
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

☐ Registration statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934

or

☒ Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2013

or

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____

or

☐ Shell Company Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of the event requiring this shell company report. _____

Commission file number: 001-32827

BANCO MACRO S.A.
(Exact Name of Registrant as Specified in its Charter)

Macro Bank, Inc.
(Translation of registrant's name into English)

Argentina
(Jurisdiction of incorporation or organization)

Sarmiento 447, City of Buenos Aires, Argentina
(Address of registrant's principal executive offices)

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(Name, telephone, e-mail and/or facsimile member and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange On Which Registered</u>
American Depositary Shares	New York Stock Exchange
Class B ordinary shares, par value Ps. 1.00 per share	New York Stock Exchange(*)

(*) **Ordinary shares of Banco Macro S.A. are not listed for trading but only in connection with the registration of American Depositary Shares which are evidenced by American Depositary Receipts.**

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

9.75% Fixed/Floating Rate Non-Cumulative Junior Subordinated Bonds Due 2036
8.50% Notes Due 2017

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

11,235,670 Class A ordinary shares, par value Ps. 1.00 per share
573,249,498 Class B ordinary shares, par value Ps. 1.00 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ International Financial Reporting ☐ Other ☒
Standards as issued by the International Accounting Standards
Board ☐

If "Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 ☐ Item 18 ☒

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 23 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by the court.

Yes ☐ No ☐

Please send copies of notices and communications from the Securities and Exchange Commission to:

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Bruchou, Fernández Madero & Lombardi
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C1001AFA - Buenos Aires, Argentina

Jeffrey Cohen
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New York, NY 10105

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Certain defined terms

In this annual report, we use the terms “the registrant,” “we,” “us,” “our” and the “Bank” to refer to Banco Macro S.A. and its subsidiaries, on a consolidated basis. References to “Banco Macro” refer to Banco Macro S.A. on an individual basis. References to “Class B shares” refer to shares of our Class B common stock and references to “ADSs” refer to American depositary shares representing our Class B shares, except where the context requires otherwise. References to our “2036 Notes” refer to our 9.75% Fixed/Floating Rate Non-Cumulative Junior Subordinated Bonds due 2036. References to our “2017 Notes” refer to our 8.50% Notes due 2017.

The term “Argentina” refers to the Republic of Argentina. The terms “Argentine government” or the “government” refer to the federal government of Argentina, the term “Central Bank” refers to the *Banco Central de la República Argentina*, or the Argentine Central Bank, the term “Superintendency” refers to the *Superintendencia de Entidades Financieras y Cambiarias* or the Superintendency of Financial and Exchange Entities, the term “CNV” refers to the *Comisión Nacional de Valores*, or the Argentine Securities Commission, the term “BCBA” refers to the *Bolsa de Comercio de Buenos Aires*, or the Buenos Aires Stock Exchange, the term “MAE” refers to the “*Mercado Abierto Electrónico*,” or the Electronic Open Market, the term “NYSE” refers to the New York Stock Exchange, the term “AFIP” refers to the *Administración Federal de Ingresos Públicos* or the Argentine Tax Authority, the term “IGJ” refers to the *Inspección General de Justicia*, or Public Registry of Commerce and the term “ANSES” refers to the *Administración Nacional de la Seguridad Social* or National Social Security Agency.

The terms “U.S. dollar” and “U.S. dollars” and the symbol “US\$” refer to the legal currency of the United States. The terms “Peso” and “Pesos” and the symbol “Ps.” refer to the legal currency of Argentina. “U.S. GAAP” refers to generally accepted accounting principles in the United States, “Argentine GAAP” refers to generally accepted accounting principles in Argentina and “Central Bank Rules” refers to the accounting and other regulations of the Central Bank. The term “GDP” refers to gross domestic product and all references in this annual report to GDP growth are to real GDP growth.

The term “CER,” or benchmark stabilization coefficient, is an index issued by the Argentine government which is used to adjust value of credits and deposits. This index is based on the consumer price index published by the National Institute of Statistics and Census (“INDEC”).

Presentation of certain financial and other information

We maintain our financial books and records in Pesos and prepare and publish our consolidated financial statements in Argentina in conformity with Central Bank Rules, which differ in certain significant respects from U.S. GAAP and, to a certain extent, from Argentine GAAP. Our consolidated financial statements contain a description of the principal differences between Central Bank Rules and Argentine GAAP. Under Central Bank Rules, our consolidated financial statements were adjusted to account for the effects of wholesale-price inflation in Argentina for the periods through February 28, 2003. For the periods subsequent to February 28, 2003, the inflation adjustments were no longer applied to our consolidated financial statements under Central Bank Rules. However, in reviewing our consolidated financial statements, investors should consider that, in recent years, there have been significant changes in the prices for relevant economic variables, such as salary cost, loan rates and exchange rates, which are not required to be reflected by adjustments to such financial statements pursuant to local regulations.

