Crisis was triggered by the collapse of various economies in Asia during the last quarter of 1997. It continued with the devaluation of the Russian rouble and default by Russia on its rouble-denominated debt in 1998. In January 1999, Brazil, Argentina's neighbour and principal trading partner, devalued its currency. As a result of the 1997-1999 Global Crisis, Argentina suffered declining stock market values and widening spreads of Government securities in the secondary market. The downturn in the Brazilian economy and the effects of the ongoing domestic recession, led to a 3.4% decline in Argentina's real GDP in 1999.

After taking office in December 1999, the de la Rúa administration attempted to reduce the growing public sector deficit mainly by raising certain taxes and setting a fixed amount to be transferred by the Federal Government to the provinces. These measures failed, to a large extent, to reverse the overall economic trends and coincided with growing political instability resulting from infighting within the governing coalition and between the administration and the Federal Congress. As a result, Argentina's real GDP decreased by 0.8% in 2000. In an attempt to alleviate investor concerns about Argentina's finances, the Federal Government agreed to a U.S.\$39.7 billion assistance package with the IMF and other lenders in December 2000.

Public confidence in Argentina continued to erode during 2001 and the Federal Government and other Argentine entities found it increasingly difficult to raise capital in the domestic and international markets. Following the appointment of Mr. Domingo Cavallo as Minister of Economy in March 2001, the Federal Government adopted several measures designed to restore investors' confidence and spur growth in the Argentine economy, including tax reforms to boost domestic demand and increase the competitiveness of Argentine exports, amendments to the Convertibility Law to include the euro as a reference currency and reductions in public expenditures such as salary payments. The measures were not successful in achieving their objectives and tax revenues continued to decrease and interest rates increased to record highs.

Following the governing coalition's defeat in the October 2001 legislative elections, Argentina experienced increased capital flight, decreased economic activity and continuing political infighting. At the end of November 2001, rumours of a possible devaluation incited significant withdrawals from the Argentine banking system. In order to halt the run on the banks, at the beginning of December 2001, the de la Rúa administration announced several measures, including restrictions on withdrawal of deposits to a monthly maximum amount, restrictions on transfers of funds outside Argentina except for trade-related payments and payments on financial indebtedness approved by the Central Bank on a case-by-case basis and

mandatory deposit into the banking system of foreign currency proceeds received from exports, subject to certain exceptions. The ensuing political and social opposition to these measures resulted in the resignation of Mr. de la Rúa and his administration on December 20, 2001, and severely and adversely affected the Argentine economy.

During the second half of 2001, reduced levels of economic activity brought some economic sectors to a virtual standstill. In addition, the shortage of liquidity available to households after the implementation of the restrictions on the withdrawal of bank deposits in early December 2001 resulted in an unprecedented level of unpaid Federal and City taxes.

As a result, the City adopted a series of measures intended to address the economic crisis, including the declaration by the Legislature on December 30, 2001 pursuant to Law No. 744 of the state of emergency on the City's finances during the first six months of 2002. This declaration allowed the Head of Government to, among others, introduce amendments to the 2001 budget to reflect the projected 2002 revenues and to incur indebtedness, review and renegotiate the terms of the agreements with suppliers of goods and services to the City in order to procure cost savings and use debt instruments issued or to be issued by the City or by the Federal Government to meet the City's payment obligations, including amounts owed to suppliers of the City and judgments against the City. In addition, the City substantially curtailed its capital expenditures. Argentina's real GDP declined by 4.4% and the City's real GDP declined by 6.6% in 2001.

In January 2002, the Federal Congress amended the Convertibility Law ending more than ten years of U.S. dollar-peso parity, which resulted in the peso losing significant value, both against foreign currencies and in terms of purchasing power, depreciating by 74.2% against the U.S. dollar during the first half of 2002. Related measures implemented by the Federal Government in late 2001 and 2002 included the compulsory and unilateral freezing of bank deposits, which came to be known as the "corralito", and the conversion into pesos of U.S. dollar-denominated deposits held by Argentine banks at specific rates. The period was marked by a total absence of any domestic and external credit. Showing the impact of the full unfolding of the economic crisis, Argentina's real GDP declined by 10.9% in 2002 and the City's real GDP declined by 16.4%. The impact of Argentina's 2001-2002 economic crisis on the City was more severe than on the nation as a whole given the sectoral mix of the City's economy, principally the significant weight of the financial services sector and the prevalence of small and medium-sized companies across the City's economic sectors.

Following the devaluation of the peso, the City promptly took steps to voluntarily restructure its public debt (approximately 80.0% of which was denominated in currencies other than the peso) represented by notes through the holding of holders' meetings that approved amendments to the original terms and conditions of such notes in May 2002 and February 2003. Unlike most other debt restructurings implemented by Argentine borrowers following Argentina's 2001-2002 economic crisis, the City did not require holders of its debt instruments to agree to any reduction in the principal amount of their claims but rather to extend the average maturity of such notes by three years and to reduce future interest coupons by 30.0%.

Argentina's and the City's economy began to stabilise in the third quarter of 2002 as a result of favourable adjustments in Argentina's foreign trade balance and an expansionary federal monetary policy. Argentina started experiencing economic growth driven primarily by exports and import substitution, both facilitated by the effects of the devaluation of the peso. While this devaluation had significant adverse consequences, it also fostered a reactivation of domestic production in Argentina as the sharp decline in the value of the peso against foreign currencies made Argentine products relatively inexpensive in the export markets. At the same time, the cost of imported goods increased significantly due to the lower value of the peso, forcing Argentine consumers to substitute their purchase of foreign goods with domestic products, substantially boosting domestic demand for domestic products.

In the 2003-2007 period, Argentina's and the City's economy showed robust levels of growth. In 2003, Argentina's real GDP grew by 8.8% while the City's grew by 5.3%; in 2004 real growth levels were 8.5% and 9.9%, respectively; in 2005, 8.7% and 13.3%; in 2006, 8.2% and 13.0% and in 2007, 8.7% and 9.7%. This economic recovery also alleviated the social tensions that arose in the lead up to and subsequent to

Argentina's 2001-2002 economic crisis, as increased production gave rise to higher employment rates and wages.

Argentina's and the City's economy continued to grow in 2008 despite the fact that during the last quarter of 2008, the United States and other major economies declined into recessions. Argentina, like other emerging economies, was affected by a significant slowdown in economic activity, major capital outflows and declining commodity prices, consumption and investment. As a result, although Argentina's and the City's GDP are estimated to have increased in real terms by 6.8% and 5.8% respectively, these reflected a lower pace of economic growth than in previous years. The City's GDP increased in real terms at a lower pace than Argentina's GDP in 2008, a reversal of the trend during the 2004-2007 period, as the global financial crisis affected primarily the real estate and commerce sectors, which have a proportionately higher contribution to the City's GDP than to Argentina's GDP.

In addition, based on preliminary figures, it is estimated that Argentina's GDP grew in real terms by 0.6% during the first six months of 2009 when compared to the same period in 2008 as the global financial crisis continued to negatively affect the Argentine economy. Although the City does not currently have available GDP estimates for the first six months of 2009, it expects a decrease in its real GDP in 2009 as a result of the continued effects of the global financial crisis and the negative impact the H1N1 virus had on the City's tourism sector during the first nine months of 2009.

Gross domestic product

The following table sets out different measures of the national GDP and the City's GDP, and the City's GDP as a percentage of national GDP, for 2004 to 2008. For a discussion on the methodology used for the preparation of GDP figures, see "Presentation of financial and statistical information".

	Year ended December 31,				
	2004	2005	2006	2007	2008 ⁽¹⁾
	(in millions of pesos, except where specified)				
National GDP (at basic producer prices in nominal pesos)	P\$412,306	P\$489,786	P\$600,256	P\$740,316	P\$944,777
National GDP (at basic producer prices in 1993 constant pesos)	260,172	282,774	305,906	331,363	352,857
City's GDP (at basic producer prices in nominal pesos)	95,298	114,147	146,261	183,111	233,022
City's GDP (at basic producer prices in 1993 constant pesos)	59,519	67,425	76,172	83,597	88,437
City's GDP as a percentage of national GDP (at basic producer prices in nominal pesos) (%)	22.9	23.8	24.9	25.2	25.1

Note:—

(1) Preliminary estimates.

Sources: For national GDP, Federal Ministry of Economy. For City's GDP, Statistics and Census Office of the City.

The following table sets out the per capita GDP of the City in 1993 constant pesos compared to national per capita GDP in 1993 constant pesos for 2004 to 2008 and, in each case, prepared by reference to basic producer prices.

	Year ended December 31,				
	2004	2005	2006	2007	2008 ⁽¹⁾
	(in millions of pesos, except where specified)				
National GDP per capita ⁽²⁾	P\$6,696	P\$7,195	P\$7,697	P\$8,246	P\$8,687

	Year ended December 31,				
	2004	2005	2006	2007	2008 ⁽¹⁾
City's GDP per capita ⁽²⁾	19,763	22,340	25,174	27,552	29,067
City's GDP per capita compared with national GDP per capita (times) ⁽²⁾	3.0	3.1	3.3	3.3	3.3

Notes:—

(1) Preliminary estimates.

(2) In 1993 constant pesos and at basic producer prices.

Sources: For national GDP, Federal Ministry of Economy. For City's GDP, Statistics and Census Office of the City.

The City's real GDP per capita increased by 13.0% to P\$22,340 in 2005 from P\$19,763 in 2004 and by 12.7% to P\$25,174 in 2006 mainly as a result of the robust growth experienced by the City's GDP during these years. The City's real GDP per capita increased further by 9.4% in 2007 to P\$27,552 and by 5.5% in 2008 to P\$29,067 in line with continued favourable macroeconomic conditions prevailing in Argentina and the City.

Economic sectors

The economy of the City is diversified among a number of economic sectors, the largest of which are the community, social and personal services, real estate and business services and commerce, hotels and restaurants. The following table sets out, by principal sector, components of the City's GDP in 1993 constant pesos for 2004 to 2008 and prepared by reference to basic producer prices.

	Year ended December 31,									
	2004		2005		2006		2007		2008 ⁽¹⁾	
	(in millions of 1993 constant pesos and %)									
Community, social and personal services	P\$12,704	21.3%	P\$13,603	20.2%	P\$14,857	19.5%	P\$15,658	18.7%	P\$16,442	18.6%
Real estate and business services	11,888	20.0	13,589	20.2	14,795	19.4	15,700	18.8	16,155	18.3
Commerce, hotels and restaurants.....	9,923	16.7	11,475	17.0	12,726	16.7	14,388	17.2	15,107	17.1
Manufacturing.....	7,183	12.1	7,590	11.3	8,333	10.9	8,818	10.5	9,281	10.5
Financial services.....	7,086	11.9	8,579	12.7	10,620	13.9	11,718	14.0	12,078	13.7
Transportation, storage and communications ...	6,881	11.6	7,944	11.8	9,187	12.1	10,559	12.6	12,018	13.6
Construction.....	1,977	3.3	2,660	3.9	3,568	4.7	4,447	5.3	4,973	5.6
Agriculture, livestock, fisheries, forestry and mining and extractive activities	894	1.7	990	1.5	1,056	1.4	1,211	1.4	1,295	1.5
Electricity, gas and water	983	1.7	995	1.5	1,028	1.3	1,098	1.3	1,088	1.2
Total.....	<u>P\$59,519</u>	<u>100.0%</u>	<u>P\$67,425</u>	<u>100.0%</u>	<u>P\$76,172</u>	<u>100.0%</u>	<u>P\$83,597</u>	<u>100.0%</u>	<u>P\$88,437</u>	<u>100.0%</u>

Note:—

(1) Preliminary estimates.

Source: Statistics and Census Office of the City.

The size of the services sectors relative to primary sectors such as agriculture and manufacturing tends to result in the performance of the City's economy diverging to a certain extent from the performance of Argentina's economy (where primary sectors represent a bigger proportion than in the case of the City). In particular, following Argentina's 2001-2002 economic crisis, the recovery of activity levels in the services

sectors was slower than that experienced by agriculture and manufacturing which took advantage of the substantial devaluation of the peso against foreign currencies. However, once the services sectors started growing, they did so at rates higher than the primary sectors. This explains the City's GDP first growing in real terms below the national growth rates but subsequently growing at higher rates than Argentina's real GDP in the 2004-2007 period. Following Argentina's 2001-2002 economic crisis, the City's GDP experienced continued growth in the 2004-2007 period in line with favourable macro-economic conditions prevailing in Argentina and the City in such period. The City's GDP increased in real terms by 13.3% from P\$59,519 million in 2004 to P\$67,425 million in 2005, by 13.0% to P\$76,172 million in 2006 and by 9.7% to P\$83,597 million in 2007. The City's real GDP is estimated to have increased an additional 5.8% to P\$88,437 million in 2008, lower than the 6.8% real GDP growth experienced by Argentina in that year as the global financial crisis which started in the last quarter of 2008 affected primarily the real estate and commerce sectors, which have a proportionately higher contribution to the City's GDP than to Argentina's GDP.

Community, social and personal services

The following table sets out a breakdown of community, social and personal services by major category in 1993 constant pesos for 2004 to 2008.

	Year ended December 31,				
	2004	2005	2006	2007	2008 ⁽¹⁾
	(in millions of 1993 constant pesos)				
Public administration, defence and social security	P\$2,818	P\$2,963	P\$3,402	P\$3,429	P\$3,607
Education	2,112	2,259	2,427	2,788	2,885
Personal services	4,682	5,084	5,592	5,743	6,013
Social and health services	3,091	3,298	3,437	3,698	3,938
Total	<u>P\$12,704</u>	<u>P\$13,603</u>	<u>P\$14,857</u>	<u>P\$15,658</u>	<u>P\$16,442</u>

Note:—

(1) Preliminary estimates.

Sources: Statistics and Census Office of the City.

This sector includes expenditures on public employees, public and private schools, medical services and various other miscellaneous services, which include cinemas, theatres, domestic personnel and home repair services such as plumbers, painters and electricians. The community, social and personal services sector increased in real terms by 29.4% from P\$12,704 million in 2003 to an estimated P\$16,442 million in 2008. However, as a percentage of the City's total GDP, this sector reduced its participation from 21.3% to 18.6% during such period as a result of demand levels in this sector being relatively less elastic to growth in income levels than in other economic sectors.

Real estate and business services

The following table sets out a breakdown of real estate and business services by major category in 1993 constant pesos for 2004 to 2008.

	Year ended December 31,				
	2004	2005	2006	2007	2008 ⁽¹⁾
	(in millions of 1993 constant pesos)				
Real estate	5,087	5,440	5,810	6,124	6,401
Business services	5,677	6,711	7,415	7,893	7,931

	Year ended December 31,				
	2004	2005	2006	2007	2008 ⁽¹⁾
	(in millions of 1993 constant pesos)				
Information technology services	825	1,105	1,187	1,248	1,352
Other	299	334	383	435	471
Total	<u>P\$11,888</u>	<u>P\$13,589</u>	<u>P\$14,795</u>	<u>P\$15,700</u>	<u>P\$16,155</u>

Note:—

(1) Preliminary estimates.

Source: Statistics and Census Office of the City.

Real estate comprises the added value generated by real estate activities, including the sale and lease of real estate within the City. Business services includes the value added by consulting, legal, accounting and advertising services rendered to companies and businesses. Information technology services covers the provision of services such as data processing, systems and equipment maintenance and related activities. Other includes activities such as equipment leasing and research and development. The real estate and business services sector increased in real terms by 35.9% from P\$11,888 million in 2004 to an estimated P\$16,155 million in 2008.

The contribution of real estate to the City's GDP increased in real terms from P\$5,087 million in 2004 to an estimated P\$6,401 million in 2008, an 25.8% increase. That increase principally resulted from the significant number of real estate transactions registered in the City during such period in line with increased consumer confidence and the appeal of real estate as a form of investment following the virtual standstill registered in real estate transactions in the lead-up to and subsequent to Argentina's 2001-2002 economic crisis. The growth of business services was even more marked from P\$5,677 million in 2004 to P\$7,931 million in 2008, a 39.7% increase, as a result of the significant increase registered in the demand for such services consistent with robust growth of economic activity levels. The percentage contribution of this sector to the City's total GDP decreased from 20.0% in 2004 to 18.3% in 2008 as this was one of the first services sectors to recover from the effects of Argentina's 2001-2002 economic crisis, subsequently decreasing in its percentage contribution to the City's total GDP as other economic sectors joined in the recovery and growth process.

Commerce, hotels and restaurants

The following table sets out a breakdown of the commerce and hotels and restaurants sector by major category in 1993 constant pesos for 2004 to 2008.

	Year ended December 31,				
	2004	2005	2006	2007	2008 ⁽¹⁾
	(in millions of 1993 constant pesos)				
Wholesale.....	P\$3,721	P\$4,617	P\$4,863	P\$5,831	P\$5,859
Hotels and restaurants	2,944	3,216	3,578	3,896	4,178
Retail.....	2,338	2,602	3,135	3,290	3,608
Vehicle sales and repairs and service stations.....	920	1,040	1,151	1,371	1,463
Total	<u>P\$9,923</u>	<u>P\$11,475</u>	<u>P\$12,726</u>	<u>P\$14,388</u>	<u>P\$15,107</u>

Note:—

(1) Preliminary estimates.

Source: Statistics and Census Office of the City.

Wholesale and retail include those trade activities performed in the City other than those related to vehicle sales and repairs and service stations, which are recorded separately. In addition, this sector includes the hotel and restaurant industries. The commerce, hotels and restaurants sector increased in real terms by 52.2% from P\$9,923 million in 2004 to an estimated P\$15,107 million in 2008 as the number of tourists (in particular foreign) visiting the City substantially increased during this period mainly as a result of the favourable exchange rate and improved hotel and other tourism infrastructure. The contribution of this sector to the City's total GDP slightly increased during this period (16.7% in 2004 and 17.1% in 2008).

Manufacturing

The following table sets out a breakdown of manufacturing by major category for 2004 to 2008.

	Year ended December 31,				
	2004	2005	2006	2007	2008⁽¹⁾
	(in millions of 1993 constant pesos)				
Chemicals.....	P\$1,153	P\$1,246	P\$1,407	P\$1,527	P\$1,697
Food, beverage and tobacco.....	1,340	1,437	1,567	1,691	1,928
Editing and printing	947	1,167	1,202	1,066	1,164
Paper	148	171	195	210	182
Textiles.....	691	784	862	938	952
Others.....	2,904	2,785	3,100	3,385	3,357
Total	P\$7,183	P\$7,590	P\$8,333	P\$8,818	P\$9,281

Note:—

(1) Preliminary estimates.

Source: Statistics and Census Office of the City.

Manufacturing in the City mainly consists of small to medium-sized foundries, laboratories and food-processing companies. Some of the more significant products include pharmaceutical products, clothing, radio, TV and communication devices, medical and ophthalmological devices, office equipment (excluding computer systems products), foodstuffs, paper and paper products, printed materials, shoes and leather products. Manufacturing increased in real terms by 29.2% from P\$7,183 million in 2004 to an estimated P\$9,281 million in 2008, mainly as a result of the recovery of small to medium-sized companies in this sector subsequent to Argentina's 2001-2002 economic crisis. As a percentage of the City's total GDP, the sector decreased from 12.1% in 2004 to 10.5% in 2008. This decrease reflects a general trend towards a shift of activities in the City from the manufacturing sector to the services sectors.

Financial services

The following table sets out a breakdown of financial services by major category in 1993 constant pesos for 2004 to 2008.

	Year ended December 31,				
	2004	2005	2006	2007	2008⁽¹⁾
	(in millions of 1993 constant pesos)				
Financial institutions.....	P\$4,596	P\$5,696	P\$7,449	P\$7,974	P\$8,291
Insurance and pension funds.....	2,067	2,409	2,645	3,124	3,106
Related services	423	474	526	620	680
Total	P\$7,086	P\$8,579	P\$10,620	P\$11,718	P\$12,078

Note:—

(1) Preliminary estimates.

Source: Statistics and Census Office of the City.

This sector includes services provided by banks, insurance companies and investment fund managers. Argentina's financial centre is located in the City and a large proportion of such service providers are headquartered in the City. The financial services sector increased in real terms by 70.5% from P\$7,086 million in 2004 to an estimated P\$12,078 million in 2008 as the number and size of financial transactions experienced a continued recovery throughout this period in line with improved confidence in Argentina's financial system following the virtual standstill in financial transactions registered in the lead up to and subsequent to Argentina's 2001-2002 economic crisis. The contribution of this sector to the City's total GDP increased during this period (11.9% in 2004 and 13.7% in 2008) reflecting the recovery of the financial sector.

Transportation, storage and communications

The following table sets out a breakdown of transportation, storage and communications by major category in 1993 constant pesos for 2004 to 2008.

	Year ended December 31,				
	2004	2005	2006	2007	2008 ⁽¹⁾
	(in millions of 1993 constant pesos)				
Transportation and storage.....	P\$3,830	P\$4,194	P\$4,756	P\$5,449	P\$5,619
Communications	3,051	3,750	4,431	5,110	6,399
Total	<u>P\$6,881</u>	<u>P\$7,944</u>	<u>P\$9,187</u>	<u>P\$10,559</u>	<u>P\$12,018</u>

Note:—

(1) Preliminary estimates.

Source: Statistics and Census Office of the City.

This sector includes transportation by land, air and water and related services (including travel agents), storage of goods and telephone and mail services. This sector increased in real terms by 74.7% from P\$6,881 million in 2004 to an estimated P\$12,018 million in 2008, mainly as a result of an increase in value added from services related to export activities channelled through the City's port and telecommunication activities driven by the growth of mobile telephone services. The contribution of this sector to the City's total GDP increased from 11.6% in 2004 to 13.6% in 2008.

Construction

The construction sector is sensitive to changes in expectations about future levels of economic activity. This sector increased in real terms by 151.5% from P\$1,977 million in 2004 to an estimated P\$4,973 million in 2008 mainly as a result of the increase in private construction, both for residential and commercial use registered in the City following the strong recovery registered by the real estate sector following Argentina's 2001-2002 economic crisis. The contribution of this sector to the City's total GDP increased from 3.3% in 2004 to 5.6% in 2008.

Agriculture, livestock, fisheries, forestry and mining and extractive activities

This sector mainly reflects the services provided by a number of companies in this sector that have their administrative headquarters in the City. This sector increased in real terms by 44.9% from P\$894 million in 2004 to an estimated P\$1,295 million in 2008. The contribution of this sector to the City's total GDP remained stable at 1.7% in 2004 compared to 1.5% in 2008.

