

Pricing Supplement and Supplemental Offering Circular dated February 11, 2015, as restated on February 18, 2015



City of Buenos Aires

**U.S.\$2,290,000,000
Medium-Term Note Programme**

Series No: 11

U.S.\$500,000,000 8.950 per cent. Notes due 2021

Issue price: 100.0 per cent.

BofA Merrill Lynch

Joint Book-Runners
HSBC

J.P.Morgan

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 February 4, 2015. 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 February 4, 2015;
- (b) Part B, containing the description of the Issuer and certain risk factors, dated February 4, 2015; 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 Law No. 5,014 dated June 26, 2014 and Law No. 5,236 dated December 11, 2014 of the Legislature of the Issuer, Decree No. 281 dated July 8, 2014 and Decree No. 9 dated January 8, 2015 of the Head of Government of the Issuer, Resolution No. 1,197, dated July 11, 2014 and Resolution No. 1,285 dated July 23, 2014 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 REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”)). 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 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 SUPPLEMENTAL OFFERING CIRCULAR AND THE REMAINDER OF THE OFFERING CIRCULAR, SEE “SUBSCRIPTION AND SALE” AND “TRANSFER RESTRICTIONS” CONTAINED WITHIN PART A OF THE OFFERING CIRCULAR.

1. Issuer: City of Buenos Aires
2. (i) Series Number: 11
(ii) Tranche Number: 01
3. Specified Currency or Currencies: U.S. Dollars
4. Aggregate Nominal Amount: U.S.\$500,000,000
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.\$498,600,000, after deduction of the combined underwriting, management and structuring fees
6. (i) Specified Denominations: U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof
(ii) Calculation Amount: U.S.\$200,000
7. (i) Issue Date: February 19, 2015
(ii) Interest Commencement Date: Issue Date
8. Maturity Date: February 19, 2021
9. Interest Basis: Fixed Rate; 8.950 per cent. per annum
10. Redemption/Payment Basis: Instalment
11. Change of Interest or Redemption/
Payment Basis: Not Applicable
12. Put/Call Options: Not Applicable
13. Status of the Notes: Senior Unsecured
14. Listing and/or Trading: Listing: Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange

Trading: Application has been made for the Notes to be admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange
15. Method of distribution: Syndicated

PROVISIONS RELATING TO INTEREST PAYABLE

16. Fixed Rate Note Provisions: Applicable
 - (i) Rate of Interest: 8.950 per cent. per annum payable semi-annually in arrears
 - (ii) Interest Payment Date(s): February 19 and August 19 in each year from and including August 19, 2015, to and including the Maturity Date.
 - (iii) Fixed Coupon Amount(s): For the period from the Interest Commencement Date to (but excluding)

February 19, 2019: U.S.\$8,950.00 per minimum Specified Denomination.

For the period from February 19, 2019 to (but excluding) February 19, 2020: U.S.\$5,996.50 per minimum Specified Denomination.

For the period from February 19, 2020 to (but excluding) February 19, 2021: U.S.\$3,043.00 per minimum Specified Denomination.

(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

22. Put Option Not Applicable

23. Final Redemption Amount of each Note Final Instalment

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): Each Note's *pro rata* share of the Aggregate Nominal Amount less any Instalment Amount previously paid.

(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): Not Applicable
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:
- | Instalment Payment Date | Instalment Amount as a Percentage of Nominal Amount |
|-------------------------|-----------------------------------------------------|
| February 19, 2019 | 33.0 per cent. |
| February 19, 2020 | 33.0 per cent. |
| February 19, 2021 | 34.0 per cent. |
30. Redenomination, renominatisation and reconventioning provisions: Not Applicable
31. Consolidation provisions: Not Applicable
32. Other terms or special conditions: The Conditions of the Notes shall include a revised definition of “Existing Commitment” in Condition 4(b), the following:
- “**Existing Commitment**” means (1) the requirement for the Issuer contained in Law No. 23,514, as amended, Law No. 3,360, as amended, and Law No. 4,472, as amended, to apply a specified percentage of amounts collected to finance the operation, expansion and development 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 Issuer 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.

DISTRIBUTION

33.

(i) If syndicated, names of Managers: HSBC Securities (USA) Inc.,
J.P. Morgan Securities LLC, and
Merrill Lynch, Pierce, Fenner & Smith
Incorporated (together, the “**Joint Book-Runners**”)

(ii) Stabilising Manager (if any): HSBC Securities (USA) Inc.

34. If non-syndicated, name of Dealer: Not Applicable

35. Additional selling restrictions: Not Applicable

OPERATIONAL INFORMATION

36. ISIN Code: XS1191130753 for the Regulation S Global Certificate
US11942GAC69 for the DTC Restricted Global Certificate

37. Common Code: 119113075 for the Regulation S Global Certificate

38. Any clearing system(s) other than The Depository Trust Company.
Euroclear Bank S.A./N.V. and CUSIP: 11942GAC6 for the DTC Restricted Global Certificate
Clearstream Banking société
anonyme and the relevant
identification number(s):

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

The information in “Public Debt—Description of direct indebtedness—Financial debt—Treasury bills” of the Offering Circular is supplemented as follows:

On February 4, 2015, the City issued P\$267.2 million treasury bills that mature 105 days thereafter and P\$206.8 million treasury bills that mature 266 days thereafter.

Use of Proceeds of Series 11 Notes

The City intends to use the net proceeds of the issue under the Series 11 Notes to repay or otherwise refinance the Series 8 Notes issued under the Programme.

Supplemental Subscription and Sale Information

Under the terms and subject to the conditions contained in (i) the amended and restated Dealer Agreement dated July 30, 2008 (the “Dealer Agreement”), among the City and the programme dealers named therein relating to the Programme, and (ii) the Syndication Agreement dated February 11, 2015 among the City and the Joint Book-Runners, each of the Joint Book-Runners has been appointed as a dealer for the purpose of the issue and sale of the Series 11 Notes under the Dealer Agreement, and the City has agreed to sell to the Joint Book-Runners, and the Joint Book-Runners have agreed to purchase from the City, U.S.\$500,000,000 aggregate principal amount of the Series 11 Notes.

The Joint Book-Runners propose to offer the Series 11 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 Joint Book-Runners to purchase the Series 11 Notes, the City will pay to the Joint Book-Runners a combined management and underwriting fee of 0.28% of the aggregate principal amount of the Series 11 Notes.

General

The Joint Book-Runners have represented and agreed that they have 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 11 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 the City except as set forth in the Dealer Agreement. See “Subscription and Sale” in the Offering Circular.

Purchasers of Series 11 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.

Certain of the Joint Book-Runners and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the City and its affiliates from time to time. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Joint Book-Runners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the City or its affiliates. If any of Joint Book-Runners or their affiliates has a lending relationship with the City, certain of those

Joint Book-Runners or their affiliates routinely hedge, and certain other of those Joint Book-Runners or their affiliates may hedge, their credit exposure to the City consistent with their customary risk management policies. Typically, these Joint Book-Runners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Series 11 Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Series 11 Notes offered hereby. The Joint Book-Runners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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

The Series 11 Notes are a new issue of securities for which there currently is no market. The Joint Book-Runners have advised the City that they intend to make a market in the Series 11 Notes as permitted by applicable law. The Joint Book-Runners are not obligated, however, to make a market in the Series 11 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 11 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.\$2,290,000,000 City of Buenos Aires Medium Term Note Programme.

MATERIAL ADVERSE CHANGE STATEMENT

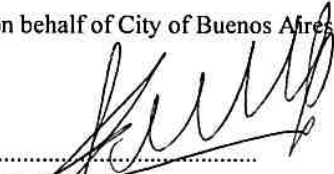
Except as disclosed in the Offering Circular, there has been no significant change in the financial condition, revenues and expenditures of the City since September 30, 2014.

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 authorized, FERNANDEZ SEMHAN
Director General de Crédito Público
Subsecretaría de Gestión y Administración Financiera
Ministerio de Hacienda
GOBIERNO DE LA CIUDAD AUTÓNOMA DE BUENOS AIRES

**PRINCIPAL ADMINISTRATIVE OFFICE
OF THE ISSUER**

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C1084AAA – Buenos Aires
Argentina

TRUSTEE

The Bank of New York Mellon
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New York, New York 10286
United States of America

**PRINCIPAL PAYING AGENT
AND CALCULATION AGENT**

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New York, New York 10286
United States of America

PAYING AGENT

The Bank of New York Mellon (Luxembourg) S.A.
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L-2453 Luxembourg
Luxembourg

LONDON PAYING AGENT

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London E14 5AL
United Kingdom

JOINT BOOK-RUNNERS

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Incorporated**
50 Rockefeller Plaza
NY1-050-12-02
New York, New York 10020
United States of America

HSBC Securities (USA) Inc.
452 Fifth Avenue
New York, NY 10018
United States of America

J.P. Morgan Securities LLC
383 Madison Avenue
New York, NY 10179
United States of America

LEGAL ADVISERS

*To the Issuer
as to Argentine law*

*To the Joint Book-Runners and the
Trustee as to Argentine law*

*To the Trustee
as to English law*

*To the Joint Book-Runners as to
English law and United States
law*

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**OFFERING CIRCULAR
PART A**



City of Buenos Aires

U.S.\$2,290,000,000

**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.\$2,290,000,000 (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 dealers 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 to admit the Notes for trading on the Euro MTF Market of the Luxembourg Stock Exchange. In addition, application may be made to admit the Programme for listing and to list the Notes on the Buenos Aires Stock Exchange and to admit the Notes for trading on 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 February 13, 2012 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.

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 in any jurisdiction where it is unlawful to do so. 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 February 3, 2015 as quoted by Banco de la Nación Argentina for the sale of dollars was P\$8.66 = 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 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, including preparing a supplement to this Offering Circular when a significant new factor capable of affecting the assessment of the Notes arises between the date of the Offering Circular and the proposed time of admission to trading of the Notes.

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:	Those Dealers 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.\$2,290,000,000 (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, unless the withholding or deduction is required by law. In such an event, 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 Depositary 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 €100,000 (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, unless otherwise specified in the relevant Pricing Supplement, 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 to trading on the Euro MTF Market of the Luxembourg Stock Exchange. In addition, application may be made to admit the Programme for listing and to list the Notes on the Buenos Aires Stock Exchange and to admit the Notes for trading on the Mercado Abierto Electrónico S.A. in Argentina. 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 traded on the Euro MTF Market of the Luxembourg Stock Exchange 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, as amended, 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, as amended, 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. 70 dated September 29, 1998, Law No. 323 dated December 22, 1999. 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.

“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 arrears 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 arrears 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 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.

- (iii) Payments of principal and interest in respect of Registered Notes registered in the name of, or in the name of a nominee for, The Depository Trust Company (“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 accordance with DTC’s procedures, 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 unmaturing Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmaturing Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmaturing 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, unmaturing 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 unexchanged 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 unmaturing Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmaturing Coupons, and where any Bearer Note is presented for redemption without any unexchanged 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:** 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, “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 case of Bearer Notes) in the relevant place of presentation or (in the case of Registered Notes) in the place in which the specified office of the Registrar is located, 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.

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, and any non-contractual obligations arising out of or in connection with them, 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. For the purposes of any payments made in respect of the temporary or permanent Global Notes, the words “in the relevant place of presentation” shall not apply in the definition of “business day” in Condition 7(h) above.

(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 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)), unless otherwise specified in the applicable Pricing Supplement, 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.

Transfers of interests between the Regulation S Global Certificate and the DTC Restricted Global Certificate 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 may 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 individual or a non-Argentine resident individual 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). Consequently, interest payments on the Notes paid to such entities will be subject to withholding at a 35% rate. This withholding will be considered as a payment for Argentine income taxes owed by such holders.

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. An exemption is provided in case the aggregate value of the assets subject to this tax does not exceed P\$305,000. However, when the aggregate value 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

Financial transactions and operations related to the issue, subscription, placement, transfer, amortisation, payment of principal and/or interest or redemption of the Notes will be exempted from Argentine value added tax.

Tax on Minimum Presumed Income

Legal entities domiciled in Argentina are required to pay a “Tax on Minimum Presumed Income” (“*Impuesto a la Ganancia Mínima Presunta*”) 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\$200,000. 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 not 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 and/or 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. In this regard, Article 177, paragraph 1) of the Tax Code of the City exempts income derived from any operation on securities issued by the City, such as the Notes.

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

Provincial Tax Advance Payment Regimes Applicable to Local Bank Accounts

Different provincial tax authorities (e.g., Corrientes, Córdoba, Tucuman, City of Buenos Aires, Province of Buenos Aires, Salta, etc...) have established advance payment regimes regarding the “turnover tax” that are, in general, applicable to credits generated in bank accounts opened with financial institutions governed by the “Financial Institutions Law”. These regimes apply to local taxpayers which are included in a list distributed (usually on a monthly basis) by the provincial tax authorities to the aforementioned financial institutions. While applicable tax rates under such regimes depend on the regulations issued by each provincial tax authority and are subject to change, as of the date of this Offering Circular such rates could be up to 5%. For taxpayers subject to these advance payment regimes, any payment applicable qualifies as an advance payment of the “turnover tax”.

Resolution 20/2014 issued by the Secretary of Public Revenue of the Province of Córdoba excluded from the advance payment regime amounts credited as a result of transactions involving notes, bonds, debentures and other securities issued by the Federal Government, the provinces and municipalities (including the Issuer), as well as amounts in respect of income and/or stabilization adjustments derived from such securities.

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. Article 460, paragraph 47, of the City's Tax Code exempts from stamp tax all 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, a court tax (currently at a rate of 3.0%), will be imposed in the amount of any claim brought before such courts.

Other Considerations

In Argentina, the Federal Government and the City do not impose any tax on the gratuitous transfer of assets to heirs, donors, assignees or recipients. Investors in the Notes shall not be required to pay any tax on the transfer, issue or registration of securities or any other similar tax.

At the provincial level, the province of Buenos Aires established a Free Transmission of Goods Tax (the "FTGT"), as from January 1, 2011, the main characteristics of which are:

- The FTGT comprehends enrichments arising from any free transmission of goods, including inheritance, legacies, donations, etc.
- Individuals and legal entities are subject to the FTGT.
- Taxpayers domiciled in the province of Buenos Aires are subject to the FTGT over goods located in and outside the province of Buenos Aires, and taxpayers domiciled outside the province of Buenos Aires are subject to the FTGT over the free enrichment arising from goods located in the province of Buenos Aires.
- Securities will be deemed located in the province of Buenos Aires when, among other things, (i) securities are issued by entities domiciled in such province; (ii) securities are held by individuals domiciled in such province at the moment the transfer takes place, even if the securities were issued by entities domiciled in other non-taxing jurisdiction; and (iii) securities are issued by entities domiciled in a non-taxing jurisdiction and the issuer has assets located in a taxing province and securities are held by individuals domiciled in a non-taxing jurisdiction at the moment of the transfer. In such a case, FTGT would apply on the proportion of the issuers' assets located in the taxing province.
- Transfers of goods are exempted from the FTGT when the total amount of goods transferred is equal to or less than P\$60,000 (P\$250,000 if the transference is to parents, sons or spouse).
- The tax rates have been set between 4% to 21.925% according to the tax base and the degree of kinship involved.

The province of Entre Ríos set forth a FTGT of similar characteristics of the FTGT of the province of Buenos Aires.

THE ABOVE SUMMARY IS NOT INTENDED TO BE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP OR DISPOSITION OF THE NOTES. HOLDERS ARE ADVISED TO CONSULT THEIR TAX ADVISORS CONCERNING THE TAX CONSEQUENCES ARISING IN EACH PARTICULAR CASE.

UNITED STATES FEDERAL INCOME TAXATION

The following is a summary of certain 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 may 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 (including consequences under the alternative minimum tax or the net investment income tax), 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, 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 validly 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 an entity treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities treated as partnerships for U.S. federal income tax purposes 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.

This 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 of the date hereof 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. IT IS NOT INTENDED TO BE RELIED UPON BY PURCHASERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE U.S. INTERNAL REVENUE CODE. ALL 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

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 such holder’s

method of accounting for tax purposes. Interest paid by the Issuer on the Notes and original issue discount (“OID”), 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 foreign tax credit and 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 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 may 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 generally is 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 will 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 generally will 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 having market discount that are acquired on or after the first day of the taxable year to which the election

applies. 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.

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 three months prior to the first day on which that value is in effect and no later than one 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” generally will 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 will 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 generally will 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 generally will 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 or disposition 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 (or OID) in units of the foreign

currency. On the date bond premium offsets interest income (or OID), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the amount offset multiplied by the difference between the spot rate in effect on the date of the offset, and the spot rate in effect 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 generally will 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 generally will 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, within the meaning of 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, within the meaning of 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 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 (as adjusted for amortized bond premium, if any) (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 generally will 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 accruals of 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, including payments of OID, if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise fails to comply with applicable certification requirements. Certain U.S. Holders 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. Under the relevant rules, if the Notes are denominated in a foreign currency, a U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations (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), and 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 generally is 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. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules.

Foreign Financial Asset Reporting

U.S. taxpayers that own certain foreign financial assets, including debt of foreign entities, with an aggregate value in excess of \$50,000 at the end of the taxable year or \$75,000 at any time during the taxable year (or, for certain individuals living outside the United States and married individuals filing joint returns, certain higher thresholds) may be required to file an information report with respect to such assets with their tax returns. The Notes are expected to constitute foreign financial assets subject to these requirements unless the Notes are held in an account at a financial institution (in which case the account may be reportable if maintained by a foreign financial institution). U.S. Holders should consult their tax advisers regarding the application of the rules relating to foreign financial asset reporting.

CERTAIN ERISA CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended (“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 (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 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 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 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 has represented, warranted and agreed 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) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses, where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer,
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an 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 any 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 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 of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation hereto to the public 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 and the issuer has consented in writing to its use for the purpose of that non-exempt offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, 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; or
- (d) 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 (d) 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, the expression “Prospectus Directive” means European Council Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

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 Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “Financial Instruments and Exchange Act”). Accordingly, each Dealer has represented, warranted and agreed 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, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations 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, no Notes may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to any Notes be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

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 delivered, and will not offer, sell or deliver any Notes or distribute any copy of this Offering Circular or any other document relating to the Notes in Italy except:

- (a) to qualified investors (*investitori qualificati*), as referred to in Article 100 of Legislative Decree no. 58 of 24 February 1998 (the “Financial Services Act”) and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the “Issuers Regulation”), all as amended from time to time; or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, 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 paragraphs (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 Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the “Banking Act”) and CONSOB Regulation No. 16190 of 29 October 2007, all as amended from time to time;
- (ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time, 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 by CONSOB or the Bank of Italy or other competent authority.

Investors should note that, in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under paragraphs (a) and (b) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and the Issuers Regulation. Furthermore, where no exemption from the rules on public offerings applies, the Notes which are initially offered and placed in Italy or abroad to professional investors only but in the following year are "systematically" distributed on the secondary market in Italy become subject to the public offer and the prospectus requirement rules provided under the Financial Services Act and Issuers Regulation. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the purchasers of Notes who are acting outside of the course of their business or profession.

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

Rule 144A Notes

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 (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 (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THIS LEGEND MAY ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

- (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 ERISA, (ii) a plan that is subject to Section 4975 of 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.

Regulation S Notes

Each prospective purchaser of Notes represented by interests in a Regulation S Global Certificate offered outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes, in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Offering Circular and the Notes, will be deemed to have represented, agreed and acknowledged that:

- (1) It is, or at the time Notes represented by interests in a Regulation S Global Certificate are purchased will be, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.
- (2) It understands that such Notes represented by interests in a Regulation S Global Certificate have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.
- (3) It understands that such Notes represented by interests in a Regulation S Global Certificate, unless otherwise determined by the Issuer in accordance 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 (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 WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.”
- (4) It understands that 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.
- (5) It understands that the Notes offered in reliance on Regulation S will be represented by a Regulation S Global Certificate. Prior to the expiration of the distribution compliance period, before any interest in the Regulation S Global Certificates 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) It is expected that delivery of the Notes represented by interests in a Regulation S Global Certificate will be made against or following payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 under 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 represented by interests in a Regulation S Global Certificate 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 that the Regulation S Global Certificates may initially 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 such Notes between the date of pricing and the relevant Issue Date should consult their own advisor.
- (7) Either: (A) it is not (i) an employee benefit plan subject to Title I of ERISA, (ii) a plan that is subject to Section 4975 of 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.

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. 70 dated September 29, 1998, Law No. 323 dated December 22, 1999, Law No. 5,014 dated June 26, 2014 and Law No. 5,236 dated December 11, 2014 of the Legislature of the Issuer, Decree No. 281 dated July 8, 2014 and Decree No. 9 dated January 8, 2015 of the Head of Government of the Issuer, Resolution No. 1,197, dated July 11, 2014 and Resolution No. 1,285 dated July 23, 2014 of the Ministry of Finance of the Issuer. 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.\$2,290,000,000 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:]

- (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 [];
- (b) Part B, containing the description of the Issuer, dated []; 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 [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 arrears]
- (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 method of calculating interest for Fixed Rate Notes: [Not Applicable/*give details*]

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 Date³)
- (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)

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: []

CUSIP: []

38. Any clearing system(s) other than [Not Applicable/*give name(s)*
DTC/Euroclear Bank S.A./N.V. and *and number(s)*
Clearstream Banking société
anonyme and the relevant
identification 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.\$2,290,000,000 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

**PRINCIPAL ADMINISTRATIVE OFFICE
OF THE ISSUER**

City of Buenos Aires
Avenida de Mayo 525, 3rd Floor
C1084AAA – Buenos Aires
Argentina

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The Bank of New York Mellon
101 Barclay Street, Floor 7E
New York, New York 10286
United States of America

**PRINCIPAL PAYING AGENT
AND CALCULATION AGENT**

The Bank of New York Mellon
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**REGISTRAR, TRANSFER AGENT
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**PAYING AGENT AND
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LONDON PAYING AGENT

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L-2453 Luxembourg

**OFFERING CIRCULAR
PART B**



City of Buenos Aires

U.S.\$2,290,000,000
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 February 4, 2015

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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 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.

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 Argentine economy recovered significantly since 2002, it still faces significant challenges, including widespread poverty, increasing unemployment and underemployment, high inflation and energy shortages.

Financial and securities markets in Argentina and the Argentine economy are influenced by economic and market conditions in other markets. The global financial crisis that commenced in the last quarter of 2008 negatively affected the economies of several countries around the world including Argentina and certain of its trading partners. Developed economies like the United States sustained some of the most severe effects while some emerging economies like China and Brazil suffered comparatively milder effects. In late 2011, the global financial system experienced unprecedented volatility and disruption. The resulting financial turmoil caused greater restrictions on access to credit, low liquidity, extreme volatility in foreign exchange markets and securities, and capital flight from emerging markets, including Argentina. In this context, and for the first time in history, on August 5, 2011 Standard & Poor's Financial Services downgraded the debt instruments issued by the United States from "AAA" to "AA+". On January 13, 2012, Standard & Poor's Rating Services downgraded the instruments of nine European countries including France and Italy. Financial markets reacted adversely to the crisis, curtailing the ability of certain of these countries to refinance their outstanding debt.

A significant decline in economic growth of any of the partners of Argentina, such as Brazil, China or the United States, could have a material adverse effect on Argentina's balance of trade and adversely affect economic growth. A decrease in demand for Argentine exports or a decline in export prices could have a material adverse effect on economic growth in Argentina. More recently, the Federal Government has struggled to address the combined challenges of a growing fiscal deficit and a sharp reduction in the level of its international reserves. The actions taken by it have resulted in a substantial decrease in the levels of economic activity, in particular in sectors such as manufacturing, construction and real estate.

In addition, the Argentine economy remains fragile and unstable because of (i) high commodity prices, which are volatile, (ii) high inflation, which continues to rise, (iii) regulatory uncertainties, (iv) the scarce availability of long-term fixed rate credit within Argentina, which may result in decreased domestic consumption, (v) national investment as a percentage of national GDP remaining too low to sustain current growth rates, (vi) the Federal Government's high amount of public debt, (vii) labor disputes and strikes, which may affect several sectors of the Argentine economy and (viii) political uncertainty in respect of the presidential elections and change in administration to occur in 2015.

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 investors 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. Certain of its debt obligations are denominated in U.S. dollars and euros. Since 2002, Argentina has imposed exchange controls and transfer restrictions substantially limiting the ability of Argentine individuals and large entities to purchase or hold foreign currency or make payments abroad. Since November 2011, the Federal Government has taken a number of actions aimed at stabilising the level of international reserves (which had materially decreased) and at curbing the demand for foreign currency. These actions have included setting formal and informal limits on the amounts of foreign currency that companies and individuals can purchase, restricting imports and reducing remittances. As a result, there is no certainty that further restrictions will not be imposed 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 and the City's other indebtedness that is not denominated in pesos.