Our consolidated financial statements consolidate the financial statements of the following companies:

- Banco del Tucumán S.A. (“Banco del Tucumán”)
- Macro Bank Limited (an entity organized under the laws of Bahamas)
- Macro Securities S.A.
- Macro Fiducia S.A.
- Macro Fondos S.G.F.C.I.S.A.

Our audited consolidated financial statements as of and for the three years ended December 31, 2013 included in this annual report have been reconciled to U.S. GAAP. See note 33 to our audited consolidated financial statements as of and for the three years ended December 31, 2013 for a reconciliation of our consolidated financial statements to U.S. GAAP.

Due to the modification of certain disclosure methods for certain items on the consolidated balance sheets and the consolidated statements of income, which did not affect the shareholders’ equity of the Bank, the consolidated financial statements as of December 31, 2012 and 2011 were modified for the sole purpose of comparability with the consolidated financial statements as of December 31, 2013.

Our financial information in conformity with Central Bank Rules is sent on a monthly basis to the Central Bank and is published on its website www.bcba.gob.ar. In addition, we also file quarterly and annual financial statements with the Central Bank, the CNV and the BCBA.

Rounding

Certain figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Market position

We make statements in this annual report about our competitive position and market share in, and the market size of, the Argentine banking industry. We have made these statements on the basis of statistics and other information from third-party sources that we believe are reliable. Although we have no reason to believe any of this information or these reports are inaccurate in any material respect, we have not independently verified the competitive position, market share and market size or market growth data provided by third parties or by industry or general publications.

Our internet site is not part of this annual report

We maintain an internet site at www.macro.com.ar. Information contained in or otherwise accessible through this website is not a part of this annual report. All references in this annual report to this Internet site are inactive textual references to this URL, or “uniform resource locator” and are for your informational reference only.

Cautionary statement concerning forward-looking statements

This annual report contains certain statements that we consider to be “forward-looking statements”. We have based these forward-looking statements largely on our current beliefs, expectations and projections about future events and financial trends affecting our business. Many important factors, in addition to those discussed elsewhere in this annual report, could cause our actual results to differ substantially from those anticipated in our forward-looking statements, including, among other things:

- changes in general economic, business, political, legal, social or other conditions in Argentina and worldwide;
- effects of the global financial markets and economic crisis;
- deterioration in regional business and economic conditions;
- inflation;
- fluctuations and declines in the exchange rate of the Peso;
- changes in interest rates which may adversely affect financial margins;
- government regulation (including banking and tax regulations);
- adverse legal or regulatory disputes or proceedings;
- credit and other risks of lending, such as increases in defaults by borrowers and other delinquencies;
- increase in the provisions for loan losses;
- fluctuations and declines in the value of Argentine public debt;
- decrease in deposits, customers loss and revenue losses;
- competition in banking, financial services and related industries and the loss of market share;
- cost and availability of funding;
- technological changes, changes in consumer spending and saving habits, and inability to implement new technologies; and
- the risk factors discussed under “Item 3.D - Risk factors.”

The words “believe,” “may,” “will,” “aim,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “forecast” and similar words are intended to identify forward-looking statements. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulation and the effects of competition. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update publicly or to revise any forward-looking statements after we distribute this annual report because of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this annual report might not occur and are not guarantees of future performance.

Sections of this annual report that by their nature contain forward-looking statements include, but are not limited to, Item 3. “Key Information,” Item 4. “Information on the Bank, Item 5. “Operating and Financial Review and Prospects” and Item 11. “Quantitative and Qualitative Disclosure About Market Risk”.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The following tables present summary historical consolidated financial data for each of the periods indicated. You should read this information in conjunction with our consolidated financial statements and related notes, and the information under Item 5. “Operating and Financial Review and Prospects” included elsewhere in this annual report.