Electricity, gas and water

This sector includes electricity, gas and water, all of which activities were privatised by the Federal Government in the early 1990s. More than 80.0% of this sector is accounted for by the electricity industry. This sector increased in real terms by 10.7% from P\$983 million in 2004 to an estimated P\$1,088 million in 2008 although the contribution of this sector to the City's total GDP decreased from 1.7% in 2004 to 1.2% in 2008.

Privatisation

During the 1990s, numerous Argentine public-sector enterprises were privatised, including many based in the City or involving assets used by or located in the City, such as the telephone company, water, gas and electricity distributors, electricity generators, ports, subways and railways. The cash proceeds were received by the Federal Government and not by the City. The regulation of these services is carried out by Federal regulatory agencies and the City is represented only on the water and subways regulatory authorities.

As a result of this privatisation policy implemented by the Federal Government, the public corporate sector of the City is relatively small. See "City enterprises". The City did not receive in 2008, and the 2009 and 2010 budgets do not contemplate, any privatisation receipts, although the 2009 and 2010 budgets contemplate receipts from the sale by the City of certain of its properties. See "2009 and 2010 budgets — The 2009 and 2010 budgets".

Population, labour force, employment and poverty

Based on the information resulting from the 2001 national census, the size of the population in the City is estimated to have grown from 3.01 million people in 2004 to approximately 3.05 million in 2008 (7.6% of Argentina's population). The economically active population increased from 1.63 million in 2004 to 1.66 million in 2008, or from 54.2% to 54.4% of the City's population.

The City benefits from having a high literacy rate of 99.5% of the population aged 10 years or older in 2008 compared to approximately 97.0% for the country as a whole in 2007 according to the 2007 World Bank World Development Indicators (the latest date for which such data is available). In addition, two thirds of the City's population over the age of 25 have at least a secondary school level of education and nearly one third of this segment of the City's population had completed post-secondary or university education. City residents also enjoy the highest per capita income in the country, at P\$29,067 (calculated at basic producer prices and in 1993 constant pesos) in 2008 compared to a national average of P\$8,687 (calculated at basic producer prices and in 1993 constant pesos). The ready availability and affordability of communications and infrastructure, combined with relative wealth and literacy and a high standard of health care, led to lower infant mortality rates, 7.3 per thousand in the City in 2008 compared to 14.0 per thousand nationwide in 2007 according to the 2007 World Bank World Development Indicators (the latest date for which such data is available), and higher life expectancy, an average of 75.6 years for City residents in 2008 compared to an average of 75 years nationwide in 2007 according to the 2007 World Bank World Development Indicators (the latest date for which such data is available).

The following table sets forth population, employment and poverty figures for Argentina and the City for the periods indicated:

	2004		2005		2006		2007		2008		2009
	(in millions)										
National population ⁽¹⁾	38.23		38.59		38.97		39.34		39.75		—
City population ⁽¹⁾	3.01		3.02		3.03		3.04		3.05		—
	First half	Second half	First half	Second half	First half	Second half	First half	Second half	First half	Second half	First half
	(in percentages)										
National labour participation rate ⁽²⁾	45.8	46.1	45.4	46.1	46.4	46.2	46.3	45.9	45.9	46.0	46.0

	2004	2005		2006		2007		2008		2009	
	(in millions)										
City labour participation rate ⁽²⁾	54.5	52.8	54.4	54.6	54.0	54.2	55.0	55.1	53.7	53.9	55.1
National unemployment rate ⁽³⁾	14.6	12.7	12.6	10.6	10.9	9.5	9.2	7.8	8.2	7.3	8.6
City unemployment rate ⁽³⁾	12.0	8.7	10.6	7.9	9.1	7.6	7.6	6.1	5.5	5.4	7.8
National poverty rate (households)	33.5	29.8	28.8	24.7	23.1	19.2	16.3	14.0	11.9	10.1	9.4
City poverty rate (households)	10.9	9.7	9.8	7.3	8.6	6.4	7.7	5.8	4.6	3.4	4.6
National poverty rate (persons)	44.5	40.2	38.9	33.8	31.4	26.9	23.4	20.6	17.8	15.3	13.9
City poverty rate (persons)	15.0	14.7	13.9	11.5	12.6	10.1	11.6	8.4	7.3	5.3	7.3

Notes:—

- (1) Population figures are presented at year-end of the respective year and are based on projections on the basis of information from the 2001 national census.
- (2) Calculated by dividing the portion of the population 14 years or older employed or actively seeking employment (“economically active population”) by the total population. For national information, based on the average of the surveys for the first quarter and the second quarter or the average of the surveys for the third and fourth quarter, as applicable, for the relevant year.
- (3) Calculated by dividing the unemployed population seeking employment by the economically active population. For national information, based on the average of the surveys for the first quarter and the second quarter, or the average of the surveys for the third and fourth quarter, as applicable, for the relevant year.

Sources: INDEC and Statistics and Census Office of the City.

Employment

INDEC prepares a series of indexes used to measure the social, demographic and economic characteristics of the Argentine population based on data collected in the Encuesta Permanente de Hogares (Permanent Household Survey or “EPH”). Prior to 2003, the EPH was conducted in May and October of each year. In 2003, however, the EPH was reformulated into a continuous survey in order to better track labour market trends and its results are presented periodically.

Relatively high rates of unemployment persisted in the City throughout the 1990s. Argentina’s 2001-2002 economic crisis aggravated the unemployment rates experienced in prior years, and the City’s unemployment rate increased from 13.4% in May 2001 to 16.3% in May 2002 as the City experienced a decline in its overall economic activity. By the second half of 2003, however, the City’s unemployment rate declined to 12.1%, due in large part to the implementation of a number of Federal employment programmes designed to reduce unemployment. Unemployment continued to decline in each of 2004, 2005, 2006, 2007 and 2008 as the City experienced an economic recovery across its various economic sectors, primarily the real estate and business services and the commerce, hotels and restaurants sectors. The unemployment rate decreased from 12.0% during the first half of 2004 to 10.6% during the first half of 2005, 9.1% during the first half of 2006, 7.6% during the first half of 2007 and 5.4% during the second half of 2008. During the first half of 2009, the unemployment rate increased to 7.8%, as a result of the negative impact of the global financial crisis which started in the last quarter of 2008 and continued in 2009 on the City’s economy.

Poverty

The discussion below relates to poverty statistics compiled by INDEC as part of the EPH.

Poverty assessments are based on the value of a basket of goods and services (consisting principally of food, clothing, transportation, health care, housing and education), which is considered the minimum necessary to sustain an individual or, as the case may be, a household. The basket is valued at market prices and the resulting threshold is called the “poverty line”.

The City experienced relatively moderate levels of poverty during the early 1990s. By the late 1990s, however, the impact of the economic recession that started in 1998 led to increasingly higher levels of poverty in the City. This situation worsened significantly as a result of the Argentina’s 2001-2002 economic crisis, as the percentage of households living below the poverty line in the City increased from 8.2% of total

households in May 2001 to 14.6% in October 2002 and the percentage of people living below the poverty line in the City increased from 10.9% of total population in May 2001 to 21.2% in October 2002.

Beginning in 2003, as the City's economic recovery took hold, the number of households and individuals living below the poverty line in the City declined, falling to 3.4% of total households and 5.3% of total population in the second half of 2008. This decline resulted primarily from rising employment rates and higher income during this period attributable to the economic recovery. During the first half of 2009, the number of households and individuals living below the poverty line in the City increased to 4.6% of total households and 7.3% of total population, in part as a result of the negative impact of the global financial crisis starting in the last quarter of 2008 on the City's economy.

In recent years, the Federal Government has increased spending on poverty reduction programmes throughout Argentina, including the following social welfare programmes:

- Plan Manos a la Obra (Hands to Work Programme), which provides food to people in need and community development assistance;
- Plan Mayores (Senior Citizens' Plan), which provides stipends for individuals over 70 years of age without a pension; and
- Plan Jefes y Jefas de Hogar (Heads of Households Programme), which provides a monthly stipend and training to eligible unemployed heads of households with disabled or minor dependents as compensation for community service work performed.

In addition to being responsible for the administration of certain of the Federally funded poverty reduction programmes, the City has established a series of social programmes primarily focused on fostering employment opportunities and providing access to training to economically vulnerable sectors of its population. Furthermore, since November 2005, the City has implemented the "*Ciudadanía Porteña*" programme, which provides for the payment of a monthly subsidy to 60,034 heads of household at December 31, 2008. Pursuant to the programme, the beneficiaries received a pre-paid debit card which allows its holder to make purchases of food and home supplies for up to the monthly subsidy amount. In addition, the programme contemplates that in the case of those heads of household who cannot produce certain documentation, the City will provide them with a box containing several food items. At December 31, 2008, 25,076 beneficiaries were entitled to receive such boxes. Beneficiaries of this programme are required to evidence compliance with certain schooling and health visit requirements in respect of their respective household members. The cost of this programme to the City in 2008 amounted to P\$260.3 million.

REVENUES AND EXPENDITURES

Introduction

The following table sets out the City's revenues and expenditures for 2004 to 2008. Amounts are presented in nominal pesos. See "Presentation of financial and statistical information".

	Year ended December 31,				
	2004	2005	2006	2007	2008
	(in millions of pesos)				
Current revenues	P\$5,138.7	P\$6,096.0	P\$7,532.5	P\$9,531.8	P\$12,702.6
Capital revenues	5.8	71.0	72.5	49.5	74.3
Total revenues	5,144.5	6,167.0	7,605.0	9,581.3	12,776.9
Current expenditures	3,724.0	4,739.9	6,668.2	8,402.9	10,802.4
Capital expenditures	555.0	1,075.8	1,594.9	1,514.7	2,625.6
Total expenditures	4,279.0	5,815.7	8,263.1	9,917.6	13,428.0
Operating balance ⁽¹⁾	1,414.7	1,356.1	864.3	1,128.9	1,900.2
Overall balance ⁽²⁾	865.5	351.3	(658.1)	(336.3)	(651.1)
Primary balance ⁽³⁾	P\$992.2	P\$488.0	P\$(481.3)	P\$(212.3)	P\$(516.4)

Notes:—

(1) Current revenues less current expenditures.

(2) Total revenues less total expenditures.

(3) Overall balance excluding interest expense.

Sources: Budget Office, Office of Public Debt and Accounting Office of the City.

Taxation and other revenues

The City's main revenue sources are a turnover tax (a tax on gross business sales receipts), Federal tax co-participation payments made pursuant to the Federal Tax Co-Participation Law, a property tax and vehicle licensing fees. Of the City's total 2008 revenues, 88.4% were generated locally and 11.6% were attributable to Federal tax co-participation payments and other transfers, reflecting relatively low Federal tax co-participation payments to the City in comparison with most Argentine provinces.

The following table sets out, by sources, the City's revenues for 2004 to 2008. Amounts are presented in nominal pesos. See "Presentation of financial and statistical information".

	Year ended December 31,				
	2004	2005	2006	2007	2008
	(in millions of pesos)				
Current revenues:					
City tax revenues					
Turnover tax	P\$2,801.5	P\$3,514.3	P\$4,446.7	P\$5,740.6	P\$7,610.1
Property tax	604.9	619.3	610.1	639.3	1,253.4
Vehicle licensing fees	300.9	342.4	442.1	580.1	773.0
Stamp tax	78.5	148.6	202.2	280.6	321.9
Subway development contributions	51.4	54.2	67.1	80.1	115.8
Tax deferred payment plans revenues	289.0	248.2	315.7	377.9	435.0
Other City tax revenues	43.2	51.6	81.0	106.1	132.7

	Year ended December 31,				
	2004	2005	2006	2007	2008
	(in millions of pesos)				
Total City tax revenues	4,169.4	4,978.4	6,164.7	7,804.7	10,641.9
City non-tax revenues					
Rights payments	96.5	60.7	63.5	72.7	122.5
Sales of goods and services	41.2	38.9	42.6	49.9	54.4
Other City non-tax revenues.....	161.8	232.3	313.9	367.6	397.8
Total City non-tax revenues	299.5	331.9	420.0	490.2	574.7
Total City sourced revenues	4,468.9	5,310.3	6,584.7	8,294.9	11,216.6
Federal source revenues					
Federal tax co-participation payments.....	519.8	636.0	794.1	1,046.0	1,322.7
Other Federal funding	150.0	149.7	153.7	190.9	163.3
Total Federal revenues	669.8	785.7	947.8	1,236.9	1,486.0
Total current revenues	5,138.7	6,096.0	7,532.5	9,531.8	12,702.6
Capital revenues:					
Asset sales, etc.	5.8	71.0	72.5	49.5	74.3
Total revenues	<u>P\$5,144.5</u>	<u>P\$6,167.0</u>	<u>P\$7,605.0</u>	<u>P\$9,581.3</u>	<u>P\$12,776.9</u>

Sources: Budget Office, Office of Public Debt and Accounting Office of the City.

City tax revenues

City tax revenues contributed P\$10,641.9 million and accounted for 83.3% of total City revenues in 2008. The City's principal taxes are its turnover tax, property tax, vehicle licensing fees and stamp tax.

Turnover tax

Turnover tax contributed P\$7,610.1 million and accounted for 59.6% of total City revenues in 2008.

In January 1994, the City entered into the 1993 Fiscal Pact before its change of status under the Federal Constitution had occurred. The 1993 Fiscal Pact, which became effective on January 1, 1994, required the provinces and the City to reform their respective tax structures over a period which originally ended on December 31, 2001 but has been subsequently extended to December 31, 2010, by gradually replacing certain taxes that may inhibit production (such as the turnover tax) with taxes on sales, and by improving their tax administrations and collection systems. The provinces and the City also agreed to certain limitations on their ability to increase turnover tax rates and agreed to exempt certain economic sectors from the tax. In addition, the provinces and the City agreed to implement privatisation and deregulation policies in their jurisdictions. The Federal Government agreed to take over the provincial and City pension systems, to reform the Federal tax structure and to increase the amounts transferred to the provinces under the Federal tax co-participation system. See "Federal source revenues — Federal Tax Co-Participation Law".

In accordance with its obligations under the 1993 Fiscal Pact, in 1994 the City enacted an expansion of the exemption from City turnover tax including the manufacturing and construction industries. The City has not enacted any further exemptions to the turnover tax although, in January 1998, it reduced the scope of the exemption for the manufacturing sector in order to bring it into line with the exemption enacted by the neighbouring Province of Buenos Aires on its own turnover tax. If fully implemented, the reforms to the turnover tax required pursuant to the 1993 Fiscal Pact are expected to represent a significant adjustment to the City's revenue composition.

Since 2000, the City has implemented changes in the administration of this tax, including, among others, entering into information-sharing arrangements with the Federal Government in order to compare sales declared by taxpayers to the City in relation to the turnover tax and to the Federal Government in connection with the Federal value-added tax, introducing the requirement that large taxpayers and banks act as withholding and receipt agents in connection with purchases they may make from smaller businesses (which, due to their number, are more difficult to monitor) and expanding the use of online technologies to streamline and speed up filing of tax self assessments and related processes. At the date of this Offering Circular, there were approximately 1,200 withholding and receipt agents in connection with this tax. In addition, the City has required all turnover taxpayers to re-submit their basic tax information in order to update the City's database for this tax and has started carrying out specifically targeted and publicly announced tax inspections primarily aimed at verifying turnover tax declarations and improving collections of this tax.

In the 2004 to 2008 period, turnover tax receipts increased each year in line with the economic recovery experienced by Argentina and the City during this period. Turnover tax receipts increased by 25.4% to 3,514.3 million in 2005 from P\$2,801.5 million in 2004, by 26.5% to P\$4,446.7 million in 2006, by 29.1% to P\$5,740.6 million in 2007 and by a further 32.6% to P\$7,610.1 million in 2008 as a result of the combined effect of improved levels of economic activity in the City, increases in the prices of the products and services subject to the turnover tax and improvements in tax administration.

Property tax

Property tax contributed P\$1,253.4 million and accounted for 9.8% of total City revenues in 2008.

Property taxes are assessed on a value set by reference to the inflation-adjusted original construction cost of real estate located within the City, at rates which vary according to property size and zoning. While property values were adjusted for subsequent improvements, until recently there had been no reference to market values in setting property values, and much of the property tax base was significantly out of date and therefore did not reflect current property values within the City. On December 5, 2007, the Legislature approved increases to the reference value of all real estate subject to this tax by dividing the City in 82 zones and applying a differential factor to the real estate located in each of these zones in an attempt to partly bring the reference value used to calculate this tax into line with current property values. This process resulted in increases in the reference value of real estate subject to this tax ranging from 0% (in the case of properties located in low income areas) to up to 250.0% (in the case of properties located in some of the City's prime locations). Such increases started applying to property taxes levied during fiscal year 2008. Following the increases in reference values, each taxpayer had the right to challenge the revised reference value of its property in the event that the actual tax levied exceeded 1.0% of the actual market value of the property. The City received approximately 60 challenges (out of a total of approximately 1.6 million registered taxpayers), which were dismissed or resulted in adjustments that, in the aggregate were not material in the context of the overall property tax collections. Federal Government buildings are not assessed for property tax, nor are churches or City buildings.

The 1993 Fiscal Pact sets limits on property tax rates and establishes that the basis for this tax cannot exceed 80.0% of the market value of the property. The City is currently in compliance with such limitations.

Property tax receipts increased by 8.4% from P\$604.9 million in 2004 to P\$619.3 million in 2005 as a result of improved levels of tax compliance and an increase in the stock of real estate subject to this tax resulting from the high levels of construction activity experienced by the City following Argentina's 2001-2002 economic crisis. Property tax receipts slightly decreased by 1.5% to P\$610.1 million in 2006, but increased by 4.8% to P\$639.3 million in 2007 and then substantially increased by 96.1% to P\$1,253.4 million in 2008, mainly as a result of the increase in reference values which took place in that year.

Vehicle licensing fees

Vehicle licensing fees contributed P\$773.0 million and accounted for 6.9% of total City revenues in 2008. Vehicle licensing fees are annual fees imposed on passenger vehicles, trucks and buses and are levied on the market value of the vehicle, which fees can only increase by up to 8.0% in any given year as long as

the taxpayer is not in default of any prior obligations in respect of this tax. Since 2002, vehicles that have been registered for more than 12 years and have a market value of less than P\$19,000 are exempted from these fees.

Vehicle licensing fees increased by 13.8% from P\$300.9 million in 2004 to P\$342.4 million in 2005, by 29.1% to P\$442.1 million in 2006, by 31.2% to P\$580.1 million in 2007 and by a further 33.3% in 2008 to P\$773.0 million as a result of the combined effect of higher vehicle registration rates, increase in prices of cars and improved levels of tax compliance.

Stamp tax

Stamp tax revenues contributed P\$321.9 million and accounted for 2.5% of total City revenues in 2008. This tax was eliminated by the Federal Government in the City pursuant to the provisions of the 1993 Fiscal Pact (when the City was subject to the jurisdiction of the Federal Government) except in respect of the execution and delivery of public deeds in relation to transfers of real estate located within the City (but excluding real estate used as a primary dwelling). This tax continued being levied by the Federal Government until January 3, 2003 when, pursuant to an agreement between the Federal Government and the City, the City started collecting this tax. Following the transfer of the responsibility for the administration of this tax, the City expanded the scope of this tax, first to commercial leases of real estate located within the City and then in January 2009 to cover, with certain limited exceptions, all contracts celebrated, and all insurance and financial transactions taking place, within the City. The tax is levied at a general rate of 0.8% of the value of the contract or transaction except in the case of transfers of real estate when the tax rate is 2.5% of the value of the conveyance..

Stamp tax revenues increased by 89.3% from P\$78.5 million in 2004 to P\$148.6 million in 2005, as the City improved the system and processes for collection of this tax. Tax collections increased by 36.1% to P\$202.2 million in 2006 and by a further 38.8% to P\$280.6 million in 2007, mainly as a result of the significant numbers of real estate transfers taking place in the City in those years. In 2008, stamp tax collections increased by 14.8% to P\$321.9 million as the change in the scope of this tax took effect and more than offset a reduction in the number of real estate transfers taking place in the City.

Subway development contributions

Property taxes and vehicle licensing fees earmarked for subway development contributions were P\$115.8 million and accounted for 0.9% of total City revenues in 2008. Subway development contributions have been required to be deducted from property tax and vehicle licensing fees in the percentages set out in Federal Law No. 23,514, as amended. The amounts must be used in the development of subway infrastructure.

Other City tax revenues

Other locally-sourced tax revenues were P\$132.7 million and accounted for 1.0% of total City revenues in 2008. These revenues comprise a charge imposed on electricity sales that is levied on electricity consumers and collected by the distribution companies, a charge levied on street billboard advertising and charges levied on the use of public spaces.

Collection of City tax revenues

The City has experienced problems collecting taxes levied on its residents. The City estimates that in 2008, approximately 40.0% of turnover taxes, 25.0% of property taxes and 20.0% of vehicle licensing fees which should have been collected were not collected. In the past decade, the City has streamlined its tax administration and collection agency by, among other things, endeavouring to make sure that it has sufficient personnel so that taxes can be collected. In order to aid its tax collection efforts, the City reviewed its computer systems and security, entered into information sharing arrangements with the Federal Government and the Province of Buenos Aires intended to facilitate better tracking of taxes owed and introduced a system pursuant to which City taxes can be paid using credit and debit cards and it is in the process of allowing tax payments via the Internet. More recently, the City has implemented other measures designed to improve tax collections, including creating an agency with overall responsibility for revenue collections,

economic statistics and fiscal relations (the “AGIP”), carrying out specifically targeted and publicly announced tax inspections primarily aimed at verifying turnover tax declarations and improving collections of this tax, hiring and training of new tax inspectors and expanding the use of online technologies to provide information to taxpayers and to enable taxpayers to more efficiently file tax declarations and improve levels of customer service. At the date of this Offering Circular, the City had approximately 1,200 tax inspectors.

The City has a unit focused on monitoring tax compliance of approximately 6,300 of its largest taxpayers. The City has implemented measures specifically designed to improving collections, including the requirement that large taxpayers and banks act as withholding and receipt agents in connection with purchases they may make from smaller businesses (which, due to their number, are more difficult to monitor) and, recently, the implementation of systems for the on-line self-assessment of turnover taxes.

All tax enforcement proceedings by the City need to be substantiated before City courts with specific jurisdiction over tax and administrative matters. At September 30, 2009, there was a backlog of approximately 700,000 tax enforcement cases.

Over the course of the last decade, the City, as part of the measures aimed at increasing tax collection, has introduced a number of tax deferred payment plans, pursuant to which, in certain circumstances, City taxpayers can pay past due taxes and avoid the imposition of penalties. Such plans have not contemplated any waiver of the amounts claimed by the City. The measures implemented by the City in recent years to improve tax collections (including the commencement of approximately 70,000 tax enforcement proceedings by the City’s current administration) have lead to an increase in the number of taxpayers who have submitted to the City’s tax deferred payment plans. Under these plans, the City received P\$289.0 million in 2004, P\$248.2 million in 2005, P\$315.7 million in 2006, P\$377.9 million in 2007 and P\$435.0 million in 2008.