Restrictions on the access by companies and individuals to the foreign exchange market in Argentina has led to the formation of an informal currency market, which differs from the official exchange market in terms of the exchange rate value. According to information provided by several newspapers in Argentina, the selling exchange rate in the informal exchange market was about P\$10.00 per U.S. dollar on December 31, 2013, while the official selling exchange rate quoted by Banco de la Nación Argentina ("Banco Nación") as of such date was P\$6.53 per U.S. dollar. In January 2014, the official selling exchange rate quoted by Banco Nación increased by 22.5%. At September 30, 2014 the official selling exchange rate quoted by Banco Nación was P\$8.41 per U.S. dollar, while the informal exchange rate informed by newspapers in Argentina was about P\$15.65 per U.S. dollar. There is a significant gap between the official exchange rate and the informal exchange rate, and it is possible that the size of the gap will increase or decrease in the future.

Foreign exchange rate risk

As a result of inflationary pressures, the Argentine currency was significantly devalued numerous times in the thirty years prior 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, the "Convertibility Law"), pursuant to which the Argentine Central Bank (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 10 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. This led to a devaluation of the peso, which 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. After a period of relative stability, the peso started to depreciate against foreign currencies again following the onset of the global financial crisis. In addition, the Central Bank engaged in frequent interventions in the foreign exchange market by buying and selling U.S. dollars in the open market to avoid a further depreciation of the peso, which caused a decrease in the Central Bank's international reserves. The

peso dropped in value against the U.S. dollar by 10.0% in 2009, 4.6% in 2010, 8.3% in 2011, 14.3% in 2012 and 32.6% in 2013. In the first nine months of 2014, the peso devalued by 28.8% against the U.S. dollar.

A substantial devaluation of the peso and/or a significant decrease in the Central Bank's international reserves 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.

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, provide financial assistance to financial institutions with liquidity or solvency problems and, more recently, after a subsequent amendment to the charter of the Central Bank, to finance current expenditures of the Federal Government. The Federal Government recorded fiscal deficits in each of 2011, 2012 and 2013. There is uncertainty as to whether the Federal Government will be able to have a balanced budget in the future.

In addition, the significant devaluation of the peso against foreign currencies has historically resulted in increased levels of inflation. Argentina's inflation as measured by its consumer price index ("CPI") as published by the National Statistics Institute (*Instituto Nacional de Estadísticas y Censos*, "INDEC") was, 7.7% in 2009, 10.9% in 2010, 9.5% in 2011, 10.8% in 2012 and 10.9% in 2013. These amounts differ from private estimates of inflation during such periods. In February 2014, INDEC created a new index, the National Urban Consumer Price Index (*Índice de Precios al Consumidor Nacional Urbano*, the "IPCNU"), that aims to more broadly reflect changes in consumer prices by measuring 520 products and services in all of Argentina's 23 provincial capitals, the City and major cities in the country, which total 40 urban areas. The cumulative inflation as measured by this index for the nine months ended September 30, 2014 was 19.8%. In the past, inflation has materially undermined the Argentine economy and the Federal Government's ability to create conditions that would permit growth. A high inflation environment undermines 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 CPI and other economic data published by INDEC

In January 2007, the INDEC modified the methodology it used 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, suggested that this change in methodology was related to the Federal Government's policy aimed at curbing inflation. Further, at the time 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, 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. Reports published by the International Monetary Fund ("IMF") stated that their staff used alternative measures of inflation for macroeconomic surveillance, including data produced by private sources, which showed inflation rates considerably higher than those published by the INDEC since 2007.

These events 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. In 2013, the IMF issued a declaration of censure against Argentina in connection with its breach of its related obligations to the IMF for failing to make sufficient progress in adopting remedial measures to address the quality of official data, including inflation and GDP data.

Since June 2011, the Commission for the Freedom of Speech of the Federal Congress has published an alternative new inflation index that is obtained from the average inflation rates provided by various private consulting firms. According to this index, the CPI increased by 22.8% in 2011 and 25.6% in 2012, while the INDEC announced a CPI increase for those years of 9.5% and 10.8%, respectively. In 2013 inflation increased by 28.4%, according to this Federal Congress measure, while the INDEC announced a CPI increase for that year of 10.9%. According to the IPCNU, aggregate inflation for the first nine months of 2014 was 19.8% and GDP growth for 2011, 2012 and 2013 was revised to 8.6%, 0.9% and 3.0%, respectively. On June 6, 2014 the IMF recognised Argentina's implementation of specific measures that had been required to assure the accuracy of the official CPI and GDP data. Continued uncertainty about inflation rates could have a negative impact on Argentina's and the City's economy and on demand for securities issued by Argentine issuers, including the Notes.

Sovereign default and limited availability of financing

Between 2005 and 2010, the Federal Government restructured approximately U.S.\$127.0 billion of its sovereign debt (approximately 93.0% of the defaulted debt eligible to participate in the 2005 and 2010 debt exchanges), which had been in default since late 2001. Nevertheless, more than U.S.\$16.5 billion was not restructured. As of December 31, 2012 total principal in arrears amounted to U.S.\$197.4 billion. As of September 30, 2014, the Federal Government was in default on the payment of over U.S.\$6.8 billion of principal to bondholders. However, on May 29, 2014, the Federal Government and representatives of the Paris Club creditors reached an agreement to clear Argentina's debt due to the Paris Club creditors, in arrears, in the total amount of U.S.\$9.7 billion as of April 30, 2014. Certain holders in the United States, Italy, Germany and Japan have filed legal actions against Argentina, and hold-out creditors may initiate new suits in the future. In connection with such cases, the U.S. District Court for the Southern District of New York granted an injunction preventing Argentina from making, and certain financial institutions from processing, payments on certain of its restructured bonds without making *pro rata* payments on certain of its bonds that were not restructured (the "Injunction"). On June 16, 2014, the U.S. Supreme Court denied Argentina's petition for a *writ of certiorari* in connection therewith and, subsequently, on June 18, 2014, the U.S. Court of Appeals for the Second Circuit lifted its stay on the District Court's Injunction. Separately, on June 16, 2014, the U.S. Supreme Court affirmed a District Court ruling to compel discovery from certain financial institutions concerning, among other things, Argentina's assets.

On June 23, 2014, the District Court appointed a special master to mediate settlement negotiations between Argentina and the litigating bondholders. On June 26, 2014, the District Court denied Argentina's request for a further stay of the Injunction. In addition, on or about June 27, 2014, Argentina transferred to The Bank of New York Mellon, in its capacity as trustee, amounts due June 30, 2014 in respect of certain of its restructured bonds. The District Court, however, prohibited such payment and ordered Argentina and the holders of its non-restructured bonds to agree on a payment schedule. Following negotiations between Argentina and the litigating bondholders, Argentina and such bondholders failed to reach an agreement in respect of its defaulted debt. On July 30, 2014, the end of the grace period provided under Argentina's relevant restructured bonds, Argentina defaulted on such restructured bonds. On such date, Standard & Poor's Rating Services downgraded Argentina's foreign currency credit rating to "selective default", or "SD", while on July 31, 2014, Fitch Ratings Inc. downgraded Argentina's foreign currency issuer default rating to "restricted default", or "RD".

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

The District Court has authorised limited exceptions to the Injunction allowing the paying agent under the Federal Government's Argentine law governed bonds to process payments in August 2014, September 2014 and December 2014. Payments on the remaining restructured bonds have not been processed as a consequence of the Injunction and various restructured bondholders have been seeking the release of such payments in court. As of the date of this Offering Circular, the District Court has not authorised any other such releases or payments.

In addition, foreign shareholders of various companies operating in Argentina, including utilities and certain bondholders who did not participate in the exchange offers described above, filed claims over U.S.\$15.0 billion before the International Centre for Settlement of Investment Disputes ("ICSID"), which claimed that the emergency measures taken by the Government in 2002 did not meet the requirements of fair and equal treatment laid down in numerous bilateral investment treaties to which Argentina is a party. At the date of this Offering Circular, ICSID has decided several cases requiring the Federal Government to pay approximately U.S.\$900 million plus interest payments, some of which remain unpaid.

The Federal Government's default and potential actions taken by the holders who did not accept the terms of its exchange offers or other creditors may limit the Federal Government's sources of financing and as a result adversely affect 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.

Although the full consequences of Argentina's default cannot be assessed at this stage, Argentina's new sovereign default is likely to result in a further deterioration of economic activity, increased borrowing costs and pressure on the foreign exchange market and higher inflation. A combination of these and other factors is likely to result in, among others, a reduction in the tax base in real terms for the collection of certain City taxes such as property taxes and vehicle licensing fees, that are set by reference to a nominal value, a reduction in the level of turnover tax collection, which is the City's largest revenue source, a reduction in Federal transfers received by the City from the Federal Government, increased pressure from City employees for salary adjustments and in the costs of third-party serviced functions, such as garbage collection, and increased prices of supplies essential to City services such as hospital equipment and drugs, the overall effect of which should result in a higher deficit in the City's overall balance, decreased access to credit markets and increased difficulty in servicing its foreign currency denominated debt, including the Notes.

Restrictions on the supply of energy

Following Argentina's 2001-2002 economic crisis, the subsequent freeze of gas and electricity tariffs in pesos and the significant devaluation of the peso against the U.S. dollar, there has been a lack of investment in gas and electricity supply and transport capacity in Argentina. At the same time, demand for non-liquefied natural gas and electricity has increased substantially, driven by a recovery in economic conditions and price constraints. Although the Federal Government has recently started to implement a reduction in the subsidies to natural gas and electricity consumers that are presumably in a position to face their actual cost of generation, these measures are currently at an early stage of implementation and the impact, if any, these will have on natural gas and electricity demand cannot be predicted. If the investment that is required to increase non-liquefied natural gas production and energy generation, transportation and distribution capacity fails to materialise in a timely basis, economic activity in Argentina could be curtailed, which is likely to have a material adverse effect on the City's economy and financial condition.

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 63.1% of the City's 2013 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

growth between 2010 and 2013, 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 1993, the City, acting through the President of Argentina, entered into an 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 was subsequently extended to December 31, 2015, 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 in 1998 it reduced the scope of the exemption for the manufacturing sector in order to bring it in line with the exemption enacted by the neighbouring Province of Buenos Aires on its own turnover tax and, in 2010, it increased the tax rate for large taxpayers. 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 in the past experienced 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 for the year ended December 31, 2013 amounted to P\$50,898.4 million, 44.5% higher than the P\$35,232.6 million spent in 2012, which had been in turn 30.0% higher than the P\$27,108.3 million spent during 2011. The City's largest expense item is the payment of personnel salaries, which amounted to P\$23,215.4 million for the year ended December 31, 2013, or 56.7% of the City's current 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\$2,409.9 million in 2009 to P\$9,939.7 million in 2013. If the growth of the City's expenditures continues to outpace growth in the City's revenues, the City will continue experiencing deficits in its overall balance, 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.

On December 19, 2012, the Legislature passed Law No. 4,472 (the "Subway Law"), under which it agreed to take over from the Federal Government, beginning in January 2013, the regulation and supervision of the concession granted to the operator of the City's subway system. Following Argentina's 2001-2002 economic crisis, public transport (including subway) has been heavily subsidised by the Federal Government, resulting in fares that have increased substantially less than inflation. Pursuant to the terms of the privatisation, the subway concessionaire is entitled to be compensated for any shortfall between the fare revenue and the cost of operating the system. As a result of the transfer of the concession, the City now has the ability to determine subway fares but is also responsible for funding any revenue shortfall to which the concessionaire is entitled. Although the City expects that fare increases implemented since it took over the regulation and supervision of the subway system, and future increases, when added to revenues from the Subway Fund comprised of earmarked tax collections should cover most of the system's costs, it cannot provide any assurances that it will be able to offset all costs in the future with further fare increases. In any

such case, the City will be required to cover the revenue shortfall, which may have a material adverse effect on the City's financial condition and its ability to comply with its obligations under the Notes. See "Economy of the City—Subways"

Relatively high levels of indebtedness

In recent years the City has increased its stock of total direct (long-term) indebtedness mainly in order to fund an ambitious capital expenditure programme aimed at recovering and expanding the City's public infrastructure. The City's total indebtedness increased by 344.7% from P\$2,631.9 million as at December 31, 2009 to P\$11,703.3 million as at December 31, 2013. There can be no assurances that, in the event of economic developments materially and adversely affecting the City's revenues, the City will be able to manage and service such increasing levels of indebtedness.

Limited availability of financing

The City recorded deficits in its overall balance of P\$895.9 million in 2009, P\$862.3 million in 2011, P\$1,468.8 million in 2012 and P\$3,105.8 million in 2013. The 2014 budget provided for an estimated P\$1,685.1 million deficit on its overall balance, and included P\$1,554.3 million of interest payments and P\$2,326.4 million of debt repayment. The 2015 budget provides for an estimated P\$1,396.3 million deficit on its overall balance, and includes P\$2,404.8 million of interest payments and P\$6,621.8 million of debt repayment. Sources of financing for such deficits have been limited, as the City has not been able to rely on any substantial financial assistance from the Federal Government or, due to the necessary intervention of the Federal Government in the application process, on new loans from multilateral organisations. Although the City has been able to obtain financing from other sources such as the issue and placement of bonds in the international and domestic capital markets, 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 July 10, 2011, Mr. Mauricio Macri of the *Propuesta Republicana* ("PRO") political organisation obtained 47.1% of the votes, ahead of the *Frente para la Victoria* ("FPV") political organisation candidate, which obtained 27.9% of the votes. In the run-off elections held on July 31, 2011, Mr. Macri obtained 63.4% of the votes while the FPV candidate obtained 36.6% of the votes. Following the most recent legislative elections held on October 27, 2013, the PRO holds 28 out of 60 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 legislation passed since taking office, 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. In addition, Mr. Macri's term of office ends on December 10, 2015 and he cannot run for re-election. The new administration resulting from the 2015 election may change a number of the current policies, which changes may have a material adverse effect on the financial condition of the City and its ability to comply with its obligations under the Notes.

Financial information

The financial information relating to the City presented in this Offering Circular for 2009 to 2013 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, 2009, 2010, 2011, 2012 and 2013 have been submitted to the Legislature, but the Legislature has not commented on these statements as 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, 2014 are preliminary estimates only and may change materially as a result of new information becoming available after the date of this Offering Circular.

2014 and 2015 budgets

The 2014 budget was approved by the Legislature on November 28, 2013 and revised on June 26, 2014, pursuant to Law No. 4,809 and Law No. 5,015, respectively. The 2014 budget included total estimated revenues of P\$67,016.2 million (40.2% higher than the total revenue of the City in 2013) and estimated total expenditures of P\$68,701.2 million (35.0% higher than the total expenditures of the City in 2013). Consequently, the 2014 budget contemplated a deficit of P\$1,685.1 million on the City's overall balance.

The 2015 budget was approved by the Legislature on December 11, 2014 pursuant to Law No. 5,239. The 2015 budget includes total estimated revenues of P\$84,284.4 million (25.8% higher than the total revenues estimated by the City in the 2014 budget) and estimated total expenditures of P\$85,680.6 million (24.7% higher than the total expenditures estimated by the City in the 2014 budget). Consequently, the City expects a deficit of P\$1,396.3 million on its overall balance.

The 2014 and 2015 budgets are based on a series of projections and estimates regarding Argentina's and the City's economy, revenues and expenditures and inflation. The 2014 and 2015 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 deficit, 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 2014 and 2015 are highly likely to differ materially from the projected revenues and expenditures contained in the 2014 budget and the 2015 budget, respectively.

Federal transfers

In 2013, the City received P\$4,699.6 million, or 9.8% 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%. A modification of this regime is subject to the consent of all of the provinces, the City and the Federal Government. Modifications have been postponed in several instances due to the importance of the revenues involved and the fact that no government was willing to assign its participation in the regime. The Federal Government, the provinces and the City have not been able to come to an agreement regarding changes to the regime. No assurance can be given that the current federal tax co-participation system will not be suspended or interrupted or that it will be modified in a way that is not unfavourable to the City. Any such event could have a material adverse effect on the City's financial condition and its ability to comply with its obligations, including the Notes.

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\$5,048.0 million and P\$921.9 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.

In addition, 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 its public debt information any amount outstanding for this concept.

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 Federal Government has not yet responded to the City's presentation. 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. On February 19, 2010, these proceedings were suspended by the court in order to allow for the review in full of all the documentation available in the court files. 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 had control over the fire department and the only police force which operated in the City at the time of the incident) and the City (which authorises and controls the opening and operation of such venues). At March 31, 2014 (the latest date for which such information is available), the City was a defendant in approximately 1,400 claims involving in the aggregate approximately P\$700.0 million. In addition, a ruling from a criminal court of first instance (later upheld by the Court of Appeals) held the management of the night club, the management of the band playing in the club and certain former officials of both the Federal Government and the City guilty of criminal charges and, jointly with the Federal Government and the City, responsible for the civil judicial claims. If found liable, the Federal Government and City are likely to be liable on a joint and several basis. However, it is not clear how claimants will proceed to enforce any judgment against the Federal Government and the City and the recourse, if any, each entity might have against the other. On November 28, 2013, the Legislature passed Law No. 4,786, granting a monthly benefit of P\$2,400 to family members of the victims up to first degree of kinship and a monthly benefit of P\$1,200 to survivors, which is payable by the City through February 2019. Such amounts may be revised annually based on the City's CPI (*Índice de Precios al Consumidor de la Ciudad* or "IPCBA") calculations and the City's annual budget. At the date of this Offering Circular, no assurances can be given as 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.

The Bank's largest exposure as at September 30, 2014 was with the Federal Government, with P\$2,883.4 million outstanding. Most of this financing was the result of successive debt exchanges undertaken by the Federal Government in the lead up to, and following Argentina's 2001-2002 economic crisis, pursuant to which the Bank exchanged the Federal Government securities it held first for loans to the Federal Government secured by Federal tax receipts and then by promissory notes issued by the Federal Government, in each case lengthening the average maturity of the Bank's claims against the Federal Government and reducing 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 which were then also exchanged for promissory notes issued by the Federal Government.

The Bank's main source of funding has been deposits it holds as escrow agent for the Federal courts sitting in the City. On September 14, 2012, the Federal Congress passed Law No. 26,764 which required that all Federal courts in Argentina (including those sitting in the City) appoint Banco Nación rather than the Bank as escrow agent to hold amounts paid into court pending decision of the matter for any proceedings commenced after the coming into effect of such law. Although the Bank will remain acting as escrow agent in respect of any amounts held by it in proceedings commenced prior to this law coming into effect, the lack of future Federal Court deposits has required the Bank to change its business model and strategy.

Furthermore, in accordance with Central Bank regulations, the financial statements of the Bank as at and for each of the years ended December 31, 2011, 2012 and 2013 and as at and for the nine months ended September 30, 2013 and 2014 have been prepared in accordance with the Central Bank regulations, which regulations differ in many significant respects from Argentina's generally accepted accounting principles ("Argentine GAAP"). The auditors' audit or limited review reports, as applicable, for such financial statements include a qualification resulting from such differences. In particular, the Bank does not mark-to-market its loans to, or holding of securities 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\$707.6 million at December 31, 2011, P\$589.2 million at December 31, 2012, P\$516.2 million at December 31, 2013 and P\$515.8 million and P\$541.7 million at September 30, 2013 and 2014, respectively. In addition, compliance with Argentine GAAP would have reduced the net income of the Bank by P\$87.1 million (resulting in net income of P\$569.1 million) in the year ended December 31, 2011 and by P\$25.5 million (resulting in net income of P\$957.9 million) in the nine months ended September 30, 2014.

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 losses or 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 alternative sources to cover the lack of Federal Court deposits, 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 of the City (as amended), 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 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 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 the Noteholders) will be substantially limited in their ability to attach assets of the City prior to, or in aid of, execution of judgments they may obtain against the City.

Risk factors relating to the Notes

Market volatility

International investors consider Argentina an emerging market. 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 still remains in effect.

In addition, because international investors' reactions to the events occurring in one emerging market country sometimes appear to follow a "contagion" phenomenon, in which an entire region or investment class is disfavoured by international investors, Argentina could be adversely affected by negative economic or financial developments in other emerging market countries and in countries that are significant trading partners of Argentina such as Brazil, China and the United States. The City cannot predict the length or extent of the crisis on Argentina's major trading partners. 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.

Enforcement of judgments

The City is a political subdivision of a sovereign entity. Consequently, while the City has irrevocably submitted to the jurisdiction of the courts of England with respect to the Notes, which are governed by English law, it may be difficult for holders of Notes or the trustee in respect of the Notes to obtain or enforce judgments in Argentina of courts in England or elsewhere against the City.

Under Argentine law, foreign judgments are enforced provided that the requirements of the Federal Code of Civil and Commercial Procedure are met. Foreign judgments cannot violate principles of public policy of Argentine law, as determined by Argentine courts. In this regard, if holders of Notes obtained a foreign judgment against the City, it may be difficult for holders to have that judgment recognized and enforced in Argentine courts in light of the March 6, 2014 decision of the Federal Supreme Court in *Claren Corporation vs. Estado Nacional*. In that case, the Federal Supreme Court held that the enforcement of a foreign judgment sought by Claren Corporation did not satisfy one of the requirements set forth in the Federal Code of Civil and Commercial Procedure of Argentina (i.e., that a foreign judgment cannot contravene Argentine law principles of public policy), given the fact that such an enforcement would imply that such plaintiff, pursuant to an individual action filed before a foreign court, would circumvent the public debt restructuring process set forth by the Federal Government through emergency legislation enacted in accordance with the Argentine Constitution. In addition, the Federal Supreme Court held that such legislation was part of Argentine public policy and, therefore, that the enforcement of a foreign judgment as

the one sought by the plaintiff could not be granted as it would be clearly contrary to such legislation. The City cannot provide assurance that judgments against it, including in respect of the Notes, in foreign jurisdictions will be enforceable in Argentina.

In addition, in the event that proceedings are brought against the City in Argentina, either to enforce a judgment or as a result of an original action brought in Argentina, the City may not be required to discharge those obligations in a currency other than pesos or the then applicable Argentine currency. As a result, holders of the Notes may suffer a U.S. dollar shortfall if they obtain a judgment in Argentina and are not able to acquire in the Argentine foreign exchange market the equivalent in U.S. dollars at the prevailing exchange rate.

No existing market

Although applications may be made to list the Notes on the Luxembourg Stock Exchange and/or the Buenos Aires Stock Exchange and to have the Notes admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange and/or 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 2009-2013

The financial information for 2009-2013 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 City 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 2009, 2010, 2011, 2012 and 2013 have been submitted to the Legislature, but the Legislature has not yet commented on these statements at the date of this Offering Circular.

Preliminary 2014 figures

Figures presented at and for the nine months ended September 30, 2014 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, 2014 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 GDP 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.

The City through its Statistics and Census Office (*Dirección General de Estadística y Censos*) calculates the City's GDP and a sectoral breakdown presented in two forms: in nominal pesos (which are pesos not adjusted for inflation) and in 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.

In 2010, the City, with the support of a team of consultants from the National University of Tres de Febrero, adopted 2004 as the base year to calculate its GDP. Until then, the base year was 1993 which was then used as the base year by the Federal Government for the calculation of Argentina's GDP. This change was undertaken to more closely follow the recommendations from international statistical organisations and was based on input from economic and statistical experts. In March 2014, the Federal Government also adopted 2004 as the base year to calculate Argentina's GDP and provided a series for previous years that are still preliminary and subject to change.

For purposes of analysing the evolution of the different sectors of the City's economy, this Offering Circular presents GDP information in 2004 constant prices and prepared by reference to basic producer prices since the City believes this presentation more accurately reflects variations between and within sectors. Unless otherwise stated, a reference to "real terms" or "real GDP" with respect to GDP means such figure is based on 2004 constant pesos. For purposes of comparing the City's and Argentina's GDP, this Offering Circular uses nominal pesos as the City believes this methodology reflects more accurately the relative size of the City's economy within the country, although it considers that the preliminary estimates for Argentina's GDP for the 2009-2013 period underestimates the City's share of Argentina's GDP.

Inflation and poverty information

Historically, the only measures of inflation available to the City and the Greater Buenos Aires area were the indices published by INDEC. Following the Federal Government's alleged interference with the INDEC and the resulting concerns about the accuracy of the economic data published by it, the City started calculating and publishing its own CPI, the IPCBA in 2013, which was materially higher than the INDEC's national CPI. In February 2014, INDEC created a new index, the IPCNU, which aims to more broadly reflect inflation by measuring consumer prices in all of Argentina's 23 provincial capitals, the City and major cities in the country. Although the IPCBA measures have remained higher than those of the IPCNU, the differences have progressively decreased over time. Information on poverty, which is based on the value of goods and services which is considered the minimum necessary to sustain an individual or, as the case may be, a household, has also been historically calculated by INDEC and has been dependent on the inflation measurement by INDEC and, hence, is subject to the same concerns about its accuracy. For purposes of providing information on inflation and poverty, this Offering Circular mainly uses INDEC information as it is the only available information for most of the periods covered by it.

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 selected financial information for the Bank contained herein has been derived from the annual financial statements of the Bank at and for the years ended December 31, 2011, 2012 and 2013, which have been audited by KPMG and the financial statements of the Bank at and for each of the nine months ended September 30, 2013 and 2014 which have been subject to a limited review by KPMG. 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, 2011, 2012 and 2013 and as at and for the nine months ended September 30, 2013 and 2014 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 qualification arising from such differences. See “City enterprises — Banco de la Ciudad de Buenos Aires”.