We have derived our selected consolidated financial data as of and for the years ended December 31, 2012 and 2013 from our audited consolidated financial statements included in this annual report. We have derived our selected consolidated financial data for the years ended December 31, 2009, 2010 and 2011 from our audited consolidated financial statements not included in this annual report. Such financial information has been restated mainly due to the modification of certain disclosure methods for certain accounts and items on the consolidated balance sheets and consolidated statements of income, which did not affect the shareholders’ equity of the Bank. Solely for the convenience of the reader, the reference exchange rate for U.S. dollars as of December 31, 2013, as reported by the Central Bank was Ps. 6.518 to US\$1.00. See Item 10. “Additional Information - Exchange Controls” for additional information regarding Peso/U.S. dollar exchange ratios.

	Year Ended December 31,				
	2009 (1)	2010 (1)	2011 (1)	2012 (1)	2013
	(in thousands of Pesos, except for number of shares, net income per share and dividends per share)				
Selected Consolidated Income Statement					
Central Bank Rules:					
Financial income	3,860,452	3,728,438	4,698,648	6,904,370	9,753,531
Financial expense	(1,511,607)	(1,330,170)	(1,718,721)	(2,827,590)	(4,021,540)
Gross intermediation margin	2,348,845	2,398,268	2,979,927	4,076,780	5,731,991
Provision for loan losses	(197,512)	(215,040)	(273,224)	(600,424)	(540,032)
Service charge income	1,050,275	1,324,541	1,969,173	2,644,731	3,426,324
Service charge expense	(226,599)	(285,271)	(427,954)	(685,392)	(917,807)
Administrative expenses	(1,522,420)	(1,917,408)	(2,488,577)	(3,115,385)	(4,015,356)
Other income	121,977	167,523	190,560	196,662	253,214
Other expense	(158,294)	(89,540)	(105,839)	(156,089)	(143,688)
Minority Interest in subsidiaries	(5,092)	(6,868)	(10,111)	(13,790)	(18,173)
Income Tax	(659,250)	(365,775)	(657,858)	(853,475)	(1,332,909)
Net income	751,930	1,010,430	1,176,097	1,493,618	2,443,564
Net income per share (2)	1.26	1.70	1.98	2.56	4.18
Dividends per share (3)	0.35	0.85	0.00	0.00	1.02
Dividends per share in US\$ (3)	0.09	0.21	0.00	0.00	0.16
Number of outstanding shares (in thousands)	594,485	594,485	584,485	584,485	584,485
U.S. GAAP: (4)					
Net income before extraordinary items	993,769	865,215	1,198,411	1,551,994	2,479,680
Extraordinary Gain					
Less: Net income attributable to the non-controlling interest	(7,484)	(5,943)	(8,380)	(14,159)	(18,521)
Net income attributable to the controlling interest	986,285	859,272	1,190,031	1,537,835	2,461,159
Net income per share before extraordinary item(s)	1.66	1.45	2.02	2.66	4.24
Total net income per share (5)	1.66	1.45	2.01	2.63	4.21

Weighted average number of outstanding shares (in thousands)	595,634	594,485	593,220	584,485	584,485
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- (1) Due to the modification of certain disclosure methods defined for certain items in the consolidated balance sheets and consolidated statements of income, figures have been restated for comparability purposes. See "Presentation of certain financial and other information."
- (2) Net income in accordance with Central Bank Rules divided by weighted average number of outstanding shares.
- (3) Includes cash dividends approved by the shareholders' meetings for each of such fiscal years, if any.
- (4) See note 33 to our audited consolidated financial statements for the year ended December 31, 2013 for a summary of significant differences between Central Bank Rules and U.S. GAAP.
- (5) Net income in accordance with U.S. GAAP divided by weighted average number of outstanding shares.