City non-tax revenues

City non-tax revenues contributed P\$574.7 million and accounted for 4.5% of total City revenues in 2008. The City’s primary non-tax revenue sources are gaming-related receipts, fines levied by the City, payments for rights to use various City facilities and sales of goods and services.

Rights payments

Payments for rights to use the City’s facilities and certain services accounted in aggregate for P\$122.5 million or 21.3% of total City non-tax revenues in 2008, and principally comprised tolls collected from the City’s two toll roads. This category also includes charges to approve building plans, payments to the City in respect of City cemeteries and the sale of terms and conditions for public bids.

Sales of goods and services

Sales of goods and services by the City, the main item of which comprised the supply of health and social security services and medicines to retirees and the sale of tickets for admission to events in the City’s theatres and other cultural centres, were P\$54.4 million in 2008, representing 9.5% of total City non-tax revenues in 2008.

Other City non-tax revenues

Other non-tax revenues were P\$397.8 million or 69.2% of total City non-tax revenues in 2008. Other non-tax revenues principally comprised gaming-related receipts (P\$155.2 million), fines which are levied mainly in respect of driving and parking infringements and other misdemeanours (P\$119.2 million) and interest income received by the City on its cash holdings at Banco de la Ciudad (P\$38.1 million).

Federal source revenues

Federal transfers contributed P\$1,486.0 million and accounted for 11.6% of total City revenues in 2008. The transfers were comprised mainly of Federal tax co-participation payments of P\$1,322.7 million and other Federal transfers of P\$163.3 million.

Federal Tax Co-Participation Law

Under the provisions of the Federal Constitution, the Federal Government and provincial governments are authorised to levy taxes. Taxes on income and other direct taxes are within the jurisdiction of the provinces, although the Federal Government can levy such taxes in extraordinary circumstances and for a limited period of time. Taxes on consumption and other indirect taxes can be levied by both levels of government although the Federal Government has exclusive power to levy, and not share, taxes on external trade.

In order to avoid double taxation problems and take advantage of potential savings generated by a centralised tax collection system, in 1935 the Federal Government and provincial governments established a coordinated tax system under which the Federal Government would collect certain taxes on an exclusive basis and would distribute a portion of those tax revenues to the provinces. Under these coordinated tax arrangements (also called “tax co-participation”), the provincial governments agreed to limit the types of taxes they collected. This coordinated tax system has been extended and modified on several occasions. Currently, the Federal Government imposes on an exclusive basis income tax, value added tax, personal assets tax and excise tax on various consumer goods and then shares the tax revenue with the provinces.

In 1984, the then current tax sharing regime between the Federal Government and the provinces expired and was not replaced. The absence of a formal tax sharing arrangement continued until early 1988. During this period, the Federal Government distributed Federal tax co-participation payments to the provinces on a discretionary basis.

Federal Law No. 23,548 was enacted in 1988 and is still in effect. This law established a tax fund made up of all or part of the revenue from various national taxes (then in existence or to be created in the future) collected by the Federal Government. Under this law, the Federal Government retains for its own use and for the City approximately 42.0% of the amounts received in the Federal tax fund, sets aside 1.0% for contingencies and financial imbalances experienced by the provincial governments, and allocates the remaining amount (approximately 57.0%) to the provinces. The amount of net revenues allocated to the provinces is shared among them in accordance with percentages established by such law. The City was not included in this distribution among the provinces since at that time it was a municipality under the jurisdiction of the Federal Government. However, the Federal Government was required to transfer to the City a portion of the tax revenues retained by the Federal Government, guaranteeing that this amount could not be lower than the amount transferred to the City in 1987. Notwithstanding this, since April 30, 2002, the City has been receiving its share of co-participation payments (1.4%) automatically from the Federal Government, acting through Banco de la Nación Argentina as paying agent, on a daily basis like all Argentine provinces and in accordance with Section 8 of Federal Law No. 23,548.

In 1992 and 1993, the Federal Government and the provinces entered into agreements modifying the distribution of revenues made under Federal Law No. 23,548. Under these arrangements, the Federal Government was authorised to withdraw certain revenues from the Federal tax fund in order to cancel liabilities of the Federal social security system and to distribute a fixed amount per month of such fund among all the provinces except the Province of Buenos Aires. In addition, the Federal Government agreed to make an aggregate minimum Federal tax co-participation payment to the provinces equal to P\$745.0 million per month, regardless of whether the funds that would otherwise be allocated to the provinces would equal that amount. Any shortfalls in this minimum monthly amount were to be funded by the Federal Government, which is not entitled to reimbursement from any province complying with all of its tax reform obligations under the 1993 Fiscal Pact.

The 1994 amendments to the Federal Constitution addressed the issue of taxation in two ways. First, it granted Constitutional recognition to the Federal tax co-participation system (that until then only had legal status) and established that taxes collected by the Federal Government (save for those reserved for specific purposes and taxes on foreign trade) were to be shared between the Federal Government and provincial governments. Secondly, the 1994 amendments provided that the Federal tax co-participation system would be revised to provide for the distribution of funds among the Federal Government, the provinces and the City (this as a result of the City’s newly recognised autonomy) in direct relation to the powers, services and functions of each entity, taking into consideration objective distribution criteria. This revision has not yet

occurred and it is not clear when any new scheme of distribution will be established, notwithstanding the Constitutional mandate.

Among the “objective criteria” the City expects to be applied upon the revision of the Federal tax co-participation system are: (i) population size, as most of the services to be provided by the City (education and health among others) are in direct relation to its population, poverty rates of the City; (ii) poverty levels, measured upon an estimation of the percentage of households in the City with unsatisfied basic needs (consisting primarily of food, clothing, transportation, health care, housing and education); and (iii) population density. Notwithstanding the delays and difficulties in revising the Federal tax co-participation system, the City expects that the City will be included with the provinces in the second tier of distribution of the net Federal co-participation payments, rather than being subject to receiving directly from the Federal Government a share of the Federal tax co-participation payments retained by the Federal Government for its own use.

Between December 1999 and November 2001 the Federal Government, the provinces and the City entered into several agreements with the objectives of approving a new Federal Tax Co-Participation Law and encouraging the provinces and the City to approve policies aimed at reducing their budget deficits, limiting public expenditure, imposing limits on the level of indebtedness and ensuring fiscal transparency. Pursuant to these agreements, during 2000, a fixed sum of P\$1,350.0 million per month was transferred by the Federal Government to the provinces, which sum increased to P\$1,360.4 million per month in 2001 and during 2002. On April 10, 2002, the Federal Congress ratified the agreement entered into on February 27, 2002, by the Federal Government, the provinces and the City, which introduced further amendments to the Federal tax co-participation system (the “2002 Agreement”). Pursuant to the 2002 Agreement, ratified by Law No. 25,570 and effective as of May 3, 2002, it was agreed, among other things, that: (i) 30.0% of the revenues from the then recently created Federal tax on financial transactions would be added to the aggregate of Federal tax revenues available for distribution to the provinces, (ii) the obligation of the Federal Government to make minimum monthly transfers to the provinces would be terminated, (iii) the provinces undertook to achieve a balanced budget by 2003 and (iv) the signatories undertook to agree on a new Federal Tax Co-Participation Law on the basis of the guidelines set out in the 2002 Agreement before December 31, 2002.

The 2002 Agreement had December 31, 2002 as its expiration date but it has been automatically renewed for additional one-year periods. As of the date of this Offering Circular, the signatories of the 2002 Agreement had not yet agreed on a new Federal Tax Co-Participation Law. However, in the context of the negotiations with respect to such law, on December 12, 2002, the City and the Federal Government entered into a bilateral agreement whereby the Federal Government agreed to begin transferring to the City the equivalent of 1.4% of the net Federal tax revenues subject to the Federal Tax Co-Participation Law on an annual basis from January 1, 2003 in lieu of the fixed sum of P\$157.0 million per year previously allocated to the City. As a result, the City has been included with the provinces in the second tier of distribution of the net Federal tax co-participation payments and the overall share of the Federal Government has been reduced by 1.4%.

This agreement with the Federal Government, which the City has recognised pursuant to Decree No. 705/03, resulted in Federal co-participation payments received by the City increasing by 111.0% from P\$152.3 million in 2002 (the last year prior to the agreement coming into force) to P\$321.5 million in 2003. In line with improved macroeconomic conditions and growing Federal tax collections, Federal tax co-participation payments received by the City increased by 61.7% to P\$519.8 million in 2004, by 22.4% to P\$636.0 million in 2005, by 24.9% to P\$794.1 million in 2006 and by a further 31.7% to P\$1,046.0 million in 2007. In 2008, the City received P\$1,322.7 million in Federal tax co-participation payments, a 26.5% increase from 2007 receipts.

Other Federal transfers

Other Federal transfers amounted to P\$163.3 million in 2008 and mainly included P\$105.5 million from a subsidy to professional education in the City, P\$23.4 million from a share of the taxes levied by the Federal Government in relation to gambling activities in premises located in the City and P\$15.1 million from a subsidy to housing construction in the City. In addition, pursuant to the provisions of Federal Decree

No. 206/09 dated March 19, 2009, the Federal Government has agreed to transfer to all provinces and the City on a daily basis 30.0% of the taxes the Federal Government levies and collects in respect of the export of soybeans and its by-products. The transferred amounts can only be used by the provinces and the City to fund infrastructure work (including those in the education and health sectors) in their jurisdictions. Due to their earmarking, these transfers are recorded as a “capital revenue” of the City. See “2009 and 2010 budgets”.

Capital Revenues

Capital revenues amounted to P\$74.3 million in 2008, or 0.6% of the City’s total revenues in that year. The City mainly records under this account repayments of loans made by the City’s Housing Institute to beneficiaries of social housing programmes.

Expenditures

The City categorises its current expenditures broadly into personnel, non-personnel services, consumption of goods, transfers and interest on the City’s indebtedness. Personnel expenditures comprise the City’s direct payroll expenditures, principally teachers’ and health workers’ salaries, and social security contributions the City pays in relation to its permanent and contractual employees. Expenditures on non-personnel services comprise the City’s expenditures for the acquisition of services, ranging from the City’s garbage collection contracts to the supply of meals for the City’s schools and hospitals and payments made to independent contractors that provide services to the City on a temporary basis. Expenditures on consumption goods are the City’s expenditures on supplies for all departments and agencies of the City’s administration, including schools and hospitals. Transfers expenditures mainly comprise subsidies paid to the private education system of the City in the form of supplemental remuneration to teachers.

The City’s capital expenditures are mainly in respect of improvement of the City’s social infrastructure (including schools, hospitals, cultural centres and other public works), flood prevention projects, road maintenance, expansion of the City’s subway system, housing construction, installation and upgrade of traffic lights and street lights, and other public works.

The following table sets out the City’s expenditures by category of current and capital expenditure for 2004 to 2008. Amounts are presented in nominal pesos. See “Presentation of financial and statistical information”.

	Year ended December 31,				
	2004	2005	2006	2007	2008
	(in millions of pesos)				
Current expenditures:					
Personnel	P\$2,036.2	P\$2,733.0	P\$3,942.0	P\$5,047.5	P\$6,577.0
Non-personnel services	877.5	1,000.9	1,352.8	1,724.9	2,170.7
Consumption of goods.....	233.2	231.5	294.1	295.5	338.6
Transfers.....	450.4	637.8	902.4	1,211.0	1,581.4
Interest.....	126.7	136.7	176.8	124.0	134.7
Total current expenditures	<u>3,724.0</u>	<u>4,739.9</u>	<u>6,668.2</u>	<u>8,402.9</u>	<u>10,802.4</u>
Capital expenditures:					
Public works	385.9	891.4	1,410.0	1,437.1	2,518.6
Other ⁽¹⁾	169.1	184.4	184.9	77.6	107.0
Total capital expenditures.....	<u>555.0</u>	<u>1,075.8</u>	<u>1,594.9</u>	<u>1,514.7</u>	<u>2,625.6</u>
Total expenditures	<u><u>P\$4,279.0</u></u>	<u><u>P\$5,815.7</u></u>	<u><u>P\$8,263.1</u></u>	<u><u>P\$9,917.6</u></u>	<u><u>P\$13,428.0</u></u>

Note:—

(1) Mainly includes payments to public and private sector entities which undertake certain infrastructure projects.

Sources: Budget Office, Office of Public Debt and Accounting Office of the City.

The following table sets out the City's total expenditures by area for 2004 to 2008. Amounts are presented in nominal pesos. See "Presentation of financial and statistical information".

	Year ended December 31,				
	2004	2005	2006	2007	2008
	(in millions of pesos)				
Government:					
Legislative branch	P\$83.6	P\$92.9	P\$132.2	P\$162.8	P\$204.8
Judicial branch.....	94.1	113.7	149.1	335.0	433.7
Executive branch.....	154.4	227.6	300.6	259.4	380.7
Revenue service.....	190.0	233.4	305.6	287.2	410.9
Other.....	42.2	52.5	69.6	94.4	131.2
Total government.....	564.3	720.1	957.1	1,138.8	1,561.4
Security Services:					
Internal security.....	59.3	83.3	171.7	340.5	527.8
Total security services	59.3	83.3	171.7	340.5	527.8
Social Services:					
Education.....	1,190.8	1,604.3	2,237.9	2,764.4	3,580.2
Health	1,082.4	1,360.9	1,972.5	2,274.6	2,886.8
Social promotion	276.8	384.1	575.1	773.7	976.0
Culture.....	163.5	227.0	304.2	373.5	478.8
Housing	92.9	214.9	324.7	289.5	322.4
Other.....	43.4	68.5	115.9	133.6	155.8
Total social services.....	2,849.8	3,859.7	5,530.3	6,609.3	8,400.0
Economic Services:					
Transport	124.5	195.4	262.6	196.4	401.2
Urban services	440.4	637.3	878.7	1,234.6	2,254.6
Other.....	113.0	181.7	276.8	269.5	144.2
Total economic services.....	677.9	1,014.4	1,418.1	1,700.5	2,800.0
Interest ⁽¹⁾	127.7	138.2	178.6	128.5	138.8
Expenditures pending allocation	—	—	7.3	—	—
Total expenditures	<u>P\$4,279.0</u>	<u>P\$5,815.7</u>	<u>P\$8,263.1</u>	<u>P\$9,917.6</u>	<u>P\$13,428.0</u>

Note:—

(1) Includes commissions, including loan availability commissions, and expenses incurred by the City in the process of obtaining certain international loans. See "Public debt — Description of direct indebtedness — International loans".

Sources: Budget Office, Office of Public Debt and Accounting Office of the City.

The two main services which together accounted for 48.2% of the City's total expenditure in 2008 were education and health. Education services comprise the provision of schools and teaching up to post-secondary level for all City residents. Health services comprise the provision of basic hospital services and health care primarily to City residents but also, in practice, to anybody requiring such services in the City

regardless of where they live. The City has 33 public hospitals and one public health institute and some of the best medical personnel and equipment available in Argentina.

Other services provided by the City include: urban services, such as maintenance of public areas and garbage collection; internal security services through payments made to the Federal police force and the City's security force which the City is in early stages of deploying; administrative services, such as the issue of drivers' licences; cultural attractions, such as museums and theatres; planning consents; and the execution of public works and infrastructure projects. In addition, transport expenditures include the amounts the City has spent in the upgrade and expansion of the subway system, which although operated by a private concessionaire under the supervision of an agency of the Federal Government any capital expenditure in relation to it is the primary responsibility of the City.

Current expenditure

Personnel

Personnel expenditure is the City's principal cost, accounting for P\$6,577.0 million or 60.1% of the City's total current expenditure, in 2008. Personnel expenditure is incurred by reference to the number of positions paid for, not the number of employees. One employee, for example a teacher or doctor, may hold more than one position as long as his schedules do not overlap and therefore receive more than one salary, which explains why the number of paid positions at September 30, 2009 was 43.0% higher than the number of City employees.

During the 1990s and in an effort to contain personnel costs, the City implemented a number of initiatives including a wage and promotion freeze for all its employees. In addition, on August 5, 2000, the Legislature passed Law No. 471, which regulates different aspects of the relationship between the City and its employees.

In the lead-up to and subsequent to Argentina's 2001-2002 economic crisis, the City implemented a series of measures aimed at reducing its personnel expense, including a reduction in the salaries of its most senior officials and a freeze in overtime payments, while maintaining the hiring and salary freezes. These measures resulted in the City's personnel expenditure remaining almost unchanged between 1999 and 2003 despite the substantial decrease in the purchasing power of salaries as a consequence of the devaluation of the peso and the inflation levels experienced by Argentina following its 2001-2002 economic crisis.

Since 2004 and in response to pressure from trade unions to realign, in real terms, the compensation and benefits of the City employees to the levels prevailing prior to Argentina's 2001-2002 economic crisis, the City has been awarding salary increases at rates that, in most cases exceeded in the aggregate the prevailing inflation rates. In addition, the City has hired as permanent or contractual employees a number of people who previously provided services to the City as independent contractors (with the resulting increase in social security and other benefits payable by the City) and otherwise has increased its overall number of employees and positions to meet social demands, in particular in the areas of health and education, and as a result of the assumption by the City of functions previously performed by the Federal Government, such as those functions now performed by City courts and to be performed by the security force which the City is in the early stages of deploying for service.

In 2005, the City agreed to implement changes in the job categories of certain of its employees (which changes resulted in higher salary levels) and awarded salary increases for all of its employees. Such salary increases ranged from 27.2% in the case of the City's administration personnel to 47.5% in the case of employees in its health and education sectors. In addition, during this year the City hired as employees 23,317 independent contractors. As a result, personnel expenditure increased by 34.2% to P\$2,733.0 million in 2005 from P\$2,036.2 million in 2004.

In 2006, the City entered into collective bargaining negotiations with the trade unions representing its employees, which negotiations led to new salary increases to its employees, including a general 19.0% increase and a number of sector-specific salary adjustments. In addition, the City hired as employees 17,794

independent contractors. During this year, personnel expenditure amounted to P\$3,942.0 million, a 44.2% increase from 2005.

In 2007, the City awarded salary increases ranging from 12.0% to 18.0%, made a number of sector-specific salary adjustments and granted permanent employee status to 14,892 contracted personnel. Personnel expenditure during this year increased by 28.0% to P\$5,047.5 million.

In 2008, the City awarded salary increases ranging from 19.5% in the case of the City’s administration personnel to 27.1% in the case of employees in the education sector and made a number of sector-specific salary adjustments. In addition, the City made to all of its employees a P\$110.0 monthly payment between October 2008 and January 2009, which payment was initially made on “non-remunerative” basis (i.e. not subject to social security contributions). Personnel expenditure during this year increased by 30.3% to P\$6,577.0 million.

In 2009, the City further increased salary levels by 16.9% in the case of its education sector employees and extended and increased the amount of the additional monthly payments to its administration and health sector employees to P\$510.0 per employee effective December 1, 2009 (which payments have now been included in the employees’ basic salaries). In addition, in October 2009, the City announced the hiring, effective January 1, 2010, as permanent employees of approximately 17,000 contracted personnel.

Due to constitutional guarantees of job security, the City is unable to reduce its personnel expenditures through redundancy programmes, although it can do so through voluntary retirement programmes and natural attrition whilst employees may be discharged for cause. In addition, salaries cannot be reduced in nominal terms and, pursuant to applicable awards, teachers and court employees are entitled to automatic seniority-based pay increases. The City has established a programme in order to provide employees who are or will shortly become, eligible for retirement, an incentive to retire. In recent years, pension payments (which are the responsibility of the Federal Government pursuant to a pay-as-you-go system) have been substantially lower than average salaries received by City employees. As a result, employees who are, or will shortly become, eligible to retire, lack an incentive to do so. The City’s programme is aimed at partly covering the difference between retirement payments and final salaries by awarding employees who are eligible for retirement an extraordinary bonus which is payable in instalments while the employee advances the retirement proceedings (up to a maximum of P\$40,000 per employee and for a limited period of time). In addition, in 2008 the City implemented a programme to advise employees eligible for retirement and increase the efficiency of the administration of their retirement requests. The City estimates that, at the date of this Offering Circular, approximately 4,000 employees retired pursuant to this programme while approximately 1,200 additional employees eligible for retirement were progressing their retirement cases.

During 2009, the current City administration announced a voluntary retirement programme for those of its permanent employees which would become eligible to retire within the next five years. The programme did not result in a significant number of applications and the City is currently reviewing its terms in order to make it more attractive to those employees.

The following table sets out the number of City employees and positions for 2004 to September 30, 2009.

	At December 31,						At September 30,					
	2004		2005		2006		2007		2008		2009	
	Emp.	Pos.	Emp.	Pos.	Emp.	Pos.	Emp.	Pos.	Emp.	Pos.	Emp.	Pos.
Central administration...	92,824	134,098	102,104	149,623	102,780	153,531	117,039	170,985	114,968	169,735	111,960	164,719
Permanent employees ⁽¹⁾	48,627	49,718	49,284	50,329	48,348	49,301	49,254	50,188	49,315	50,189	48,079	48,867
Contracted employees.....	1,627	3,300	6,307	10,075	6,386	6,474	19,502	19,742	16,886	17,134	16,109	16,373
Education and health												
employees.....	41,893	80,397	45,837	88,543	47,348	97,058	48,050	100,822	47,519	101,164	46,479	98,186
Senior authorities.....	348	348	343	343	427	427	217	217	603	603	652	652

	At December 31,						At September 30,					
	2004		2005		2006		2007		2008		2009	
	Emp.	Pos.	Emp.	Pos.	Emp.	Pos.	Emp.	Pos.	Emp.	Pos.	Emp.	Pos.
Senior staff.....	329	335	333	333	271	271	16	16	645	645	641	641
City enterprises	8,216	8,216	8,886	8,886	9,623	9,623	10,426	10,426	10,651	10,651	10,831	10,831
Total	101,040	142,314	110,990	158,509	112,403	163,154	127,465	181,411	125,619	180,386	122,791	175,550

Notes:—

- (1) Includes as “permanent employees” (i) doctors and teachers who are on assignment to City hospitals and schools representing, as at September 30, 2009, 11,687 employees and 11,722 positions, (ii) administrative employees on assignment to the health department representing, as at September 30, 2009, 16,132 employees and 16,462 positions and (iii) administrative employees on assignment to the education department representing, as at September 30, 2009, 5,846 employees and 6,076 positions.

Source: Human Resources Office of the City.