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 P\$1.4 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 11 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, expressed in nominal pesos at the banknote (*billete*) selling rate.

<u>Year ended December 31,</u>	<u>High</u>	<u>Low</u>	<u>Average⁽¹⁾</u>	<u>Period End</u>
2009	3.86	3.46	3.74	3.82
2010	4.00	3.82	3.93	4.00
2011	4.32	3.99	4.15	4.32
2012	4.92	4.32	4.56	4.92
2013	6.53	4.93	5.48	6.53
2014	8.56	6.55	8.14	8.56
2015				
January	8.65	8.56	8.61	8.65

Note:—

(1) Based on monthly average exchange rates.

Source: Banco Nación reference exchange rate.

On February 3, 2015, the peso-U.S. dollar exchange rate quoted by Banco Nación for the sale of dollars was P\$8.66 per U.S.\$1.00.

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). In the years following, the Federal Government relaxed 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, were no longer 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. Starting with the passing of Decree No. 1,722 dated October 26, 2011, and Communication “A” 5,237 dated October 27, 2011, the Federal Government has been tightening access to foreign exchange markets and limiting the transfer of funds outside of Argentina. In addition, since January 2014, the ability of residents to purchase foreign currency is subject to the Argentine Tax Authority’s prior authorization. Subject to certain requirements, pursuant to Communication “A” 5,265 (as amended and supplemented), the City would be able to access the local foreign exchange market to pay its foreign indebtedness. There is no certainty that further restrictions will not be imposed 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.

On July 10, 2014, the Central Bank issued Communication “A” 5,604, which allows local governments (including the City) and certain other non-financial private sector debtors to access the foreign exchange markets in respect of up to 90% of the principal amount of such financial indebtedness with the proceeds of the conversion of such foreign currency into pesos for as long as the resulting foreign currency are deposited with a financial institution in Argentina and are used to cover at least 80% of their foreign exchange needs during the months following such purchase.

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 3.08 million people, which was approximately 7.3% of the estimated total population of Argentina in 2013, according to information from the 2010 national census. The City is surrounded by a larger metropolitan area known as Greater Buenos Aires (*Gran 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 204 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 July 31, 2011, Mr. Mauricio Macri was re-elected as Head of Government and Ms. María Eugenia Vidal was elected as Deputy Governor, each for a term expiring on December 10, 2015.

Economic performance and highlights

In 2013, the City had total revenues of P\$47,792.5 million and total expenditures, including interest expense, of P\$50,898.4 million, resulting in a deficit in its overall balance of P\$3,105.8 million.

The economy of the City is diversified among a number of economic sectors, the largest of which in 2013 were real estate and business services (20.1%), commerce, hotels and restaurants (19.3%), community, social and personal services (18.4%), manufacturing (14.6%), transportation, storage and communications (10.6%) and financial services (10.0%). In 2013, the City's GDP represented approximately 19.1 % of the estimated total national GDP (calculated at basic producer prices and in nominal pesos), 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 individuals 14 years or older employed or actively seeking employment (the "economically active population") in the country (53.1% in the second half of 2013 compared to an average of 45.9% for the country), a significantly lower unemployment rate (4.8% in the second half of 2013 compared to an average of 6.6% for the country) and the highest GDP per capita (an estimated P\$208,126.0 in 2013 compared to P\$79,374.8 for the country (calculated at basic producer prices and in nominal pesos) in 2013, more than three times the national average). In addition, the City has the highest literacy rate (99.5% of the population aged 10 years or older in 2013), compared to 98.1% for Argentina in 2013, the lowest infant mortality rate (less than 8.3 per thousand in 2012), compared to 11.1 per thousand for Argentina in 2012) and the highest life expectancy rate (an average of 76.6 years in 2013), compared to an average of 73.8 years for the country in 2013.

The City is the country's largest financial and business centre. It has significant public infrastructure, including approximately 41.6 kilometres of freeways and 53.0 kilometres of subway and light railway lines as of 2012 (the latest date for which such information is available). The City is home to the nation's major domestic airport and principal maritime port. As of the date of this Offering Circular, the City had 2,435 schools (1,646 of which are state schools), 34 public hospitals, one public health institute and 45 community health and action centres. 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 has developed its own security force (known as *Policía Metropolitana*). 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, 2013. 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.

	2009	2010	2011	2012	2013 ⁽¹⁾
	(in millions of pesos, except where specified)				
City economy:					
Nominal GDP (in pesos) ⁽²⁾	P\$261,653	P\$344,066	P\$419,459	P\$515,920	P\$638,946
Change in nominal GDP (%).....	14.7	24.7	28.5	23.0	23.9
Change in real GDP (%).....	(0.1)	7.0	6.0	1.4	1.5
Rate of change in Consumer Price Index ⁽³⁾ (%).....	6.3	10.9	9.5	10.8	10.9
Population (in millions) ⁽⁴⁾	3.05	3.06	3.06	3.07	3.08
Labour participation rate (%) ⁽⁵⁾	53.7	53.8	54.3	53.6	53.1
Unemployment (%) ⁽⁶⁾	6.9	5.9	5.5	6.2	4.8
GDP per capita (in pesos) ⁽²⁾	85,768.0	106,633.0	137,178.0	170,021.0	208,126.0
City economy compared to national economy:					
City nominal GDP as a percentage of national nominal GDP (%) ⁽⁷⁾	18.5	19.0	18.2	18.8	19.1
City population as a percentage of national population (%) ⁽⁴⁾	7.6	7.3	7.5	7.4	7.4
National labour participation rate (%) ⁽⁵⁾	46.2	45.9	46.4	46.6	45.9
National unemployment rate (%) ⁽⁶⁾	8.8	7.4	7.0	7.3	6.6
National GDP per capita (in pesos) ⁽⁷⁾	35,267.3	44,382.2	55,820.7	65,770.8	79,374.8
City's GDP per capita compared with national GDP per capita (times) ⁽²⁾	2.4	2.4	2.5	2.6	2.6
City finances: ⁽⁸⁾					
Total revenues	15,093.1	19,990.2	26,246.0	33,763.8	47,792.5
Total expenditures	15,989.0	19,951.5	27,108.3	35,232.6	50,898.4
Operating balance ⁽⁹⁾	1,336.9	2,705.5	2,964.2	3,298.8	6,390.3
Overall balance ⁽¹⁰⁾	(895.9)	38.6	(862.3)	(1,468.8)	(3,105.8)
Interest expense	240.6	402.7	430.6	479.0	777.9
Primary balance ⁽¹¹⁾	(655.3)	441.2	(431.6)	(989.8)	(2,327.9)
Interest expense as a percentage of total revenues (%).....	1.6	2.0	1.6	1.4	1.6
Operating balance/current revenues (%) ..	9.0	13.9	11.5	9.9	13.5
Overall balance/total revenues (%).....	(5.9)	0.2	(3.3)	(4.4)	(6.5)
Overall balance/City GDP (%) ⁽²⁾	(0.3)	0.0	(0.2)	(0.3)	(0.5)
Federal transfers/City current revenues (%).....	11.0	11.0	11.1	11.5	9.9

Notes:—

- (1) Preliminary estimates in respect of 2013 GDP information.
- (2) In nominal pesos and at basic producer prices.
- (3) CPI for the City and the Greater Buenos Aires area prepared by INDEC (base April 2008 = 100).

- (4) Population figures are presented at June 30 of the respective year and are based on projections on the basis of information from the 2010 national census.
- (5) Calculated by dividing the economically active population by the total population 14 years or older. In the case of City and national information, based on the survey for the second half of the relevant year.
- (6) Calculated by dividing the unemployed population seeking employment by the economically active population. In the case of City and national information, based on the survey for the second half of the relevant year.
- (7) In nominal pesos and at basic producer prices. Based on preliminary estimates of national GDP which the City believes underestimates the City's share of Argentina's GDP.
- (8) In nominal pesos.
- (9) Current revenues less current expenditures.
- (10) Total revenues less total expenditures.
- (11) 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, 2009, 2010, 2011, 2012 and 2013 and as at September 30, 2014, in each case, excluding accrued interest and direct indebtedness of Banco de la Ciudad.

	At December 31,					At September 30,
	2009	2010	2011	2012	2013	2014
	(in millions of pesos ⁽¹⁾)					
Financial debt:						
Notes issued under Medium-Term Note Programme	P\$836.2	P\$2,426.9	P\$2,597.2	P\$4,517.6	P\$5,896.8	P\$7,545.0
Treasury bills ⁽²⁾	300.0	539.4	373.2	—	—	—
Debt with Banco de la Ciudad ⁽³⁾	1.8	—	—	—	—	—
Notes issued under Domestic Debt Programme	—	—	—	909.8	4,005.4	8,168.5
Law No. 4,263 bonds	—	—	—	188.4	94.2	—
Total financial debt.....	1,138.0	2,966.3	2,970.4	5,615.8	9,996.4	15,713.4
Debt with suppliers:						
Suppliers/contractors' bonds ⁽⁴⁾	443.2	414.2	—	—	—	—
Law No. 2,810 promissory notes ⁽⁵⁾	193.6	116.1	—	—	—	—
Debt under review/Decree No. 225						
General	24.3	20.9	14.4	14.4	14.2	14.2
CEAMSE.....	29.7	31.7	33.9	36.1	38.6	40.5
Other recognised debts	33.2	32.8	32.7	32.6	32.7	32.8
Law No. 2,780—Medical equipment debt.....	—	—	6.2	39.6	37.3	40.7
OSPLAD settlement agreement	—	—	—	106.6	50.1	24.6
Total debt with suppliers	724.0	615.7	87.2	229.3	172.9	152.8
International loans:						
International Bank for Reconstruction and Development	150.4	321.4	487.7	651.5	901.3	1,117.3
Inter-American Development Bank	584.3	548.2	525.5	523.0	590.7	694.2
Spanish Government	35.2	34.0	33.8	35.1	42.0	51.2

	At December 31,					At September 30,
	2009	2010	2011	2012	2013	2014
	(in millions of pesos ⁽¹⁾)					
Total international loans	769.9	903.7	1,047.0	1,209.7	1,534.0	1,862.7
Total indebtedness	P\$2,631.9	P\$4,485.7	P\$4,104.6	P\$7,054.9	P\$11,703.3	P\$17,729.0
Cash position ⁽⁶⁾	38.3	1,722.6	716.6	1,490.2	858.3	2,504.6
Floating debt ⁽⁷⁾	2,271.0	2,295.6	2,408.3	4,054.8	5,203.0	N/A

Notes:—

- (1) The exchange rate used to convert U.S. dollar amounts into pesos has been the selling rate quoted by Banco Nación at the close of business on the relevant date. U.S. dollar amounts at December 31, 2013 were translated into pesos using the December 31, 2013 exchange rate of P\$6.53 = U.S.\$1.00 and at September 30, 2014, the September 30, 2014 exchange rate of P\$8.41 = U.S.\$1.00. 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 Nación U.S. dollar-peso selling rate. Amounts in euros at December 31, 2013 were translated into pesos using the December 31, 2013 exchange rate of P\$9.01 = €1.00 and at September 30, 2014, the September 30, 2014 exchange rate of P\$11.3 = €1.00.
- (2) This represents the aggregate principal amount of treasury bills that exceed the financial period in which they were issued. 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. No treasury bills were issued in the year ended December 31, 2013 or in the nine months ended September 30, 2014. See “Public Debt—Description of direct indebtedness—Financial debt—Treasury bills”.
- (3) In January 1999, Banco de la Ciudad loaned the City US\$13.9 million to purchase four buildings within the City of historical value, which were subsequently preserved. The loan was repaid over 120 monthly payments, the last of which was paid on January 12, 2010.
- (4) As of December 31, 2010, 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).
- (5) As at December 31, 2007, 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 the balance was renegotiated through the issue of promissory notes (which, when issued, were recorded under “Law No. 2,810 promissory notes”). See “Public Debt — Debt with suppliers — Law No. 2,810 promissory notes”.
- (6) Mainly reflects the balance of the consolidation account the City has with Banco de la Ciudad as at the relevant date and, in the case of December 31, 2013 and September 30, 2014, the City’s time deposits with Banco de la Ciudad, as well as amounts contributed by the City to a budget stabilisation fund pursuant to Decree No. 2,368, which, at September 30, 2014, amounted to U.S.\$4.7 million (P\$39.5 million using the applicable exchange rate). See “Public Debt — Cash management” and “2014 and 2015 Budgets—Budget process”.
- (7) 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 — 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, 2011, 2012 and 2013 and at and for the nine months ended September 30, 2013 and 2014. 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, 2011, 2012 and 2013 and the nine months ended September 30, 2013 and 2014 have been prepared in accordance with the accounting principles set forth by the Central Bank, which principles differ in many significant respects from Argentine GAAP. See “City Enterprises — Banco de la Ciudad de Buenos Aires”.

Income statement of the Bank

	Year ended December 31,			Nine months ended September 30,	
	2011	2012	2013	2013	2014
	(in millions of pesos)				
Financial income	P\$2,286.4	P\$3,301.7	P\$4,502.3	P\$3,229.3	P\$5,158.8
Financial expense	598.4	967.3	1,609.0	1,128.7	2,141.5
Net financial income.....	1,688.0	2,334.5	2,893.3	2,100.7	3,017.3
Provisions for loan losses	102.9	143.0	213.6	143.1	192.4
Service income	387.9	474.2	551.7	423.2	471.4
Service expense.....	103.3	136.1	235.7	168.9	227.6
Administration expense.....	1,090.2	1,489.7	1,837.2	1,307.5	1,686.3
Monetary gain (loss) from financial intermediation.....	779.6	1,039.9	1,158.6	904.3	1,382.5
Other income	143.1	200.8	205.6	161.9	186.9
Other expense.....	46.1	193.2	132.7	114.4	137.5
Monetary gain (loss) before income tax	876.6	1,047.5	1,231.5	951.8	1,432.0
Income tax	220.4	380.6	403.6	316.2	448.6
Net income.....	<u>P\$656.2</u>	<u>P\$667.0</u>	<u>P\$827.9</u>	<u>P\$635.6</u>	<u>P\$983.4</u>

Source: Banco de la Ciudad.

Balance sheet of the Bank

	Year ended December 31,			Nine months ended September 30,	
	2011	2012	2013	2013	2014
	(in millions of pesos)				
Assets:					
Cash and banks	P\$2,995.5	P\$3,217.5	P\$4,372.8	P\$3,827.1	P\$5,792.3
Government and private securities	1,031.3	964.1	953.5	933.3	4,003.7
Loans	14,350.5	19,179.9	24,535.9	22,900.8	27,417.1
Other financial intermediation receivables (net of provisions).....	1,159.5	1,407.9	1,735.3	1,659.4	2,000.2
Investments in other corporations.....	18.2	23.6	26.6	24.8	21.9
Sundry credits.....	628.4	763.2	935.8	786.4	1,217.0
Property, plant and equipment.....	186.5	223.9	249.2	237.7	247.0
Sundry assets	147.0	184.4	301.3	258.5	425.4
Intangible assets	36.1	41.2	53.9	44.6	59.8
Unallocated amounts	4.3	0.5	3.4	2.7	1.6
Total assets	<u>P\$20,557.3</u>	<u>P\$26,006.3</u>	<u>P\$33,167.7</u>	<u>P\$30,675.2</u>	<u>P\$41,185.9</u>

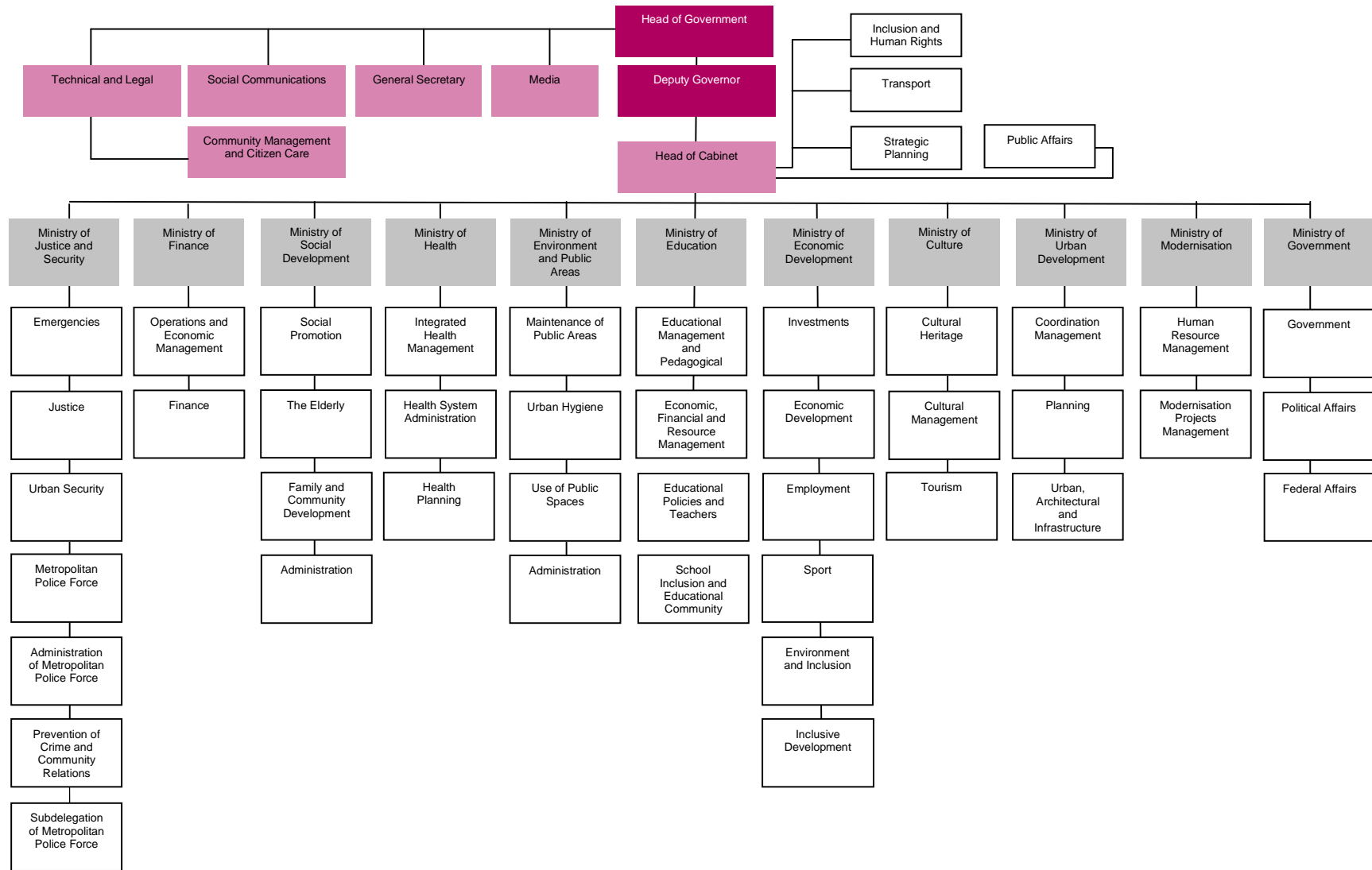
	Year ended December 31,			Nine months ended September 30,	
	2011	2012	2013	2013	2014
	(in millions of pesos)				
Liabilities:					
Deposits.....	16,573.5	20,836.0	26,471.6	25,028.8	32,668.9
Other financial intermediation liabilities.....	553.3	774.1	1,387.3	684.4	2,057.4
Sundry liabilities	349.2	554.0	724.0	592.9	864.0
Provisions.....	199.3	293.0	207.4	183.7	234.9
Unallocated amounts	2.1	2.3	2.6	2.9	2.5
Total liabilities.....	17,677.3	22,459.3	28,792.9	26,492.6	35,827.7
Stockholders' equity.....	2,880.0	3,547.0	4,374.9	4,182.5	5,358.2
Total liabilities and stockholders' equity....	P\$20,557.3	P\$26,006.3	P\$33,167.7	P\$30,675.2	P\$41,185.9

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 3.08 million people, which is approximately 7.3% of the estimated total population of Argentina in 2013, according to information from the 2010 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 12.8 million, according to the 2010 national census. In 2013, the City accounted for approximately 19.1% 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 204 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 53 kilometres of subway lines and light railway lines as of 2012 (the latest date for which such information is available). The City is home to the nation's major domestic airport and principal maritime port. As of the date of this Offering Circular, the City had 2,435 schools (1,646 of which are state schools), 34 public hospitals, one public health institute and 45 community health and action centres. 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 has developed its own security force (the Metropolitan Police). Approximately 5,000 police officers were in service in the City as at September 30, 2014. 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 and Finance. 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. Prior to 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 certain 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, among other things, 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 been amended such 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 has developed its own security force to primarily focus on prevention and enforcement of certain crimes for which City courts have jurisdiction.

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 eligible to vote, 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, Environment and Public Areas, Modernisation and Government.

In the City elections held on July 10, 2011, Mr. Mauricio Macri of the PRO obtained 47.1% of the votes, ahead of the FPV candidate, which obtained 27.9% of the votes. In the run-off elections held on July 31, 2011, Mr. Macri obtained 63.4% of the votes and was re-elected as Head of Government while the FPV candidate obtained 36.6% of the votes.

Mr. Macri's term of office ends on December 10, 2015 and he cannot run for re-election.

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 October 27, 2013, the two largest political forces are the PRO and the FPV, which hold 28 seats and 10 seats, respectively, while the remaining seats are held by other political parties.

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 traffic 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 No. 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. In addition, on October 5, 2011, the Federal Congress further expanded the jurisdiction of the City courts to include several other crimes including assault, arson, perjury and fraud against the City administration. 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. It is responsible for the internal control, budget, accounting, financial, economic, and legal management, in addition to providing its opinion on the accounting and financial statements of the central and decentralised public administration, and the statement of revenues and acquisitions. Under the Head of Government, it has legal personality and administrative and financial autonomy. It is appointed and removed by the Head of Government, having the equivalent rank of a minister. The Attorney-General reviews the legality of administrative acts, and defends the property of the City. The Attorney-General represents the City in all proceedings in which the City's rights or interests are in dispute. He is appointed by the Head of Government with the consent of the Legislature and removed by the Head of Government. 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. Under the jurisdiction of the Legislature, it has legal personality, legal standing and functional and financial autonomy. It exercises external control over the public sector in its economic, financial, property, and legal management. It makes findings on accounting and financial statements of the central and decentralised public administration and on the statement of revenues and acquisitions. Finally, the City Constitution creates an Ombudsman, or "people's attorney". It has financial and functional autonomy and is 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 is governed by a seven-member community board elected by the residents of such community. Each community board is 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 do not have the capacity to collect taxes or raise funds, and the City instead assigns specific amounts in its annual budget to finance the activities of each community board.

On July 10, 2011, elections were held for members of the community boards who started their terms of office on December 10, 2011. The PRO was the political force with the most votes in each of the City's 15 communities and, as a result, all of its community boards are headed by members of the PRO.

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. Over the last several decades, Argentina’s political spectrum has broadened with a number of new political forces and alliances being established, in particular the FPV, founded in 2003 and to which the current President of Argentina belongs. 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 has a platform centred on implementing specific government actions aimed at meeting 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. A new political alliance which has received significant support in the most recent City elections is *Frente Amplio UNEN*, a centre-left coalition comprising parties belonging to the Coalición Cívica, the Proyecto Sur, the UCR, the Socialist Party and the Authentic Socialist Party, among others.

The current Head of Government, Mr. Mauricio Macri, is a member of the PRO. In the City elections held on July 10, 2011, Mr. Mauricio Macri of the PRO obtained 47.1% of the votes, ahead of the FPV candidate, which obtained 27.9% of the votes. In the run-off elections held on July 13, 2011, Mr. Macri obtained 63.4% of the votes and was re-elected as Head of Government while the FPV candidate obtained 36.6% of the votes. Mr. Macri’s term of office ends on December 10, 2015 and he cannot run for re-election. Following the most recent legislative elections held on October 27, 2013, the PRO holds 28 seats in the Legislature, the FPV together with other political parties hold 17 seats and the remaining seats are held by other political forces.

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 10 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 15.5%. 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. 100.0% of such debt was restructured in connection therewith. 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 9.0% and 9.9%, respectively; in 2005, 9.2% and 10.5%; in 2006, 8.5% and 11.5% and in 2007, 8.7% and 8.5%. 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's and the City's GDP increased in real terms by 6.8% and 4.2% respectively. Argentina's and the City's economy faced the most severe impact from the global financial crisis in 2009. Argentina, like other emerging economies, was affected by a significant slowdown in economic activity, major capital outflows and declining commodity prices, consumption and investment. In the case of the City, in addition to the uncertainties resulting from the global financial crisis, the H1N1 virus which spread among Argentina's population in the winter months of 2009 particularly affected all activities related to tourism and depressed the levels of economic activity. In 2009, Argentina's GDP grew in real terms by 0.9% while the City's GDP decreased in real terms by 0.1%. The varying economic performances of Argentina and the City can be mainly explained by the global financial crisis affecting primarily the real estate and commerce sectors, which have a proportionately higher contribution to the City's GDP than to Argentina's GDP (which has higher contributions from the agricultural and manufacturing sectors).