	As of December 31,				
	2009 (1)	2010 (1)	2011 (1)	2012 (1)	2013
(in thousands of Pesos)					
Selected Consolidated Balance Sheet					
Central Bank Rules:					
Assets					
Cash and due from banks and correspondents	5,016,192	5,202,004	6,172,446	10,047,048	12,860,529
Government and private securities	6,901,041	7,030,074	4,396,862	2,343,078	2,441,316
Loans:					
to the non-financial government sector	206,484	336,430	336,189	586,557	640,158
to the financial sector	90,916	155,701	343,282	299,250	364,897
to the non-financial private sector and foreign residents	11,247,452	15,932,882	24,238,011	31,203,946	39,023,795
Allowances for loan losses	(448,045)	(514,910)	(599,224)	(887,156)	(1,006,495)
Other assets	3,666,687	5,040,342	6,291,633	4,301,342	4,970,834
Total assets	26,680,727	33,182,523	41,179,199	47,894,065	59,295,034
Average assets	23,889,345	27,871,603	34,839,066	44,792,602	53,268,656
Liabilities and shareholders' equity					
Deposits:					
from the non-financial government sector	3,613,924	5,216,109	5,836,211	8,318,383	6,580,041
from the financial sector	14,052	15,776	17,731	24,222	26,874
from the non-financial private sector and foreign residents	14,964,890	18,175,508	23,313,136	27,846,067	36,820,103
Other liabilities from financial intermediation and other liabilities	4,043,641	4,883,090	6,487,435	4,575,660	6,023,432
Provisions	88,275	105,830	112,816	131,683	159,381
Subordinated corporate bonds	572,473	598,470	647,753	740,192	981,142
Items pending allocation	3,987	7,399	6,981	7,408	7,128
Minority interest in subsidiaries	20,684	27,499	37,584	51,355	69,502
Total liabilities	23,321,926	29,029,681	36,459,647	41,694,970	50,667,603
Shareholders' equity	3,358,801	4,152,842	4,719,552	6,199,095	8,627,431
Average shareholders' equity	3,055,736	3,733,181	4,400,739	5,510,363	7,344,336
U.S. GAAP: (2)					
Shareholders' equity attributable to the controlling interest	3,269,875	3,754,434	4,325,759	5,876,589	8,332,414
Non-controlling interests	23,052	28,995	37,375	51,534	70,055
Shareholders' equity	3,292,927	3,783,429	4,363,134	5,928,123	8,402,469

- (1) Due to the modification of certain disclosure methods defined for certain items in the consolidated balance sheets and consolidated statements of income, figures have been restated for comparability purposes. See "Presentation of certain financial and other information."
- (2) See note 33 to our audited consolidated financial statements for the year ended December 31, 2013 for a summary of significant differences between Central Bank Rules and U.S. GAAP.

Selected consolidated ratios:	As of and for the year ended December 31,				
	2009	2010	2011	2012	2013
Profitability and performance					
Net interest margin (%) (1)	12.56	11.15	10.93	12.07	13.70
Fee income ratio (%) (2)	30.90	35.58	39.79	39.35	37.41
Efficiency ratio (%) (3)	44.79	51.50	50.28	46.35	43.84
Ratio of earnings to fixed charges (excluding interest on deposits) (4)	10.65x	11.42x	14.37x	17.63x	20.70x
Ratio of earnings to fixed charges (including interest on deposits) (5)	2.06x	2.24x	2.32x	2.00x	2.14x
Fee income as a percentage of administrative expense (%)	68.99	69.08	79.13	84.89	85.33
Return on average equity (%)	24.61	27.07	26.72	27.11	33.27
Return on average assets (%)	3.15	3.63	3.38	3.33	4.59
Liquidity					
Loans as a percentage of total deposits (%)	62.09	70.17	85.43	88.67	92.17
Liquid assets as a percentage of total deposits (%) (6)	59.19	50.96	34.74	31.75	33.34
Capital					
Total equity as a percentage of total assets (%)	12.59	12.52	11.46	12.94	14.55
Regulatory capital as a percentage of risk-weighted assets (%)	27.38	24.74	18.26	19.01	25.29

Asset Quality

Non-performing loans as a percentage of total loans (%) (7)	3.25	2.11	1.51	1.78	1.66
Allowances for loan losses as a percentage of total loans	3.88	3.13	2.40	2.76	2.51
Allowances for loan losses as a percentage of non-performing loans (%) (7)	119.45	148.90	159.16	155.39	151.67
Differences due to court orders (<i>Amparos</i>) as a percentage of equity (%)	1.50	1.32	1.08	0.00	0.00

Operations

Number of branches	408	404	414	428	430
Number of employees	7,863	8,209	8,459	8,534	8,708

- (1) Net interest income divided by average interest earning assets.
- (2) Service charge income divided by the sum of gross intermediation margin and service charge income.
- (3) Administrative expenses divided by the sum of gross intermediation margin and service charge income.
- (4) For the purpose of computing the ratio of earnings to fixed charges excluding interest on deposits, earnings consist of income before income taxes plus fixed charges; fixed charges excluding interest on deposits consist of gross interest expense minus interest on deposits.
- (5) For the purpose of computing the ratio of earnings to fixed charges including interest on deposits, earnings consist of income before income taxes plus fixed charges; fixed charges including interest on deposits is equal to gross interest expense.
- (6) Liquid assets include cash, cash collateral, repos, LEBACs and NOBACs and interfinancing loans.
- (7) Non-performing loans include all loans to borrowers classified as “3- troubled/medium risk,” “4-with high risk of insolvency/high risk,” “5-irrecoverable” and “6-irrecoverable according to Central Bank’s Rules” under the Central Bank loan classification system.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

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

Risks relating to Argentina

Argentina’s economic growth may not be sustainable.