“Permanent employees” include employees in the City’s ministries and other central administration areas, as well as employees on assignment to the health and education departments. “Contracted employees” include employees who were previously independent contractors of the City providing services under temporary contracts and who the City subsequently hired pursuant to public employment contracts that provide for social security and other benefits. “Senior authorities” consist of the highest positions in the City’s administration, including Ministers, Secretaries, Under-secretaries, and General Directors and “Senior staff” consist of advisors and aides to the City’s senior authorities and whose employment terminates with the end-of-term of the senior authority with whom they work. “City enterprises” employees consist of employees in all autonomous entities of the City (including Banco de la Ciudad). See “City enterprises”.

The number of City paid positions increased from 142,314 at December 31, 2004 to 175,550 at September 30, 2009, a 23.4% increase, while the number of City employees increased during the same period by 21.5%, from 101,040 to 122,791. The different evolution of the number of positions, and of the number of employees during this period, is explained by the high concentration of City employees in the health and education sectors, which include those employees more likely to hold more than one position.

Upon taking office, the City’s current administration carried out a census of all City employees and, on the basis of the data obtained in the census, is continually assessing whether any redistribution of employees per sector or area is required. In addition, the City has implemented various measures to reduce absenteeism, including increasing the number of reviews to verify absences resulting from medical licenses, and expects to implement a new employee attendance monitoring system that is unified and able to provide real-time attendance information.

At September 30, 2009, approximately 45.5% of the City’s employees were members of a union, with the most highly unionised employees being the education and healthcare workers. The majority of administrative workers are affiliated to the Union of Municipal Workers and Employees, while education and healthcare workers are affiliated to several trade unions. The City has faced five days of strikes during 2009, in each case by education sector employees, including a three-day strike in March 2009 and a two-day strike in November 2009. The City discounted the salaries of all education sector employees during the three-day strike in March 2009 and, following a court order granted in an *amparo* proceeding, is currently in the process of reimbursing such discounted salaries to employees who are able to demonstrate their presence at their workplace during the period of the strike.

Non-personnel services

In the course of the provision of services, the City incurs expenses for a broad variety of goods and services purchased from the private sector. The City classifies the purchases of goods consumed by it into a separate line item, “Consumption of goods”. Expenses on non-personnel services amounted to P\$2,170.7

million, or 20.4% of the City's total current expenditure in 2008. The principal expenditure in this category has been the City's garbage collection, which is mainly undertaken for the City by independent contractors and which in 2008 amounted to P\$817.2 million. For purposes of garbage collection, the City is divided into 6 areas, 5 of which are serviced by contractors and the remaining area being serviced by City employees. The City is currently preparing the tender documentation for bids for new garbage collection contracts as the current contracts expire in 2009.

Other significant expenditures under non-personnel services in 2008 were the provision of meals in the City's schools (P\$173.0 million), the provision of services by independent contractors pursuant to temporary contracts (P\$153.0 million), security services provided by private security companies and paid for by the City (P\$116.9 million), advertising (P\$100.9 million), provision of meals in the City's hospitals (P\$54.3 million), social welfare programmes (P\$35.3 million) and real estate rental payments (P\$33.1 million). The balance of non-personnel services expenditures consist of data processing and other technical services costs, land survey costs, utility bills, cleaning costs and a variety of other specialised professional services provided to the City by private sector contractors.

The City procures the provision of these services through the calling of competitive tenders for the awarding of contracts by the City, and by obtaining reference prices from the National Audit Office. In addition, the City's current administration has recently performed a review of the approximately 6,800 real estate assets owned or leased by the City aimed at identifying potential cost saving opportunities.

Consumption of goods

The City classifies under this line item the expenses it incurs for goods purchased from the private sector and consumed by the City. Expenditures on consumption of goods amounted to P\$338.6 million, or 3.1% of the City's total current expenditure, in 2008. The principal expenditures in this category in 2008 were on medicines (P\$107.3 million), surgical and laboratory equipment for the City's hospitals (P\$70.8 million) and other medical supplies (P\$50.4 million).

The City follows tender procedures for its purchases of goods similar to those procedures followed for its purchases of non-personnel services. The City has recently changed its tender procedures to allow for on-line bids and centralised purchase orders resulting in increase in the number of registered suppliers and a reduction in the time and costs involved in certain of its tenders.

Transfer payments

In 2008, transfer payments amounted to P\$1,581.4 million or 14.6% of current expenditures of the City. Transfer payments by the City principally included in 2008 subsidies paid to the private education system of the City in the form of supplemental remuneration to teachers (P\$604.0 million), the cost of the "Ciudadanía Porteña" social assistance programme (P\$260.3 million), transfers to the non-profit organisation which operates the Garrahan hospital (50.0% owned by each of the City and the Federal Government) (P\$170.6 million), other transfers to economically vulnerable sectors of the population (P\$131.2 million) and transfers to the Federal police for the provision of additional security services in the City (P\$71.4 million).

Interest

Interest on the City's indebtedness is accounted for as current expenditure. See "Public debt".

Capital expenditures

Capital expenditure is the most flexible item of the City's budget, and the City has in the past expanded or contracted its capital works as budgetary constraints have dictated. The principal items of the City's capital expenditures are the expansion of the subway network, road works, school and hospital equipment, flood prevention and water drainage works and public housing development.

Commencing with the 1998 budget, the City has been using a system pursuant to which the City's departments submit to the Budget Office all potential infrastructure projects. These projects are then reviewed based on a cost and benefit analysis and ranked in accordance with the priorities set up by the Head

of Government. In addition, these projects are included in the relevant budget on a three-year basis so as to ensure funding of the project until completion.

Once the constraints resulting from the impact of Argentina's 2001-2002 economic crisis into the City's fiscal accounts receded, the City implemented a capital expenditure programme principally aimed at recovering the City's public infrastructure. As a result, the City's capital expenditures increased by 93.8% from P\$555.0 million in 2004 to P\$1,075.8 million in 2005 and by a further 48.2% to P\$1,594.9 million in 2006. In 2007, capital expenditures decreased by 5.0% to P\$1,514.7 million. In 2008, capital expenditures increased by 73.3% to P\$2,625.6 million as the City's current administration started implementing an ambitious capital expenditure programme. The City's current administration intends to continue to carry out this programme and, as a result, capital expenditures are expected to remain at relatively high levels in 2009 and in 2010. See "2009 and 2010 budgets".

The City categorises its capital expenditures broadly into public works and other capital expenditures.

Main public works capital expenditure items in 2008 included renovation and construction of transport infrastructure, primarily consisting of the expansion of the subway network (P\$333.1 million), road construction and maintenance (P\$273.7 million), public housing development through the City's Housing Institute (P\$193.2 million), school construction and upgrade (P\$179.5 million), health related projects, such as the renovation of hospitals (P\$152.1 million), construction of flood prevention and water drainage infrastructure (P\$127.7 million), investment in cultural activities (P\$106.0 million) and the upgrade of public parks (P\$79.2 million).

In addition, the City records as capital expenditure the cost of a contract it has with CEAMSE for the recycling of the waste generated in the City. This cost was previously considered as a current expenditure. CEAMSE treats the waste and uses it for the construction of parks and leisure centres in the Greater Buenos Aires Area (although outside the jurisdiction of the City). The City considers that this project benefits the residents of the City by increasing the supply of parks within their reach and by ensuring a proper disposal of the waste generated by them. This expense represented P\$103.5 million of capital expenditure in 2008.

Other principal capital expenditures in 2008 consisted of the provision of mortgage loans by the City Housing Institute (P\$64.1 million) and transfers to Corporación Buenos Aires Sur (P\$19.5 million).

2009 AND 2010 BUDGETS

Introduction

The City's 2009 and 2010 budgets are based on a series of projections and estimates regarding Argentina's and the City's economy, revenues and expenditures and inflation. The 2009 and 2010 budgets contain estimates of historical results and forward-looking information that involve certain risks and uncertainties. Potential risks and uncertainties include the evolution of the City's economy, the level of inflation, the level of tax collections, the level of compliance with tax laws, the transfer by the Federal Government of the amounts it is required to transfer to the City, the ability of the City's administration to control expenditure in line with its budget and to obtain financing for its projected overall deficits, there being a satisfactory settlement with the Federal Government regarding mutual claims of the City and the Federal Government, the satisfactory resolution of certain material litigation proceedings which the City currently faces, the occurrence of unusual political, legislative or constitutional events which disrupt the City administration's ability to manage its finances, and the occurrence of events which may have a material adverse effect in Argentina. As a result of any of such risks or uncertainties, actual 2009 revenues and expenditures and 2010 revenues and expenditures could differ materially from the projected revenues and expenditures contained in the 2009 budget and the 2010 budget, respectively.

The budget process

The City operates on a calendar year basis for its fiscal year. Under the City Constitution, the annual budget is required to be presented to the Legislature by September 30 in the previous year. Budgets are required to be prepared by the executive branch for presentation to, and approval by, the Legislature. Since the 1997 budget, all budgets have been submitted on time to the Legislature (the Municipal Council in the case of the 1997 and 1998 budgets) and, except for the 2002 budget, the Legislature has approved them, without major changes, prior to the commencement of the relevant fiscal year. The uncertainty prevailing in the lead up to, and following, Argentina's 2001-2002 economic crisis resulted in the 2002 budget not being approved by the Legislature and the City operating with an extension of the 2001 budget (as contemplated by Law No. 70 of the City). The annual budget represents an estimation of revenues expected by the City. It also constitutes an authorisation of, and a limit on, expenditure by the City. City revenues are estimated on the basis of internal projections generated by the City. Estimates of Federal tax co-participation payments, however, are based on the projections prepared by the Federal Government in respect of Federal tax collections.

In developing its annual budget, the executive branch, acting through the City's Ministry of Finance, allocates the available revenues among the various City departments in accordance with the budgeting priorities established by the City's administration. After these allocations are agreed upon by the Head of Government and his Secretaries, a single budget which consolidates the spending authorisation of each department is then presented to the Legislature for approval. A statement with the actual revenues and expenditures for each budget item for the previous year is submitted to the Legislature for its approval by June 30 of the following year. Since 1998, these statements have been regularly submitted to the Legislature.

On December 4, 2003, the Head of Government enacted Decree No. 2,368/03 which provided for the creation of a budget stabilisation fund into which any surpluses registered by the City shall be contributed. Amounts available in such fund may be used to compensate for temporary declines in revenues in excess of 5.0% in respect of budgeted amounts and fund current expenditures, capital investment projects and debt service. The City contributed into this fund the surpluses it generated in the years ended December 31, 2003, 2004 and 2005 and has used the amounts available to service its debt and to finance the deficits in its overall balance registered in the years ended December 31, 2006 and 2007. As at September 30, 2009, the City had no money available in this fund.

On August 4, 2004, the Federal Congress approved the Federal Fiscal Responsibility Law which, starting with the budget for the year ended December 31, 2005, requires each of the Argentine provinces and the City as long as they have adhered to its provisions not to increase the amount of its total expenditures

(excluding interest expense, expenditure items funded with financing from multilaterals and certain expenses in social infrastructure programs) by a percentage exceeding the projected percentage growth in Argentina's GDP as estimated by the Federal Government, to achieve balanced budgets and to ensure that its annual debt service does not exceed 15.0% of its current revenues (net of any transfers to municipalities in the case of the provinces). Failure to comply with the provisions of the Federal Fiscal Responsibility Law could result in the Federal Government denying authorisation for the incurrence of debt by, or limiting the amount of discretionary transfers to, the breaching province or the City, as applicable.

On June 23, 2005, the Legislature approved Law No. 1,726, which ratifies and implements the provisions of the Federal Fiscal Responsibility Law. Pursuant to the provisions of the Federal Fiscal Responsibility Law, the City was required to submit its annual budgets and statements of actual revenues and expenditures and of budgetary performance to the Federal Council of Fiscal Responsibility (*Consejo Federal de Responsabilidad Fiscal*), which is comprised of representatives from the Federal Government, the provinces and the City and is responsible for controlling compliance with the Federal Fiscal Responsibility Law. The City has submitted to the Council its 2005, 2006, 2007 and 2008 budgets and statements and the Council has found them to be generally in compliance with the Federal Fiscal Responsibility Law. On November 26, 2009 the City Legislature, pursuant to Law No. 3,297, withdrew the City's adherence to the Federal Fiscal Responsibility Law and as a result the City is no longer required to submit to the Council its annual budgets and statements.

On December 21, 2005, the Federal Congress approved Law No. 26,075 (the "Federal Education Financing Law") pursuant to which the Federal Government, all Argentine provinces and the City agreed to progressively increase the level of expense in the education, science and technology sectors so that by 2010, the aggregate expense per year in such sectors of the Federal Government, the provinces and the City represent 6.0% of Argentina's GDP. The Federal Education Financing Law provides that the Federal Government will be responsible for 40.0% of the additional expense required to meet such target while the provinces and the City will be responsible for the balance and that the increase will be primarily used to increase the number and the salary level of teachers. In addition, the Federal Education Financing Law provides that 60.0% of any increase in the collection of taxes subject to co-participation arrangements by the Federal Government with respect to 2005 collections will be distributed among the provinces and the City pursuant to certain criteria (mainly the number of registered students) to be used solely to fund the required increase in education expense. The City believes that each of the 2009 budget and the 2010 budget is in substantial compliance with the requirements of the Federal Education Financing Law.

The 2009 and 2010 budgets

The following table sets out a summary of estimated revenues and expenditures contained in the City's 2009 and 2010 budgets. The actual revenues and expenditures for 2008 are also included for comparison purposes. All amounts are stated in nominal pesos.

	Year ended	Year ending December 31,	
	December 31,	2009 ⁽¹⁾	2010 ⁽²⁾
	2008		
(in millions of pesos)			
Current revenues:			
City tax revenues			
Turnover tax	P\$7,610.1	P\$9,210.4	P\$9,940.6
Property tax	1,253.4	1,250.0	1,262.1
Vehicle licensing fees.....	773.0	908.0	1,003.6
Stamp tax.....	321.9	582.0	702.0
Subway development contributions	115.8	129.8	130.4
Tax deferred payment plans revenues	435.0	415.5	258.6
Other City tax revenues.....	132.7	140.0	192.0

	Year ended	Year ending December 31,	
	December 31, 2008	2009 ⁽¹⁾	2010 ⁽²⁾
(in millions of pesos)			
Total City tax revenues.....	10,641.9	12,635.7	13,489.3
City non-tax revenues	574.7	760.6	998.9
Federal transfers:			
Federal tax co-participation payments	1,322.7	1,698.0	1,604.6
Other transfers.....	163.3	451.8	360.3
Total Federal transfers.....	1,486.0	2,149.8	1,964.9
Total current revenues.....	12,702.6	15,546.1	16,453.1
Capital revenues	74.3	471.8	542.7
Total revenues	12,776.9	16,017.9	16,995.8
Current expenditures:			
Personnel.....	6,577.0	8,180.1	8,787.1
Non-personnel services	2,170.7	2,814.3	3,038.8
Consumption of goods	338.6	531.5	569.1
Transfers	1,581.4	2,054.4	2,189.0
Interest	134.7	210.7	472.7
Total current expenditures.....	10,802.4	13,791.0	15,056.8
Capital expenditures:			
Public works.....	2,518.6	2,702.4	2,007.5
Other	107.0	293.3	393.5
Total capital expenditures	2,625.6	2,995.7	2,401.0
Total expenditures.....	P\$13,428.0	P\$16,786.7	P\$17,457.8

Note:—

(1) 2009 budget (as amended by Law No. 3,243).

(2) 2010 budget.

Sources: 2009 budget, 2010 budget, Budget Office, Office of Public Debt and Accounting Office of the City.

The following table sets out different balances resulting from the actual 2008 and estimated 2009 and 2010 revenues and expenditures of the City and debt amortisation for each such year.

	2008	2009 ⁽¹⁾	2010 ⁽²⁾
	(in millions of pesos)		
Balances:			
Operating balance ⁽³⁾	P\$1,900.2	P\$1,755.1	P\$1,396.3
Overall balance ⁽⁴⁾	(651.1)	(768.8)	(462.0)
Primary balance ⁽⁵⁾	(516.4)	(558.1)	10.7
Debt amortisation.....	P\$566.1	P\$676.4	P\$1,320.0

Notes:—

(1) 2009 budget (as amended by Law No. 3,243).

(2) 2010 budget.

(3) Current revenues less current expenditures.

- (4) Total revenues less total expenditures.
- (5) Overall balance plus interest expense.

Sources: 2009 budget, 2010 budget, Budget Office, Office of Public Debt and Accounting Office of the City.

2009 and 2010 budget commentary

The 2009 budget was approved by the Legislature on December 23, 2008, pursuant to Law No. 2,999, and amended on October 29, 2009 by means of Law No. 3,243 to reflect an increase in the level of estimated personnel expenditures and a reduction in the level of estimated capital expenditures. The 2010 budget was approved by the Legislature on December 8, 2009.

2009 budget assumptions

The 2009 budget (as amended by Law No. 3,243) includes an estimated P\$16,017.9 million of total revenues and an estimated P\$16,786.7 million of total expenditures. As a result, the City's 2009 budget provides for an estimated P\$768.8 million deficit on its overall balance. The 2009 budget includes P\$210.7 million of interest expenditure and P\$676.4 million of debt amortisation.

The following are the principal assumptions on which the 2009 budget is based: The City expects an increase in the City's real GDP of 3.0% in 2009, which is lower than the 4.0% increase forecasted by the Federal Government in the preparation of its 2008 budget; inflation is expected to be 8.0%; there is expected to be normal compliance by taxpayers in payment of taxes due and in relation to payments to be made under the City's foreign currency-denominated indebtedness, the average exchange rate is expected to be P\$3.19 per U.S. dollar.

The 2009 budget estimates that turnover tax collections increase by approximately 21.0%, to P\$9,210.4 million from P\$7,610.1 million received in 2008, a rate higher than the combined effect of the expected increase in the City's real GDP and the assumed rate of inflation. The 2009 budget estimates that property tax collections will remain relatively stable at P\$1,250.0 million compared to P\$1,253.4 million received in 2008. The 2009 budget also assumes that the basis for the assessment of vehicle licensing fees will be adjusted in line with the increase in market prices of vehicles registered in Argentina during 2008 and that the number of vehicles subject to these fees will continue to grow during 2009 resulting in a 17.5% increase in collections of this fee to P\$908.0 million from P\$773.0 million received in 2008.

The City has assumed that the level of Federal tax co-participation payments will be P\$1,698.0 million in 2009, 28.4% higher than the P\$1,322.7 million received in 2008 in line with the Federal Government's projections of tax collections. This reflects the agreement between the City and the Federal Government dated December 12, 2002, pursuant to which the Federal Government transfers to the City the equivalent of 1.4% of the net Federal tax revenues subject to the Federal Tax Co-Participation Law on an annual basis.

The 2009 budget estimates capital revenues of P\$471.8 million, including revenues of P\$330.0 million in respect of the expected sale by the City of three plots of land located in the City's business district. In December 2009, the City completed the sale of one of such plots of land to a real estate development company for P\$95.0 million.

The 2009 budget provides for personnel expenditure of P\$8,180.1 million, a 24.4% increase from the P\$6,577.0 million spent in 2008. In August 2009, the City received Legislature approval pursuant to Law No. 3,243 to modify the 2009 budget in order to cover salary increases awarded to City employees during 2009.

The 2009 budget contemplates a 14.1% increase in the City's capital expenditure to P\$2,995.7 million from P\$2,625.6 million in 2008, as a result of the implementation by the City's current administration of an ambitious capital expenditure programme starting in 2008. The City's current administration intends to continue to carry out this programme and, as a result, capital expenditures are expected to continue to be significant relative to prior periods. See "— Nine months ended September 30, 2009 compared to nine months ended September 30, 2008" and "— 2010 budget assumptions".

The overall balance of the City in 2009 is expected to be a deficit of P\$768.8 million compared to a deficit of P\$651.1 million in 2008. The City expects to finance such deficit with existing liquidity and the incurrence of debt, including through the issue of notes pursuant to its Medium Term Note Programme and borrowings under credit facilities provided by multilaterals.

Nine months ended September 30, 2009 compared to nine months ended September 30, 2008

The following table sets out certain of the City's estimated revenues and expenditures and resulting balances for the nine months ended September 30, 2009 together with the revenues and expenditures and resulting balances for the nine months ended September 30, 2008 for comparison purposes. See "Presentation of financial and statistical information".

	Nine months ended September 30,	
	2008	2009⁽¹⁾
	(in millions of pesos)	
Current revenues:		
City tax revenues		
Turnover tax	P\$5,529.0	P\$6,464.2
Property tax	1,006.7	999.0
Vehicle licensing fees.....	571.5	646.8
Stamp tax.....	237.6	507.9
Subway development contributions	86.7	94.4
Tax deferred payment plan revenues.....	261.7	231.4
Other City tax revenue	102.5	114.4
Total City tax revenues.....	<u>7,795.7</u>	<u>9,058.1</u>
City non-tax revenues	385.6	529.2
Federal transfers:		
Federal tax – co-participation payments	957.3	1,029.7
Other Federal funding	112.5	143.5
Total Federal revenues	<u>1,069.8</u>	<u>1,173.2</u>
Total current revenues	<u>9,251.1</u>	<u>10,760.5</u>
Capital revenues	57.1	100.9
Total current and capital revenues.....	<u>9,308.2</u>	<u>10,861.4</u>
Current expenditures:		
Personnel.....	4,632.9	5,585.4
Non-personnel services	1,387.4	1,726.5
Consumption of goods	172.7	287.3
Transfers	1,080.8	1,414.5
Interest	91.7	170.2
Total current expenditures.....	<u>7,365.5</u>	<u>9,184.0</u>
Capital expenditures:		

	Nine months ended September 30,	
	2008	2009⁽¹⁾
	(in millions of pesos)	
Public works.....	915.2	1,245.9
Other	86.0	82.7
Total capital expenditures	<u>1,001.2</u>	<u>1,328.6</u>
Total expenditures	<u>8,366.7</u>	<u>10,512.5</u>
Operating balance ⁽²⁾	<u>1,885.6</u>	<u>1,576.5</u>
Overall balance ⁽³⁾	<u>941.5</u>	<u>348.9</u>
Primary balance ⁽⁴⁾	<u>P\$1,033.2</u>	<u>P\$519.1</u>

Notes:—

- (1) Preliminary estimates.
- (2) Current revenues less current expenditures.
- (3) Total revenues less total expenditures.
- (4) Overall balance plus interest expense.

Sources: Budget Office, Office of Public Debt and Accounting Office of the City.