In 2010, Argentina's and the City's economy overcame the effects of the global financial crisis and returned to a path of growth. Argentina's GDP grew by 9.1% in real terms while the City's GDP grew by 7.0% in real terms. In 2011, while Argentina's GDP grew by 8.6% in real terms, the City's GDP grew by 6.0% in real terms. Due to difficulties arising from the decrease in the level of international reserves and the measures implemented by the Federal Government to try to counteract this, in 2012 Argentina's and the City's GDP grew in real terms by 1.0% and 1.4%, respectively. Decreases in the construction sector and the resulting impact on related services were primarily responsible for this low growth rate. At the national level the poor performance of the agricultural sector also influenced the subdued growth rate.

In 2013, Argentina's GDP grew by 3.0% in real terms while the City economy grew by 1.5% in real terms. During 2013 and the nine months ended September 30, 2014 the difficulties arising from the shortage of reserves led the Federal Government to restrict imports, which subsequently decreased activity levels and reinforced inflationary pressures. In addition, the uncertainty surrounding the exchange rate continued to affect the construction and real estate market and more generally resulted in subdued growth in other sectors. See "Risk Factors—There are concerns about the accuracy of the CPI and other economic data published by INDEC".

GDP

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 2009 to 2013. For a discussion on the methodology used for the preparation of GDP figures, see "Presentation of financial and statistical information".

	Year ended December 31,				
	2009⁽¹⁾	2010⁽¹⁾	2011⁽¹⁾	2012⁽¹⁾	2013⁽²⁾
	(in millions of pesos, except where specified)				
National GDP (at basic producer prices in nominal pesos).....	P\$1,411,526	P\$1,810,282	P\$2,303,246	P\$2,744,829	P\$3,349,849
National GDP (at basic producer prices in 2004 constant pesos).....	706,398	770,936	836,889	844,808	869,740
City's GDP (at basic producer prices in nominal pesos).....	261,653	344,066	419,459	515,920	638,946
City's GDP (at basic producer prices in 2004 constant pesos).....	127,005	136,078	144,195	146,191	148,403
City's GDP as a percentage of national GDP (at basic producer prices in nominal pesos) (%) ⁽³⁾	18.5%	19.0%	18.2%	18.8%	19.1%

Notes:—

- (1) Preliminary estimates of national GDP.
- (2) Preliminary estimate of City GDP and national GDP.
- (3) Due to the preliminary nature of the national GDP estimates for the 2009-2013 period, the City believes that the resulting share of Argentina's GDP (19.1%) underestimates the actual relative size of its economy which has historically represented approximately 25% of the country's GDP.

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

The following table sets out the per capita GDP of the City in nominal pesos compared to national per capita GDP in nominal pesos, for 2009 to 2013 and, in each case, prepared by reference to basic producer prices.

	Year ended December 31,				
	2009	2010	2011	2012	2013
	(in pesos, except where specified)				
National GDP per capita ⁽¹⁾	P\$35,267.3	P\$44,382.2	P\$55,820.7	P\$65,770.8	P\$79,374.8
City's GDP per capita ⁽²⁾	85,768.0	106,633.0	137,178.0	170,021.0	208,126.0
City's GDP per capita compared with national GDP per capita (times) ⁽³⁾	2.4	2.4	2.5	2.6	2.6

Notes:—

- (1) Preliminary estimates of national GDP.
- (2) Preliminary estimate of City GDP for 2013.
- (3) In nominal pesos and at basic producer prices.

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

The City's nominal GDP per capita increased by 142.6% between 2009 and 2013, while the national nominal GDP per capita increased by 125.0% in the same period. The higher per capita nominal GDP growth of the City compared with that registered by Argentina in the same period is explained by the combination of a higher increase in income and a slower growth in population in the City relative to the country as a whole.

Inflation

Historically, the only measure of inflation available to the City and the Greater Buenos Aires area was the indices published by INDEC. Following the Federal Government's alleged interference with the INDEC and the resulting concerns about the accuracy of the economic data published by it, the City started in 2013 calculating and publishing its own CPI, the IPCBA, using the year 2011 as its base period. The IPCBA is a fixed basket index intended to measure the percentage change in the total cost of a particular set of goods and services that make up the basket. It measures changes in the prices of 628 goods and services offered by more than 3,200 shops and businesses in the City, which are grouped into 12 sections according to the classification of individual consumption according to purpose adjusted by the City.

According to the IPCBA, inflation in the City increased by 26.6% in 2013, compared to the 10.9% resulting from the CPI index prepared by INDEC for the same period for the City and the Greater Buenos Aires area. In February 2014, INDEC created a new index, the IPCNU that aims to more broadly reflect inflation by measuring consumer prices in all of Argentina's 23 provincial capitals, the City and major cities in the country, which total 40 urban areas. The accumulated result of this index for the first nine months of 2014 was 19.8%. During the same period, the IPCBA registered an increase of 31.8%.

Economic sectors

The economy of the City is diversified among a number of economic sectors. The largest sector is real estate and business services, followed by commerce, hotels and restaurants and community, social and

personal services. The following table sets out, by principal sector, components of the City's GDP in 2004 constant pesos for 2009 to 2013 and prepared by reference to basic producer prices.

	Year ended December 31,									
	2009		2010		2011		2012		2013 ⁽¹⁾	
	(in millions of 2004 constant pesos and percentages)									
Real estate and business services	P\$25,328	19.9%	P\$27,705	20.4%	P\$29,428	20.4%	P\$29,886	20.4%	P\$29,756	20.1%
Commerce, hotels and restaurants	23,177	18.3	25,313	18.6	26,342	18.3	27,572	18.9	28,703	19.3
Community, social and personal services	23,851	18.8	25,260	18.6	26,134	18.1	27,068	18.5	27,275	18.4
Manufacturing	19,317	15.2	21,297	15.7	22,148	15.4	21,611	14.8	21,717	14.6
Transportation, storage and communications	13,221	10.4	13,540	10.0	14,472	10.0	15,298	10.5	15,693	10.6
Financial services	12,365	9.7	13,056	9.6	14,274	9.9	14,699	10.1	14,873	10.0
Construction	6,919	5.5	7,154	5.3	7,592	5.3	7,083	4.8	7,419	5.0
Agriculture, livestock, fisheries, forestry and mining and extractive activities	1,434	1.1	1,391	1.0	1,466	1.0	1,544	1.0	1,567	1.1
Electricity, gas and water	1,392	1.1	1,362	1.0	1,442	1.0	1,429	1.0	1,400	0.9
Total	<u>P\$127,005</u>	<u>100.0%</u>	<u>P\$136,077</u>	<u>100.0%</u>	<u>P\$144,203</u>	<u>100.0%</u>	<u>P\$146,190</u>	<u>100.0%</u>	<u>P\$148,403</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. In 2009, the City's real GDP decreased by 0.1% to P\$127,005 million due to the continued effects of the global financial crisis and the negative impact the H1N1 virus had on the City's tourism and commerce sectors. In 2010, as the combined effect of global financial crisis and the H1N1 virus subsided, the City's GDP increased in real terms by 7.1% to P\$136,077 million. In 2011, growth was somewhat lower, particularly in the fourth quarter when the construction sector felt the impact of the measures taken by the Federal Government limiting access to the foreign exchange market and restricting imports. However, the City's GDP increased in real terms by 6.0% to P\$144,203 million in 2011. In 2012 growth slowed to 1.4% in real terms to P\$146,190 million. In 2013 growth was subdued by inflation and the accelerated devaluation of the peso, with an increase in real terms of 1.5% to an estimated P\$148,403 million.

Real estate and business services

The following table sets out a breakdown of real estate and business services by major category in 2004 constant pesos for 2009 to 2013.

	Year ended December 31,				
	2009	2010	2011	2012	2013⁽¹⁾
	(in millions of 2004 constant pesos)				
Real estate	P\$8,720	P\$9,274	P\$9,469	P\$9,115	P\$9,052
Business services.....	12,328	13,518	14,530	15,017	14,914
Information technology services	3,324	3,881	4,341	4,515	4,570
Other.....	956	1,032	1,089	1,239	1,220
Total	P\$25,328	P\$27,705	P\$29,429	P\$29,886	P\$29,756

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, business and information technology services sectors increased in real terms by 17.5% from P\$25,328 million in 2009 to an estimated P\$29,756 million in 2013.

The contribution of real estate to the City's GDP increased in real terms by 3.8% from P\$8,720 million in 2009 to an estimated P\$9,052 million in 2013. Such lower growth, when compared with the sector as a whole, was primarily a result of the global financial crisis in 2009 and, later, Federal Government policies limiting the availability of foreign currency since 2011. The growth of business services and of information technology services was not as affected by these events, growing from P\$12,328 million in 2009 to an estimated P\$14,914 million in 2013, a 21.0% increase in real terms, and from P\$3,324 million to an estimated P\$4,579 million, a 37.8% increase in real terms, respectively. The percentage contribution of this sector to the City's total GDP increased from 19.9% in 2009 to an estimated 20.1% in 2013.

Commerce, hotels and restaurants

The following table sets out a breakdown of the commerce and hotels and restaurants sector by major category in 2004 constant pesos for 2009 to 2013.

	Year ended December 31,				
	2009	2010	2011	2012	2013⁽¹⁾
	(in millions of 2004 constant pesos)				
Wholesale.....	P\$8,681	P\$9,713	P\$10,098	P\$9,928	P\$9,991
Hotels and restaurants	4,198	4,356	4,662	4,689	4,755
Retail	7,600	8,163	8,967	9,119	9,176
Vehicle sales and repairs and service stations.....	2,699	3,028	3,328	3,332	3,353
Total	P\$23,177	P\$25,260	P\$26,134	P\$27,068	P\$27,275

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 17.7% from P\$23,177 million in 2009 to an estimated P\$27,275 million in 2013 as a result of substantial levels of demand for these services. In 2009, the hotel industry was affected by the consequences of the H1N1 virus epidemic, but this decrease was more than offset by the strong performance of the restaurant industry. The sector as a whole rapidly recovered from the poor performance of 2009, although growth levels have decreased in recent years. The percentage contribution of this sector to the City's total GDP increased from 18.3% in 2009 to an estimated 19.3% in 2013.

Community, social and personal services

The following table sets out a breakdown of community, social and personal services by major category in 2004 constant pesos for 2009 to 2013.

	Year ended December 31,				
	2009	2010	2011	2012	2013⁽¹⁾
	(in millions of 2004 constant pesos)				
Public administration, defence and social security.....	P\$6,770	P\$7,397	P\$7,608	P\$7,793	P\$8,009
Education.....	3,772	3,786	3,921	4,114	4,183
Personal services	7,502	7,695	7,797	8,033	8,229
Social and health services.....	5,808	6,435	7,001	7,632	8,282
Total	P\$23,851	P\$25,313	P\$26,342	P\$27,572	P\$28,703

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 20.3% from P\$23,851 million in 2009 to an estimated P\$28,703 million in 2013. The percentage contribution of this sector to the City's total GDP decreased from 18.8% in 2009 to an estimated 18.4% in 2013.

Manufacturing

The following table sets out a breakdown of manufacturing by major category for 2009 to 2013.

	Year ended December 31,				
	2009	2010	2011	2012	2013⁽¹⁾
	(in millions of 2004 constant pesos)				
Chemicals	P\$4,327	P\$4,691	P\$5,033	P\$5,429	P\$5,728
Food, beverage and tobacco	4,018	4,432	4,522	4,347	4,190
Textiles and clothing	2,735	3,134	3,256	3,687	3,417
Editing and printing.....	2,129	2,346	2,301	2,121	2,189
Paper.....	487	554	574	534	551
Others	5,620	6,140	6,781	5,492	5,642
Total	P\$19,317	P\$21,297	P\$22,148	P\$21,610	P\$21,717

Note:—

(1) Preliminary estimates.

Source: Statistics and Census Office of the City.

The principal industries in the City consist of food and beverage production, pharma, printing and textiles and clothing. Some of the more significant products include pharmaceutical products, foodstuffs, clothing, shoes, office equipment, paper and paper products and printed materials. Manufacturing increased in real terms by 12.4% from P\$19,317 million in 2009 to an estimated P\$21,717 million in 2013. Following the onset of the global financial crisis, the manufacturing sector was one of the most affected sectors, mainly as a result of decreased activity levels in the textile industry and stagnating activity levels in the editing and printing industries. In 2010, these industries recovered and, together with the chemicals industry, materially increased their respective contributions to the manufacturing sector. In 2011, the manufacturing sector grew by 4.0%. The import restrictions implemented by the Federal Government at the end of 2011 had a negative impact on manufacturing, as many industries that drive manufacturing demand also depend upon the import of goods. As a result, during 2012, manufacturing declined by 2.4%. During 2013, there was a slight recovery with this sector growing by an estimated 0.5%. The percentage contribution of this sector to the City's total GDP decreased from 15.2% in 2009 to an estimated 14.6% in 2013.

Transportation, storage and communications

The following table sets out a breakdown of transportation, storage and communications by major category in 2004 constant pesos for 2009 to 2013.

	Year ended December 31,				
	2009	2010	2011	2012	2013 ⁽¹⁾
	(in millions of 2004 constant pesos)				
Transportation and storage	P\$7,804	P\$7,882	P\$8,409	P\$8,298	P\$8,398
Communications.....	5,418	5,657	6,064	6,401	6,477
Total	<u>P\$13,221</u>	<u>P\$13,540</u>	<u>P\$14,472</u>	<u>P\$14,699</u>	<u>P\$14,875</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 12.5% from P\$13,221 million in 2009 to an estimated P\$14,875 million in 2013, mainly as a result of an increase in value added from telecommunication activities driven by the growth of mobile telephone and related services. The percentage contribution of this sector to the City's total GDP increased from 10.4% in 2009 to an estimated 10.6% in 2013.

Financial services

The following table sets out a breakdown of financial services by major category in 2004 constant pesos for 2009 to 2013.

	Year ended December 31,				
	2009	2010	2011	2012	2013 ⁽¹⁾
	(in millions of 2004 constant pesos)				
Financial institutions	P\$9,095	P\$9,811	P\$10,589	P\$11,139	P\$11,426
Insurance and pension funds	2,573	2,547	2,961	3,389	3,476

	Year ended December 31,				
	2009	2010	2011	2012	2013 ⁽¹⁾
	(in millions of 2004 constant pesos)				
Related services.....	697	698	725	771	790
Total	<u>P\$12,365</u>	<u>P\$13,056</u>	<u>P\$14,274</u>	<u>P\$15,265</u>	<u>P\$15,693</u>

Note:—

(1) Preliminary estimates.

Source: Statistics and Census Office of the City.

This sector includes services provided by banks and insurance companies. Argentina's financial centre is located in the City and a large number of such service providers are headquartered in the City. The financial services sector increased in real terms by 26.9% from P\$12,365 million in 2009 to an estimated P\$15,693 million in 2013, mainly driven by increased levels of consumer financing made available by Argentina's financial system during this period. The percentage contribution of this sector to the City's total GDP increased from 9.7% in 2009 to an estimated 10.0% in 2013.

Construction

The construction sector is sensitive to changes in expectations about future levels of economic activity. The global financial crisis that started in the last quarter of 2008 substantially affected this sector during 2009 when it fell by 6.0% to P\$6,919 million. With renewed confidence and an improvement in the global economy in 2010 and 2011, the sector experienced a recovery and increased in real terms by 3.6% to P\$7,154 million in 2011 and by a further 6.1% to P\$7,592 million in 2011. However, the restrictions on access to foreign currency imposed by the Federal Government beginning in 2011 adversely impacted the real estate market, which typically uses the U.S. Dollar as a reference for pricing and as the currency to settle transactions. As such, even though the construction sector benefited from public works projects during 2011 and 2012, beginning in the fourth quarter of 2011 the real estate market went into a virtual halt and the construction sector decreased by 6.7% in 2012. The real estate market is slowly adapting to the new restrictions on the availability of foreign currency and has begun recovering. According to preliminary data, the construction sector increased in real terms by 4.7% to an estimated P\$7,419 million in 2013. The percentage contribution of this sector to the City's total GDP decreased from 5.5% in 2009 to an estimated 5.0% in 2013.

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 9.3% from P\$1,434 million in 2009 to an estimated P\$1,567 million in 2013. The percentage contribution of this sector to the City's total GDP remained at 1.1% between 2009 and 2013.

Electricity, gas and water

This sector includes electricity, gas and water generation and/or distribution. More than 80.0% of this sector is accounted for by the electricity industry. This sector has remained stable and increased in real terms by 0.6% from P\$1,392 million in 2009 to an estimated P\$1,400 million in 2013. The sector has remained relatively stable because of the tariff regime and the public subsidy enacted by the Federal Government in response to the economic crisis of 2001-2002. However, these policies are currently being revisited. The percentage contribution of this sector to the City's total GDP decreased from 1.1% in 2009 to an estimated 0.9% in 2013.

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 regulatory authority. 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 2012 and 2013, and the 2014 and 2015 budgets do not contemplate, any privatisation receipts.

Notwithstanding the foregoing, the 2014 and 2015 budgets contemplate receipts from the sale by the City of certain of its real estate assets. See “2014 and 2015 budgets”.

Subways

Starting in January 2012, the City and the Federal Government discussed the implementation of the transfer to the City from the Federal Government of the regulation and supervision of the concession granted to the operator of the City’s subway system. Following Argentina’s 2001-2002 economic crisis, public transport (including subway) has been heavily subsidised by the Federal Government, resulting in fares that have increased substantially less than accumulated inflation. Pursuant to the terms of the privatisation, the subway concessionaire is entitled to be compensated for any shortfall between the fare revenue and the cost of operating the system. As a result, during 2012 the Federal Government transferred to Metrovias S.A. (“Metrovias”), existing concessionaire of the subway system, P\$360.0 million, but did not transfer any additional amounts thereafter. In turn, the City was obligated to transfer P\$187.2 million to Metrovias, although the City had at the time not taken over the regulation and supervision of the subway concession. Such funds were applied to subway station refurbishment.

On December 19, 2012, the Legislature passed the Subway Law. The Subway Law designates Subterráneos de Buenos Aires S.E. (“SBASE”) as the entity responsible for the regulation and supervision of the subway system. On April 5, 2013, SBASE entered into an operation and maintenance agreement with Metrovias, pursuant to which Metrovias has agreed to continue operating the system for a two-year period. As a result of the transfer of the concession, the City now has the ability to determine subway fares but is also responsible for funding any revenue shortfall to which the concessionaire is entitled. In accordance with the Subway Law, rates must be reviewed annually and may be increased only after a public hearing. If the increase of the costs used to establish the rates exceeds 7.0%, SBASE shall initiate a process to revise the rate. On March 13, 2013, SBASE approved a new rate schedule which went into effect following a judicial challenge on November 12, 2013. The new schedule contemplates a subsidised rate for a number of social groups, including people on welfare, the unemployed, war veterans and people with incomes falling below the poverty line.

The Subway Law also created a fund (the “Subway Fund”), which resources include a portion of vehicle licensing fees collected by the City, a portion of stamp tax collections, a portion of property tax levied on properties located within 400 meters of a subway station, 10.0% of the revenue collected on the City toll roads by Autopistas Urbanas S.A (“AUSA”) and income from several other sources. The Subway Fund resources are held in trust by Banco de la Ciudad as trustee for the benefit of SBASE.

Population, labour force, employment and poverty

Based on preliminary information resulting from the 2010 national census, the size of the population of the City in 2013 was estimated to be 3.08 million (7.3% of Argentina’s population). The economically active population was estimated to be 1.57 million.

The City benefits from having a high literacy rate of 99.5% of the population aged 10 years or older in 2013 in comparison to approximately 98.1% for the country as a whole in 2013. In addition, over two thirds of the City’s population over the age of 25 has at least completed 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\$208,126.0 (calculated at basic producer prices and in nominal pesos) in 2013 compared to a national average of P\$79,374.8 (calculated at basic producer prices and in nominal pesos) in 2013. 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 of less than 8.3 per thousand in the City in 2012 compared to 11.1 per thousand nationwide in 2012, and higher life expectancy, an average of 76.6 years for City residents in 2013 compared to an average of 73.8 years nationwide in 2013.

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

	2009		2010		2011		2012		2013	
	First half	Second half	First half	Second half	First half	Second half	First half	Second half	First half	Second half
	(in millions)									
National population ⁽¹⁾	40.13		40.52		40.90		41.28		41.66	
City population ⁽¹⁾	3.05		3.06		3.06		3.07		3.08	
	(in percentages)									
National labour participation rate ⁽²⁾	46.0%	46.2%	46.1%	45.9%	46.2%	46.4%	45.9%	46.6%	46.2%	45.9%
City labour participation rate ⁽²⁾	54.6	53.7	54.4	53.8	55.2	54.3	52.6	53.6	53.5	53.1
National unemployment rate ⁽³⁾	8.6	8.8	8.1	7.4	7.4	7.0	7.2	7.3	7.6	6.6
City unemployment rate ⁽³⁾	6.8	6.9	6.4	5.9	6.3	5.5	4.9	6.2	6.0	4.8
National poverty rate (households).....	9.4	9.0	8.1	6.8	5.7	4.8	4.8	4.0	N/A	N/A
City poverty rate (households).....	4.6	4.5	3.4	3.1	1.4	2.3	3.6	1.5	N/A	N/A
National poverty rate (persons).....	13.9	13.2	12.0	9.9	8.3	6.5	6.5	5.4	N/A	N/A
City poverty rate (persons).....	7.3	6.1	3.7	4.2	2.1	2.3	4.0	2.2	N/A	N/A

Notes:—

- (1) Population figures are presented at June 30 of the respective year and are based on projections on the basis of information from the 2010 national census.
- (2) Calculated by dividing the economically active population by the total population 14 years or older.
- (3) Calculated by dividing the unemployed population seeking employment by the economically active population.

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 between 2005 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. During the first half of 2009, the City unemployment rate increased to 6.8%, and during the second half of 2009 it reached 6.9% as a the uncertainty resulting from the global financial crisis and the negative impact of the H1N1 virus on the City's

economy resulted in a reduction in the number of jobs in the City. This trend reversed in 2010 when substantially improved macroeconomic conditions in the City resulted in a decline in its unemployment rate to 6.4% in the first half and to 5.9% in the second half. In 2011, this trend continued resulting in a decline in the City's unemployment rate to 6.3% in the first half and to 5.5% in the second half. Although the first half of 2012 saw this trend continue with an unemployment rate of 4.9%, the second half saw an increase to 6.2%. Unemployment decreased in the first half of 2013 to 6.0% and further fell to 4.8% in the second half.

Poverty

The discussion below in respect of poverty statistics is based on information 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 and beverage, clothing, transportation, health care and hygiene, 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 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 4.0% of total households and 2.2% of total population in the second half of 2012. In April 2014, INDEC stopped publishing its poverty-related indicators for the country corresponding to the second half of 2013 and, as a result, the City has started measuring unemployment and poverty through a quarterly survey of households living in the City. The City expects such surveys to be available in the last quarter of 2014 or first half of 2015. The City also expects its poverty survey to show a higher level of households and individuals living below the poverty line in the City than those most recently reflected by the EPH as the City believes the EPH has underestimated poverty by relying on INDEC's inflation measurements.

Starting in 2002, 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 approximately 53,675 heads of household at June 30, 2013 (the latest date for which such information is available). Pursuant to the programme, the beneficiaries receive a pre-paid debit card which allows its holder to make purchases of food and home supplies for up to the monthly subsidy amount. Beneficiaries of this programme are required to evidence compliance with certain schooling and health visit requirements in respect of their respective household members. In addition, the *Ticket Social* programme provides families, not covered by the Heads of Household Program, a voucher that replaces the monthly food boxes offered by previous programmes. This programme benefited approximately 16,619 families as of June 30, 2013 (the latest date for which such information is available). Finally, the *Estudiar es Trabajar* programme supports the pursuit of basic and

higher studies by a portion of the City's young population. This programme had approximately 2,665 beneficiaries as at June 30, 2013 (the latest date for which such information is available). The total estimated cost of these programmes in the 2014 budget amounted to P\$455.0 million.

REVENUES AND EXPENDITURES

Introduction

The following table sets out the City's revenues and expenditures for 2009 to 2013. Amounts are presented in nominal pesos. See "Presentation of financial and statistical information".

	Year ended December 31,				
	2009	2010	2011	2012	2013
	(in millions of pesos)				
Current revenues	P\$14,916.0	P\$19,416.3	P\$25,765.4	P\$33,304.3	P\$47,348.9
Capital revenues	177.1	573.8	480.7	459.5	443.6
Total revenues	15,093.1	19,990.2	26,246.0	33,763.8	47,792.5
Current expenditures	13,579.0	16,710.8	22,801.2	30,005.5	40,958.6
Capital expenditures	2,409.9	3,240.8	4,307.1	5,227.1	9,939.7
Total expenditures	15,989.0	19,951.5	27,108.3	35,232.6	50,898.4
Operating balance ⁽¹⁾	1,336.9	2,705.5	2,964.2	3,298.8	6,390.3
Overall balance ⁽²⁾	(895.9)	38.6	(862.3)	(1,468.8)	(3,105.8)
Primary balance ⁽³⁾	(655.3)	441.2	(431.6)	(989.8)	(2,327.9)

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, stamp tax and vehicle licensing fees. Of the City's total 2013 revenues, 89.2% were generated locally and 9.8% 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 2009 to 2013. Amounts are presented in nominal pesos. See "Presentation of financial and statistical information".