The Argentine economy has experienced significant volatility in recent decades, with periods of low or negative growth, high inflation and currency devaluation. Since the 2001 economic crisis, Argentina recovered significantly by increasing at a substantial level its real GDP, at an average of 8.5% on annual basis between 2003 and 2008. As a result of the 2008 world economic crisis, Argentina GDP’s growth rate decreased up to 0.9% in 2009, but it returned to 9.2% growth in 2010 and 8.9% growth in 2011. During 2012, the Argentine economy experienced a slowdown with GDP increasing at a rate of 1.9%. In March 2014, the Argentine government announced a new method of calculating GDP as requested by the International Monetary Fund, or “IMF” (using 2004 as the base year instead of 1993, which was the base reference year used in the prior method of GDP calculation). As a result of the new method, the estimated GDP growth for 2013 was revised from 4.9% to 3%. No assurance can be given that the growth experienced during recent years will be achieved in 2014 or future years or that the economy will not contract.

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

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

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

Although economic conditions vary from country to country, investors' perceptions of events occurring in other countries have in the past and may continue to substantially affect capital flows into and investments in securities from issuers in other countries, including Argentina.

The Argentine financial system and securities markets may also be adversely affected by events in developed countries' economies or events in other emerging markets. A prolonged slowdown in economic activity in Argentina or negative effects on the Argentine financial system or the securities markets would adversely affect our business, financial condition and results of operations.

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

Argentina's economy is vulnerable to adverse developments affecting its principal trading partners. A significant decline in the economic growth of any of Argentina's major trading partners, such as Brazil, China or the United States, could have a material adverse impact on Argentina's trade balance and adversely affect Argentina's economic growth. The economic performance of other trading partners such as Chile, Spain and Canada may also affect Argentina's trade balance. Recent economic slowdowns have led to declines in exports of 42% with Spain, 26% with Chile, 23% with Canada, 4% with Brazil, and 7% with the United States in 2013, compared to 2012. Declining demand for Argentine exports could have a material adverse effect on Argentina's economic growth.

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

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

Argentina's 2001 default and its failure to fully restructure its sovereign debt and negotiate with the holdout creditors has limited and may continue to limit Argentina's ability to access international capital markets. In 2005, Argentina completed the restructuring of a substantial portion of its indebtedness and settled all of its debt with the International Monetary Fund, or "IMF". Additionally, in June 2010, Argentina completed the renegotiation of approximately 67% of the defaulted bonds that were not swapped in the 2005 restructuring. As a result of the 2005 and 2010 debt swaps, Argentina has restructured approximately 91% of its defaulted debt that was eligible for restructuring. Holdout creditors that declined to participate in the exchanges commenced numerous lawsuits against Argentina in several countries, including the United States, Italy, Germany, and Japan. In related cases brought before the U.S. District Court for the Southern District of New York, the plaintiffs argued that allowing Argentina to make payments under the new bonds issued pursuant to the debt swaps while it remained in default on its pre-2002 bonds violates the *pari passu* clause in the original bonds and entitles the plaintiffs to injunctive relief barring Argentina from making payments on the new bonds without making comparable payments on the original bonds. In late October 2012, the U.S. Court of Appeals for the Second Circuit in New York affirmed the U.S. District Court for the Southern District of New York's ruling that the *pari passu* clause in the pre-2002 bonds prevents Argentina from making payments unless it makes ratable payments to the holdout creditors at the same time. On November 21, 2012, the U.S. District Court for the Southern District of New York specified that ratable payments to the holdout creditors would be the full amount owed on the bonds (including interest) and ordered Argentina to pay the approximately US\$1.33 billion owed to the holdout creditors party to such proceedings.

On appeal, the U.S. Court of Appeals for the Second Circuit ordered Argentina to submit a payment plan proposal for the holdout creditors, which Argentina did on March 29, 2013. On August 23, 2013, the U.S. Court of Appeals for the Second Circuit rejected Argentina's payment proposal and affirmed the U.S. District Court for the Southern District of New York's November 21, 2012 injunctions. However, in the same ruling, the U.S. Court of Appeals for the Second Circuit stayed the enforcement of the injunctions pending the resolution by the U.S. Supreme Court of any timely petition for a writ of *certiorari*. In this regard, Argentina filed a petition for a writ of *certiorari* on June 24, 2013, which was denied as premature. Later, on February 18, 2014, Argentina and certain holders of the new bonds timely filed petitions for a writ of *certiorari*. The U.S. Supreme Court has not yet ruled on those petitions.