Preliminary figures for the first nine months of 2009 show actual City tax collections of P\$9,058.1 million, a 16.2% increase from the P\$7,795.7 million received in the first nine months of 2008. Turnover tax collections during the nine months ended September 30, 2009 are estimated to have increased by 16.9% to P\$6,464.2 million from the P\$5,529.0 million received in respect of this tax during the first nine months of 2008. This increase was principally due to increases in general price levels. The City estimates that during the first nine months of 2009, it received P\$999.0 million of property tax collections, a 0.8% decrease in respect of the P\$1,006.7 million received in the first nine months of 2008 as the global economic crisis which started in the last quarter of 2008 and continued in 2009 resulted in a reduced number of new units being completed. In addition, the City estimates that collections of vehicle licensing fees amounted to P\$646.8 million during the first nine months of 2009, a 13.2% increase with respect to the P\$571.5 million received in the first nine months of 2008, principally due to increases in both the number of vehicles subject to these fees and in the market value of used vehicles (that are used to set the basis for the calculation of the fees). Stamp tax collections during the nine months ended September 30, 2009 are estimated to have increased by 113.8% to P\$507.9 million from the P\$237.6 million received in the first nine months of 2008, in line with amendments to this tax implemented in January 2009, which expanded the scope of this tax to cover, with certain limited exceptions, all contracts executed, and all insurance and financial transactions taking place, within the City. The tax is levied at a general rate of 0.8% of the value of the contract or transaction, except in the case of transfers of real estate when the tax rate is 2.5% of the value of the conveyance.

Non-tax revenues are estimated to have increased by 37.2% to P\$529.2 million in the first nine months of 2009 from P\$385.6 million received in the same period in 2008, mainly as a result of increases in the payments for rights to use the City's facilities, concession fees paid by AUSA as operator of the City's toll roads and in the amounts collected in traffic-related fines.

Transfers from the Federal Government are estimated to have increased by 9.7% from P\$1,069.8 million in the first nine months of 2008 to P\$1,173.2 million in the first nine months of 2009, in line with rising Federal tax collections.

Capital revenues are estimated to have increased by 76.7% from P\$57.1 million in the first nine months of 2008 to P\$100.9 million in the first nine months of 2009, mainly as a result of the receipt by the City of P\$47.0 million in the nine months ended September 30, 2009 in accordance with the provisions of Federal

Decree No. 206/09 dated March 19, 2009, pursuant to which the Federal Government has agreed to transfer to all provinces and the City on a daily basis 30.0% of the taxes the Federal Government levies and collects in respect of the export of soyabeans and its by-products. The transferred amounts can only be used by the City to fund infrastructure work (including those in the education and health sectors) and as result are recorded as a capital revenue (and not as “Other Federal transfers”).

Current expenditures are estimated to have been P\$9,184.0 million in the first nine months of 2009, a 24.7% increase from the P\$7,365.5 million recorded during the same period in 2008. Preliminary figures show an estimated 20.6% increase in personnel expenditures to P\$5,585.4 million in the first nine months of 2009 from P\$4,632.9 million in the first nine months of 2008, mainly as a result of the impact of salary increases awarded by the City during 2008 and in the first nine months of 2009, which increase is estimated to result in P\$452.0 million of additional personnel expense in 2009 for which the City received Legislature approval pursuant to Law No. 3243 to modify the 2009 budget. Non-personnel services are estimated to have amounted to P\$1,726.5 million during the nine months ended September 30, 2009, a 24.4% increase from the P\$1,387.4 million spent during the first nine months of 2008, as a result of the increase in the general cost for such services and improvements in the City’s procurement procedures, which resulted in a faster approval and payment of invoices for such services in the nine months ended September 30, 2009. Consumption of goods showed an estimated 66.3% increase from P\$172.7 million in the first nine months of 2008 to P\$287.3 million in the first nine months of 2009, as a result of the increase in general price levels and the streamlining of the City’s procurement procedures, which resulted in the processing of more purchase orders during the first nine months of 2009. Transfers by the City to third parties, are estimated to have increased by 30.9% to P\$1,414.5 million in the nine months ended September 30, 2009 compared with P\$1,080.8 million in the first nine months of 2008, mainly as a result of the salary increases awarded to private school teachers in line with those granted by the City to its teachers and increased transfers under the “*Ciudadanía Porteña*” social assistance programme. During the first nine months of 2009 the City recorded P\$170.2 million in interest expense, compared to P\$91.7 million in the first nine months of 2008, as a result of higher interest rates and higher levels of interest-bearing debt (in particular treasury bills that are not considered as direct indebtedness of the City).

Capital expenditures are estimated to have increased by 32.7% to P\$1,328.6 million in the first nine months of 2009 from P\$1,001.2 million in the first nine months of 2008, as a result of the implementation of an ambitious capital expenditure programme mainly including works in connection with subway expansion (P\$61.0 million), the renovation of the Colón theatre (P\$57.0 million) and the construction of two water drainage and collection tunnels in the Maldonado basis to prevent flooding in the City (P\$41.5 million).

Total revenues and expenditures for the first nine months of 2009 are estimated to have been P\$10,861.4 million and P\$10,512.5 million, respectively, resulting in a surplus of P\$348.9 million in the City’s overall balance compared to total revenues of P\$9,308.2 million, total expenditures of P\$8,366.7 million and a surplus of P\$941.5 million in the City’s overall balance during the first nine months of 2008.

2010 budget assumptions

The 2010 budget includes an estimated P\$16,995.8 million of total revenues and an estimated P\$17,457.8 million of total expenditures. As a result, the City’s 2010 budget provides for an estimated P\$462.0 million deficit on its overall balance and a P\$1.7 million surplus on its primary balance. The 2010 budget includes P\$472.7 million of interest expenditure and P\$1,320.0 million of debt amortisation.

The following are the principal assumptions on which the 2010 budget is based: The City expects an increase in the City’s real GDP of 1.5% in 2010, which is slightly lower than the 2.5% increase forecasted by the Federal Government in the preparation of its 2010 budget; inflation is expected to be 6.5%; there is expected to be normal compliance by taxpayers in payment of taxes due and in relation to payments to be made under the City’s foreign currency-denominated indebtedness, the average exchange rate is expected to be P\$3.95 per U.S. dollar.

The 2010 budget estimates that turnover tax collections increase by 7.9% to P\$9,940.6 million from P\$9,210.4 million of estimated collections in the 2009 budget, a rate almost equal to the combined effect of the expected increase in the City’s real GDP and the assumed rate of inflation. The 2010 budget estimates a

1.0% increase in property tax collections to P\$1,262.1 million from the P\$1,250.0 million estimated in the 2009 budget. The 2010 budget also assumes that the basis for the assessment of vehicle licensing fees will be adjusted in line with the increase in market prices of vehicles registered in Argentina during 2009 and that the number of vehicles subject to these fees will continue to grow during 2010 resulting in a 10.5% increase in collections of this fee to P\$1,003.6 million from the P\$908.0 million estimated in the 2009 budget.

City non-tax revenues are budgeted to increase by 31.3% to P\$998.9 million in 2010 from P\$760.6 million in estimated revenues in the 2009 budget, as the City has assumed an increase in collections from fines levied by the City and fees charged by the City for the use of public spaces, due to the recent procedural changes implemented by the City for the collection of traffic-related fines and the increases introduced in the amounts of such fines and the revision by the City of the contractual terms of the approximately 550 concessions the City has granted in relation to the use of public space.

The City has assumed that the level of Federal tax co-participation payments will be P\$1,604.6 million in 2010, 5.5% lower than the P\$1,698.0 million estimated in the 2009 budget in line with the Federal Government's original projections of tax collections for its 2010 budget.

The 2010 budget estimates capital revenues of P\$542.7 million, including P\$240.0 million in respect of the expected sale by the City of a plot of land located in the Puerto Madero district and of several properties and land located in an area expropriated in the 1980s by the City to build a highway, a project which was later abandoned and P\$159.3 million in relation to the provisions of Federal Decree No. 206/09 dated March 19, 2009, pursuant to which the Federal Government has agreed to transfer to all provinces and the City on a daily basis 30.0% of the taxes the Federal Government levies and collects in respect of the export of soybeans and its by-products (which transfers can only be used by the City to fund infrastructure work).

The 2010 budget provides for personnel expenditure of P\$8,787.1 million, a 7.4% increase from the P\$8,180.1 million of estimated expenditure in the 2009 budget. The 2010 budget takes into account the salary increases awarded by the City to its employees during 2009 (but does not assume any further salary increases) and compliance by the City with the requirements of the Federal Education Financing Law. The cost of non-personnel services is expected to increase by 8.0% to P\$3,038.8 million in 2010 from the P\$2,814.3 million of estimated costs in the 2009 budget, mainly as a result of the expected increase in the amounts payable by the City in respect of garbage collection contracts, which the City expects will amount to P\$1,000 million in 2010 compared to estimated amounts of P\$895.7 million in the 2009 budget, and certain other services. Consumption of goods is expected to amount to P\$569.1 million in 2010, a 7.1% increase from the estimated P\$531.5 million in 2009, principally as a result of increased purchases of drugs and other medical supplies for the City's hospitals, the largest items recorded under this account. Transfers are expected to increase by 6.6% to P\$2,189.1 million in 2010 from the P\$2,054.4 million of estimated transfers in the 2009 budget, mainly as a result of increased transfers to private sector schools, the "Ciudadanía Porteña" social assistance programme and the Garrahan paediatric hospital located in the City but owned by the City and the Federal Government through a non-profit organisation. Interest expense is expected to increase by 124.3% to P\$472.7 million in 2010 from P\$210.7 million of estimated expense in the 2009 budget as a result of a higher foreign exchange rate expected to prevail in 2010, the increased level of the City (including the issue of Law No. 2,810 promissory notes, of the suppliers/contractors' bonds and of treasury bills up to the full authorised aggregate principal amount of P\$490.0 million, P\$690.3 million and P\$950.0 million, respectively).

The 2010 budget contemplates a 24.8% decrease in the City's capital expenditure to P\$2,401.0 million from the estimated P\$2,995.7 million in the 2009 budget, primarily consisting of the construction of flood prevention and water drainage infrastructure (P\$453.2 million, including P\$332.5 million for the Maldonado basin flood prevention project), public housing development through the City's Housing Institute (P\$192.8 million), road construction and maintenance (P\$135.5 million), school construction and upgrade (P\$134.1 million), health related projects, such as the renovation of hospitals (P\$157.3 million), expansion of the subway network (P\$126.4 million), improvement of solid waste disposal infrastructure (P\$125.5 million) and investment in cultural activities (P\$88.4 million, including P\$70.0 million for the completion of the renovation of the Colón theatre).

PUBLIC DEBT

At September 30, 2009, the City had outstanding direct public indebtedness (long-term) of P\$1,716.2 million (with foreign currency amounts converted into pesos at the then applicable exchange rates), of which P\$1,316.6 million (76.7% of the total) was denominated in U.S. dollars, P\$307.4 million (17.9% of the total) was denominated in pesos, and P\$92.2 million (5.4% of the total) was denominated in euros.

Background

Although the City experienced the same macro-economic problems that caused the debt crisis experienced by Argentina during the 1980s, it did not at that time borrow outside Argentina and therefore did not default in the payment of external indebtedness. In addition, it did not default on its domestic indebtedness during that time. However, it did default on its supplier obligations and frequently rescheduled payments on these obligations. Once these obligations had been rescheduled into some form of financial instrument, such as a promissory note, the City did not default upon them.

During the 1990s, the City gained access to the international capital markets and issued five series of notes under its Medium-Term Note Programme, which notes were denominated in U.S. dollars, Argentine pesos and Italian lire (later redenominated into euros). The proceeds of such issues of notes were mainly used by the City to refinance shorter term domestic debt and to capitalise Banco de la Ciudad. In addition, the City obtained a number of credit lines from multilateral organisations which borrowings were principally used to fund several capital expenditure programmes of the City.

In the lead-up to Argentina's 2001-2002 economic crisis, international capital markets remained closed and bank credit lines were unavailable, for most Argentine entities (including the Federal Government and the City). Funds available from the domestic capital markets and banks were, to a large extent, used by the Federal Government to meet its financing needs, resulting in record high interest rates. During 2001, the City had to rely, first, on the liquidity generated by previous years' surpluses and, starting in mid-December 2001, on a series of measures aimed at addressing its financing gap. Although the City paid its employees' salaries in full, it changed its prior policy of making one payment at the beginning of the month and established that salaries would be paid in three instalments due throughout the month. In addition, payment terms of invoices submitted by suppliers which provided goods or services to the City and which were deemed by the City administration not to be critical, were renegotiated on a case-by-case basis resulting in the extension of their payment dates by between 45 and 150 days and the use of Lecops issued by the Federal Government to meet such payment obligations. The City also borrowed under an overdraft facility provided by Banco de la Ciudad. In addition, it requested and received from the Federal Government P\$140.6 million principal amount of Lecops.

Following the devaluation of the peso in January 2002, the City's burden in servicing its foreign currency-denominated debt (which at the time represented approximately 80.0% of its total debt) increased substantially, since all the City's revenues are denominated in pesos. As a result, the City promptly took steps to voluntarily restructure its public debt represented by notes through the holding of holders' meetings that approved amendments to the original terms and conditions of such notes in May 2002 (which meetings resulted in the restructuring of two Series of notes issued under its Medium-Term Note Programme) and in February 2003 (which meetings resulted in the restructuring of the remaining three Series of notes). During 2002, the City failed to make interest payments due on the three Series of notes which were later restructured at the February 2003 meetings (at which meetings the bondholders agreed to waive any previous defaults).

Unlike most other debt restructurings implemented by Argentine borrowers following Argentina's 2001-2002 economic crisis, the City did not require holders of its debt instruments to agree to any reduction in the principal amount of their claims but rather to extend the average maturity of the notes by three years and reduce future interest coupons by 30.0%. Subsequent to the restructuring of its public debt, the City has timely made all interest and principal payments coming due under such debt.

Upon taking office on December 10, 2007, the current City administration faced a large number of unpaid invoices submitted to the City by suppliers and contractors the processing of which had been delayed

as the change in administration resulted in a general slowdown in the City's administrative functions. The City invited suppliers to substantiate their claims and, after rejecting certain of such claims for being duplicative or lacking merit and paying certain other claims, it renegotiated the payment terms of the invoices that remained outstanding by offering suppliers and contractors a promissory note in respect of the principal amount of the accepted claim.

In addition, the current City administration announced the implementation of an ambitious capital expenditure programme starting in 2008 and continuing in 2009 and 2010 which has resulted in the need for the City to expand its sources of financing including by the issue of short-term treasury bills and more recently by offering its suppliers and contractors to receive payment of a portion of their invoices through the issue and delivery by the City of an interest bearing debt instrument. Furthermore, the City intends to issue notes under its Medium-Term Note Programme and to rely on new financing from multilateral agencies to fund certain of such capital expenditures.

The City's direct indebtedness is not guaranteed by the Federal Government with the exception of loans from multilateral agencies where the Federal Government remains responsible for servicing those loans in the event of a failure by the City to service those loans.

Description of direct indebtedness

The following table sets out the public debt, cash position and level of "floating debt" of the City as at December 31, 2004, 2005, 2006, 2007 and 2008 and as at September 30, 2009, in each case, excluding accrued interest and direct indebtedness of Banco de la Ciudad.

	At December 31,					At
	2004	2005	2006	2007	2008	September 30, 2009
	(in millions of pesos ⁽¹⁾)					
Financial debt:						
Notes issued under Medium-Term Note Programme.....	PS\$1,790.3	PS\$1,660.8	PS\$1,373.2	PS\$1,072.2	PS\$921.7	PS\$646.3
Treasury bills ⁽²⁾	—	—	—	—	—	31.2
Debt with Banco de la Ciudad	9.1	7.9	6.5	5.1	3.5	2.2
Total financial debt.....	1,799.4	1,668.7	1,379.7	1,077.3	925.2	679.7
Debt with suppliers:						
Law No. 2,810 promissory notes ⁽³⁾	—	—	—	—	57.4	181.7
Debt under review/Decree No. 225/96						
General	48.8	48.8	47.3	42.3	27.0	24.3
CEAMSE.....	21.5	23.0	24.5	26.1	27.9	29.3
Other recognised debts.....	38.9	35.9	34.3	34.1	33.5	33.2
Other	0.5	—	—	6.7	—	—
Total debt with suppliers ⁽³⁾	109.8	107.7	106.1	109.3	145.7	268.5
Debt with Federal Government:						
Lecops.....	140.6	140.6	—	—	—	—
International loans:						
International Bank for Reconstruction and Development	37.0	34.2	30.0	26.0	54.3	110.7
Inter-American Development Bank	254.6	282.6	391.1	558.2	571.4	620.3
Spanish Government	37.9	36.7	34.9	33.7	34.5	37.0
Total international loans	329.5	353.5	456.0	617.9	660.2	768.0
Total indebtedness ⁽²⁾⁽³⁾	PS\$2,379.3	PS\$2,270.5	PS\$1,941.8	PS\$1,804.5	PS\$1,731.1	PS\$1,716.2

	At December 31,					At
	2004	2005	2006	2007	2008	September 30, 2009
	(in millions of pesos ⁽¹⁾)					
Cash position ⁽⁴⁾	P\$1,309.5	P\$1,797.1	P\$1,300.7	P\$326.6	P\$118.8	P\$296.2
Floating debt ⁽⁵⁾	P\$383.7	P\$897.0	P\$1,101.0	P\$875.4	P\$1,901.7	N/A

Notes:—

- (1) The exchange rate used to convert U.S. dollar amounts into pesos has been the selling rate quoted by Banco de la Nación at the close of business on the relevant date. U.S. dollar amounts at December 31, 2008 were translated into pesos using the December 31, 2008 exchange rate of P\$3.453 = U.S.\$1.0 and at September 30, 2009, the September 30, 2009 exchange rate of P\$3.843 = U.S.\$1.0. The conversion of euro amounts into pesos has been the result of first converting the euro amounts into U.S. dollars using the euro-U.S. dollar selling rate quoted by Bloomberg at the close of business on the relevant date and then converting the resulting U.S. dollar amount into pesos using the relevant Banco de la Nación U.S. dollar-peso selling rate. Amounts in euros at December 31, 2008 were translated into pesos using the December 31, 2008 exchange rate of P\$4.824 = €1.0 and at September 30, 2009, the September 30, 2009 exchange rate of P\$5.6277 = €1.0.
- (2) This represents the aggregate principal amount of treasury bills outstanding as at September 30, 2009 and with a maturity date falling after December 31, 2009. It does not include an additional P\$501.8 million principal amount outstanding of treasury bills as at September 30, 2009 and which mature on or prior to December 31, 2009. Pursuant to the provisions of the City Financial Administration and Control Law, treasury bills maturing on the same year they are issued are not considered public debt of the City. See “—Treasury bills”.
- (3) As at December 31, 2007 and 2008 and as at September 30, 2009, the City had incurred debt with certain of its suppliers and contractors, which the City estimates originally amounted to approximately P\$800.0 million, of which amount the City paid approximately P\$310.0 million and is in the process of renegotiating the balance through the issue of promissory notes (which, when issued, are recorded under “Law No. 2,810 promissory notes”). See “— Debt with suppliers — Law No. 2,810 promissory notes”.
- (4) Mainly reflects the balances of the consolidation account the City has with Banco de la Ciudad as at December 31 in each year and as at September 30, 2009. See “— Cash management”.
- (5) Represents, at each such date, short term debt the City had, mainly with suppliers. The City only estimates the amount of its "floating debt" at year-end. See “— Floating debt”.

Source: Office of Public Debt of the City.

Financial debt

Medium-term note programme

The City established a Medium-Term Note Programme in March 1997 which allows the City to issue on a syndicated or non-syndicated basis up to an original U.S.\$500.0 million (increased in March 2000 to U.S.\$600.0 million and on July 30, 2008 to U.S.\$1,100.0 million) of notes with maturities ranging from 30 days to 30 years on a variety of interest bases and in a variety of currencies. The City issued the following series under such Programme that were placed in the Argentine and international capital markets: (i) U.S.\$250.0 million 11.25% Series 1 notes due 2007; (ii) Italian Lire 100.0 billion (equivalent to €51,645,689.91) 10% Series 2 notes due 2004; (iii) P\$150.0 million 10.5% Series 3 notes due 2004; (iv) Italian Lire 69.0 billion (equivalent to €35,635,526.04) 9.5% Series 4 notes due 2005; and (v) €100.0 million 9.50% Series 5 notes due 2003. The net proceeds of these issues were used by the City, as to P\$100.0 million, to capitalise the Bank, and as to the balance, to refinance debt it had outstanding with the Bank and with suppliers.

Following the devaluation of the peso, on April 19, 2002 the City requested the holders of each of the Series 1 notes, the Series 2 notes, the Series 4 notes and the Series 5 notes to vote in favour of certain amendments to the terms and conditions of each such notes to, among other things: (a) extend the average maturity of each such series of notes by three years; (b) waive the right to receive interest during 2002; and (c) reduce future interest coupons by 30%. At the respective meetings of holders held in London on May 13, 2002 and May 27, 2002, the holders of the Series 2 notes and the Series 4 notes approved the proposed amendments while the holders of the Series 1 notes and the Series 5 notes rejected them. In addition, the

holders of the Series 2 notes and the Series 4 notes authorised the trustee under the notes to forgive any event of default which could have taken place prior to the implementation of the amendments. As a result, the City decided to implement the amendments in relation to the Series 2 notes and the Series 4 notes. The Series 1 notes and the Series 5 notes then went into payment default as the City did not make the interest payments due on the Series 1 notes on April 11 and October 11, 2002 and on the Series 5 notes on July 7, 2002.

The City remained current in respect of the Series 3 notes denominated in pesos and the terms of which it did not originally seek to restructure.

On January 31, 2003, the City requested the holders of each of the Series 1, 3 and 5 notes to vote in favour of certain amendments to the terms and conditions of each notes to, among other things: (i) extend the average maturity of each such series of notes by three years; (ii) waive (except in the case of the Series 3 and 5 notes) the right to receive interest which came due during 2002; (iii) in the case of the Series 3 notes, to introduce an adjustment factor in respect of the principal amount of such notes which factor would result in the principal amount of such notes (denominated in pesos) increasing depending in the evolution of a number of variables including the level of the City's total revenues, Argentina's inflation and Buenos Aires interbank interest rates; and (iii) reduce future interest coupons by 30%. At the respective meetings of holders held in London on February 25, 2003, the holders of the Series 1, 3 and 5 notes approved the proposed amendments which were immediately implemented by the City. In addition, the holders of the Series 1, 3 and 5 Notes authorised the trustee under the notes to forgive any event of default which could have taken place prior to the implementation of the amendments.