	Year ended December 31,									
	2009		2010		2011		2012		2013	
	(in millions of pesos and percentages)									
Current revenues:										
City tax revenues										
Turnover tax	P\$8,817.5	58.4%	P\$11,515.1	57.6%	P\$16,227.3	61.8%	P\$20,913.3	61.9%	P\$30,155.7	63.1%
Property tax	1,323.4	8.8	1,328.6	6.6	1,426.8	5.4	2,669.1	7.9	3,944.1	8.3
Vehicle licensing fees	912.9	6.0	1,005.4	5.0	1,282.2	4.9	1,506.5	4.5	1,968.1	4.1
Stamp tax	785.4	5.2	1,297.7	6.5	1,699.5	6.5	1,774.0	5.3	2,561.7	5.4
Subway development contributions ⁽¹⁾										
Law No. 23,514	131.4	0.9	150.6	0.8	177.8	0.7	231.7	0.7	316.5	0.7

	Year ended December 31,									
	2009		2010		2011		2012		2013	
	(in millions of pesos and percentages)									
Law No. 4,472 ...	—	—	—	—	—	—	—	—	547.2	1.1
Tax deferred payment plans revenues	436.2	2.9	846.4	4.3	552.3	2.1	578.6	1.7	653.6	1.4
Other City tax revenues	155.8	1.0	219.2	1.1	257.8	1.0	277.4	0.8	321.6	0.7
Total City tax revenues.....	12,562.6	83.2	16,363.0	81.9	21,623.8	82.4	27,950.5	82.8	40,468.4	84.7
City non-tax revenues										
Rights payments.....	160.3	1.1	112.6	0.6	167.1	0.6	185.3	0.5	515.4	1.1
Sales of goods and services.....	71.5	0.5	113.8	0.6	149.4	0.6	212.8	0.6	229.8	0.5
Other City non-tax revenues	461.3	3.1	633.8	3.2	909.4	3.5	1,087.0	3.2	1,435.7	3.0
Total City non-tax revenues	693.1	4.6	860.2	4.3	1,225.9	4.7	1,485.1	4.4	2,180.9	4.6
Total City sourced revenues.....	13,255.7	87.8	17,223.2	86.2	22,849.7	87.1	29,435.6	87.2	42,649.3	89.2
Federal transfers										
Federal tax co-participation payments	1,443.1	9.5	1,927.0	9.6	2,570.7	9.8	3,254.5	9.6	4,219.8	8.8
Other Federal transfers.....	217.2	1.4	266.2	1.3	345.0	1.3	614.2	1.8	479.8	1.0
Total Federal transfers	1,660.3	11.0	2,193.2	11.0	2,915.7	11.1	3,868.7	11.5	4,699.6	9.8
Total current revenues.....	14,916.0	98.8	19,416.3	97.1	25,765.4	98.2	33,304.3	98.6	47,348.9	99.1
Capital revenues:										
Asset sales, etc.....	177.1	1.2	573.8	2.9	480.7	1.8	459.5	1.4	443.6	0.9
Total revenues.....	<u>P\$15,093.1</u>	<u>100.0%</u>	<u>P\$19,990.2</u>	<u>100.0%</u>	<u>P\$26,246.0</u>	<u>100.0%</u>	<u>P\$33,763.8</u>	<u>100.0%</u>	<u>P\$47,792.5</u>	<u>100.0%</u>

Note:—

(1) Subway development contributions are comprised of funds earmarked for these purposes by Federal Law No. 23,514 and, commencing in 2013, under the Subway Law. See “—Subway development contributions”.

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

City tax revenues

City tax revenues contributed P\$40,468.4 million and accounted for 84.7% of total City revenues in 2013. The City’s principal taxes are its turnover tax, property tax, vehicle licensing fees and stamp tax.

Turnover tax

Turnover tax contributed P\$30,155.7 million and accounted for 74.5% of total City tax revenues in 2013.

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 transfers — 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 by 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 in 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 3,900 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 2009-2013 period, turnover tax receipts increased each year 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. With effect from August 1, 2010, the Legislature increased the turnover tax rate applicable to large taxpayers from 3.0% to 3.75%. The higher tax rate, combined with higher price levels and improved levels of economic activity resulted in turnover tax receipts increasing by 30.6% to P\$11,515.1 million in 2010 from P\$8,817.5 million in 2009, by 40.9% to P\$16,227.3 million in 2011 and by 28.9% to P\$20,913.3 million in 2012. On December 14, 2012, the Legislature increased the turnover tax rate applicable to, among others, financial, insurance and telephone companies from 6.0% to 7.0%. This increase, combined with higher price levels and sustained levels of economic activity resulted in turnover tax collections increasing by 44.2% to P\$30,155.7 million in 2013.

Property tax

Property tax contributed P\$3,944.1 million and accounted for 9.7% of total City tax revenues in 2013.

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.

On November 24, 2011, the Legislature amended the regime pursuant to which this tax is levied following a draft bill submitted by the City administration. The revisions, which came into effect on January 1, 2012, were aimed at ensuring that the tax is levied on a more fair and equitable basis while increasing the amount of aggregate tax collections. The amendments provided a mechanism to ensure the reference value of the properties more closely follows market values (including a procedure to adjust such reference values on a yearly basis) and created new categories to reflect the value of amenities such as gyms and swimming pools, which previously were not included in valuations and increased certain tax rates. The regime included limits to the increases resulting from such amendments, including that the amount of property tax due cannot in any event exceed 1.0% of the market value of the property. Property tax receipts increased by 4.0% from P\$1,323.4 million in 2009 to P\$1,328.6 million in 2010, by 7.4% to P\$1,426.8 million in 2011 and then increased substantially by 87.1% to P\$2,669.1 million in 2012 and by 47.8% to P\$3,944.1 million in 2013, mainly as a result of the increase in reference values implemented by the 2011 amendments to this tax.

On June 26, 2014, the Legislature passed Law No. 5,016, under which it approved a maximum increase of 30% in property taxes for 2015 over the property taxes collected in 2014.

Vehicle licensing fees

Vehicle licensing fees contributed P\$1,968.1 million and accounted for 4.9% of total City tax revenues in 2013. Vehicle licensing fees are annual fees imposed on passenger vehicles, trucks and buses and are levied on the market value of the vehicle. Vehicles that have been registered for more than 13 years and have a market value of less than P\$30,000.0 are exempted from these fees. In addition, the Subway Law increased the rates of the vehicle licensing fees of vehicles considered as of a high category, with a fiscal valuation over P\$150,000.0 to a range between 3.2% and 5.0% of the value of the vehicle with effect from the 2013 fiscal year, with the additional revenue reflected under "Subway development contributions" required to be used in the operation and development of the subway system (P\$37.5 million in 2013).

Vehicle licensing fees increased by 10.1% from P\$912.9 million in 2009 to P\$1,005.4 million in 2010, by 27.5% to P\$1,282.2 million in 2011, by 17.5% to P\$1,506.5 million in 2012 and by a further 30.6% to P\$1,968.1 million in 2013 as a result of the combined effect of higher vehicle registration rates, increase in prices of cars, improved levels of tax compliance and, for 2013, increased rates at which these fees are levied.

Stamp tax

Stamp tax revenues contributed P\$2,561.7 million and accounted for 6.3% of total City tax revenues in 2013. 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. In addition, the Subway Law increased the rates of this tax applicable to the purchase of new or used cars with effect from the 2013 fiscal year, with the additional revenue (P\$438.3 million in 2013) required to be used in the operation and development of the subway system. The tax is levied at a general rate of 1.0% of the value of the contract or transaction, except in the case of transfers of real estate where the tax rate is 3.6% of the value of the conveyance, the rental of commercial real estate, where the tax rate is 0.5% of the greater of (i) the minimum annual potential rent value as established by the City's tax administration and (ii) the annual rent provided for in the lease agreement, monetary transactions where the tax rate is 1.2% of the value of the transaction, and transfers of vehicles located or to be located within the City where, in 2013, the tax rate was 1.0% (which tax rate was increased to 3.0% in 2014) of the value of new vehicles and 3.0% of the value of used vehicles. Pursuant to the Subway Law, starting in the 2013 fiscal year a portion of stamp tax collections are earmarked to fund the operation and development of the subway system (P\$438.3 million in 2013, reflected under “—Subway development contributions”).

Stamp tax revenues increased by 65.2% from P\$785.4 million in 2009 to P\$1,297.7 million in 2010, mainly as a result of the significant number of real estate transfers taking place in the City in such year. Stamp tax collections increased by 31.0% to P\$1,699.5 million in 2011 and by 4.4% to P\$1,774.0 million in 2012. In 2013, with improved levels of economic activity, higher price levels and the effect of the increase in the tax rate for the transfer of vehicles (to 1.0% from no tax in the case of new vehicles and to 3.0% from 1.5% in the case of used vehicles), stamp tax revenues increased by 44.4% to P\$2,561.7 million. In 2014, the tax rate in respect of new vehicles increased to 3.0% of the value of new vehicles.

Subway development contributions

Funds earmarked for subway development contributions were P\$863.7 million and accounted for 2.1% of total City tax revenues in 2013. 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 since the mid-1980s. The amounts must be used in the development of subway infrastructure. With effect from the 2013 fiscal year, under the Subway Law a portion of stamp taxes, vehicle licensing fees and 10.0% of toll road collections by AUSA (which represented P\$71.4 million in 2013) are required to be used in the operation and development of the subway system and are therefore reflected under subway development contributions.

Other City tax revenues

Other locally-sourced tax revenues were P\$321.6 million and accounted for 0.8% of total City tax revenues in 2013. 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 in collecting taxes levied on its residents. The City estimates that in 2013, approximately 33.0% of turnover taxes, 19.0% of property taxes and 19.0% of vehicle licensing fees which should have been collected were not collected.

The City has taken a number of measures aimed at improving tax collections, including recently creating an agency with overall responsibility for revenue collections, economic statistics and fiscal relations (the “AGIP”) and endeavouring to make sure that it has sufficient personnel so that taxes can be collected. At the date of this Offering Circular, the City had approximately 400 tax inspectors. In 2010, the City hired 250 new tax inspectors, most of whom had university degrees, through a merit-based selection process. In addition, the City reviewed its computer and security systems and implemented a new information management system to supervise the tax collection process. The City also 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, via the Internet and, in certain cases, without the need for a tax determination certificate. The City, through AGIP, has carried out specifically targeted and publicly announced tax inspections primarily

aimed at verifying turnover tax declarations and improving collections of this tax and expanded 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. In addition, AGIP monitors tax compliance and is in charge of notifying taxpayers of any potential non-compliance of their obligations.

The City has a unit focused on monitoring tax compliance of approximately 8,000 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 make from smaller businesses (which, due to their number, are more difficult to monitor) and, recently, the implementation of systems for on-line self-assessment of turnover taxes.

All tax enforcement proceedings by the City are substantiated before City courts with specific jurisdiction over tax and administrative matters. As of December 31, 2013, the City had initiated proceedings against over 160,000 taxpayers, which proceedings involved an aggregate amount of P\$1,900.0 million.

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 (except in 2010) contemplated any waiver of the amounts claimed by the City. The measures implemented by the City in recent years to improve tax collections 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\$436.2 million in 2009, P\$846.4 million in 2010, P\$552.3 million in 2011, P\$578.6 million in 2012 and P\$653.6 million in 2013.

City non-tax revenues

City non-tax revenues contributed P\$2,180.9 million and accounted for 4.6% of total City revenues in 2013. 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\$515.4 million or 23.6% of total City non-tax revenues in 2013, and principally comprised 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, which was mainly comprised of 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\$229.8 million in 2013, representing 10.5% of total City non-tax revenues in 2013.

Other City non-tax revenues

Other non-tax revenues were P\$1,435.7 million or 65.8% of total City non-tax revenues in 2013. Other non-tax revenues principally comprised gaming-related receipts (P\$376.0 million), fines levied mainly in respect of driving and parking infringements and other misdemeanours (P\$346.7 million) and interest income received by the City on its cash holdings at Banco de la Ciudad (P\$140.2 million).

Federal transfers

Federal transfers contributed P\$4,699.6 million and accounted for 9.8% of total City revenues in 2013. The transfers were comprised of Federal tax co-participation payments of P\$4,219.8 million and other Federal transfers of P\$479.8 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 received its share of co-participation payments (1.4%) automatically from the Federal Government, acting through Banco Nación 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 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 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%.

Federal tax co-participation payments received by the City increased by 33.5% from P\$1,443.1 million in 2009 to P\$1,927.0 million in 2010, by 33.4% to P\$2,570.7 million in 2011, by 26.6% to P\$3,254.5 million in 2012 and by 29.7% to P\$4,219.8 million in 2013.

Other Federal transfers

Other Federal transfers amounted to P\$479.8 million in 2013 and mainly included P\$272.5 million from a subsidy to professional education in the City, P\$65.8 million from a subsidy to housing construction in the City and P\$27.6 million from a share of the taxes levied by the Federal Government in relation to gambling activities in premises located in the City. In addition, other Federal transfers in 2012 included P\$187.2 million the City received from the Federal Government in connection with the transfer of the subway system to the City. These transfers did not reoccur in 2013.

Capital Revenues

Capital revenues amounted to P\$443.6 million in 2013, or 0.9% of the City's total revenues in that year. Pursuant to the provisions of Federal Decree No. 206 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 "capital revenue" of the City. In 2013 these transfers amounted to P\$229.8 million. In addition, the City records under this account proceeds from the sale by the City of assets, such as three plots of land it owned in the Catalinas business district in 2010 for P\$277.0 million, and 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 2009 to 2013. Amounts are presented in nominal pesos. See "Presentation of financial and statistical information".

	Year ended December 31,									
	2009		2010		2011		2012		2013	
	(in millions of pesos and percentages)									
Current expenditures:										
Personnel.....	P\$8,112.0	50.7%	P\$9,805.7	49.1%	P\$13,264.6	48.9%	P\$17,340.6	49.2%	P\$23,215.4	45.6%
Non-personnel services.....	2,764.6	17.3	3,575.8	17.9	5,078.2	18.7	7,019.4	19.9	9,283.9	18.2
Consumption of goods.....	462.0	2.9	571.8	2.9	728.0	2.7	875.3	2.5	1,146.3	2.3
Transfers.....	1,999.9	12.5	2,354.8	11.8	3,299.7	12.2	4,291.2	12.2	6,535.1	12.8
Interest.....	240.6	1.5	402.7	2.0	430.6	1.6	479.0	1.4	777.9	1.5
Total current expenditures	13,579.1	84.9	16,710.8	83.8	22,801.2	84.11	30,005.5	85.16	40,958.6	80.5
Capital expenditures:										
Public works.....	2,331.9	14.6	2,925.7	14.7	4,148.3	15.3	5,019.8	14.3	9,262.6	18.2
Other ⁽¹⁾	78.0	0.5	315.1	1.6	158.9	0.6	207.3	0.6	677.1	1.3
Total capital expenditures.	2,409.9	15.1	3,240.8	16.2	4,307.1	15.9	5,227.1	14.8	9,939.7	19.5
Total expenditures.....	<u>P\$15,989.0</u>	<u>100.0%</u>	<u>P\$19,951.6</u>	<u>100.0%</u>	<u>P\$27,108.3</u>	<u>100.0%</u>	<u>P\$35,232.6</u>	<u>100.0%</u>	<u>P\$50,898.4</u>	<u>100.0%</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 2009 to 2013. Amounts are presented in nominal pesos. See "Presentation of financial and statistical information".

	Year ended December 31,				
	2009	2010	2011	2012	2013
	(in millions of pesos)				
Government:					
Legislative branch.....	P\$259.7	P\$312.4	P\$462.3	P\$699.3	P\$987.1
Judicial branch.....	538.7	750.6	1,108.4	1,555.3	2,282.7
Executive branch.....	524.5	724.7	977.9	1,132.1	1,999.2
Revenue service.....	451.1	581.7	749.6	1,206.9	1,140.7
Other.....	160.1	214.3	305.4	414.6	590.1
Total government.....	1,934.1	2,583.7	3,603.5	5,008.2	6,999.8
Security Services:					
Internal security.....	574.9	715.9	1,042.6	1,590.6	2,151.1
Total security services.....	574.9	715.9	1,042.6	1,590.6	2,151.1
Social Services:					
Education.....	4,416.8	5,306.2	7,460.0	9,391.0	11,889.2
Health.....	3,812.0	4,379.2	6,138.6	8,086.4	10,494.5
Social promotion.....	1,157.5	1,438.0	1,998.2	2,380.0	3,778.9
Culture.....	653.6	733.7	1,046.4	1,218.9	1,922.7
Housing.....	301.6	305.9	502.9	905.1	1,022.5
Other.....	349.5	565.1	671.3	567.3	663.6
Total social services.....	10,691.0	12,728.1	17,817.2	22,548.7	29,771.4
Economic Services:					
Transport.....	218.4	523.1	883.1	788.9	4,328.6
Urban services.....	1,883.2	2,290.0	2,655.3	3,850.4	5,530.2
Other.....	437.2	664.6	670.6	951.4	1,315.1
Total economic services.....	2,538.8	3,477.7	4,208.9	5,590.7	11,173.9
Interest ⁽¹⁾	250.1	446.2	436.1	494.4	802.3
Expenditures pending allocation.....	—	—	—	—	—
Total expenditures.....	P\$15,989.0	P\$19,951.6	P\$27,108.3	P\$35,232.6	P\$50,898.4

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 that together accounted for 44.0% of the City's total expenditure in 2013 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 34 public hospitals, one public health institute and 45 community health and action centres.

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 Government's police force (the provision of which services was discontinued by the Federal Government as from April 5, 2011) and the City's security force, which the City is in the process 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, 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\$23,215.4 million, or 56.7% of the City's total current expenditures, in 2013. 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, 2014 was 58.0% 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 Argentina's 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 performed by City courts and by the security force that the City has developed for service.

In 2009, the City 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 had not been included in their basic salaries until then). In addition, in October 2009, the City announced the hiring, effective January 1, 2010, as permanent employees of 16,451 independent contractors (of which it ended up hiring approximately 96.0% of them). Personnel expenditures during 2009 increased by 23.3% to P\$8,112 million.

In March 2010, the City promoted all of its employees to the next level of seniority with resulting salary increases. In addition, the City awarded all of its employees an additional P\$300.0 per month, with the first P\$150.0 payable from June 2010, and the balance from October 2010. In addition, the City raised the salaries of employees in the education sector by approximately 26.0% and in the health sector by approximately 31.0%. Personnel expenditure during this year increased by 20.9% to P\$9,805.7 million.

In February 2011, the City awarded all of its central administration employees a 25.0% salary increase and an additional monthly payment of P\$400.0. In addition, the City increased the average salary levels of its

education sector employees by 30.0% and of its health sector employees by 32.0%. Personnel expenditure during this year increased by 35.3% to P\$13,264.6 million.

In February 2012, the City granted to all of its central administration employees an additional P\$300.0 per month, and subsequently, increased their salaries by 16.0% which was implemented in two instalments: 8.0% in April and 8.0% in July. In addition, the City raised the salaries of its employees in the education sector by 30.0% while employees in the health sector which are doctors or residents received an additional P\$300.0 per month, and as from April doctors received an increase of P\$1,300.0 or P\$1,600.0 depending on their category, and residents received an increase of P\$1,000.0. Personnel expenditure during this year increased by 30.7% to P\$17,340.6 million.

In January 2013, the City granted to all of its central administration employees an additional P\$500.0 per month and, subsequently, a salary increase of P\$1,100.0 in two instalments: P\$500.0 in May and P\$600.0 in August. In addition, the City raised the salaries of its employees in the education sector by 20.0% while employees in the health sector received an additional P\$2,000.0, P\$2,400.0, or P\$2,900.0 per month depending on their category and workload and, as from October, salaries were increased by a range from 2.0% to 10.0% depending on category. Residents obtained a salary increase of P\$1,600.0 per month as from April and additional 2.0% as from October. Personnel expenditure during this year increased by 33.9% to P\$23,215.4 million.

In March 2014, the City increased central administration employee salaries by 28.0%, which is to be implemented in three instalments: 16.0% in April, 5.0% in August and 7.0% in November. In addition, the City raised the salaries of its employees in the education sector by approximately 30.0%, which is to be implemented in two instalments: 10.8% in March and 18.9% in August. Furthermore, the City increased health sector salaries by 31.0%, which is to be implemented in three instalments; 19.0% in April, 6.0% in July and 6.0% in September.

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 and 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.

In March 2012 the City administration implemented a voluntary retirement programme for those permanent employees that would become eligible within the subsequent five years. In 2012, 6,163 employees applied to this programme and 1,824 retired pursuant to it. In 2013, 4,113 employees applied to this programme and 628 retired pursuant to it.

The current City Administration has implemented a number of policies aimed at better aligning the availability of its personnel with the demands of its population and providing better career opportunities to its employees. As a result, the growth in employees in recent years has focused in the education and health sectors while at the same time providing staff to the City's newly created police force. In addition, the City implemented a new human resources management system, which has allowed it to streamline and facilitate processes such as the inputting of changes in a unified employee database by the relevant area and the making of appointments of teachers and doctors and resolving possible errors in salary adjustments in a more expedient way. In addition, the City has transferred responsibility for the management of its human resources to the Ministry of Modernisation. The City has also taken measures designed to reduce the relatively high level of absenteeism of its employees (approximately 15% in 2012) by implementing an electronic control system, setting up eight centres for medical check-ups in addition to a central medical centre and implementing domestic medical visits. Furthermore, the City has started providing annual assessments to most of its personnel (in 2012, 88% of its central administration employees were evaluated) and created a "senior management" career with positions being filled through merit-based selection processes (as at September 30, 2014 the City had made 253 appointments to such senior positions).

The following table sets out the number of City employees and positions for each of the five years ended December 31, 2013 and as at September 30, 2014.

	At December 31,										At September 30,	
	2009		2010		2011		2012		2013		2014	
	Emp.	Pos.	Emp.	Pos.	Emp.	Pos.	Emp.	Pos.	Emp.	Pos.	Emp.	Pos.
Central administration....												
Permanent employees ⁽¹⁾	38,884	39,805	47,745	49,069	52,497	53,183	53,272	54,122	52,475	52,663	52,209	52,380
Contracted employees.....	19,566	19,566	4,278	4,271	136	136	235	244	125	125	120	120
Education and health employees ⁽²⁾	66,314	123,160	68,344	131,118	68,560	136,037	69,504	156,429	70,816	145,736	73,168	150,693
Metropolitan Police.....	973	975	1,943	1,946	3,247	3,250	4,336	4,341	4,978	4,979	6,377	6,397
Senior authorities	395	395	339	339	512	515	689	697	708	711	687	691
Senior staff.....	—	—	420	420	437	438	513	514	744	791	799	891
Senior managers.....	75	75	338	338	352	353	413	413	599	637	740	740
Total.....	126,207	183,976	123,407	187,501	125,741	193,912	128,962	216,760	130,445	205,642	134,100	211,912

Notes:—

- (1) Includes as “permanent employees” are (i) administrative employees on assignment to the health department representing, as at September 30, 2014, 21,146 employees and 21,304 positions and (ii) administrative employees on assignment to the education department representing, as at September 30, 2014, 7,572 employees and 7,573 positions.
- (2) As at September 30, 2014, education and health employees represented 51,618 employees and 126,798 positions in education and 21,550 employees and 23,895 positions in health.

Source: Ministry of Modernisation 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, “Senior staff” consists 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 and “Senior managers” consist of permanent employees with senior management responsibilities. “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 in the central administration increased from 183,976 at December 31, 2009 to 211,912 at September 30, 2014, a 15.3% increase, while the number of City employees increased during the same period by 6.5%, from 126,207 to 134,100. 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

As of the date of this Offering Circular, health and education workers represented the most highly unionised employees, with unionized employees representing approximately 70.0% and 39.0% of such areas, respectively. Approximately 64.0% of administrative workers are affiliated to the Municipal Workers and Employees Union, while education and health workers are affiliated to several trade unions.

The City 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. In addition, during 2010 and 2011 the City faced a number of collective actions taken by employees in the Colón Theatre and in certain of its

hospitals. In addition, the City's teachers held strikes during three days in October 2011 and two days in each of November 2011 and March 2014.

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\$9,283.9 million, or 22.7% of the City's total current expenditures, in 2013. 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 2013 amounted to P\$2,635.0 million. For purposes of garbage collection, the City is divided into six areas, five of which are serviced by contractors and the remaining area being serviced by City employees. Garbage collection contracts expired in 2011 and, in the first quarter of 2014 the City awarded new 10-year contracts to independent contractors for the provision of such services, pursuant to which the City has agreed to fund the purchase of new equipment to be used by such contractors. Services are expected to commence under such contracts in October 2014.

Other significant expenditures under non-personnel services in 2013 were the provision of services by independent contractors pursuant to temporary contracts (P\$1,141.1 million), the provision of meals in the City's schools (P\$687.5 million), advertising (P\$593.3 million), security services provided by private security companies and paid for by the City (P\$477.7 million), provision of meals in the City's hospitals (P\$245.4 million), real estate rental payments (P\$138.2 million) and social welfare programmes (P\$104.1 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.