Separately, on December 17, 2010, the District Court granted plaintiff holdout bondholders' motion to compel discovery from certain financial institutions concerning, among other things, Argentina's assets. On August 20, 2012, the U.S. Court of Appeals for the Second Circuit affirmed the District Court's ruling. On January 7, 2013, Argentina filed a petition for a writ of *certiorari* concerning the permissible scope of discovery into its assets. In January 2014, the United States Supreme Court granted Argentina's petition for a writ of *certiorari* on that issue.

The continuation and outcome of this litigation may continue to prevent Argentina from obtaining favorable terms or interest rates when accessing international capital markets. Litigation initiated by holdout creditors or other parties may result in material judgments against the Argentine government and could result in attachments of, or injunctions relating to, Argentina's assets, which could have a material adverse effect on the country's economy and affect our ability to access international financing.

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

Foreign shareholders of several Argentine companies, including public utilities, and bondholders that did not participate in the exchange offers described above, have filed claims in excess of US\$20 billion in the aggregate with the International Centre for

Settlement of Investment Disputes (the “ICSID”) alleging that the emergency measures adopted by the government differ from the just and equal treatment standards set forth in several bilateral investment treaties to which Argentina is a party. During 2013, Argentina agreed to settle five separate investment treaty arbitration claims at a cost of around US\$500 million. As of December 31, 2013, there were ICSID judgments outstanding against Argentina for approximately US\$677 billion, plus interest and expenses, and furthermore, the United Nations Commission on International Trade Law (“UNCITRAL”) has issued rulings against Argentina for approximately US\$280 million, plus interest and expenses.

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

Government intervention could adversely affect the Argentine economy.

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

In 2008, the Argentine government expropriated the country's largest airline (Aerolíneas Argentinas), and in 2012, took control of YPF S.A. ("YPF"), the largest oil and gas company, both of which were privatized in the 90's. In May 2012, shares owned by the Spanish group Repsol, representing 51% of the capital stock of YPF were expropriated and the board and management of YPF were replaced. Repsol has filed a claim before the ICSID against Argentina and YPF for violation of the existing Treaty for Investment Promotion and Protection agreed between Spain and Argentina. Likewise, Repsol has filed a lawsuit against The Bank of New York Mellon and YPF in the U.S. District Court in Manhattan, claiming that Argentina failed to issue a tender offer for Class D shares of YPF in accordance with YPF's bylaws. Repsol has filed several claims against the Argentine government before the ICSID and the Argentine courts claiming an aggregate amount of around US\$10 billion. After long negotiations, in February 2014 the Argentine government and Repsol reached an agreement under which the Argentine government will deliver to Repsol (*pro solvendo*) Argentine public debt securities in a nominal amount of US\$5.0 billion (which amount may be increased up to an additional US\$1.0 billion). Such agreement was approved by Repsol's shareholders on March 28, 2014 and by the Argentine Congress on April 24, 2014.

Moreover, as a result of the amendment of the social security system in 2008, in 2009 all the assets managed by formerly private pension funds were transferred to a separate fund (*Fondo de Garantía de Sustentabilidad* or "FGS") managed by the ANSES upon the passing of regulation seeking to guarantee the sustainability of the public pension system. As result of such assignment, FGS holds shares in listed companies, including us, which in certain cases, including in the case of the Bank, entitles FGS to nominate members of the board of directors and supervisory committees. Pursuant to Decree No. 1278/2012 issued by the Executive Branch on July 25, 2012, those directors appointed by the FGS in listed companies will report directly to the Ministry of Economy (*Secretaría de Política Económica*), and shall comply with a mandatory information regime set forth by such Decree, including among other obligations, the obligation to report to such Secretariat the agenda of each board of directors' meeting and the related documentation.

Furthermore, on February 4, 2014, in order to reduce pressure on the foreign exchange rate, the Central Bank reduced the limits of the foreign currency net global position of financial institutions in Argentina. As a result, Argentine financial entities, including us, sold part of their position in U.S. dollars to comply with such rule. See "—Argentine banking regulations—Foreign currency net global position."

Actions taken by the Argentine government concerning the economy, including decisions with respect to interest rates, taxes, price controls, foreign exchange controls and potential changes in the foreign exchange market, have had and could continue to have a material adverse effect on Argentina's economic growth and in turn affect our financial condition and results of operations.