The following table sets forth the original and amended terms of each of the Series of notes:

	Before Restructuring			After Restructuring		
	Principal Amount	Interest Rate (per annum)	Maturity Date	Principal Amount	Interest Rate (per annum)	Maturity Dates
Series 1	U.S.\$250,000,000	11.25%	April 11, 2007	U.S.\$250,000,000	7.875%	April 11, 2009 (33.3%) April 11, 2010 (33.3%) April 11, 2011 (33.4%)
Series 2	€51,645,689.91	10%	May 23, 2004	€51,645,689.91	7%	May 23, 2006 (33.3%) May 23, 2007 (33.3%) May 23, 2008 (33.4%)
Series 3	PS150,000,000	10.5%	May 28, 2004	PS150,000,000	9.5% (plus a payment calculated pursuant to a formula linked to the evolution of the City's tax revenues, inflation and interest rates)	May 28, 2006 (33%) May 28, 2007 (33%) May 28, 2008 (34%)
Series 4	€35,635,526.04	9.5%	June 10, 2005	€35,635,526.04	6.65%	June 10, 2007 (33%) June 10, 2008 (33%) June 10, 2009 (34%)
Series 5	€100,000,000	9.5%	July 7, 2003	€100,000,000	6.65%	July 6, 2005 (11%) October 7, 2005 (11%) January 7, 2006 (11%) April 7, 2006 (11%) July 7, 2006 (11%) October 7, 2006 (11%) January 7, 2007 (11%) April 7, 2007 (11%) July 7, 2007 (12%)

Source: Office of Public Debt of the City.

As at September 30, 2009, the City had repaid in full the Series 2, 3, 4 and 5 notes, and one out of three instalments in respect of the Series 1 notes. As at such date, the aggregate principal amount of notes due was P\$640.8 million (U.S.\$167.5 million) in respect of the Series 1 notes.

In addition, on March 26, 2009, the City established a tranche of Series 6 notes allowing it to issue for cash or as consideration for work performed by contractors and suppliers up to P\$400.0 million aggregate principal amount. The notes mature on six instalments falling due between June 2009 and March 2012, with semi-annual interest payable at a floating rate set by reference to the Buenos Aires interbank rate. As at September 30, 2009, the City had issued an aggregate principal amount of P\$5.5 million of Series 6 notes that were delivered to contractors as consideration for works performed.

As at September 30, 2009, the City did not have any hedge or similar agreement to cover its exposure to exchange rate changes resulting from its U.S. dollar or euro-denominated notes.

Treasury bills

Starting on February 13, 2009, the City has been issuing short-term treasury bills (*letras de tesorería*) mainly aimed at covering its intra-period financing needs. These debt instruments are governed by Argentine law and have been placed directly by the City with domestic investors through electronic auctions held on *Mercado Abierto Electrónico S.A.* Maturities have ranged from 41 to 272 days from the day of issue. These bills are issued on a discounted basis (in the case of bills with maturities of less than 90 days from the date of issue) or on an interest-bearing basis (in the case of bills with maturities over 90 days from the date of issue). Interest is set by reference to the Buenos Aires interbank rate plus a spread.

Pursuant to the provisions of the City Financial Administration and Control Law, the City can issue treasury bills up to the maximum amount provided by the budget or other relevant law. Unless such bills mature on a fiscal year different from the one on which they are issued, they are not recorded as public debt. Law No. 3,152 of the City currently provides that the City can have at any time up to P\$800.0 million principal amount of treasury bills outstanding provided that bills maturing after December 31, 2009 cannot exceed P\$300.0 million principal amount.

During the nine months ended September 30, 2009, the City issued P\$1,577.3 million principal amount of treasury bills, of which P\$533.0 million was outstanding as at such date (with a spread ranging from 2.24% to 3.0% per annum over the Buenos Aires interbank rate). Of the treasury bills outstanding as at September 30, 2009, P\$31.2 million principal amount had a maturity date falling after December 31, 2009 and are therefore recorded as public debt in this account. See “— Treasury bills”.

Banco de la Ciudad

In January 1999, the City borrowed P\$13.8 million from the Bank to purchase four buildings located in the City which were deemed by the City to have historic value and were therefore worth preserving. Amounts due under this loan bear interest at the London interbank rate plus 3.2% per annum and are repayable in 120 monthly instalments, the last one due in 2010. The first principal repayment was made in January 2001 and P\$2.2 million was outstanding under this loan as at September 30, 2009. As at September 30, 2009, the Bank recorded a P\$1.9 million exposure to the City resulting from the Bank following a different accounting methodology than the City. See “City enterprises — Banco de la Ciudad de Buenos Aires”.

Debt with suppliers

Law No. 2,810 promissory notes

Upon taking office on December 10, 2007, the current City administration faced a large number of unpaid invoices submitted to the City by suppliers and contractors in respect of price adjustments in relation to the provision of goods and services to the City. Processing of these invoices had been delayed as the change in administration resulted in a general slowdown in the City’s administrative functions. The City passed Decree No. 65/08 which implemented a verification process for all claims against the City pending as at December 31, 2007 in order to confirm that the claims were in respect of actual goods or services received by the City and that the claims had not already been paid. The City invited suppliers to substantiate their

claims before February 8, 2008. These claims were submitted and the aggregate principal amount of such claims was approximately P\$1,100.0 million. The City estimates that approximately P\$300.0 million principal amount of such claims were either duplicative of claims already accounted for by the City separately (for example as a judicial claim) or lacking any merit or basis. The City paid approximately P\$310.0 million principal amount of such invoices and was authorised pursuant to Law No. 2,810 of the City to renegotiate the payment terms of the invoices that remained outstanding by offering suppliers and contractors a promissory note in respect of the principal amount of the accepted claim (up to P\$490.0 million principal amount).

The promissory notes mature on six instalments due between March 2009 and December 2011, with interest payable monthly at a floating rate set by reference to the Buenos Aires interbank rate. As at September 30, 2009, the City had issued promissory notes in an aggregate principal amount of P\$226.7 million, of which as at such date P\$181.7 million was outstanding.

The balance of this account is likely to change as the City completes the process of verification and negotiation of the claims made by suppliers pursuant to the provisions of Decree No. 65/08 of the City.

Debt under review/Decree No. 225/96

This account includes amounts claimed by suppliers to be owed to them for goods or services rendered to the City, mainly before August 6, 1996 where the City administration that took office at the time decided to verify that the claim was in respect of actual goods or services received by the City and that the claim had not already been paid. The Head of Government issued Decree No. 225/96, as supplemented by Decree No. 1,480/97 of the City, which set out the rules under which the City has been verifying and settling these claims. All suppliers had to submit and substantiate their claims by December 4, 1997 and had to choose between several alternatives for repayment, which alternatives included waivers of up to 35.0% of the amount claimed and up to a 12-month grace period. The City originally received 775 claims representing P\$665.2 million. After a preliminary analysis, the number of claims was reduced to 757 of which, as at September 30, 2009, the City had accepted 516 claims and paid P\$340.3 million. In addition, the City rejected 196 claims representing P\$258.5 million and is still reviewing the remaining 45 claims representing P\$24.3 million, which amount is reflected in this account.

This account also includes amounts claimed by CEAMSE, an entity equally owned by the City and the Province of Buenos Aires and in charge of the recycling and final disposition of the waste generated in the City. CEAMSE has submitted several claims to the City in the context of the verification process regulated by Decree No. 225/96 of the City, and, at September 30, 2009, a claim in the principal amount of P\$29.3 million was still being verified by the City and is therefore recorded under “Debt under review/Decree No. 225/96”.

The balance of this account is likely to change as the City completes the process of verification and negotiation of the claims made by suppliers pursuant to the provisions of Decree No. 225/96 of the City.

Other recognised debt

This account reflects a liability of P\$33.2 million as at September 30, 2009 resulting from the incorrect methodology used by the pension fund for former City employees for the determination of retirement payments before such fund was transferred to the Federal Government. The amounts recorded in this account have remained relatively constant since 2005 as a large number of the former City employees who were entitled to receive these payments have died and hence the City is in the process of identifying and locating their beneficiaries.

Other

Amounts shown in this account as at December 31, 2007 reflected a €1.5 million liability of the City in respect of the provision by Banco de la Ciudad of a 180-day letter of credit for the purchase of equipment necessary for the setting up of a hydro-meteorological warning system, which project is being financed with the proceeds of a World Bank facility. This liability was discharged by the City during 2008. See “— International loans”.

Suppliers/Contractors' bonds

Pursuant to the provisions of City Law No. 3,152, the City has been authorised to issue up to P\$690.3 million principal amount of debt instruments to be offered to suppliers and contractors as consideration for goods provided and services rendered to the City. The bonds are governed by Argentine law and held through the book-entry system of *Caja de Valores*. The terms of these debt instruments provide for five equal principal instalments falling due between March 2010 and November 2011 and interest set by reference to the Buenos Aires interbank rate plus 2.0% per annum. As a result, the City has entered into negotiations with certain of its suppliers and contractors and agreed with them a mechanism pursuant to which such suppliers and creditors have agreed to receive such debt instruments in payment of their credits against the City in lieu of cash. Such payment in lieu of cash involves different percentages of the principal amount of their credit against the City based on the nature of the credit, which percentages range from 0% to 90.0% of the relevant credit.

Between October 9, 2009 and November 30, 2009, the City issued and delivered to suppliers and contractors bonds in an aggregate principal amount of P\$243.5 million. The City expects to issue and deliver the balance of the authorised bonds during the remainder of 2009 and the first six months of 2010.

Debt with the Federal Government

During 2001, the City requested and received from the Federal Government P\$140.6 million principal amount of Lecops. The Lecops are debt instruments issued by the Federal Government in different series which were transferred to Argentina's provinces and the City in the lead up to, and subsequent to Argentina's 2001-2002 economic crisis, and were used for the payment of salaries and suppliers' debt. The Lecops did not accrue interest and matured in 2006. The City used the Lecops it received to pay debt it had outstanding with its suppliers and was required to repay to the Federal Government P\$140.6 million in 2006 (or earlier if redeemed prior to the scheduled maturity date).

Starting in May 2002, the City and the Federal Government have entered into a series of agreements aimed at settling several reciprocal claims. Pursuant to these agreements, the Federal Government acknowledged it owed the City P\$82.5 million in respect of transfers the Federal Government failed to make to the City during 2000 and 2001 and P\$56.4 million in relation to transfers the Federal Government failed to make to the City during the 2002-2003 period.

As at the date of this Offering Circular, the City and the Federal Government continue negotiating the settlement of such reciprocal claims and as the City believes it will be able to offset the obligation to repay to the Federal Government the principal amount of Lecops against the amounts the Federal Government owes to the City, the City does not reflect in this account any amount outstanding since December 31, 2005.

International loans

The City has various loans from the International Bank for Reconstruction and Development ("World Bank"), the Inter-American Development Bank ("IDB") and from the Spanish Government. Certain of these loans were made to the Federal Government, which has in turn allocated a portion of them to the City on identical financial terms (in U.S. dollars), and others were made directly to the City after 1996. The Federal Government guarantees the payment of principal and interest on these loans and, if payment is made under its guarantee, has the right to withhold from the Federal tax co-participation payments paid to the City an amount sufficient to reimburse the Federal Government for its guarantee payment. Rates of interest on these loans are concessionary.

The City had four World Bank loans outstanding as at September 30, 2009. One of these is part of a programme of the World Bank set up to finance structural reforms in the Argentine provinces and the City, and the final maturity date is April 2010. U.S.\$0.4 million of this loan was outstanding as at September 30, 2009 and no further amounts were available for disbursement as at that date. Another World Bank loan has September 2010 as its final maturity date and has been used to finance a programme for the reform of the health sector in the City. As at September 30, 2009, U.S.\$2.9 million of this loan was outstanding and no further amounts were available for disbursement as at that date. The City is party to another World Bank facility the funds of which have been used by the City for flood prevention programmes. As at September

30, 2009, U.S.\$1.5 million was outstanding under this loan and no further amounts were available for disbursement as at that date. The final maturity date of this loan is February 2012. In addition, on May 18, 2006 the City entered into a €98.0 million credit facility with the World Bank, the proceeds of which will be mainly used by the City for the construction of two water drainage and collection tunnels in the Maldonado basin to prevent flooding in the City together with the setting up of a hydro-meteorological warning system which should allow the City to improve its readiness in the case of heavy rains falling in the City area. The final maturity date of this facility is March 15, 2020. As at September 30, 2009, €16.4 million had been disbursed under this facility and €81.6 million remained available for disbursement.

The City has four outstanding loans from the IDB. One of such loans is part of the IDB's programme for promoting economic growth in the Argentine provinces and the City. It has its last repayment instalment scheduled for March 2011 and had U.S.\$0.2 million outstanding as at September 30, 2009. A second IDB facility is available for financing structural reforms in the City and has November 1, 2019 as its final maturity date. Of the aggregate principal amount available (U.S.\$200.0 million), the City had outstanding U.S.\$148.9 million, at September 30, 2009 and no further amount was available for disbursement as at that date. This credit facility includes the commitment by the City to certain fiscal and financial targets, including a limit on personnel expenditures, the creation of a budget stabilisation fund with any fiscal surpluses that are not applied to debt amortisation and certain requirements in the management of the City's indebtedness. The City believes it is in compliance with its commitments under this facility. Of the two other IDB facilities, one which is to finance flood protection programmes in the southern part of the City, had U.S.\$3.1 million outstanding as at September 30, 2009 and has February 2018 as its final maturity date, while the other IDB loan which is aimed at financing reform programmes in the education sector of the City, had U.S.\$9.2 million outstanding and no further amounts were available for disbursement as at that date.

The Spanish Government granted a credit facility to the City in 1991 in the maximum principal amount of U.S.\$29.0 million. The credits from the Spanish Government were used to finance the purchase of hospital and school equipment and computer systems. At September 30, 2009, U.S.\$9.6 million was outstanding under the Spanish Government credit facility, bearing interest at a concessionary rate and with June 2023 as its final maturity date. No further amounts were available for disbursement as at September 30, 2009.

At September 30, 2009, the City did not have any hedge or similar agreement to cover its exposure to exchange rate changes resulting from its U.S. dollar or euro-denominated obligations to the World Bank, the IDB or the Spanish Government.

Since December 31, 2001, payments under the City's indebtedness with multilaterals have been made by the Federal Government, which is entitled to withhold an equivalent amount from the tax co-participation payments it is required to transfer to the City. Payments under the City's indebtedness with the Spanish Government are made directly by the City.

Treasury bills

Pursuant to the provisions of the City Financial Administration and Control Law, the City can issue treasury bills up to the maximum principal amount provided by the relevant budget or other applicable law. Unless such bills mature on a fiscal year different from the one on which they are issued, they are not recorded as public debt. Law No. 3,152 of the City currently provides that the City can have at any time up to P\$800.0 million principal amount of treasury bills outstanding provided that bills maturing after December 31, 2009 cannot exceed P\$300.0 million principal amount.

During the nine months ended September 30, 2009, the City issued P\$1,577.3 million principal amount of treasury bills, of which P\$533.0 million was outstanding as at such date (with a spread ranging from 2.24% to 3.0% per annum over the Buenos Aires interbank rate). Of the treasury bills outstanding as at September 30, 2009, P\$31.2 million principal amount had a maturity date falling after December 31, 2009 and were therefore recorded as public debt. See "— Description of direct indebtedness — Treasury bills".

Floating debt

In addition to the City's direct indebtedness reflected on the table above, the City had as at December 31 in each of the years covered in such table and as at September 30, 2009, additional debt outstanding which the City consider as "floating debt". Such debt accounts for working capital and mainly includes short-term liabilities incurred by the City with employees and suppliers. The City calculates its floating debt as the difference between the aggregate amount of payment orders issued by the City and the amount of such orders which had been paid at a certain point in time, so it necessarily includes amounts corresponding to orders which would get paid within the ordinary payment period (approximately 30 days from receipt of an invoice meeting all legal requirements). The City's floating debt amounted to P\$383.7 million as at December 31, 2004, P\$897.0 million as at December 31, 2005, P\$1,101.0 million as at December 31, 2006, P\$875.4 million at December 31, 2007 and P\$1,901.7 million as at December 31, 2008. The City only estimates its floating debt at year-end in connection with the preparation of its annual statements of actual revenues and expenses and of budgetary performance ("*cuentas de inversión*"), and, as a result, the amount of floating debt as at September 30, 2009 is not available.

Cash management

The City and all City entities maintain their cash assets in deposit accounts with the Bank. In addition, the Bank centralises all collections of the City taxes and transfers from the Federal Government to the City. The Bank, on a daily basis, aggregates the balances of all accounts maintained by the City and its entities and the resulting overall balance is recorded into a consolidation account.

Pursuant to the provisions of Central Bank Communication "A" 3,911, dated March 28, 2003. Argentine banks (including the Bank) cannot provide credit to the Argentine public sector (including the City) other than on a secured basis and if previously authorised by the Central Bank. As a result, no overdraft or other credit facility is available to the City from the Bank.

As at September 30, 2009, the City maintained P\$296.2 million of cash available in its accounts with the Bank.

Contingencies

Claims by and against the Federal Government

The City and the Federal Government each has claims against the other for various amounts in relation to obligations which were incurred in the past. Most of these obligations were incurred prior to April 1991 and in some cases date back to the early 1980s. The major claims by the Federal Government against the City relate to foreign debt of City enterprises that was assumed by the Federal Government and refinanced as part of the "Brady Plan" and payments made to suppliers and pensioners by the Federal Government on behalf of the City. The major claims by the City against the Federal Government relate to City taxes not paid by Federal Government enterprises, foreign exchange insurance taken out by the City in connection with a highway construction project and not paid by the Central Bank, compensation for certain Federal tax credits generated by losses incurred during the construction of such highway, and payments not made by the Federal Government to the City to compensate for the higher expenditure of the City resulting from the transfer of schools and hospitals from the Federal Government to the City which was made without the corresponding transfer of resources in 1992. No judicial proceedings have been commenced in relation to these claims. A commission was set up by the City and the Federal Government in 1997 to look into these matters and explore different alternatives, including a final settlement of all the claims but no settlement was reached. The Federal Government has quantified its claims in an aggregate amount of approximately P\$977.9 million and U.S.\$732.0 million and the City has quantified its claims in an aggregate amount of approximately P\$10,846.5 million.

The Federal Fiscal Responsibility Law passed by the Federal Congress in 2004 expressly provides for the setting off of the reciprocal claims between the Federal Government on the one hand and the provinces and the City on the other hand and instructed the Federal Government to progress the final settlement of all such claims which had arisen prior to December 31, 2004. As a result, the Federal Government has set up a procedure for the review and settlement of such claims. On November 23, 2006, the City submitted to the

Federal Government a detailed description of each of the claims the City has against the Federal Government, which description is currently being reviewed by the Federal Government. The City expects the Federal Government to challenge certain of the claims from the City and to raise its own claims against the City so no assurances can be provided as to whether this process will resolve these matters, whether the result will be positive for the City or as to the timing of any such resolution.

Litigation

The City is involved in several litigation proceedings arising in the ordinary course of its operations and involving subjects ranging from alleged breach of contract to malpractice in connection with medical procedures performed in the City hospitals. These proceedings are currently at different stages in the court system and it is not possible for the City to estimate the likelihood of success in such proceedings or the amount or timing of any payments arising from such proceedings, although any finding adverse to the City may have an impact on the City's finances.

One material claim against the City arises from the termination by the City in 1983 of a contract to build and operate a new zoological and botanical garden and an amusement park in the City. Only the amusement park was completed and the City took over operation of it following termination of the contract. The former contractor, which later went bankrupt, filed a claim for undetermined damages against the City alleging breach of the contract. A decision on the claim was subject to the prior resolution of criminal proceedings commenced against the president and General Syndic of the former contractor for alleged fraud in the preparation of the financial statements used as the main evidence to support the claim and against a former mayor of the City in relation to the entering into of this contract. Criminal convictions against the directors of the former contractor were upheld by the Court of Appeals and the Federal Supreme Court of Justice and are therefore final. Furthermore, the Public Accountants' Association of the City sanctioned the accountants involved in preparing such financial statements. The damages claimed by the former contractor were assessed by a third-party expert to be in the order of approximately P\$497.3 million at December 12, 1983, although such assessment was made on the basis of financial statements later proved to have been fraudulently prepared. In addition, the City faced a related claim filed by the receiver appointed in the bankruptcy proceedings of the former contractor in September 1993. The claim from the receiver was for reimbursement of the costs incurred by the contractor in the purchase and installation of the equipment used in the amusement park (title to which, pursuant to the terms of the contract and general Argentine law, vested in the City as the owner of the land). In September 1999, a lower court ruled in favour of the plaintiff. The City appealed against this ruling based on several grounds, including the lack of correspondence between the awarded amount and the current value of the assets. However, the Court of Appeals upheld the lower court's ruling in favour of the plaintiff and the City filed an appeal against such ruling with the Federal Supreme Court of Justice. The Federal Supreme Court of Justice accepted the City's appeal and, as a result, this related claim was completely dismissed. Following the dismissal of the related claim by the Federal Supreme Court of Justice, the original claim is currently pending decision by the lower court. However, if the City were required to pay any amount under the claim from the receiver, it intends to offset a large portion of such amount against credits it has against the Federal Government, as several entities of the Federal Government represent approximately 80.0% of the credits in the bankruptcy proceedings of the former contractor. No assurances can be given as to the final outcome of the proceedings or as to whether the City will be able to offset any amounts it may be required to pay against credits it has against the Federal Government.

As a result of a fire which broke out in a private night club located in the City on December 30, 2004, 194 people died and approximately 700 others were injured. Although the fire is believed to have been started by the setting off of pyrotechnic flare by some of the attendants to a rock concert that was taking place at the club, there have been allegations that the venue was in breach of a number of fire prevention and other regulations, that the reaction of the emergency forces to the tragedy was inadequate and that the City's system of inspections was flawed. As a result, a large number of civil judicial claims have been commenced against the Federal Government (which has control over the fire department and police force which operates in the City) and the City (which authorises and controls the opening and operation of such venues). At November 30, 2009, the City was a defendant in 1,196 claims involving in the aggregate approximately

P\$619.0 million. In addition, the City expects approximately 1,000 additional claims to be filed due to a ruling from a criminal court of first instance holding the management of the night club and the management of the band playing in the club guilty of criminal charges and, jointly with the Federal Government and the City, responsible for the civil judicial claims. The City has appealed such ruling and the consideration of its appeal is currently ongoing. The City has alleged that the Federal Government has main responsibility for the enacting and enforcement of fire regulations in the City and hence that the Federal Government should bear primary responsibility for any potential failures in the regulations or control system. The City has also alleged that its capacity to authorise and control the opening and operation of venues such as the night club does not constitute a causal link to the tragedy, which was caused by circumstances that were unconnected to any such authorisation or control, sufficient to hold the City legally responsible in respect of such claims. At the date of this Offering Circular, no assurances can be given as to the final number of the aggregate amount of claims the City may face as a result of this event, the outcome of such claims or the final amount of any liability which may result to the City from them.