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\$1,146.3 million, or 2.3% of the City's total current expenditures, in 2013. The principal expenditures in this category in 2013 were on medicines (P\$321.9 million), surgical and laboratory equipment for the City's hospitals (P\$225.9 million) and other medical supplies (P\$203.8 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 also conducts on-line bids and centralised purchase orders that result in an increase in the number of registered suppliers and a reduction in the time and costs involved in certain of its tenders.

Transfer payments

In 2013, transfer payments amounted to P\$6,535.1 million, or 16.0% of current expenditures, of the City. Transfer payments by the City in 2013 principally included subsidies paid to the private education system of the City in the form of supplemental remuneration to teachers (P\$1,836.0 million), transfers to Metrovias in connection with subway system operation and development (P\$1,116.3 million), the cost of the *Ciudadanía Porteña* social assistance programme (P\$554.3 million), transfers to the non-profit organisation which operates the Garrahan paediatric hospital (50.0% owned by each of the City and the Federal Government) (P\$637.6 million) and other transfers to vulnerable sectors of the population such as the elderly or those inhabitants affected by flooding (P\$913.0 million). In accordance with the agreement entered into by the City and the Federal Government, during 2012 the City was obligated to transfer P\$187.2 million to Metrovias, although the City had at the time not taken over the regulation and supervision of the subway concession. Such funds were applied to subway station refurbishment.

Interest

Interest on the City's indebtedness is accounted for as a 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.

The City uses 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.

After taking office in December 2007, the current City administration implemented an ambitious capital expenditure programme principally aimed at recovering and expanding the City's public infrastructure. In 2009, in line with the uncertainties arising from the global financial crisis and the resulting budgetary constraints, capital expenditures decreased by 8.3% to P\$2,409.9 million.

Once the budgetary constraints receded in 2010, the City increased its capital expenditures by 34.5% to P\$3,240.8 million. This trend continued in subsequent years, with the City increasing its capital expenditures by 32.9% to P\$4,307.1 million in 2011, by 21.4% to P\$5,227.1 million in 2012 and by 90.2% to P\$9,939.7 million in 2013.

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

Primary public works capital expenditure items in 2013 included renovation and construction of transport infrastructure, primarily consisting of the expansion of the subway network (P\$1,956.2 million), road construction and maintenance (P\$892.6 million), school construction and upgrade (P\$798.5 million), health related projects, such as the renovation of hospitals (P\$574.3 million), the upgrade of public parks (P\$487.6 million), public housing development through the City's Housing Institute (P\$374.6 million), investment in cultural activities (P\$169.6 million) and construction of flood prevention and water drainage infrastructure (P\$145.0 million).

In addition, the City records as a capital expenditure the cost of a contract it has with Coordinación Ecológica Area Metropolitana S.E. ("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 this project to benefit 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\$333.6 million of capital expenditure in 2013.

Other principal capital expenditures in 2013 consisted of the provision of mortgage loans by the City Housing Institute (P\$74.4 million) and transfers to Corporación Buenos Aires Sur (P\$26.6 million).

2014 AND 2015 BUDGETS

Introduction

The City's 2014 and 2015 budgets are based on a series of projections and estimates regarding Argentina's and the City's economy, revenues and expenditures and inflation. The 2014 and 2015 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 2014 revenues and expenditures and 2015 revenues and expenditures could differ materially from the projected revenues and expenditures contained in the 2014 budget and the 2015 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 of the previous year. Budgets are required to be prepared by the executive branch for presentation to, and approval by, the Legislature. 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.

On December 4, 2003, the Head of Government enacted Decree No. 2,368 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. As at September 30, 2014, the City had U.S.\$4.7 million (P\$39.5 million using the applicable exchange rate) 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 (excluding capital expenditures) 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 submitted to the Council its 2005, 2006, 2007 and 2008 budgets and statements and the Council found them to be generally in compliance with the Federal Fiscal Responsibility Law. On November 26, 2009, the 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, although it believes the 2014 budget and the 2015 budget are in substantial compliance with such law's substantive requirements.

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 2014 budget and the 2015 budget is in substantial compliance with the requirements of the Federal Education Financing Law.

The 2014 and 2015 budgets

The following table sets out a summary of estimated revenues and expenditures contained in the City's 2014 and 2015 budgets. The City's actual revenues and expenditures for 2013 are also included for comparison purposes. All amounts are stated in nominal pesos. See "Presentation of financial and statistical information".

	Year ended December 31, 2013		Year ending				Var %	
			December 31, 2014 ⁽¹⁾		December 31, 2015 ⁽²⁾		2014/13	2015/14
(in millions of pesos and percentages)								
Current revenues:								
City tax revenues								
Turnover tax	PS30,155.7	63.1%	PS42,582.8	63.5%	PS54,125.2	64.2%	41.2%	27.1%
Property tax	3,944.1	8.3	4,140.1	6.2	5,093.6	6.0	5.0	23.0
Vehicle licensing fees	1,968.1	4.1	2,577.7	3.8	3,428.4	4.1	31.0	33.0
Stamp tax	2,561.7	5.4	3,463.4	5.2	4,569.8	5.4	35.2	31.9
Subway development contributions								
Law No. 23,514	316.5	0.7	403.9	0.6	520.0	0.6	27.6	28.7
Law No. 4,472	547.2	1.1	693.8	1.0	902.5	1.1	26.8	30.1
Tax deferred payment plans revenues	653.6	1.4	1,252.6	1.9	1,393.6	1.7	91.7	11.3
Other City tax revenues	321.6	0.7	643.0	1.0	704.8	0.8	99.9	9.6
Total City tax revenues	40,468.4	84.7	55,757.3	83.2	70,738.0	83.9	37.8	26.9
City non-tax revenues	2,180.9	4.6	2,984.9	4.5	3,813.0	4.5	36.9	27.7

	Year ended December 31, 2013		Year ending				Var %	
			December 31, 2014 ⁽¹⁾		December 31, 2015 ⁽²⁾		2014/13	2015/14
(in millions of pesos and percentages)								
Federal transfers:								
Federal tax co-participation payments	4,219.8	8.8	6,207.0	9.3	7,763.3	9.2	47.1	25.1
Other Federal transfers.....	479.8	1.0	577.3	0.9	652.3	0.8	20.3	13.0
Total Federal transfers.....	4,699.6	9.8	6,784.3	10.1	8,415.6	10.0	44.4	24.0
Total current revenues	47,348.9	99.1	65,526.6	97.8	82,966.6	98.4	38.4	26.6
Capital revenues	443.6	0.9	1,489.6	2.2	1,317.8	1.6	235.8	(11.5)
Total revenues	47,792.5	100.0	67,016.2	100.0	84,284.4	100.0	40.2	25.8
Current expenditures:								
Personnel.....	23,215.4	45.6	31,129.3	45.3	39,033.2	45.6	34.1	25.4
Non-personnel services.....	9,283.9	18.2	13,431.2	19.6	18,133.6	21.2	44.7	35.0
Consumption of goods	1,146.3	2.3	1,739.6	2.5	2,094.3	2.4	51.8	20.4
Transfers	6,535.1	12.8	8,253.1	12.0	10,204.8	11.9	26.3	23.6
Interest	777.9	1.5	1,554.3	2.3	2,404.8	2.8	99.8	54.7
Total current expenditures.....	40,958.6	80.5	56,107.5	81.7	71,870.8	83.9	37.0	28.1
Capital expenditures								
Public works	9,262.6	18.2	10,965.8	16.0	12,241.9	14.3	18.4	11.6
Other	677.1	1.3	1,627.9	2.4	1,567.9	1.8	140.4	(3.7)
Total capital expenditures	9,939.7	19.5	12,593.7	18.3	13,809.8	16.1	26.7	9.7
Total expenditures.....	PS50,898.4	100.0%	PS68,701.2	100.0%	PS85,680.6	100.0%	35.0%	24.7%

Note:—

- (1) Composed of the 2014 budgeted figures approved by the Legislature on November 28, 2013 and the revisions made thereto on June 26, 2014, pursuant to Law No. 4,809 and Law No. 5,015, respectively.
- (2) Composed of the 2015 budgeted figures approved by the Legislature on December 11, 2014 pursuant to Law No. 5,239.

Sources: 2014 budget, 2015 budget, Budget Office, Office of Public Debt and Accounting Office of the City.

The following table sets out different balances resulting from the actual 2013 and estimated 2014 and 2015 revenues and expenditures of the City and debt amortisation for each such year. See “Presentation of financial and statistical information”.

	Year ended December 31, 2013	Year ending	
		December 31, 2014 ⁽¹⁾	December 31, 2015 ⁽²⁾
(in millions of pesos)			
Balances:			
Operating balance ⁽³⁾	PS\$6,390.3	PS\$9,419.0	PS\$11,095.8
Overall balance ⁽⁴⁾	(3,105.8)	(1,685.1)	(1,396.3)
Primary balance ⁽⁵⁾	(2,327.9)	(130.8)	1,008.6
Debt amortisation	454.6	2,326.4	6,621.8

Notes:—

- (1) 2014 budget.
- (2) 2015 budget.
- (3) Current revenues less current expenditures.
- (4) Total revenues less total expenditures.
- (5) Overall balance plus interest expense.

Sources: 2014 budget, 2015 budget, Budget Office, Office of Public Debt and Accounting Office of the City.

2014 and 2015 budget commentary

The 2014 budget was approved by the Legislature on November 28, 2013 and revised on June 26, 2014, pursuant to Law No. 4,809 and Law No. 5,015, respectively. The 2015 budget was approved by the Legislature on December 11, 2014 pursuant to Law No. 5,239.

2014 budget assumptions

The 2014 budget is based on a series of projections and estimates regarding Argentina's and the City's economy, revenues and expenditures and inflation.

The 2014 budget included an estimated P\$67,016.2 million of total revenues and an estimated P\$68,701.2 million of total expenditures. Accordingly, the 2014 budgets estimated a deficit of P\$1,685.1 million in the City's overall balance. The 2014 budget included P\$1,554.3 million in interest expenses and P\$2,326.4 million of debt repayment.

The following are the principal assumptions on which the original 2014 budget was based: The City expected an increase in the City's real GDP of 1.0%, lower than the 4.0% estimated by the Federal Government in the preparation of its 2014 budget, general prices in the economy would increase by an estimated 24.0%, 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 and the average exchange rate between the peso and the U.S. dollar is expected to be P\$6.90 per U.S. dollar. The amendments to the 2014 budget introduced by Law No. 5,015 reflected changes to these assumptions resulting from actual changes to certain of these variables since the time the draft 2014 budget had been prepared.

The 2014 budget estimated tax collection by the City to increase by 37.8% to P\$55,757.3 million in 2014 from P\$40,468.4 million of collections in 2013. The 2014 budget estimated that turnover tax collections would increase by 41.2% to P\$42,582.8 million in 2014 from P\$30,155.7 million of collections in 2013, in line with the expected general increase in prices. The 2014 budget estimated that property tax collections would increase by 5.0% to P\$4,140.1 million in 2014 from P\$3,944.1 million received in 2013. The 2014 budget assumed that vehicle licensing fees would be adjusted in line with the increase in market prices of vehicles registered in Argentina in 2013 and that the number of vehicles subject to these fees would continue to grow resulting in a 31.0% increase in collections of this fee to P\$2,577.7 million in 2014 from P\$1,968.1 million received in 2013. Stamp tax collections were expected to increase by 35.2% to P\$3,463.4 million in 2014 from P\$2,561.7 million of such collections in 2013, principally driven by increased values of the taxable instruments. Subway development contributions were expected to increase by 27.1% to P\$1,097.7 million in 2014 from P\$863.7 million in 2013, principally driven by increased contributions from stamp tax.

The 2014 budget estimated that City non-tax revenues would increase by 36.9% to P\$2,984.9 million in 2014 from P\$2,180.9 million of non-tax revenues in 2013.

The City assumed that the level of tax co-participation payments would be P\$6,207.0 million in 2014, a 47.1% increase from the P\$4,219.8 million received in 2013, in line with the Federal Government's projections of tax collections. These payments are made pursuant to the agreement between the City and the Federal Government dated December 12, 2002, under 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 2014 budget estimated capital revenues of P\$1,489.6 million, a 235.8% increase from P\$443.6 million of such revenues in 2013, mainly as a result of the planned divestiture of City buildings no longer in use.

The 2014 budget provided for personnel expenditures of P\$31,129.3 million, a 34.1% increase from P\$23,215.4 million spent in 2013. The 2014 budget took into account the salary increases granted through June 1, 2014 to employees of the City. The cost of non-personnel services was expected to increase by 44.7% to P\$13,431.2 million in 2014 from P\$9,283.9 million spent in 2013, mainly as a result of an expected increase in amounts payable by the City in respect of garbage collection contracts, which the City expected to be P\$3,373.0 million in 2014, compared to a P\$2,635.0 million expenditure in 2013, reflecting the renegotiation of these contracts in 2014, and an expected increase in amounts payable to independent contractors pursuant to temporary contracts, which the City expected would be P\$1,397.5 million in 2014, compared to a P\$1,141.1 million expenditure in 2013. Consumption of goods was estimated to increase by 51.8% to P\$1,739.6 million in 2014 from P\$1,146.3 million spent in 2013, mainly attributable to the higher quantities and prices of pharmaceutical drugs and other medical supplies used in the City hospitals, a majority of which are imported or re-priced by reference to the U.S. dollar. Transfers were expected to increase by 26.3% to P\$8,253.1 million from P\$6,535.1 million spent in 2013, mainly as a result of an expected increase in transfers to private sector schools, which the City expected would be P\$2,017.6 million in 2014, compared to a P\$1,836.0 million expenditure in 2013, transfers to Metrovias in connection with the operation and development of the subway system, which the City expected would be P\$1,010.3 million in 2014, compared to a P\$1,116.3 million expenditure in 2013, an expected increase in transfers to support the City's social assistance programmes, which the City expected would be P\$764.3 million in 2014, compared to a P\$554.3 million expenditure in 2013 and an expected increase in transfers to fund the Garrahan paediatric hospital, which the City expected would be P\$700.0 million in 2014, compared to a P\$637.6 million expenditure in 2013. Interest expense was estimated to amount to P\$1,554.3 million, a 99.8% increase from the P\$777.9 million expenditure recorded in 2013, mainly as a result of the combined effect of a higher exchange rate in 2014, an increase in the level of the City's interest accruing indebtedness and the higher average cost of such indebtedness.

The 2014 budget contemplated an increase of 26.7% in capital expenditures to an estimated P\$12,593.7 million in 2014 from a P\$9,939.7 million expenditure in 2013. Main items of capital expenditure in 2014 consisted of subway network expansion (P\$1,732.7 million), school construction and upgrade (P\$700.9 million), road construction and maintenance (P\$679.0 million), health related projects, such as the renovation of hospitals (P\$548.8 million), public housing development through the City's Housing Institute (P\$529.0 million), the construction of flood prevention and water drainage infrastructure (P\$436.1 million), the CEAMSE contract (P\$329.1 million), parks conservation (P\$359.9 million) and investment in cultural activities (P\$178.9 million).

The overall balance of the City's 2014 budget was expected to be a deficit of P\$1,685.1 million, compared to a 2013 deficit of P\$3,105.8 million. The City expected to finance such deficit with existing liquidity (P\$858.3 million as at December 31, 2013) and the incurrence of debt.

Nine months ended September 30, 2014 compared to nine months ended September 30, 2013

The following table sets out certain of the City's estimated revenues and expenditures and resulting balances for the nine months ended September 30, 2014 and actual revenues and expenditures and resulting balances for the nine months ended September 30, 2013 for comparison purposes. See "Presentation of financial and statistical information".

Nine months ended September 30,		Var %
2013	2014 ⁽¹⁾	September 2014/13
(in millions of pesos and percentages)		

Current revenues:

City tax revenues

	Nine months ended September 30,				Var %
	2013		2014 ⁽¹⁾		September 2014/13
	(in millions of pesos and percentages)				
Turnover tax.....	P\$22,124.5	63.4%	P\$29,378.4	63.1%	32.8%
Property tax.....	2,927.3	8.4	3,962.1	8.5	35.3
Vehicle licensing fees.....	1,400.7	4.0	1,786.0	3.8	27.5
Stamp tax.....	1,839.5	5.3	2,551.1	5.5	38.7
Subway development contributions					
Law No. 23,514.....	225.6	1.6	316.1	0.7	40.1
Law No. 4,472.....	317.7	0.9	717.1	1.5	125.7
Tax deferred payment plan revenues.....	484.3	1.4	688.4	1.5	42.2
Other City tax revenue.....	227.5	0.7	250.6	0.5	10.1
Total City tax revenues.....	29,547.1	84.6	39,649.7	85.2	34.2
City non-tax revenues.....	1,559.1	4.5	1,829.1	3.9	17.3
Federal transfers:					
Federal tax – co-participation payments.....	3,071.7	8.8	4,157.4	8.9	35.3
Other Federal transfers.....	389.1	1.1	414.7	0.9	6.6
Total Federal transfers.....	3,460.7	9.9	4,572.1	9.8	32.1
Total current revenues.....	34,566.9	99.0	46,051.0	99.0	33.2
Capital revenues.....	354.6	1.0	478.5	1.0	34.9
Total current and capital revenues.....	P\$34,921.5	100.0%	P\$46,529.5	100.0%	33.2%
Current expenditures:					
Personnel.....	16,252.3	44.7	21,093.4	45.1	29.8
Non-personnel services.....	6,839.0	18.8	9,792.7	21.0	43.2
Consumption of goods.....	855.7	2.4	1,240.6	2.7	45.0
Transfers.....	4,609.0	12.7	5,442.8	11.6	18.1
Interest.....	653.4	1.8	1,111.3	2.4	70.1
Total current expenditures.....	29,209.3	80.4	38,680.7	82.8	32.4
Capital expenditures:					
Public works.....	6,514.6	17.9	6,649.5	14.2	2.1
Other.....	609.9	1.7	1,399.4	3.0	129.4
Total capital expenditures.....	7,124.5	19.6	8,049.0	17.2	13.0
Total expenditures.....	P\$36,333.8	100.0%	P\$46,729.7	100.0%	28.6%
Operating balance ⁽²⁾	5,357.7		7,370.2		
Overall balance ⁽³⁾	(1,412.3)		(200.2)		
Primary balance ⁽⁴⁾	(758.9)		911.0		

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 2014 show actual City tax collections of P\$39,649.7 million, a 34.2% increase from the P\$29,547.1 million received in the first nine months of 2013. The City estimates that turnover tax collections during the nine months ended September 30, 2014 amounted to P\$29,378.4 million, a 32.8% increase from the P\$22,124.5 million received in respect of this tax during the first nine months of 2013. This increase was principally due to the increased number of large taxpayers subject to a higher tax rate as a result of the tax brackets not being fully adjusted by inflation and the taxable difference resulting from the devaluation of the peso on the holding of foreign currency denominated assets by banks (including Banco de la Ciudad). The City estimates that during the first nine months of 2014, it received P\$3,962.1 million of property tax collections, a 35.3% increase in respect of the P\$2,927.3 million received in the first nine months of 2013. The City estimates that collections of vehicle licensing fees amounted to P\$1,786.0 million during the first nine months of 2014, a 27.5% increase with respect to the P\$1,400.7 million received in the first nine months of 2013, principally due to the increase in the price of vehicles more than offsetting the decrease in the number of car registrations. In addition, the City estimates that stamp tax collections during the first nine months of 2014 amounted to P\$2,551.1 million, a 38.7% increase in respect of the P\$1,839.5 million received in the first nine months of 2013, in line with the increased value of taxable instruments being granted in the City, which more than offset the reduced number of such instruments being granted. The City estimates that subway development contributions during the first nine months of 2014 amounted to P\$1,033.1 million, a 90.2% increase in respect of the P\$543.2 million received in the first nine months of 2013, due primarily to an increase in stamp taxes allocable to the Subway Fund from P\$266.4 million during the first nine months of 2013 to an estimated P\$438.8 million received during the first nine months of 2014.

Non-tax revenues are estimated to have increased by 17.3% to P\$1,829.1 million in the first nine months of 2014 from P\$1,559.1 million received in the same period in 2013, mainly as a result of a change in the methodology used to calculate traffic and other fines, which is now set by reference to the price of gasoline. Transfers from the Federal Government are estimated to have increased by 32.1% from P\$3,460.7 million in the first nine months of 2013 to P\$4,572.1 million in the first nine months of 2014, in line with rising Federal tax collections. Capital revenues are estimated to have increased by 34.9% from P\$354.6 million in the first nine months of 2013 to P\$478.5 million in the first nine months of 2014.

Current expenditures are estimated to have been P\$38,680.7 million in the first nine months of 2014, a 32.4% increase from the P\$29,209.3 million recorded during the same period in 2013. Personnel expenditures are estimated to have amounted to P\$21,093.4 million in the first nine months of 2014, a 29.8% increase from the P\$16,252.3 million spent during the first nine months of 2013, as a result of the impact of salary increases that became effective in the second half of 2013 and in 2014. Non-personnel services are estimated to have amounted to P\$9,792.7 million during the first nine months of 2014, a 43.2% increase from the P\$6,839.0 million spent during the first nine months of 2013, as a result of increases in price levels, particularly in the costs of garbage collection contracts. Consumption of goods expenditures are estimated to have amounted to P\$1,240.6 million during the first nine months of 2014, a 45.0% increase from the P\$855.7 million spent during the first nine months of 2013, as a result of the impact of the devaluation of the peso on the cost of drugs and other medical supplies. Transfers by the City to third parties are estimated to have increased by 18.1% to P\$5,442.8 million in the first nine months of 2014, compared with P\$4,609.0 million spent in the first nine months of 2013, mainly as a result of increased subsidies to education, the users of the subway system and other social programmes. During the first nine months of 2014 the City incurred an estimated P\$1,111.3 million in interest expense, an increase of 70.1% compared to the P\$653.4 million spent in the first nine months of 2013, as a result of the impact of the devaluation of the peso on the foreign currency denominated indebtedness of the City.

Capital expenditures are estimated to have increased by 13.0% to P\$8,049.0 million in the first nine months of 2014 from P\$7,124.5 million in the first nine months of 2013, as a result of the implementation of the administration's capital expenditure programme mainly including works in connection with subway expansion (estimated P\$1,242.4 million), school construction and upgrade (estimated P\$751.3 million),

health related projects, such as the renovation of hospitals (estimated P\$505.2 million), road construction and maintenance (estimated P\$428.4 million), conservation of parks (estimated P\$417.4 million), the CEAMSE contract (estimated P\$326.6 million), public housing development through the City's Housing Institute (estimated P\$247.2 million) and the construction of flood prevention works in the City (estimated P\$97.8 million).

Total revenues and expenditures for the first nine months of 2014 are estimated to have been P\$46,529.5 million and P\$46,729.7 million, respectively, resulting in an estimated deficit of P\$200.2 million in the City's overall balance for the first nine months of 2014 compared to total revenues of P\$34,921.5 million, total expenditures of P\$36,333.8 million and a deficit of P\$1,412.3 million in the City's overall balance during the first nine months of 2013.

2015 budget assumptions

The 2015 budget is based on a series of projections and estimates regarding Argentina's and the City's economy, revenues and expenditures and inflation.

The 2015 budget includes an estimated P\$84,284.4 million of total revenues and an estimated P\$85,680.6 million of total expenditures. Accordingly, the 2015 budget estimates a deficit of P\$1,396.3 million in the City's overall balance. The 2015 budget includes P\$2,404.8 million in interest expenses and P\$6,621.8 million of debt repayment.

The following are the principal assumptions on which the original 2015 budget was based: The City expects a decrease in the City's real GDP of approximately 1.0%, compared with the 2.8% increase estimated by the Federal Government in the preparation of its 2015 budget, general prices in the economy shall increase by an estimated 28.0%, 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 and the average exchange rate between the peso and the U.S. dollar is expected to be P\$12.50 per U.S. dollar.

The 2015 budget estimates tax collection by the City to increase by 26.9% to P\$70,738.0 million in 2015 from P\$55,757.3 million of estimated collections in the 2014 budget. The 2015 budget estimates that turnover tax collections will increase by 27.1% to P\$54,125.2 million in 2015 from P\$42,582.8 million of estimated collections in the 2014 budget, in line with the expected general increase in prices. The 2015 budget estimates that property tax collections will increase by 23.0% to P\$5,093.6 million in 2015 from P\$4,140.1 million estimated in the 2014 budget. The 2015 budget assumes that vehicle licensing fees will be adjusted in line with the increase in market prices of vehicles registered in Argentina in 2014 and that the number of vehicles subject to these fees will continue to grow resulting in a 33.0% increase in collections of this fee to P\$3,428.4 million in 2015 from P\$2,577.7 million of estimated collections in the 2014 budget. Stamp tax collections are expected to increase by 31.9% to P\$4,569.8 million in 2015 from P\$3,463.4 million of estimated collections in the 2014 budget, principally driven by increased values of the taxable instruments. Subway development contributions are expected to increase by 29.6% to P\$1,422.5 million in 2015 from P\$1,097.7 million estimated in the 2014 budget, principally driven by increased contributions from stamp tax.