Expropriations, interventions and other direct involvement by the Argentine government in the economy may have an adverse impact on the level of foreign investment in Argentina, the access of Argentine companies to the international capital markets and Argentina's commercial and diplomatic relations with other countries.

Argentina's foreign trade measures may lead to a decrease in exports and retaliation by trading partners.

In 2012, the Argentine government introduced a procedure pursuant to which local authorities must pre-approve the import of products and services to Argentina as a pre-condition to permit such import and the consequent access to the foreign exchange market for the payment of the imported products or services. Members of Mercosur and other countries have complained against these measures, and some have filed claims against Argentina with the World Trade Organization.

In addition, during the recent years, the Argentine government has increasingly issued regulations and taken certain actions seeking to control the value of the Peso and offset mismatches on the country's balance of payments. Such measures, among others, may affect diplomatic commercial relations among Argentina and its trading partners, affecting the trade balance.

Repeated complaints from various countries against import restrictions implemented by Argentina, suspension of export preferences or retaliations by trading partners may have an adverse effect on Argentine exports, affect the trade balance and, consequently, adversely impact Argentina's economy. Diminished foreign trade would also adversely impact our business, financial condition and results of operations.

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

Since 2002, Argentina has imposed exchange controls and transfer restrictions substantially limiting the ability of companies to retain foreign currency or make payments abroad. In June 2005, the government issued Decree No. 616/2005, which established additional controls on capital inflows, including the requirement that 30% of all funds remitted to Argentina remain deposited in a domestic financial institution as a U.S. dollar deposit for one year without yielding interest.

In addition, since 2011, the Argentine government has increased controls on the incurrence of foreign currency-denominated indebtedness, the sale of foreign currency and the acquisition of foreign assets by local residents. Furthermore, new regulations were issued in 2012 pursuant to which certain foreign exchange transactions are subject to prior approval by Argentine tax authorities.

During 2013 and January 2014, the level of international reserves deposited with the Central Bank significantly decreased, resulting in a reduced capacity of the Argentine government to intervene in the foreign exchange market and to provide access to such markets to private sector entities like us.

Since the enhancement of exchange controls in November 2011, it is widely reported that in the countries where the Peso (bill) is traded, the Peso/U.S. dollar exchange rate differs substantially from the official foreign exchange rate in Argentina.

Additional controls could have a negative effect on the economy and on private sector companies, including our business, and may adversely affect Argentine entities' ability to access the international capital markets for credit. Furthermore, in such event, the imposition of future restrictions on the transfers of funds abroad may impede our ability to transfer dividends to ADS holders or interest or principal payments to the holders of our notes.

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

High commodity prices have contributed significantly to the increase in Argentine exports since the third quarter of 2002 as well as in governmental revenues from export taxes. If international commodity prices decline, the Argentine government's revenues would decrease significantly affecting Argentina's economic activity. Accordingly, a decline in international commodity prices could adversely affect Argentina's economy, which in turn would produce a negative impact on our financial condition and results of operations.

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

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

In recent years, Argentina has confronted inflationary pressure, as evidenced by significantly higher fuel, energy and food prices. According to inflation data published by the National Statistics Institute (*Instituto Nacional de Estadística y Censos*, INDEC), from 2011 to 2013, the Argentine consumer price index ("CPI") increased 9.5%, 10.8% and 10.9%, respectively; the wholesale price index increased 12.7%, 13.1% and 14.8%, respectively. Since 2007, INDEC, which is the only institution in Argentina with the statutory authority to produce official nationwide statistics, experienced a controversial process of institutional reforms. The accuracy of the statistical information released by the INDEC has been called into question by numerous private sectors and by the IMF. In February 2014, after a long period of analysis, the INDEC published its new "National Consumer Price Index" prepared in cooperation of international organizations such as the IMF, which captures the variation in the prices of goods and services included in the national consumption basket, i.e. including six regions (NW, NE, Cuyo, La Pampa, Patagonia and GBA). This new index shows an inflation rate of 3.7% in January 2014, 3.4% in February 2014 and 2.6% in March 2014.