The City also faces a claim from the City's teachers, as a result of alleged differences in salary payments the City made to such teachers following the transfer in the 1990s of public schools and teachers to the City from the Federal Government (while responsibility for all retirement systems for public employees was kept by the Federal Government). The claim alleges that the City failed to pay transferred teachers the same amounts they had received while they had been employed by the Federal Government (with resulting lower contributions to their retirement system). Although the City has, since the transfer was completed, remedied any such shortfall the remaining claims relate to the period immediately following the transfer. In addition, the City faces several claims from its employees in relation to alleged salary shortfalls resulting from the City paying those employees based on inappropriate categories or positions. As at December 31, 2007 (the latest date for which such information is available), the City estimated the aggregate amount of all such claims to be approximately P\$165.0 million.

Another material claim against the City involves an energy consultant engaged by the City to advise on procedures for achieving reductions in electricity and telephone costs. The consultant claimed it was entitled to a percentage of the potential savings the City would have obtained if it had implemented the consultant's recommendations. The City raised as a defence the voiding of the contract for lack of compliance with the City's procurement procedures. The lower court issued a ruling against the City, and the City has appealed such ruling. At the date of this Offering Circular, a decision on the City's appeal remains pending. The claim amounted to approximately P\$138.7 million as at December 31, 2007 (the latest date for which such information is available) and the City believes any amount it may be required to pay pursuant to this claim would be substantially lower than the amount claimed by the plaintiff.

The Federal Supreme Court of Justice recently ruled in favour of the plaintiffs in a claim in relation to the alleged environmental damage inflicted to the area adjacent to the Riachuelo river (which borders the City to the south and is shared with the Province of Buenos Aires) and in which the City was a joint defendant. The other defendants in the claim were the Federal Government, the Province of Buenos Aires and 44 industrial companies with operations in that area. The Federal Supreme Court of Justices ruling mandates the environmental clean-up of the affected areas pursuant to a series of performance guidelines and within a specified time frame, and the establishment of an environmental clean-up, control and information program. The implementation of these measures will be managed by the Matanza-Riachuelo Basin Authority (*Autoridad de la Cuenca Matanza-Riachuelo*), an inter-jurisdictional entity created in early 1997 and comprised of representatives from the Federal Government, the City and the Province of Buenos Aires and the Head of the Secretary of Environment and Sustainable Development of the Federal Government. The Federal Government, the Province of Buenos Aires and the City are jointly liable for the implementation of these measures and may be subject to fines in the event of non-compliance or delay. Additionally, the Federal Supreme Court of Justice's ruling orders that the proceedings in respect of the alleged collective damages potentially inflicted must continue being held before the Federal Supreme Court of Justice. At this stage, the City cannot assess the extent of the liabilities that the joint defendants, or the City individually, may incur as a result of the ruling.

Furthermore, as at December 31, 2007 (the latest date for which such information is available), the City faced approximately 1,398 claims for malpractice in connection with medical procedures performed in the

City hospitals, which claims amounted in the aggregate to approximately P\$366.5 million (without interest) although the City believes any amount it may be required to pay pursuant to any of such claims would be substantially lower than those claimed by the plaintiffs.

Other facilities and security

The City does not have any other documented borrowing facilities available to it. None of the agencies through which the City operates, other than the Bank and certain enterprises jointly owned by the City and the Federal Government and, in certain cases, the Province of Buenos Aires, has its own direct borrowings. All money raising is carried out and controlled by the City.

The City has not granted any security or collateral in respect of its public indebtedness. However, as described above, the Federal Government can withhold from its Federal tax co-participation payments if the multilateral loans or the credit facility from the Spanish Government are not duly serviced. In addition, in the normal course, the City maintains its cash assets in deposit accounts with Banco de la Ciudad, and all tax revenues transferred by the Federal Government to the City are remitted to the City's accounts at the Bank. If the City were to default on its debt obligations to Banco de la Ciudad, the Bank may be entitled to exercise a general right to offset against the funds of the City maintained with it.

In connection with the financing of the City's capital expenditure programme, the current administration is in the process of negotiating an up to U.S.\$80.0 million credit facility to be provided by the Andean Development Corporation (CAF) to fund subway expansion works and an up to U.S.\$123.0 million credit facility to be provided by BNDES, Brazil's development bank, to fund flood prevention works in the City. No assurances can be given that any such facilities will be granted. In addition, the City Legislature has recently authorised the issue of up to U.S.\$300.0 million of bonds to fund the subway expansion works, which bonds could be secured by City collections of subway development contributions. See "Revenues and expenditures — Taxation and other revenues — Subway development contributions". Further, the City has considered a number of alternatives including the negotiation or creation of fiduciary structures pursuant to which the Bank or another financial institution would be able to set aside funds the City may have deposited with such financial institution and apply those funds to the payment of obligations of the City with certain of its suppliers and contractors or, in certain cases, with financial creditors. At the date of this Offering Circular, the City cannot provide information as to whether or when it will use these fiduciary structures or as to the size of any such structures.

Debt service

In 2008, the City repaid P\$566.1 million of debt and paid interest of P\$134.7 million. In addition, during 2008, the Federal Government paid P\$55.4 million of principal and P\$31.6 million of interest under the guarantees it has granted in respect of the City's indebtedness with multilaterals and withheld an equivalent aggregate amount from the funds it was required to transfer to the City pursuant to the Federal Tax Co-Participation Law.

In the first nine months of 2009, the City repaid P\$518.9 million of debt and paid interest of P\$170.2 million. In addition, during the first nine months of 2009, the Federal Government paid P\$36.3 million of principal and P\$17.7 million of interest under the guarantees it has granted in respect of the City's indebtedness with multilaterals and withheld an equivalent aggregate amount from the funds it was required to transfer to the City pursuant to the Federal Tax Co-Participation Law.

The 2009 budget and the 2010 budget contain interest expense of P\$210.8 million and P\$472.7 million, respectively, and debt amortisation of P\$707.4 million and P\$1,320.0 million, respectively. Debt amortisation mainly relates to (i) in respect of the 2009 budget, the repayment by the City of the final instalment in respect of the Series 4 notes and the first instalment in respect of the Series 1 notes, all issued under its Medium-Term Note Programme (all of which had been repaid at the date of this Offering Circular), and (ii) in respect of the 2010 budget, the repayment of the second instalment in respect of the Series 2 notes, the repayment of Law No. 2,810 promissory notes and debt repayment coming due under loans from multilateral agencies.

The following table sets out the estimated principal and interest payments, broken down by currency, to be made on the City's direct indebtedness outstanding at September 30, 2009 in the years 2009 to 2020. The table does not include any interest or any payments due under the City's debt with suppliers in the process of being verified, treasury bills issued by the City and outstanding as at September 30, 2009 with a maturity date falling on or prior to December 31, 2009 or in respect of the City's "floating debt". See "— Description of direct indebtedness — Debt with suppliers — Law No. 2,810 'promissory notes", "— Debt under review/Decree No. 225/96", "— Description of direct indebtedness — Treasury bills" and "— Description of direct indebtedness — Floating debt".

	Year ending December 31,											
	2009			2010			2011			2012		
	(in millions)											
	U.S.			U.S.			U.S.			U.S.		
	Pesos	dollars	Euros	Pesos	dollars	Euros	Pesos	dollars	Euros	Pesos	dollars	Euros
Banco de la Ciudad.....	0.8	—	—	1.5	—	—	—	—	—	—	—	—
Suppliers ⁽¹⁾	13.5	—	—	13.5	—	—	13.5	—	—	13.5	—	—
International organisations ⁽²⁾	—	13.0	0.6	—	25.2	1.4	—	23.0	1.3	—	22.1	0.7
Medium-term note programme...	0.2	6.6	—	2.8	93.1	—	2.5	86.8	—	1.1	—	—
Law No. 2,810 promissory notes	5.9	—	—	110.0	—	—	99.0	—	—	—	—	—
Treasury bills.....	—	—	—	32.5	—	—	—	—	—	—	—	—
Social Security.....	11.0	—	—	11.0	—	—	11.2	—	—	—	—	—
Total	31.4	19.6	0.6	171.3	118.4	1.4	126.1	109.8	1.3	14.6	22.1	0.7

	Year ending December 31,											
	2013			2014			2015			2016		
	(in millions)											
	U.S.			U.S.		Euro	U.S.			U.S.		Euro
	Pesos	dollars	Euros	Pesos	dollars	s	Pesos	dollars	Euros	Pesos	dollars	s
Banco de la Ciudad.....	—	—	—	—	—	—	—	—	—	—	—	—
Suppliers.....	8.7	—	—	—	—	—	—	—	—	—	—	—
International organisations.....	—	21.2	0.7	—	20.5	1.9	—	19.1	03.0	—	17.8	3.4
Medium-term note programme...	—	—	—	—	—	—	—	—	—	—	—	—
Law No. 2,810 promissory notes	—	—	—	—	—	—	—	—	—	—	—	—
Treasury bills.....	—	—	—	—	—	—	—	—	—	—	—	—
Social Security.....	—	—	—	—	—	—	—	—	—	—	—	—
Total	8.7	21.2	0.7	—	20.5	1.9	—	19.1	3.0	—	17.8	3.4

	Year ending December 31,											
	2017			2018			2019			2020		
	(in millions)											
	U.S.			U.S.		Euro	U.S.			U.S.		Euro
	Pesos	dollars	Euros	Pesos	dollars	s	Pesos	dollars	Euros	Pesos	dollars	Euros
Banco de la Ciudad.....	—	—	—	—	—	—	—	—	—	—	—	—
Suppliers.....	—	—	—	—	—	—	—	—	—	—	—	—
International organisations.....	—	17.1	3.2	—	16.3	1.9	—	15.5	0.6	—	0.8	—
Medium-term note programme...	—	—	—	—	—	—	—	—	—	—	—	—
Law No. 2,810 promissory notes	—	—	—	—	—	—	—	—	—	—	—	—
Treasury bills.....	—	—	—	—	—	—	—	—	—	—	—	—
Social Security.....	—	—	—	—	—	—	—	—	—	—	—	—
Total	—	17.1	3.2	—	16.3	1.9	—	15.5	0.6	—	0.8	—

Notes:—

- (1) Excludes, debt with suppliers in the process of being verified, treasury bills outstanding as at September 30, 2009 with a maturity date falling on or prior to December 31, 2009 and “floating debt” of the City.. See “—

Description of direct indebtedness — Debt with suppliers — Law No. 2,810 promissory notes”, “— Debt under review/Decree No. 225/96”, “— Description of direct indebtedness — Treasury bills” and “— Description of direct indebtedness — Floating debt”.

- (2) Does not include P\$5.1 million owed by the City to the Federal Government in connection with payments made by the Federal Government during 2001 and 2002 in respect of the City’s debt with international organisations. The Federal Government did not withdraw an equivalent amount from the transfers it made to the City in respect of Federal tax co-participation payments but the City does not account such amounts as debt as it expects to set them off against amounts owed by the Federal Government to the City. See “— Contingencies — Claims by and against the Federal Government”.

Source: Office of Public Debt of the City.

Federal Government approval

In 1993 the Federal Ministry of Economy passed Resolution No. 1,075/93 (as amended and supplemented) purporting to restrict the ability of the provinces, the City and municipalities to incur indebtedness denominated in a currency other than pesos unless approved by that Ministry.

Starting with the budget for the year ended December 31, 2005, the Federal Fiscal Responsibility Law established a new voluntary regime applicable to each of the Argentine provinces and/or the City for so long as the relevant province or the City, as the case may be, has adhered to the provisions of such law. The new regime required the relevant province or, if applicable, the City, not to increase the amount of its total expenditures (excluding interest expense, expenditure items funded with financing from multilaterals and certain expenses in social infrastructure programs) by a percentage exceeding the projected percentage growth in Argentina’s GDP as estimated by the Federal Government, to achieve balanced budgets and to ensure that its annual debt service does not exceed 15.0% of its current revenues (net of any transfers to municipalities in the case of the provinces). Pursuant to its terms, failure to comply with the provisions of the Federal Fiscal Responsibility Law could result in the Federal Government denying authorisation for the incurrence of debt by, or limiting the amount of discretionary transfers to, the breaching province or the City, as applicable (thus superseding Resolution No. 1,075/93).

On August 14, 2008, the City, based on its compliance with the requirements of the Federal Fiscal Responsibility Law, requested the authorisation of the Ministry of Economy for the issue of notes under its Medium-Term Note Programme. Due to the Ministry’s lack of response, on September 25, 2008 the City filed a judicial claim requesting the Federal courts via the *amparo* proceedings to order the Ministry to grant the requested approval. On December 9, 2008 a lower court rejected such claim, which rejection was confirmed by a Federal Court of Appeals. The City has appealed against such rejection before the Federal Supreme Court of Justice which has not yet decided on the appeal.

On October 28, 2009, the Federal Congress passed Law No. 26,530 suspending during the 2009 and 2010 fiscal years the requirements included in the Federal Fiscal Responsibility Law although still requiring the authorisation of the Federal Government for the incurrence of debt by the adhering provinces or, as the case may be, the City.

On November 26, 2009, the City Legislature, pursuant to Law No. 3,297, withdrew the City’s adherence to the Federal Fiscal Responsibility Law. As a result, the City understands that it is no longer required to request authorisation from the Federal Government for the incurrence of indebtedness by it.

Indebtedness of City enterprises

The City is the guarantor of the obligations of Banco de la Ciudad under the terms of the charter of Banco de la Ciudad. The indebtedness of the Bank is set out under “City Enterprises — Banco de la Ciudad de Buenos Aires”. In addition, certain enterprises jointly owned by the City and the Federal Government and, in certain cases, the Province of Buenos Aires, raise debt from time to time which is jointly guaranteed by the City, the Federal Government and, if applicable, the Province of Buenos Aires. This guarantee is, however, an indirect and subsidiary obligation of the City which would require a guaranteed party to exhaust all legal remedies against Banco de la Ciudad or the relevant enterprise before requesting payment from the City.

CITY ENTERPRISES

Banco de la Ciudad de Buenos Aires

Background

The Bank, founded in 1878, is a statutory corporation wholly owned by the City. At July 31, 2009, the Bank was the eighth largest bank in Argentina, as measured by its total deposits of P\$10,540.6 million (compared to P\$9,102.0 million at December 31, 2008), and the seventh largest bank in Argentina, as measured by its total loans (net of provisions) of P\$7,494.8 million (compared to P\$7,097.7 million at December 31, 2008). At September 30, 2009 and December 31, 2008, the Bank had total assets of P\$12,977.8 million and P\$11,331.2 million, respectively and stockholders' equity of P\$1,497.0 million and P\$1,341.9 million, respectively. The Bank generated net income of P\$155.3 million in the nine months ended September 30, 2009 and P\$140.9 million in the year ended December 31, 2008 See "— Selected Financial Information".

Under the City Constitution, the Bank is the official bank of the City and acts as the City's financial agent, providing financial services for the City's treasury. Pursuant to the terms of the Bank's charter, the City guarantees all obligations of the Bank. The Bank is subject to supervision by the Central Bank.

The Bank is administered by a Board of Directors appointed by the Head of Government with the approval of the Legislature.

The Bank is principally engaged in commercial banking, providing banking and related financial services mainly to small to medium-sized companies and individuals and providing banking and related financial services to the City. In addition, the Bank generates fee income by providing other services to the City and, to a lesser extent, private entities, including acting as a collection agent for taxes, providing payroll services to public and private employers and making pension payments to retirees. The Bank also has a monopoly on the pawnbroking business in the jurisdiction of the City and conducts a significant auction business.

Pursuant to the provisions of Central Bank Communication "A" 3,911 dated March 28, 2003, banks (including the Bank) cannot provide credit to the Argentine public sector (including the City) other than on a secured basis and if previously authorized by the Central Bank. Notwithstanding this, at September 30, 2009, the Bank had an exposure of P\$4.1 million, or 0.06% of its total loan portfolio (net of provisions), outstanding to the City resulting, as to P\$1.9 million, from the financing of the purchase in the 1990s by the City of certain real estate deemed by the City of historic interest, and, as to P\$2.2 million, from the granting by the Bank of a guarantee for the benefit of the City's autonomous entity in charge of controlling compliance of the terms of the subway concession. The City recorded, at September 30, 2009, P\$2.4 million of direct indebtedness with the Bank in respect of the purchase of the historic real estate (the difference with the P\$1.9 million recorded by the Bank arising from the use of different accounting methodologies) while the other items were recorded either under "floating debt" (in the case of the Bank's accrued fees) or in the balance sheet of the relevant City autonomous entity. In addition, at September 30, 2009 the Bank held P\$1.5 million of Series 1 notes issued by the City pursuant to its Medium-Term Note Programme.

Selected financial information

Except as described below, the following selected financial information has been derived from the annual financial statements of the Bank at and for each of the years ended December 31, 2006, 2007 and 2008 which have been audited by Pistrelli, Henry Martin y Asociados S.R.L. (member of Ernst & Young Global) and the financial statements of the Bank at and for each of the nine months ended September 30, 2008 and 2009 which have been the subject of a limited review by Pistrelli, Henry Martin y Asociados S.R.L. (member of Ernst & Young Global).

In accordance with Central Bank regulations, the financial statements of the Bank as at and for each of the years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2008 and 2009 have been prepared in accordance with the Central Bank regulations, which regulations differ in many significant respects from Argentine GAAP. The auditors' audit or limited review reports, as applicable, for

such financial statements include a number of qualifications resulting from such differences. In particular, the Bank does not mark-to-market its loans to the Argentine public sector as required by Argentine GAAP and does not follow the deferred income tax principle as required by Argentine GAAP. Had the Bank prepared its financial statements in accordance with Argentine GAAP, the Bank's net worth would have been reduced by P\$672.3 million at September 30, 2009, P\$1,250.9 million at December 31, 2008, P\$478.1 million at December 31, 2007 and P\$345.4 million at December 31, 2006. In addition, compliance with Argentine GAAP would have increased the net income of the Bank by P\$578.7 million (resulting in income of P\$734.0 million) and reduced the net income of the Bank in the nine months ended September 30, 2008 by P\$245.4 million (resulting in a P\$151.7 million loss, P\$949.8 million (resulting in a P\$808.9 million loss) in the year ended December 31, 2008, P\$355.7 million (resulting in a P\$162.4 million loss) in the year ended December 31, 2007 and P\$345.0 million (resulting in a P\$120.6 million loss) in the year ended December 31, 2006.

On April 16, 2008, the Board of Directors of the Bank decided to revert, with retroactive effect as from December 31, 2006, the creation of a P\$400.0 million intangible asset to reflect a decision by the Federal Supreme Court of Justice that the U.S. dollar amounts held by the Bank as judicial escrow agent must be returned in U.S. dollars (despite the statutory conversion of U.S. dollar deposits into pesos at the P\$1.4 per U.S.\$1.0 exchange rate which took place in 2002). This resulted in changes to several line items of the Bank's financial information as at and for the years ended December 31, 2006 and 2007. Although neither the accounting principles formulated by the Central Bank nor Argentine GAAP allows for the restatement of historic financial statements, the information included in the tables below reflects such changes as the City considers that the revised information provides a more meaningful basis for comparison with the Bank's financial information as at and for the year ended December 31, 2008 and as at and for the nine months ended September 30, 2008 and 2009.

Income statement of the Bank

	Year ended December 31,			Nine months ended September 30,	
	2006	2007	2008	2008	2009
	(in millions of pesos)				
Financial income.....	P\$948.8	P\$927.9	P\$1,118.4	P\$831.6	P\$842.0
Financial expense.....	(338.8)	(438.5)	(644.3)	(447.4)	(383.7)
Net financial income.....	610.1	489.4	474.1	384.2	458.3
Provisions for loan losses.....	(38.7)	(52.1)	(52.9)	(38.6)	(50.0)
Service income.....	151.4	185.2	228.8	163.8	195.7
Service expense.....	(30.9)	(35.9)	(44.1)	(30.8)	(44.2)
Administration expense.....	(308.2)	(382.2)	(479.8)	(346.8)	(429.6)
Monetary gain (loss) from financial intermediation.....	383.6	204.4	126.1	131.8	130.2
Other income.....	61.7	73.1	121.0	73.4	87.8
Other expense.....	(585.3)	(43.6)	(100.1)	(86.2)	(27.1)
Monetary gain (loss) before income tax....	(140.0)	233.9	147.0	119.0	190.9
Income tax.....	(35.6)	(40.6)	(6.1)	(25.3)	(35.6)
Net income.....	<u>P\$(175.6)</u>	<u>P\$193.3</u>	<u>P\$140.9</u>	<u>P\$93.7</u>	<u>P\$155.3</u>

Balance sheet of the Bank

	At December 31,			At September 30,
	2006	2007	2008	2009
	(in millions of pesos)			
Assets:				
Cash and banks	P\$1,220.8	P\$1,002.5	P\$1,425.4	P\$2,683.0
Government and private securities.....	2,275.9	2,196.3	1,359.2	1,411.7
Loans.....	5,442.3	5,933.6	7,097.7	7,520.8
Other financial intermediation receivables (net of provisions)	853.2	789.1	811.7	645.7
Investments in other corporations	13.3	13.3	18.1	18.2
Sundry credits	166.5	263.3	327.7	381.3
Property, plant and equipment	146.1	147.1	146.8	154.9
Sundry assets.....	99.7	108.3	115.7	134.0
Intangible assets.....	29.5	18.7	22.4	27.7
Unallocated amounts.....	0.5	3.0	6.5	0.5
Total assets	10,247.8	10,475.2	11,331.2	12,977.8
Liabilities:				
Deposits	8,076.7	8,073.1	9,102.0	10,789.0
Other financial intermediation liabilities	410.6	685.4	470.6	252.6
Sundry liabilities	110.8	163.5	194.5	236.0
Provisions.....	639.6	349.7	220.6	202.8
Unallocated amounts.....	0.3	0.9	1.6	0.4
Total liabilities.....	9,238.0	9,272.6	9,989.3	11,480.8
Stockholders' equity.....	1,009.8	1,202.6	1,341.9	1,497.0
Total liabilities and stockholders' equity ...	P\$10,247.8	P\$10,475.2	P\$11,331.2	P\$12,977.8

Source: Banco de la Ciudad.

Business of the Bank

The Bank provides a variety of consumer and commercial banking services through its branch network. In addition, the Bank has significant auction and pawnbroking businesses and acts as collection agent for the City in respect of payments of taxes, other government charges and transfers from the Federal Government. At September 30, 2009, the Bank had 46 branches located in the City and 11 branches in the Greater Buenos Aires area.

At September 30, 2009, the Bank had 469,602 consumer banking customers and 1,349 commercial banking customers. The principal consumer banking services provided by the Bank are current and other sight deposits, savings accounts, a variety of time deposits, Visa, MasterCard and other credit cards and ATM services through the Bank's 272 ATMs (at September 30, 2009). The Bank had issued 187,735 credit cards at August 31, 2009.