The 2015 budget estimates that City non-tax revenues will increase by 27.7% to P\$3,813.0 million in 2015 from P\$2,984.9 million of estimated non-tax revenues in the 2014 budget.

The City has assumed that the level of tax co-participation payments will be P\$7,763.3 million in 2015, a 25.1% increase from the P\$6,207.0 million of estimated tax co-participation payments in the 2014 budget, in line with the Federal Government's projections of tax collections. These payments are made pursuant to the agreement between the City and the Federal Government dated December 12, 2002, under 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 2015 budget estimates capital revenues of P\$1,317.8 million, a 11.5% decrease from the P\$1,489.6 million of estimated capital revenues in the 2014 budget, mainly as a result of a decrease in expected proceeds from planned divestitures of City real estate.

The 2015 budget provides for personnel expenditures of P\$39,033.2 million, a 25.4% increase from P\$31,129.3 million of estimated personnel expenditure in the 2014 budget. The 2015 budget takes into account the salary increases awarded by the City to its employees during 2014 and expected raises in 2015. The cost of non-personnel services is expected to increase by 35.0% to P\$18,133.6 million in 2015 from the P\$13,431.2 million of estimated expenditures in the 2014 budget, mainly as a result of an expected increase in amounts payable by the City in respect of garbage collection contracts, which the City expects will be P\$4,850.0 million in 2015, compared to P\$3,373.0 million of estimated expenditures in the 2014 budget and an expected increase in amounts payable to independent contractors pursuant to temporary contracts, which the City expects will be P\$1,979.2 million in 2015, compared to a P\$1,397.5 million estimated expenditure in the 2014 budget. Consumption of goods is estimated to increase by 20.4% to P\$2,094.3 million in 2015 from P\$1,739.6 million of estimated expenditures in the 2014 budget, mainly attributable to the higher quantities and prices of pharmaceutical drugs and other medical supplies used in the City hospitals.

Transfers are expected to increase by 23.6% to P\$10,204.8 million in 2015 from P\$8,253.1 million of estimated transfer expenditures in the 2014 budget, mainly as a result of an expected increase in transfers to private sector schools, which the City expects will be P\$2,796.4 million in 2015, compared to a P\$2,017.6 million estimated expenditure accounted for in the 2014 budget, transfers to Metrovias in connection with the operation and development of the subway system, which the City expects will be P\$1,417.8 million in 2015, compared to a P\$1,010.3 million estimated expenditure accounted for in the 2014 budget, an expected increase in transfers to support the City's social assistance programmes for certain citizens, which the City expects will be P\$970.5 million in 2015, compared to a P\$764.3 million estimated expenditure accounted for in the 2014 budget and an expected increase in transfers to fund the Garrahan paediatric hospital, which the City expects will be P\$939.0 million in 2015, compared to a P\$700.0 million estimated expenditure accounted for in the 2014 budget. Interest expense is estimated to increase to P\$2,404.8 million in 2015, a 54.7% increase from P\$1,554.3 million of estimated interest expenses in the 2014 budget, mainly as a result of the combined effect of a higher exchange rate expected in 2015, an increase in the level of the City's interest accruing indebtedness and the higher average cost of such indebtedness.

The 2015 budget contemplates an increase of 9.7% in capital expenditures to P\$13,809.8 million in 2015 from the P\$12,593.7 million of estimated capital expenditures in the 2014 budget. Main items of capital expenditure in 2015 consist of subway network expansion (P\$2,310.8 million), school construction and upgrade (P\$1,219.0 million), road construction and maintenance (P\$895.0 million), health related projects, such as the renovation of hospitals (P\$873.7 million), the CEAMSE contract (P\$649.0 million), public housing development through the City's Housing Institute (P\$584.5 million), parks conservation (P\$546.2 million), the construction of flood prevention and water drainage infrastructure (P\$447.1 million) and investment in cultural activities (P\$89.5 million).

The overall balance of the City's 2015 budget is expected to be a deficit of P\$1,396.3 million, compared to a P\$1,685.1 million deficit estimated under the 2014 budget. The City expects to finance such deficit with existing liquidity (P\$2,504.6 million as at September 30, 2014) and the incurrence of debt.

PUBLIC DEBT

At September 30, 2014, the City had outstanding direct public indebtedness (long-term) of P\$17,729.0 million (with foreign currency amounts converted into pesos at the then applicable exchange rates), of which P\$16,154.0 million (91.1% of the total) was denominated in, or linked to the value of, U.S. dollars, P\$481.8 million (2.7% of the total) was denominated in pesos, and P\$1,093.2 million (6.2% of the total) was denominated in euros.

Background

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 (where 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 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 has implemented a capital expenditure programme which has resulted in the need for the City to expand its sources of financing including by issuing short-term treasury bills, 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, by issuing notes under its Medium-Term Note Programme and under a domestic debt programme and by accessing new financing from multilateral agencies to fund certain such capital expenditure projects.

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, 2009, 2010, 2011, 2012 and 2013 and as at September 30, 2014, in each case, excluding accrued interest and direct indebtedness of Banco de la Ciudad.

	At December 31,					At September 30,
	2009	2010	2011	2012	2013	2014
	(in millions of pesos ⁽¹⁾)					
Financial debt:						
Notes issued under Medium-Term Note Programme	P\$836.2	P\$2,426.9	P\$2,597.2	P\$4,517.6	P\$5,896.8	P\$7,545.0
Treasury bills ⁽²⁾	300.0	539.4	373.2	—	—	—
Debt with Banco de la Ciudad ⁽³⁾	1.8	—	—	—	—	—
Notes issued under Domestic Debt Programme	—	—	—	909.8	4,005.4	8,168.5
Law No. 4,263 bonds	—	—	—	188.4	94.2	—
Total financial debt	1,138.0	2,966.3	2,970.4	5,615.8	9,996.4	15,713.4
Debt with suppliers:						
Suppliers/contractors' bonds ⁽⁴⁾	443.2	414.2	—	—	—	—
Law No. 2,810 promissory notes ⁽⁵⁾	193.6	116.1	—	—	—	—
Debt under review/Decree No. 225						
General	24.3	20.9	14.4	14.4	14.2	14.2
CEAMSE	29.7	31.7	33.9	36.1	38.6	40.5
Other recognised debts	33.2	32.8	32.7	32.6	32.7	32.8
Law No. 2,780—Medical equipment debt	—	—	6.2	39.6	37.3	40.7
OSPLAD settlement agreement	—	—	—	106.6	50.1	24.6
Total debt with suppliers	724.0	615.7	87.2	229.3	172.9	152.8
International loans:						
International Bank for Reconstruction and Development	150.4	321.4	487.7	651.5	901.3	1,117.3
Inter-American Development Bank	584.3	548.2	525.5	523.0	590.7	694.2
Spanish Government	35.2	34.0	33.8	35.1	42.0	51.2
Total international loans	769.9	903.7	1,047.0	1,209.7	1,534.0	1,862.7
Total indebtedness	P\$2,631.9	P\$4,485.7	P\$4,104.6	P\$7,054.9	P\$11,703.3	P\$17,729.0

	At December 31,					At September 30,
	2009	2010	2011	2012	2013	2014
	(in millions of pesos ⁽¹⁾)					
Cash position ⁽⁶⁾	38.3	1,722.6	716.6	1,490.2	858.3	2,504.6
Floating debt ⁽⁷⁾	2,271.0	2,295.6	2,408.3	4,054.8	5,203.0	N/A

Notes:—

- (2) The exchange rate used to convert U.S. dollar amounts into pesos has been the selling rate quoted by Banco Nación at the close of business on the relevant date. U.S. dollar amounts at December 31, 2013 were translated into pesos using the December 31, 2013 exchange rate of P\$6.53 = U.S.\$1.00 and at September 30, 2014, the September 30, 2014 exchange rate of P\$8.41 = U.S.\$1.00. 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 Nación U.S. dollar-peso selling rate. Amounts in euros at December 31, 2013 were translated into pesos using the December 31, 2013 exchange rate of P\$9.01 = €1.00 and at September 30, 2014, the September 30, 2014 exchange rate of P\$11.3 = €1.00.
- (3) This represents the aggregate principal amount of treasury bills that exceed the financial period in which they were issued. 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. No treasury bills were issued in the year ended December 31, 2013 or in the nine months ended September 30, 2014. See “Public Debt—Description of direct indebtedness—Financial debt—Treasury bills”.
- (4) In January 1999, Banco de la Ciudad loaned the City US\$13.9 million to purchase four buildings within the City of historical value, which were subsequently preserved. The loan was repaid over 120 monthly payments, the last of which was paid on January 12, 2010.
- (5) As of December 31, 2010, 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).
- (6) As at December 31, 2007, 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 the balance was renegotiated through the issue of promissory notes (which, when issued, were recorded under “Law No. 2,810 promissory notes”). See “Public Debt — Debt with suppliers — Law No. 2,810 promissory notes”.
- (7) Mainly reflects the balance of the consolidation account the City has with Banco de la Ciudad as at the relevant date and, in the case of December 31, 2013 and September 30, 2014, the City’s time deposits with Banco de la Ciudad, as well as amounts contributed by the City to a budget stabilisation fund pursuant to Decree No. 2,368, which, at September 30, 2014, amounted to U.S.\$4.7 million (P\$39.5 million using the applicable exchange rate). See “Public Debt — Cash management” and “2014 and 2015 Budgets—Budget process”.
- (8) 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 — 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, on July 30, 2008 to U.S.\$1,100.0 million, on March 29, 2010 to U.S.\$1,400.0 million and on July 11, 2014 to U.S.\$2,290.0 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 originally 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 €1,645,689.91) 10.0% 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 30.0%. 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 (iv) 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.

As at December 31, 2011, the City had repaid in full the Series 1, 2, 3, 4 and 5 notes.

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 matured on six instalments 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. The City issued an aggregate principal amount of P\$12.6 million of Series 6 notes that were delivered to contractors as consideration for works performed. As at March 15, 2012, the City had repaid such notes in full.

On December 23, 2009, the City issued the Series 7 notes in the principal amount of U.S.\$50.0 million and with interest accruing at a rate of 12.5% per annum. The Series 7 notes are repayable in seven equal semi-annual instalments, the first of which fell due on December 15, 2011 and the final one falling on December 15, 2014. The net proceeds of such offering were used to finance infrastructure works.

On April 6, 2010, the City issued the Series 8 notes consisting of U.S.\$475.0 million 12.5% notes. Final maturity of these notes is April 6, 2015. The net proceeds of such offering were used to finance the expansion of the City's subway network and certain infrastructure works.

On December 27, 2011, the City issued the Series 9 notes consisting of U.S.\$85.0 million 9.25% notes. Final maturity of these notes was December 26, 2012 and on such date they were repaid in full. The net proceeds of such offering were used to refinance existing indebtedness and finance infrastructure works.

On February 29, 2012, the City issued the Series 10 notes consisting of U.S.\$415.0 million 9.95% notes. Final maturity of these notes is March 1, 2017. The terms of the Series 10 notes limit the ability of the City to incur relevant debt unless its interest expense for the preceding 12-month period is, on a *pro forma* basis, below 8.5% of revenues collected during such period. The net proceeds of such offering were used to refinance existing indebtedness and finance infrastructure works.

As at September 30, 2014, the City did not have any hedge or similar agreement to cover its exposure to exchange rate changes resulting from its U.S. dollar denominated notes.

Treasury bills

Since 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 27 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. 4,471 of the City provided that the City can have at any time up to P\$950.0 million principal amount of treasury bills outstanding provided that bills maturing after December 31, 2014 cannot exceed P\$550.0 million principal amount.

During the year ended December 31, 2013 and the nine months ended September 30, 2014 the City did not issue treasury bills. On November 26, 2014 the City issued P\$256.0 million treasury bills that mature 270 days thereafter and P\$174.5 million treasury bills that mature 360 days thereafter.

Domestic debt programme

In order to broaden its sources of funding, in 2012 the City established a programme for the issue of notes to be placed in the Argentine capital markets. Pursuant to this programme, the City had issued 11 series of notes in the Argentine capital markets as of September 30, 2014. The table below provides certain information in respect of such issues. All of the notes are denominated in U.S. dollars, other than the Class 9 and 11, which are denominated in pesos and not linked to the value of the U.S. dollar.

Class No.	Issue Date	Original Principal Amount <i>(in millions of U.S.\$ equivalent at the applicable rate of exchange of the issue date)</i>	Interest Rate <i>(%)</i>	Principal Repayment	Maturity Date	Use of Proceeds
1	October 29, 2012	100.0	7.95	Bullet	April 29, 2014	Roadway infrastructure
2	December 27, 2012	85.0	6.75	Bullet	June 27, 2014	Debt refinancing
3	March 15, 2013	100.0	3.98	Four semi-annual payments	March 15, 2018	Subway infrastructure works
4	May 17, 2013	216.0	3.98	Six semi-annual payments	May 17, 2019	Subway line rolling stock purchase
4	September 24, 2014 (Reopening)	111.1	3.98	Six semi-annual payments	May 17, 2019	Subway infrastructure and related transportation works

5	December 20, 2013	113.2	1.95	Six semi-annual payments	December 20, 2019	Solid waste treatment plant construction and related works
6	January 28, 2014	146.8	1.95	Six semi-annual payments	January 28, 2020	Solid waste treatment plant construction and related works
7	May 9, 2014	100.0	4.75	Bullet	May 9, 2016	Subway infrastructure works
8	June 27, 2014	75.6	2.48	Bullet	June 27, 2016	Debt refinancing
9	June 27, 2014	24.1	BADLAR plus 3.75	Bullet	June 27, 2016	Debt refinancing
10	August 27, 2014	64.6	0.40	Bullet	November 27, 2016	Debt refinancing
11	August 27, 2014	20.8	BADLAR plus 3.75	Bullet	August 27, 2016	Debt refinancing

In addition, on January 20, 2015, the City issued U.S.\$36.9, P\$442.0 million and P\$100.0 million (resulting in an equivalent aggregate principal amount of U.S.\$99.9 million at the applicable exchange rate) of Class 12, 13 and 14 notes, respectively, with interest rates of 4.80% per annum, BADLAR plus 5.00% per annum and the higher of (i) BADLAR plus 4.50% per annum and (ii) the product of the Lebac (Central Bank notes) rate multiplied by 95.0%, respectively. The Class 12, 13 and 14 notes mature on October 20, 2016, July 20, 2016 and January 20, 2018, respectively, and are each payable in full at maturity. The net proceeds of such offerings were used to finance subway infrastructure works.

Law No. 4,263 bonds

Pursuant to Law No. 4,263, on October 1, 2012, the City issued and delivered U.S.\$188.4 million of bonds to the City garbage collection contractors as consideration for certain excess costs which the City agreed to cover. The bonds accrue interest at the BADLAR rate, have semi-annual interest payments and mature on four equal semi-annual payment dates, the last of which matured on July 25, 2014. As of September 30, 2014, these bonds have been repaid in full.

Debt with suppliers

Debt under review/Decree No. 225

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, 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, 2014, the City had accepted 517 claims and paid P\$340.4 million. In addition, the City rejected 218 claims representing P\$271.3 million and is still reviewing the remaining 22 claims representing P\$14.2 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 of the City, and, at September 30, 2014, a claim in the principal amount of P\$40.5 million was still being verified by the City and is therefore recorded under “Debt under review/Decree No. 225”.

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 of the City.

Other recognised debts

This account reflects a liability of P\$32.8 million as at September 30, 2014 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 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.

Decree No. 2,780 – Medical equipment debt

On July 3, 2008, Law No. 2,780 was passed, implementing a plan for the renovation, expansion, modernisation and maintenance of the City’s public health system and which provides for requesting international public bids for the provision of equipment and services. The debt incurred pursuant to this plan is recorded under this item. Three tenders were held in 2010 and a fourth was held in 2011. As at September 30, 2014, P\$40.7 million was outstanding under this item.

OSPLAD settlement agreement

On July 13, 2012, the City entered into an agreement with the City’s teachers health system (“OSPLAD”) settling a number of claims made against the City by OSPLAD in respect of the amount of social security contributions the City had paid into the system. The total amount of debt incurred pursuant to this agreement was P\$114.0 million, of which P\$24.6 million remained outstanding as at September 30, 2014.

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 has one World Bank loan outstanding as at September 30, 2014. On May 18, 2006 the City entered into a €8.0 million credit facility with the World Bank, the proceeds of which were 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, 2014, the principal amount outstanding under this loan was €96.7 million and the interest rate at September 15, 2014, the most recent payment date thereunder, was 0.88% per annum.

The City has three outstanding loans from the IDB. The first IDB facility financed structural reforms in the City and its final maturity date is November 1, 2019. Of the aggregate principal amount originally available (U.S.\$200.0 million), the City had outstanding U.S.\$78.0 million at September 30, 2014 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. At May 1, 2014, the most recent payment date under such loan, the interest rate was 2.51% per annum. The City believes it is in compliance with its commitments under this facility. Of the two other IDB facilities, one is to finance flood protection programmes in the southern part of the City and had U.S.\$1.6 million outstanding as at September 30, 2014 and its final maturity date is February 2018. At August 5, 2014, the most recent payment date under such loan, the interest rate was 5.44% per annum. The third IDB loan is for financing reform programmes in the education sector of the City, had U.S.\$2.9 million outstanding as at September 30, 2014 and no further amounts were available for disbursement as at that date. At April 5, 2014, the most recent payment date under such loan, the interest rate was 4.88% per annum.

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, 2014, U.S.\$6.1 million was outstanding under the Spanish Government credit facility, bearing interest at a fixed rate of 1.25% and with June 2023 as its final maturity date. No further amounts were available for disbursement as at September 30, 2014.

The City has entered or guaranteed two other international loans under which no disbursements had been made as of the date of this Offering Circular. See “—Contingencies—Other facilities and security”.

At September 30, 2014, the City did not have any hedge or similar agreement to cover its exposure to currency exchange rate changes in connection with 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.

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, 2014, 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\$2,271.0 million as at December 31, 2009, P\$2,295.6 million at December 31, 2010, P\$2,408.3 million as at December 31, 2011, P\$4,054.8 million as at December 31, 2012 and P\$5,203.0 million as at December 31, 2013. 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, 2014 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 departments 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, 2014, the City directly maintained P\$2,066.7 million of cash available in its accounts with the Bank. In addition, as at that date the City had P\$437.9 million of time deposits 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\$5,048.0 million and P\$921.9 million.

In addition, 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 its public debt information any amount outstanding for this concept.

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 Federal Government has not yet responded to the City's presentation. 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, or 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.

Among the legal proceedings arising in the ordinary course of business, the City faces potential substantial claims regarding 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. On February 19, 2010, these proceedings were suspended in order to allow the court and the parties to review in full all the documentation available in the court files and such suspension continued as at September 30, 2014. Notwithstanding this, if the City were forced to pay an 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 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 the only police force which operated in the City at the time of the incident) and the City (which authorises and controls the opening and operation of such venues). At March 31, 2014 (the latest date for which such information is available), the City was a defendant in approximately 1,400 claims involving in the aggregate approximately P\$700.0 million. In addition, a ruling from a criminal court of first instance (later upheld by the Court of Appeals) held the management of the night club, the management of the band playing in the club and certain former officials of both the Federal Government and the City guilty of criminal charges and, jointly with the Federal Government and the City, responsible for the civil judicial claims. If found liable, the Federal Government and City are likely to be liable on a joint and several basis. However, it is not clear how claimants will proceed to enforce any judgment against the Federal Government and the City and the recourse, if any, each entity might have against the other. On November 28, 2013, the Legislature passed Law No. 4,786, granting a monthly benefit of P\$2,400 to family members of the victims up to first degree of kinship and a monthly benefit of P\$1,200 to survivors, which is payable by the City through February 2019. Such amounts may be

revised annually based on the City's IPCBA calculations and the City's annual budget. At the date of this Offering Circular, no assurances can be given as the outcome of such claims or the final amount of any liability which may result to the City from them.

On July 8, 2008 and December 19, 2012, the Federal Supreme Court of Justice 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 are 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 programme. The implementation of these measures is managed primarily by the Matanza-Riachuelo Basin Authority (*Autoridad de la Cuenca Matanza Riachuelo*), an interjurisdictional entity created in 2006, 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. Pursuant to the plan agreed by the Federal Supreme Court of Justice and the inter-jurisdictional authority, the City has been taking remedial actions through the carrying out of public works in the affected area. In each of 2012 and 2013, the City spent approximately P\$25.0 million and P\$26.0 million, respectively, in such remedial works. The 2014 budget and 2015 budget include P\$44.5 million and P\$55.6 million, respectively, for such works. 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 March 31, 2014 (the latest date for which such information is available), the City faced approximately 1,300 claims for malpractice in connection with medical procedures performed in the City hospitals, which claims amounted in the aggregate to approximately P\$574.0 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 other of its enterprises has its own direct borrowings. The City entered into an additional credit facility with The Export-Import Bank of China ("China Exim") in August 2014 in a principal amount of U.S.\$161.5 million. The proceeds will be used to finance the purchase of subway cars from a Chinese supplier. As at the date of this Offering Circular, no drawdowns have taken place under this facility.

In addition, in December 2014, AUSA entered into a secured facility with the IDB in a principal amount of U.S.\$130.0 million with the City acting as guarantor. The IDB facility is secured by a pledge over funds on deposit in a bank account and a fiduciary transfer of AUSA's rights to collect tolls under its concession agreement and its proceeds will be used to finance highway and road construction and maintenance in the City. Under the terms of its guaranty, the City agreed to subordinate its rights to receive (i) payments on account of AUSA debt presently or in the future to be held by the City, (ii) dividends or other distributions on the capital stock of AUSA, (iii) royalties and other amounts as the granting authority of AUSA's concession and (iv) payments under a certain loan agreement entered into between AUSA and the City, in each case from AUSA, until such IDB facility has been repaid in full. As at the date of this Offering Circular, no drawdowns have taken place under this facility.

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 (if any), the Bank may be entitled to exercise a general right to offset against the funds of the City maintained with it.

Debt service

In 2013, the City repaid P\$366.3 million of debt and paid interest of P\$758.1 million. In addition, during 2013, the Federal Government paid P\$88.2 million of principal and P\$19.8 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 2014, the City repaid P\$1,836.9 million of debt and paid interest of P\$1,095.4 million. In addition, during the first nine months of 2014, the Federal Government paid P\$77.5 million of principal and P\$15.9 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 2014 budget included debt amortisation of P\$2,326.4 million and interest expense of P\$1,237.3 million. The 2015 budget includes debt amortisation of P\$6,621.8 million and interest expense of P\$2,404.8 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 September 30, 2014 in the years 2014 to 2023.

	At September 30,			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
Medium-Term Note Programme ...	—	57.9	—	—	546.0	—	—	41.3	—	—	435.6	—
Local Market Note Programme	35.1	14.4	—	89.4	29.0	—	424.4	345.4	—	—	238.4	—
Debt under review Decree 225	13.5	—	—	13.5	—	—	13.5	—	—	13.5	—	—
Other recognised debts	11.0	—	—	11.0	—	—	10.8	—	—	—	—	—
Law No. 2,780 Medical Equipment Debt	0.03	2.4	—	—	2.4	—	—	0.3	—	—	—	—
OSPLAD Settlement and Payment Agreement	9.6	—	—	16.1	—	—	—	—	—	—	—	—
International Bank for Reconstruction and Development ⁽¹⁾	—	—	—	—	—	5.8	—	—	14.4	—	—	22.7
Inter-American Development Bank ⁽¹⁾	—	9.8	—	—	16.0	—	—	15.9	—	—	15.5	—
Spanish Government	—	0.5	—	—	0.8	—	—	0.8	—	—	0.8	—
Total	69.2	85.0	—	130.0	594.1	5.8	448.7	403.6	14.4	13.5	690.3	22.7

	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
Medium-Term Note Programme....	—	—	—	—	—	—	—	—	—	—	—	—
Local Market Note Programme.....	—	230.1	—	—	144.0	—	—	24.7	—	—	—	—
Debt under review Decree 225.....	7.5	—	—	—	—	—	—	—	—	—	—	—
Other recognised debts	—	—	—	—	—	—	—	—	—	—	—	—
Law No. 2,780 Medical Equipment Debt.....	—	—	—	—	—	—	—	—	—	—	—	—
OSPLAD Settlement and Payment Agreement	—	—	—	—	—	—	—	—	—	—	—	—
International Bank for Reconstruction and Development ⁽¹⁾	—	—	26.1	—	—	22.2	—	—	8.0	—	—	—
Inter-American Development Bank ⁽¹⁾	—	14.9	—	—	14.5	—	—	—	—	—	—	—
Spanish Government.....	—	0.7	—	—	0.5	—	—	0.8	—	—	0.8	—
Total	7.5	245.8	26.1	0.0	159.0	22.2	—	25.4	8.0	—	0.8	—

	Year ending December 31,					
	2022			2023		
	(in millions)					
	U.S.			U.S.		
	Pesos	dollars	Euros	Pesos	dollars	Euros
Medium-Term Note Programme....	—	—	—	—	—	—
Local Market Note Programme.....	—	—	—	—	—	—
Debt under review Decree 225.....	—	—	—	—	—	—
Other recognised debts	—	—	—	—	—	—
Law No. 2,780 Medical Equipment Debt.....	—	—	—	—	—	—
OSPLAD Settlement and Payment Agreement.....	—	—	—	—	—	—

International Bank for Reconstruction and Development ⁽¹⁾	—	—	—	—	—	—
Inter-American Development Bank ⁽¹⁾	—	—	—	—	—	—
Spanish Government.....	—	0.8	—	—	0.7	—
Total	—	0.8	—	—	0.7	—

Note:—

- (1) 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 expect 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 Fiscal Responsibility Law

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 (excluding capital expenditures) 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.

On November 26, 2009, the Legislature, pursuant to Law No. 3,297, withdrew the City's adherence to the Federal Fiscal Responsibility Law. As a result, the City is not required to request authorisation from the Federal Government for the incurrence of indebtedness by it and, in accordance, it issued the Series 7, Series 8, Series 9 and Series 10 notes under the Medium-Term Note Programme without any such authorisation and the Class 1, Class 2, Class 3 and Class 4 notes under its domestic debt programme.

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.

In addition, in December 2014, AUSA entered into a secured facility with the IDB in a principal amount of U.S.\$130.0 million with the City acting as guarantor. See “—Other facilities and security”.

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 September 30, 2014, the Bank was the ninth largest bank in Argentina, as measured by its total deposits of P\$32,668.9 million (P\$26,471.6 million at December 31, 2013), and the seventh largest bank in Argentina, as measured by its total loans (net of provisions) of P\$27,417.1 million (P\$24,535.9 million at December 31, 2013). At September 30, 2014 and December 31, 2013, the Bank had total assets of P\$41,185.9 million and P\$33,167.7 million, respectively and stockholders' equity of P\$5,358.2 million and P\$4,374.9 million, respectively. The Bank generated net income of P\$983.4 million in the nine months ended September 30, 2014 and P\$827.9 million in the year ended December 31, 2013. 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. Board members do not have a pre-determined term of office.

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.

Over the course of the last decade, the Bank has re-focused its commercial strategy in growing its private sector loan portfolio, to take advantage of the economic growth and the resulting demand for credit prevailing in Argentina and the City. In particular, the Bank focused on growing its mortgage loan portfolio which it was able to fund with deposits the Bank holds as judicial escrow agent for all courts sitting in the City, which deposits are consistently renewed upon maturity and bear interest at a relatively low rate. In September 2012, the Federal Congress passed a Law requiring all Federal courts (including those sitting in the City) to appoint Banco Nación rather than the Bank as judicial escrow agent for any proceeding commenced after such law came into effect. As a result, the Bank has sought to diversify its sources of funding by attracting more retail deposits and issuing debt in the domestic capital market while re-pricing most of its loan products to reflect the increased cost of funding. In addition, the Bank is completing the construction of a new building at a cost of approximately P\$346.0 million. Such building was originally intended to serve as its headquarters but it is expected that it will be transferred to the City to be used as office space for the Head of Government and a number of ministries.

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. At September 30, 2014, the Bank did not have any credit exposure to the City.

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 the years ended December 31, 2011, 2012 and 2013, which have been audited by KPMG and the financial statements of the Bank at and for each of the nine months ended September 30, 2013 and 2014 which have been subject to a limited review by KPMG.

In accordance with Central Bank regulations, the financial statements of the Bank as at and for each of the years ended December 31, 2011, 2012 and 2013 and as at and for the nine months ended September 30,

2013 and 2014 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 qualification resulting from such differences.

In particular, the Bank does not mark-to-market its loans to, or holding of securities 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\$707.6 million at December 31, 2011, P\$589.2 million at December 31, 2012, P\$516.2 million at December 31, 2013 and P\$515.8 million and P\$541.7 million at September 30, 2013 and 2014, respectively. In addition, compliance with Argentine GAAP would have reduced the net income of the Bank by P\$87.1 million (resulting in net income of P\$569.1 million) in the year ended December 31, 2011 and by P\$25.5 million (resulting in net income of P\$957.9 million) in the nine months ended September 30, 2014. Compliance with Argentine GAAP would have increased the net income of the Bank by P\$118.4 million (resulting in net income of P\$785.4 million) in the year ended December 31, 2012, by P\$73.0 million (resulting in net income of P\$900.9 million) in the year ended December 31, 2013 and by P\$73.4 million (resulting in net income of P\$709.0 million) in the nine months ended September 30, 2013.

Income statement of the Bank

	Year ended December 31,			Nine months ended September 30,	
	2011	2012	2013	2013	2014
	(in millions of pesos)				
Financial income	P\$2,286.4	P\$3,301.7	P\$4,502.3	P\$3,229.3	P\$5,158.8
Financial expense	598.4	967.3	1,609.0	1,128.7	2,141.5
Net financial income.....	1,688.0	2,334.5	2,893.3	2,100.7	3,017.3
Provisions for loan losses.....	102.9	143.0	213.6	143.1	192.4
Service income	387.9	474.2	551.7	423.2	471.4
Service expense.....	103.3	136.1	235.7	168.9	227.6
Administration expense.....	1,090.2	1,489.7	1,837.2	1,307.5	1,686.3
Monetary gain (loss) from financial intermediation.....	779.6	1,039.9	1,158.6	904.3	1,382.5
Other income	143.1	200.8	205.6	161.9	186.9
Other expense.....	46.1	193.2	132.7	114.4	137.5
Monetary gain (loss) before income tax	876.6	1,047.5	1,231.5	951.8	1,432.0
Income tax	220.4	380.6	403.6	316.2	448.6
Net income.....	<u>P\$656.2</u>	<u>P\$667.0</u>	<u>P\$827.9</u>	<u>P\$635.6</u>	<u>P\$983.4</u>

Source: Banco de la Ciudad.

Balance sheet of the Bank

	Year ended December 31,			Nine months ended September 30,	
	2011	2012	2013	2013	2014
	(in millions of pesos)				
Assets:					
Cash and banks	P\$2,995.5	P\$3,217.5	P\$4,372.8	P\$3,827.1	P\$5,792.3
Government and private securities	1,031.3	964.1	953.5	933.3	4,003.7
Loans	14,350.5	19,179.9	24,535.9	22,900.8	27,417.1
Other financial intermediation receivables (net of provisions).....	1,159.5	1,407.9	1,735.3	1,659.4	2,000.2
Investments in other corporations.....	18.2	23.6	26.6	24.8	21.9
Sundry credits.....	628.4	763.2	935.8	786.4	1,217.0
Property, plant and equipment.....	186.5	223.9	249.2	237.7	247.0
Sundry assets	147.0	184.4	301.3	258.5	425.4
Intangible assets	36.1	41.2	53.9	44.6	59.8
Unallocated amounts	4.3	0.5	3.4	2.7	1.6
Total assets	P\$20,557.3	P\$26,006.3	P\$33,167.7	P\$30,675.2	P\$41,185.9
Liabilities:					
Deposits.....	16,573.5	20,836.0	26,471.6	25,028.8	32,668.9
Other financial intermediation liabilities.....	553.3	774.1	1,387.3	684.4	2,057.4
Sundry liabilities	349.2	554.0	724.0	592.9	864.0
Provisions.....	199.3	293.0	207.4	183.7	234.9
Unallocated amounts	2.1	2.3	2.6	2.9	2.5
Total liabilities.....	17,677.3	22,459.3	28,792.9	26,492.6	35,827.7
Stockholders' equity	2,880.0	3,547.0	4,374.9	4,182.5	5,358.2
Total liabilities and stockholders' equity....	P\$20,557.3	P\$26,006.3	P\$33,167.7	P\$30,675.2	P\$41,185.9

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, 2014, the Bank had 47 branches located in the City and 13 branches in the Greater Buenos Aires area.

At September 30, 2014, the Bank had 669,636 consumer banking customers and 12,222 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 317 ATMs (at September 30, 2014). The Bank had issued 399,027 credit cards at September 30, 2014.

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 (particularly the recently launched customised deposits with adjustment clauses linked to the value of the U.S. dollar or the price of gold) mainly through the use of option contracts. 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, 2014, the Bank had a deposit base of P\$32,668.9 million, representing approximately 3.5% 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, 2014, deposits could be made in either pesos or U.S. dollars. At such date, peso deposits represented 83.1% and U.S. dollar deposits represented 16.9% of the Bank's total deposits. At September 30, 2014, 84.3% of the Bank's liabilities were denominated in pesos and 15.7% were denominated in U.S. dollars.

At September 30, 2014, the Bank had received P\$10,115.6 million, or 31.0% of the Bank's total deposits, from its 10 largest depositors, including the City. At such date, the City, its departments and its autonomous entities and enterprises had P\$2,632.0 million of deposits with the Bank, P\$400.0 million of time deposits and U.S.\$4.7 million on account of the City's budget stabilization fund, or 8.6% of the Bank's total deposits.

In addition, at September 30, 2014, P\$28,826.7 million or 88.2% of the Bank's total deposits matured within 30 days.

Pursuant to Decree No. 1,570, 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, 2014, the Bank in accordance with Central Bank regulations had a P\$1.2 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.

Until 2012, the Bank acted pursuant to Federal law 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 being adjudicated. At September 30, 2014, the Bank held P\$8,807.0 million (or 27.0% of the Bank’s total deposits) in this capacity. On September 14, 2012, the Federal Congress passed Federal Law No. 26,764, which required that all Federal courts in Argentina (including those sitting in the City) appoint Banco Nación rather than the Bank as escrow agent to hold amounts paid into court pending decision of the matter for any proceedings commenced after the law came into effect. Although the Bank remains acting as escrow agent in respect of any amounts held by it in proceedings commenced prior to this law coming into effect, the lack of new Federal Court deposits has required the Bank to change its business model and funding strategy. The Bank has judicially challenged this law on constitutional grounds but it can provide no assurances that such challenge will be accepted.

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 must 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 required 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, 2014, such provision amounted to P\$155.8 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\$42.0 million. Between December 2006 and August 2010, the Bank did not pay any fee in respect of the amounts it held as escrow agent and started discussions with the Federal Supreme Court of Justice in respect of an overall revision to the methodology for the calculation of such fee. On October 26, 2010, the Bank entered into an agreement with the Federal Supreme Court of Justice pursuant to which the Bank made a payment of P\$118.0 million (of which P\$95.0 million had already been provided for) in respect of the December 2006 through August 2010 period, all discrepancies between the Bank and the Federal Supreme Court of Justice were resolved and a new methodology for the calculation of the fee payable by the Bank was established. At September 30, 2014, the fee amounted to approximately P\$9.3 million per month.

In December 2013, the Bank established a programme for the issue of notes in an aggregate outstanding amount at any time not to exceed U.S.\$500 million. Pursuant to this programme, on December 18, 2013, the Bank issued P\$105.0 million aggregate principal amount of Class 1 notes and P\$195.0 million aggregate principal amount of Class 2 notes, and, on July 30, 2014, the Bank issued P\$214.5 million aggregate principal amount Class 3 notes and P\$85.5 million aggregate principal amount Class 4 notes to domestic investors. Such notes bear an interest rate of BADLAR plus an applicable margin of 3.24%, 4.22%, 2.48% and 3.60% respectively, and mature on June 18, 2015, December 18, 2016, January 30, 2016 and July 30, 2017, respectively.

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, 2014 was P\$27,417.1 million.

Financing to the public sector (net of provisions) at September 30, 2014 amounted to P\$3,076.0 million, or 11.2% of the Bank's total loan portfolio (net of provisions).

The Bank's largest exposure at September 30, 2014 was with the Federal Government, with P\$2,883.4 million outstanding. Most of this financing was the result of successive debt exchanges undertaken by the Federal Government in the lead up to, and following Argentina's 2001-2002 economic crisis, pursuant to which the Bank exchanged the Federal government securities it held first for loans to the Federal Government secured by Federal tax receipts and then by promissory notes issued by the Federal Government, in each case lengthening of the average maturity of the Bank's claims against the Federal Government and reducing 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 which were then also exchanged for promissory notes issued by the Federal Government.

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. At September 30, 2014, the Bank did not have any credit exposure to the City.

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, 2014 would have increased by P\$52.0 million.

Lending to the private sector (other than to financial institutions but net of provisions) was P\$25,290.4 million, or 92.2% of the Bank's total loan portfolio (net of provisions) at September 30, 2014. The Bank's private sector lending is principally to individuals and to Argentine small- and 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, 2014, 31.9% of the Bank's total private sector loan portfolio was secured with real or personal property (including the Bank's pawnbroking lending).

The Bank has increased substantially its loan portfolio to the private sector, in particular through mortgage and "payroll" loans. The Bank had, at September 30, 2014, P\$3,227.6 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, 2014, P\$10,884.1 million of loans to businesses, P\$5,746.8 million of home mortgage loans and P\$889.9 million of loans pursuant to pawnbroking arrangements.

The balance of the Bank's portfolio at September 30, 2014, was to financial institutions and (net of provisions) amounted to P\$73.6 million, representing principally short-term interbank deposits.

At September 30, 2014, the Bank's 10 largest borrowers comprised 15.3% of the Bank's total loan portfolio. In addition, at that date, P\$17,045.9 million or 59.8% of the Bank's total loan portfolio had a maturity of 24 months or longer (presenting a substantial mismatch in relation to the Bank's sources of funding, 87.2% 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 (27.0% at September 30, 2014) 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\$2.8 million (P\$13.6 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, 2014, the Bank held P\$4,003.7 million of debt securities, of which P\$387.2 million had been issued by the Federal Government and P\$3,616.5 million had been issued by Argentina's Central Bank.

The portfolio of Federal Government securities held by the Bank includes securities with maturities ranging from 2015 to 2019 and denominated in pesos and U.S. dollars. In accordance with Central Bank regulations, the Bank is not required to mark-to-market its holding of public debt securities. At September 30, 2014, the Bank valued P\$955.8 million of its Federal Government securities portfolio at market prices, with substantially all of the balance (P\$3,005.1 million) being valued at cost plus yield, as authorised by Central Bank regulations. Had the Bank valued its complete portfolio of public debt securities at market prices, the value of such portfolio would have increased to P\$4,010.6 million at September 30, 2014.

The Central Bank securities had short-term (less than 24 months) maturities and were principally used by the Bank to manage its existing liquidity.

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,	
	2011	2012	2013	2013	2014
	(in thousands of pesos, except where specified)				
Allowance at beginning of period	P\$135,725	P\$177,813	P\$255,328	P\$255,328	P\$351,442
Provisions made during period.....	100,562	135,852	197,261	132,853	186,136
Allowances reversed.....	(35,269)	(17,950)	(29,490)	(23,262)	(34,342)
Net provisions	201,018	295,715	423,099	364,919	503,236
Charge offs.....	(23,205)	(40,387)	(71,657)	(46,050)	(76,054)
Allowance at end of period.....	177,813	255,328	351,442	318,869	427,182
Bad debts recovered	37,042	17,950	29,490	24,245	54,322
Net charge offs to average financings (%) ⁽¹⁾ ..	0.4%	0.6%	0.7%	0.5%	0.5%
Ratio of income statement provisions to average financings (%) ⁽¹⁾	0.7%	0.7%	0.8%	0.6%	0.7%
Non-performing financings at the end of the period ⁽¹⁾	153,874	255,954	361,388	327,817	407,117
Ratio of non-performing financings to total financings (net of provisions) at the end of the period (%) ⁽¹⁾	1.0%	1.3%	1.4%	1.4%	1.4%
Ratio of provisions at the end of period to non performing financings at that date (%) ⁽¹⁾	115.6%	99.8%	97.3%	97.3%	104.9%

Note:—

(1) Financings made by the Bank include loans (net of provisions), certain other financial intermediation receivables classified under debtor classification standards and contingent creditor memorandum accounts classified under debtor classification standards.

Source: Banco de la Ciudad.

Liquidity and Financial Position

The table below shows the Bank's liquidity ratios at the indicated dates:

	<u>At December 31,</u>			<u>At September 30,</u>	
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2013</u>	<u>2014</u>
	(in percentages)				
Cash and cash equivalents/Deposits ⁽¹⁾	24.3	20.1	20.1	19.0	30.0
Net financings/Assets ⁽²⁾	72.5	76.5	77.9	78.5	69.2

Note:—

- (1) Cash and cash equivalents includes cash and banks, and government and private sector securities held by the Bank.
(2) Financings made by the Bank include loans (net of provisions), certain other financial intermediation receivables classified under debtor classification standards and contingent creditor memorandum accounts classified under debtor classification standards.

Source: Banco de la Ciudad.

The table below shows the Bank's solvency ratios at the indicated dates:

	<u>At December 31,</u>			<u>At September 30,</u>	
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2013</u>	<u>2014</u>
	(in percentages)				
Net equity/Assets	14.0	13.6	13.2	13.6	13.0
Net equity/financings ⁽¹⁾	19.3	17.8	16.9	17.4	18.8

Note:—

- (1) Financings made by the Bank include loans (net of provisions), certain other financial intermediation receivables classified under debtor classification standards and contingent creditor memorandum accounts classified under debtor classification standards.

Source: Banco de la Ciudad.

Distributions

In accordance with its charter, the Bank shall allocate any net income resulting from its operations to providing for any legal reserves and any 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, in accordance with Central Bank regulation.

On November 24, 2011, the Legislature approved Law No. 4,038 amending the Bank's charter and requiring the Bank to pay dividends to the City on a yearly basis in an amount equal to the amount by which the Bank's net income for any such year exceeds the amount necessary to maintain a level of capitalisation which is considered sufficient in real terms (i.e., adjusted for inflation) to enable the Bank to carry on its business and meet the minimum capital requirements set by the Central Bank. The amount of dividends paid shall be used by the City to fund social interest projects, including provision of housing, through the creation of a fiduciary fund to be administered by the Bank. In addition, the law requires the Bank to make a dividend payment to the City in respect of the year ended December 31, 2010 in the peso-equivalent amount of U.S.\$88.0 million. In order make the dividend payments required by the law, the Bank needed to first obtain the approval of the Central Bank in respect of compliance with minimum capital requirements. Although the Bank believes it has been in compliance with such regulations, the Central Bank rejected on November 27, 2012 the Bank's request to pay the above dividends.

On July 16, 2014, the board of the Bank approved a profit distribution proposal in respect of fiscal year 2013, which allocates P\$165.6 million for legal reserves, P\$5.0 million for the annual contribution to the Bank's charitable foundation and P\$470.8 million to a fund to be used in connection with housing solutions and other social purposes. On August 13, 2014, the proposal was submitted to the Central Bank, but no response has been received from the Central Bank as of the date of this Offering Circular.

Other City enterprises

Subterráneos de Buenos Aires S.E.

This is a *sociedad del estado*, wholly-owned by the City and, pursuant to the terms of the Subway Law, 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. SBASE has no operating revenues, but receives transfers from the City with which it funds its capital expenditures and the shortfall between the fare revenue and the cost of operating the system.

In January 2013, the City agreed to take over from the Federal Government the regulation and supervision of the concession granted to the operator of the City's subway system. Pursuant to the terms of the privatisation, the subway concessionaire is entitled to be compensated for any shortfall between the fare revenue and the cost of operating the system. As a result of the transfer of the concession, the City now has the ability to determine subway fares but is also responsible for any funding revenue shortfall to which the concessionaire is entitled.

On April 5, 2013, SBASE entered into an operation and maintenance agreement with the existing concessionaire of the subway system, Metrovias, pursuant to which Metrovias has agreed to continue operating the system for a two-year period. In accordance with the Subway Law, rates must be reviewed annually and may be increased only after a public hearing. If the increase of the costs used to establish the rates exceeds 7.0%, SBASE shall initiate a process to revise the rate. On March 13, 2013, SBASE approved a new rate schedule which went into effect following a judicial challenge on November 12, 2013. The new schedule contemplates a subsidised rate for a number of social groups, including people on welfare, the unemployed, war veterans and people with incomes falling below the poverty line.

The table below sets forth certain financial information for SBASE as at and for the years ended December 31, 2012 and December 31, 2013:

	As at / Year ended	
	<u>December 31, 2012</u>	<u>December 31, 2013</u>
	(in millions of pesos)	
Balances:		
Total assets.....	P\$5,904.0	P\$7,945.9
Total liabilities	(541.8)	(418.9)
Net worth	<u>P\$5,362.2</u>	<u>P\$7,526.9</u>
Income (loss):		
Net loss	(140.8)	(307.7)

Source: SBASE.

As at December 31, 2013, SBASE had 312 employees. In connection with the expansion of the City's subway network and the purchase of rolling stock therewith, in September 2013 SBASE entered into a €60.0 million escrow agreement for the benefit of the rolling stock provider.

Autopistas Urbanas S.A (AUSA).

This *sociedad anónima* built and operated 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.

As from September 30, 2009, AUSA's concession was extended for a 20-year period subject to a number of changes on its terms. As a result of such changes, the scope of the concession agreement was broadened to include all of the highways located in the City, the City's main trunk avenues, the roads that feed such highways and the bridges over the Riachuelo. In addition, AUSA is no longer required to pay a concession fee to the City but rather it must use the amount by which its revenues (i.e., toll receipts) exceeds its operating costs (which cannot exceed 40.0% of its revenues) to carry out road construction and improvement and other infrastructure projects as determined by the City. Furthermore, it is required to transfer 5.0% of its toll road revenues to the City to fund the expansion of the City's subway network as required by Law No. 3,360 and 10.0% of its toll road revenues to the Subway Fund as required by the Subway Law.

The table below sets forth certain financial information for AUSA as at and for the years ended December 31, 2012 and December 31, 2013:

	As at / Year ended	
	<u>December 31, 2012</u>	<u>December 31, 2013</u>
	(in millions of pesos)	
Balances:		
Total assets.....	P\$463.0	P\$7,046
Total liabilities	(304.2)	(406.9)
Net worth	<u>P\$158.9</u>	<u>P\$297.7</u>
Income (loss):		
Operating revenue ⁽¹⁾	P\$579.5	P\$759.4
Net loss	(3.4)	(6.2)

Note: —

(1) Consists of toll road collections (including amounts to be transferred under Law No. 3,360), but excludes amounts to be contributed to the Subway Fund pursuant to the Subway Law.

Source: AUSA.

As at December 31, 2013, it had 933 employees. As at December 31, 2013, it owed P\$220.5 million to the City under several loans and other financial liabilities.

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 (the latest date for which such information is available), it had 462 employees. As at December 31, 2010 (the latest date for which such information is available), it had net worth of P\$320.6 million and for the year then ended it recorded a net loss of P\$86.9 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, 2008 (the latest date for which such information is available), it had 3,007 employees. As at December 31, 2008 (the latest date for which financial information is available), it had net worth of P\$115.0 million and for the year then ended it recorded net income of P\$27.3 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, 2010 (the latest date for which such information is available), it had 1,263 employees. As at December 31, 2010 (the latest date for which financial information is available), it had net worth of P\$158.5 million and for the year then ended it recorded a net loss of P\$326.8 million.

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 (the latest date for which such information is available), 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\$139.0 million in the year ended December 31, 2013. As at December 31, 2009 (the latest date for which such information is available), the City Housing Institute had 795 employees. As at December 31, 2009 (the latest date for which financial information is available), it had net worth of P\$1,069.2 million and for the year then ended it recorded net income of P\$78.5 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, 2013, it had 29 employees. As at December 31, 2013, it had a net worth of P\$113.7 million and for the year then ended it recorded a net income of P\$14.8 million.

Ubatec S.A.

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 31.0% equity interest, in this entity, with the balance held by University of Buenos Aires (32.0%), the Unión Industrial Argentina (20.0%) and the General Confederation of Industry (14.0%). At June 30, 2013 (the latest date for which such information is available), it had 26 employees. As at June 30, 2013, it had net worth of P\$517.7 thousand and for the financial year then ended it had net income of P\$408.2 thousand.

Instituto de Juegos de Apuestas de la Ciudad de Buenos Aires

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 (the latest date for which such information is available), it had 82 employees. As at December 31, 2011 (the latest date for which such information is available), it had net worth of P\$175.8 thousand and for the year then ended it recorded a net loss of P\$7.9 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, 2009 (the latest date for which such information is available), it had 674 employees. As at December 31, 2010 (the latest date for which such information is available), it had net worth of P\$5,876.0 million and for the year then ended it had a net income of P\$235.6 thousand.

Corporación Buenos Aires Sur S.E.

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, 2009 (the latest date for which such information is available), it had 111 employees. As at December 31, 2010 (the latest date for which such information is available), it had net worth of P\$22.0 million and for the year then ended it recorded net loss of P\$23.8 million.

Fideicomiso Corporación Buenos Aires S.E.

This is a *sociedad del estado*, wholly-owned by the City and in charge of managing Corporación Buenos Aires Sur. At December 31, 2009 (the latest date for which such information is available), it had no employees. At December 31, 2010 (the latest date for which such information is available), it had net worth of P\$230.7 million and for the year then ended it recorded a net loss of P\$4.8 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 then 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.

The information with respect to Argentina that is included herein has been derived from publicly available sources and the City makes no representation regarding the accuracy or completeness of such information and accepts no responsibility for such information other than in respect of its accurate summary, reproduction and extraction.