The principal commercial banking services offered by the Bank are commercial lending (primarily to individuals and small and medium-sized companies), acting as collection agent for taxes, fees and other payments on behalf of the City and the Federal Government and handling payroll payments to public and private employees as well as pension payments to retirees. The Bank also undertakes foreign exchange purchase and sale transactions for its customers.

Currently, the Bank enters into derivative transactions for purposes of hedging its exposure arising from floating rate deposits from customers. In addition, it enters into Government securities repurchases with the Central Bank and other financial institutions and forward foreign exchange purchase and sale transactions.

The Bank has a monopoly on the pawnbroking business in the City. The Bank also operates a significant auction house business, providing valuation and auction services for real estate, artwork, jewellery, antiques and other items.

Funding

At September 30, 2009, the Bank had a deposit base of P\$10,789.0 million, representing approximately 4.0% of the total deposit base of the Argentine financial system at that date (according to Central Bank statistics). The Bank includes in its deposit base the amounts referred to below as being held by the Bank as judicial escrow agent.

At September 30, 2009, deposits could be made in either pesos or U.S. dollars. At such date, peso deposits represented 76.4% and U.S. dollar deposits represented 23.6% of the Bank's total deposits. At September 30, 2009, 77.0% of the Bank's liabilities were denominated in pesos and 23.0% were denominated in U.S. dollars.

At September 30, 2009, the Bank had received P\$2,337.2 million, or 21.7% of the Bank's total deposits, from its 10 largest depositors, including the City. At that date, the City, its departments and its autonomous entities and enterprises had deposited with the Bank P\$296.2 million, or 2.7% of the Bank's total deposits which amounts are combined through the use of a "consolidating" account. See "Public debt — Cash management".

In addition, at September 30, 2009, P\$10,062.1 million or 93.3% of the Bank's total deposits matured within 30 days.

Pursuant to Decree No. 1,570/01, as amended, the Federal Government imposed restrictions on the withdrawal of deposits held by all banks operating in Argentina and on transfers of funds outside Argentina. As a result, Argentine financial institutions rescheduled the maturities of all deposits (including savings accounts, current accounts and certificates of deposit) which they held at November 30, 2001. Deposits (i) not exceeding P\$400.0, (ii) not exceeding U.S.\$1,200.0, (iii) in which the Bank acted as escrow agent for the courts and (iv) of the public sector, were not subject to such rescheduling. As of February 15, 2002, the Bank had deposits with rescheduled maturities in an aggregate amount of P\$71.0 million and U.S.\$455.0 million. Holders of rescheduled deposits decided to either exchange such deposits for debt securities issued by the Federal Government or to start judicial proceedings pursuant to which certain of these depositors obtained judicial rulings ordering the Bank to immediately return the relevant deposits (which, in the case of foreign currency-denominated deposits, was made by paying the peso equivalent of such deposits calculated at the free exchange rate). As the demand for pesos recovered thus easing the pressure of capital flight from the Argentine economy and its banking system, the Federal Government was able to lift all restrictions on withdrawals of demand deposits in November 2002. Further, in April 2003 depositors were permitted to withdraw their term deposits at a rate of P\$1.4 per U.S.\$1.0, adjusted by CER, and to be compensated for the difference between the mandated exchange rate and the then current exchange rate by receiving bonds denominated in U.S. dollars. However, some depositors choose not to withdraw their deposits and commenced or continued judicial proceedings against the relevant bank claiming payment of the amount in U.S. dollars.

On December 27, 2006, the Federal Supreme Court of Justice ruled in a claim by a depositor against an Argentine bank requesting the repayment of a "pesified" term deposit in the same currency it had been created (U.S. dollars). The Federal Supreme Court of Justice rejected the claim and determined that the repayment had to be made in pesos using a P\$1.4 per U.S.\$1.0 exchange rate, which pesos had to be adjusted by CER plus interest calculated at a rate of 4.0% per annum.

At September 30, 2009, the Bank in accordance with Central Bank regulations had a P\$15.5 million intangible asset in respect of the losses incurred by the Bank as a result of the judicial rulings requiring the Bank to return deposits denominated in U.S. dollars in pesos, calculated at the free exchange rate and from

foreign exchange differences arising from the “pesification” of deposits. Argentine GAAP does not allow for the recording of such an intangible asset.

The Bank acts as escrow agent for the courts sitting in the City (other than the Federal civil courts), holding amounts paid into court pending decision of the matter under discussion, and at September 30, 2009, held P\$5,634.7 million (or 52.2% of the Bank’s total deposits) in this capacity.

On March 20, 2007, the Federal Supreme Court of Justice decided a matter where the parties discussed the status of the amounts paid into court pending decision of the matter which amounts had been denominated in U.S. dollars and held by the Bank as escrow agent. The Federal Supreme Court ruled that such amounts had to be returned in the same currency the agent had received them in escrow hence falling outside of the mandatory conversion into pesos of U.S. dollar-denominated deposits at the P\$1.4 per U.S.\$1.0 exchange rate.

As a result of this ruling, the Bank created in 2007 a P\$400.0 million intangible asset and a P\$600.0 million provision in order to compensate for the mismatch between the recorded liabilities (the deposits the Bank had converted into pesos following the mandatory conversion of U.S. dollar deposits) and its liabilities as determined pursuant to the court ruling (which requires the Bank to return the amounts received in U.S. dollars). On April 16, 2008, the Board of Directors of the Bank decided to revert the creation of such intangible asset, while, at September 30, 2009, such provision amounted to P\$165.4 million.

The Bank pays the courts a fee based on the spread generated by the judicial deposits it holds as escrow agent. Between 2001 and May 2006, this fee amounted to P\$6.5 million per year. Following Argentina’s 2001-2002 economic crisis, the Bank and the Federal Supreme Court of Justice agreed that the fee had to be adjusted to reflect the impact of the devaluation of the peso. As a result, in July 2006 the Bank paid to the Federal Supreme Court of Justice on behalf of all courts that handled matters with funds held by the Bank as escrow agent, P\$42.6 million. Since December 2006, the Bank has not paid any fee in respect of the amounts it holds as escrow agent as it is in the process of discussing with the Federal Supreme Court of Justice an overall revision to the methodology for the calculation of such fee which the Bank understands needs to factor in the adverse effect resulting to the Bank from the Federal Supreme Court of Justice’s ruling in respect of the repayment of the amounts held by it as escrow agent for the courts.

Financing

The Bank categorises its financing in financing to the public sector and lending to the private sector and financial institutions. The Bank’s total loan portfolio (net of provisions) at September 30, 2009 was P\$7,520.8 million.

Financing to the public sector (net of provisions) at September 30, 2009 amounted to P\$1,925.0 million, or 25.6% of the Bank’s total loan portfolio (net of provisions).

The Bank’s largest exposure at September 30, 2009 was with the Federal Government, with P\$1,907.4 million outstanding. Most of this financing was the result of the debt exchanges undertaken during the second half of 2001 by the Federal Government of a portion of its debt securities and which was aimed at Argentine investors. The Bank participated in this exchange by tendering the debt securities it held in its portfolio and receiving in exchange an equivalent principal amount in loans to the Federal Government secured by certain Federal tax receipts. The exchange resulted in a lengthening of the average maturity of the Bank’s claims against the Federal Government and a reduction in the average interest rate earned. In addition, during 2002 and 2003 the Federal Government organised an exchange of loans which banks, including the Bank, had extended to Argentine provinces for an equivalent principal amount in loans to the Federal Government secured by certain Federal tax receipts.

In January and September 2009, the Bank participated in further exchanges organised by the Federal Government pursuant to which the Bank tendered U.S. dollar- and Argentine peso-denominated secured loans receiving Argentine peso-promissory notes issued by the Federal Government with a longer maturity date and higher interest rate. As a result of these exchanges, the Bank tendered U.S.\$210.2 million and P\$288.8 million principal amount of secured loans and received in exchange P\$655.5 million and P\$948.1 million principal amount of promissory notes, respectively.

Pursuant to the provisions of Central Bank Communication “A” 3,911 dated March 28, 2003, banks (including the Bank) cannot provide credit to the Argentine public sector (including the City) other than on a secured basis and if previously authorised by the Central Bank. Notwithstanding this, at September 30, 2009, the Bank had an exposure of P\$4.1 million, or 0.06% of its total loan portfolio (net of provisions), outstanding to the City resulting, as to P\$1.9 million, from the financing of the purchase in the 1990s by the City of certain real estate deemed by the City of historic interest, and, as to P\$2.2 million, from the granting by the Bank of a guarantee for the benefit of the City’s autonomous entity in charge of controlling compliance of the terms of the subway concession. The City recorded, at September 30, 2009, P\$2.4 million of direct indebtedness with the Bank in respect of the purchase of the historic real estate (the difference with the P\$1.9 million recorded by the Bank arising from the use of different accounting methodologies) while the other items were recorded either under “floating debt” (in the case of the Bank’s accrued fees) or in the balance sheet of the relevant City autonomous entity. In addition, at September 30, 2009 the Bank held P\$1.5 million of bonds issued by the City pursuant to its Medium-Term Note Programme.

In accordance with Central Bank regulations, the Bank does not mark-to-market or provision its loans to the Federal Government, or the City. Had the Bank valued its portfolio of public sector loans at market prices, the value of such loan portfolio at September 30, 2009 would have been reduced by P\$376.0 million.

Lending to the private sector (other than to financial institutions but net of provisions) was P\$5,663.2 million, or 75.3% of the Bank’s total loan portfolio (net of provisions) at September 30, 2009. The Bank’s private sector lending is principally to individuals and to Argentine small- to medium-sized companies. The Bank lends to the private sector either on a secured basis, or with the benefit of personal guarantees. At September 30, 2009, 36.6% of the Bank’s total private sector loan portfolio was secured with real or personal property (including the Bank’s pawnbroking lending).

The Bank, in line with the sustained levels of growth experienced by the City’s economy in recent years and reduced levels of unemployment, has increased substantially its loan portfolio to the private sector, in particular through mortgage and “payroll” loans. The Bank had, at September 30, 2009, P\$1,194.5 million of loans to individuals made pursuant to arrangements whereby the Bank is authorised to withhold principal and interest payments directly from the payroll of the relevant employer. In addition, the Bank had, at September 30, 2009, P\$1,921.0 million of home mortgage loans, P\$2,204.6 million of loans to businesses and P\$75.0 million of loans pursuant to pawnbroking arrangements.

The balance of the Bank’s loans at September 30, 2009, was to financial institutions and (net of provisions) amounted to P\$43.6 million, representing principally short term interbank deposits.

At September 30, 2009, the Bank’s ten largest borrowers comprised 29.7% of the Bank’s total loan portfolio. In addition, at that date, P\$4,310.9 million or 54.4% of the Banks total loan portfolio had a maturity of 24 months or longer (presenting a substantial mismatch in relation to the Bank’s sources of funding, 93.4% of which matured within 30 days). The Bank does not consider this mismatch to be a significant risk as a significant proportion of its funding (52.2% at September 30, 2009) is comprised of amounts the Bank holds as escrow agent in respect of matters pending decision by the courts. These amounts, although mainly placed as sight and short-term deposits, have been consistently renewed upon maturity in line with lengthy judicial processes which tend to be the norm in Argentina.

The Bank has a credit risk-analysis division which reviews all applications for loans. All applications for loans in excess of P\$1.0 million (P\$6.5 million in the case of certain secured loans) require the approval of the Bank’s Board of Directors. In addition, pursuant to the Bank’s charter, the Bank cannot lend to a single private entity amounts in excess of 3.5% of its net worth (5.0% in the case of entities belonging to the same economic group). In case the Bank is the only lender of the relevant entity or group, the limit would be reduced to 2.0% of the Bank’s net worth.

Securities portfolio and other assets

At September 30, 2009, the Bank held P\$1,883.0 million of debt securities, of which P\$501.0 million had been issued by the Federal Government, P\$898.2 million had been issued by Argentina’s Central Bank,

P\$10.9 million had been issued by a mortgage securitisation vehicle, P\$1.5 million had been issued by the City and P\$0.1 million had been issued by the province of Santa Cruz.

The portfolio of Federal Government securities held by the Bank includes securities with maturities ranging from 2009 to 2033 and denominated in pesos and U.S. dollars. At September 30, 2009, P\$3.0 million of such securities were classified by the Bank as part of its trading portfolio.

The Central Bank securities had short-term (less than 12 months) maturities and were principally used by the Bank to manage its existing liquidity.

The debt securities issued by the City and held by the Bank are Series 1 notes issued under the City's Medium-Term Note Programme and which were originally purchased by the Bank with the intention of placing them with its clients.

In accordance with Central Bank regulations, the Bank does not mark-to-market its holding of public debt securities. Had the Bank valued its portfolio of public debt securities at market prices, the value of such portfolio would have been reduced by P\$59.8 million at September 30, 2009.

Loan loss history and provisioning

The following table presents the evolution of the Bank's allowance for loan losses:

	Year ended December 31,			Nine months ended September 30,	
	2006	2007	2008	2008	2009
	(in thousands of pesos, except where specified)				
Allowance at beginning of period.....	P\$71,528	P\$81,972	P\$96,210	P\$96,210	P\$110,473
Provisions made during period	36,591	49,217	47,630	35,988	46,356
Allowances reversed.....	(19,605)	(22,192)	(27,656)	(20,820)	(18,936)
Net provisions	88,514	108,997	116,184	111,378	137,893
Charge offs.....	(6,542)	(12,787)	(5,711)	(5,625)	(26,870)
	81,972	96,210	110,476	105,753	110,023
Bad debts recovered.....	15,691	23,001	15,714	11,200	13,427
Net charge offs to average loans (%).....	0.12	0.22	0.08	0.08	0.36
Ratio of income statement provisions to average loans (%).....	0.7	0.8	0.7	0.5	0.6
Non performing loans at the end of the period	P\$173,757	P\$195,273	P\$187,596	P\$175,342	P\$189,135
Ratio of non performing loans to total loans (net of provisions) at the end of the period (%)	3.10	3.30	2.64	2.57	2.51
Ratio of provisions at the end of period to non performing loans at that date (%)	47.18	49.27	58.89	60.31	58.70

Source: Banco de la Ciudad.

Liquidity and Financial Position

The table below shows the Bank's liquidity ratios at the indicated dates:

	At December 31,			At September 30, 2009
	2006	2007	2008	
	(in percentages)			
Cash and cash equivalents/Deposits (%)....	43.3	39.6	30.6	38.0
Net Loans/Assets (%)	51.1	55.4	62.6	58.0

Source: Banco de la Ciudad.

The table below shows the Bank's solvency ratios at the indicated dates:

	At December 31,			At September 30, 2009
	2006	2007	2008	
	(in percentages)			
Net equity/Assets (%)	13.2	13.5	11.8	11.5
Net equity/Loans (%)	25.9	24.3	18.9	19.9

Source: Banco de la Ciudad.

Limitations on distributions

In accordance with its charter, the Bank shall allocate any net income resulting from its operations to providing for any reserves and making donations, including to the Bank's charitable foundation (with a limit of 3.0% of the net income for the relevant year) with any balance being used to capitalise the Bank.

Notwithstanding this, in accordance with Central Bank Communication "A" 4,589 dated October 29, 2006, Argentine banks cannot declare or pay dividends unless certain items are first deducted from the amount of accumulated gains calculated pursuant to the Central Bank regulations. The relevant bank would only be authorised to declare or pay a dividend for a year if, after deducting such items and providing for any legal or statutory reserves, if applicable, such bank still had accumulated gains at that date. At December 31, 2007 and 2008 and at September 30, 2009, the Bank was not able to declare or pay a dividend as the aggregate amount of deductions exceeded the Bank's accumulated gains at that date.

Other City enterprises

Subterráneos de Buenos Aires S.E.

This is a *sociedad del estado*, wholly-owned by the City and in charge of controlling compliance by the concessionaire of the City subways of the terms of the concession. In addition, it has responsibility for the extension of the subway system. As at January 31, 2009, it had 192 employees. As at December 31, 2007 (the latest date for which financial information is available), it had net worth of P\$2,983.2 million and for the year then ended it recorded a net loss of P\$72.4 million.

Autopistas Urbanas S.A (Ausa).

This *sociedad anónima* built and currently operates two toll roads located in the City. The City became the owner of this company in October 1985 as a result of the renegotiation of the original concession agreement. In May 2009, Ausa's concession was extended for an additional period of 20 years. As at January 31, 2009, it had 783 employees. As at December 31, 2007 (the latest date for which financial information is available), it had net worth of P\$16,052.7 million and for the year then ended it had a net loss of P\$5.5 million.

Garrahan Hospital

This is a non-profit organisation, owned by the City and the Federal Government, which operates a paediatric hospital located in the City. Each of the City and the Federal Government assumes the costs for 50.0% of the hospital's budget. As at December 31, 2007, it had 2,891 employees. No up-to-date financial information was available for this entity at the date of this Offering Circular.

Obra Social de Buenos Aires

This *entidad autárquica* is wholly-owned by the City and in charge of providing medical and related services to the City's unionised employees and their families. As at December 31, 2006, it had 2,382 employees. As at December 31, 2006 (the latest date for which financial information is available), it had negative net worth of P\$126.7 million and for the year then ended it had net income of P\$43.4 million.

Instituto de la Vivienda de la Ciudad de Buenos Aires (City Housing Institute)

This *entidad autárquica* is wholly-owned by the City and in charge of constructing and maintaining building projects in the City in order to provide housing for low-income sectors. The City pays for the payroll expenses of the City Housing Institute, which amounted to P\$51.4 million in the year ended December 31, 2008. The Federal Government funds the rest of the City Housing Institute's operations through a direct transfer of funds. As at December 31, 2007, the City Housing Institute had 503 employees and 370 contractors. As at December 31, 2006 (the latest date for which financial information is available), it had net worth of P\$643.7 million and for the year then ended it recorded net income of P\$19.7 million.

Corporación Antiguo Puerto Madero S.A.

This is a *sociedad anónima* in which the City and the Federal Government each hold a 50.0% equity interest. Its main purpose has been the development of a real estate project in the City's former docklands. The City does not contribute to the budget of this entity, which finances itself through its own operating income. At December 31, 2007, it had 43 employees. As at December 31, 2007 (the latest date for which financial information is available), it had net worth of P\$59.7 million and for the year then ended it recorded a net loss of P\$14.7 million.

Corporación del Mercado Central de Buenos Aires

This is a public entity the ownership of which is divided equally among the City, the Province of Buenos Aires, and the Federal Government. This entity built and now manages a central market, located in the vicinity of the City, for the distribution of vegetables, fruits and foodstuffs in the City and in the Greater Buenos Aires area. At December 31, 2008, it had 462 employees. As at December 31, 2007 (the latest date for which financial information is available), it had negative net worth of P\$186.5 million and for the year then ended it recorded a net loss of P\$73.8 million.

Coordinación Ecológica Area Metropolitana S.E. (CEAMSE)

This is a *sociedad del estado* owned in equal shares by the City and the Province of Buenos Aires and in charge of recycling and disposing of the waste generated in the City and in the Greater Buenos Aires area. At December 31, 2008, it had 1,177 employees. As at December 31, 2007 (the latest date for which financial information is available), it had net worth of P\$125.0 million and for the year then ended it recorded a net loss of P\$124.9 million.

Ubatec Sociedad Anónima

This is a *sociedad anónima* in charge of managing various scientific and technology projects, mainly relating to the prevention and cure of terminal illnesses. The City holds a 31% equity interest, in this entity, with the balance held by University of Buenos Aires (32%), the Unión Industrial Argentina (20%) and the General Confederation of Industry (14%). At February 28, 2009, it had 33 employees. As at June 30, 2008 (the latest date for which financial information is available and the last date of its 2008 fiscal year), it had net worth of P\$484 thousand and for the financial year then ended it had net income of P\$161 thousand.

Instituto de Juegos y Apuestas

This *entidad autárquica* is wholly-owned by the City and is charged with regulating and supervising all gaming activities in the City. At December 31, 2008, it had 82 employees and five contractors. As at December 31, 2007 (the latest date for which financial information is available), it had net worth of P\$375 thousand and for the year then ended it recorded a net loss of P\$53 thousand.

Auditoría General de la Ciudad de Buenos Aires

This is an *entidad autárquica* which is wholly-owned by the City. This entity is charged with exercising certain controls over the public sector of the City. At December 31, 2008, it had 676 employees and 62 contractors. As at December 31, 2008 (the latest date for which financial information is available), it had net worth of P\$5.5 million and for the year then ended it had a net loss of P\$63 thousand.

Corporación Buenos Aires Sur Sociedad del Estado

This is a *sociedad del estado*, wholly-owned by the City and in charge of promoting economic and land development in the southern area of the City, including through public and private investment, in order to improve the quality of life of residents of the area. At December 31, 2008, it had 104 employees. As at December 31, 2007 (the latest date for which financial information is available), it had net worth of P\$32.3 million and for the year then ended it recorded net loss of P\$22.9 million.

Fideicomiso Corporación Buenos Aires Sociedad del Estado

This is a *sociedad del estado*, wholly-owned by the City and in charge of managing Corporación Buenos Aires Sur. At December 31, 2008, it had no employees. At December 31, 2007 (the latest date for which financial information is available), it had net worth of P\$66.7 million and for the year then ended it recorded a net loss of P\$4.5 million.

DEBT RECORD

Over the course of the last three decades, the City has from time to time defaulted on its obligations with suppliers and frequently rescheduled payments on these obligations.

In addition, following the devaluation of the peso in January 2002, the City voluntarily restructured its public debt through the holding of holders' meetings, which approved amendments to the original terms and conditions of the five Series of notes it had issued under its Medium-Term Note Programme (two Series of notes were restructured in May 2002 and the three other Series of notes were restructured in February 2003). During 2002, the City failed to make interest payments due on the three series of notes that were restructured in February 2003 (although the holders of such notes later waived the consequences of such default).

Unlike most other debt restructurings implemented by Argentine issuers following Argentina's 2001-2002 economic crisis, the City did not require holders of its public debt to agree to any reduction in the principal amount of their claim but rather to extend the average maturity of each Series of notes by three years and to reduce future interest coupons by 30.0%. Subsequent to the restructuring of its notes, the City has timely made all interest and principal payments coming due under such notes.

OFFICIAL STATEMENTS

Information included herein which is identified as being derived from information published by the City's Statistics and Census Office, the Office of Public Debt and the Accounting Office of the City, other official agencies or other publications of the City or its agencies or instrumentalities, is included herein on the authority of such publication as a public official document of the City. All other information and statements set forth herein relating to the City are included as public official statements made on the authority of the City.

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