In the past, inflation has materially undermined the Argentine economy and Argentina's ability to create conditions that would permit growth. High inflation may also (i) undermine Argentina's competitiveness abroad producing, inter alia, an increase in unemployment levels and (ii) negatively impact the country's long-term credit markets. There can be no assurance that inflation rates will not continue to escalate in the future or that the measures adopted or that may be adopted by the Argentine government to control inflation will be effective or successful. Inflation remains a challenge for Argentina. Significant inflation could have a material adverse effect on Argentina's economy and in turn could increase our costs of operation, in particular labor costs, and may negatively impact our financial condition and results of operations. See "—Failure by the Argentine government to follow the International Monetary Fund's recommendations could further strain relations with the IMF".

Failure by the Argentine government to follow the International Monetary Fund's recommendations could further strain relations with the IMF.

During the past years, Argentina's relations with the International Monetary Fund (the "IMF") have been strained. Due to generalized complaints against INDEC's quality of official data, in December 2010, Argentina accepted to begin working with the IMF for technical assistance in order to prepare a new CPI with the aim of modernizing the current statistical system. During the first quarter of 2011, a team from the IMF started working in conjunction with the INDEC. In addition, on February 1, 2013 the IMF issued a

declaration of censure against Argentina in connection with its failure to address the quality of the official data reported to the IMF for CPI and Gross Domestic Product (GDP). Furthermore, on December 9, 2013 the IMF recognized Argentina's ongoing work and intention to introduce a new national CPI in early 2014. The IMF also noted that Argentina was working to address shortcomings in its GDP data. As a result, the IMF adopted a decision calling on Argentina to implement specified actions to address the quality of its official CPI and GDP data according to a specified timetable. Such specified actions include the public release of a new national CPI and revised GDP estimates, by the end of March 2014. On February 13, 2014, the INDEC published a new CPI calculated with a methodology agreed by the IMF, which rose 3.7% for January 2014 and 3.4% for February 2014. Moreover, in March 2014, the Argentine government announced a new method of calculating GDP (using 2004 as the base year instead of 1993, which was the base reference year used in the prior method of GDP calculation), which showed a rise of 3% for 2013. Further actions must be implemented by the IMF by the end of September 2014 and the end of February 2015.

If the IMF finds that the methodology of INDEC for calculating a new national CPI or GDP is inaccurate, or concludes that its methodology shall be adjusted, that could derive in financial and economic hazards for Argentina, including lack of financing from such organization. If these measures are adopted, the Argentine economy could suffer material adverse effects, which in turn would adversely affect our financial condition and results of operations.

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

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

During 2013, the stock of the international reserves of the Central Bank decreased from U.S.\$ 44.3 billion in 2012 to U.S.\$ 30.6 billion in 2013, mainly due to financing of private deficit (mainly from tourism) and payment of the Argentine external indebtedness. In addition, Argentina experienced a 9% decrease in the level of its reserves during January 2014. In order to contain the fall in reserves, the Central Bank accelerated the rate of nominal devaluation of the Peso. During the first quarter of 2014, the Peso-U.S. dollar exchange rate has significantly increased, resulting in a strong devaluation of the Peso (see “—Exchange rates”). The Argentine macroeconomic environment, in which we operate, was affected by such devaluation which had an impact on our financial and economic position. The estimated impact of the abovementioned devaluation, considering our currency exposure of net assets and liabilities, amounted to Ps. 696 million. If the Peso devalues significantly, all of the negative effects on the Argentine economy related to such devaluation could recur, with adverse consequences to our business, financial condition and results of operations.

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

A substantial increase in the value of the Peso against the U.S. dollar presents risks for the Argentine economy. A significant real appreciation of the Peso could affect Argentina’s competitiveness abroad and adversely affect exports and employment level. This could have a negative effect on GDP growth as well as reduce the Argentine public sector’s revenues by reducing tax collection in real terms. A contraction of the Argentine economy may have a material adverse effect in our business, our financial condition and results of operations.

In addition, the appreciation of the Peso against the U.S. dollar would negatively impact the financial condition of entities whose foreign currency-denominated assets exceed their foreign currency-denominated liabilities.

Our primary assets and revenues are denominated in Pesos while approximately 16% of our total assets and 14% of our total liabilities are denominated in foreign currencies.

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

During the last few years, the Argentine government has substantially increased public expenditure. In 2013, public sector expenditure increased by 33% year over year and the government reported primary fiscal deficit. During recent years, the Argentine government has resorted to the Central Bank and to the ANSES to source part of its funding requirements.

In light of increasingly tight public finances, the Argentine government has commenced revising its subsidy policies, particularly those related to energy, electricity and gas, water and public transportation. Changes in these policies could materially and adversely impact consumer purchase capacity and economic activity and lead to an increase in prices, because they occur in a context of high inflation and high interest rates.

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

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

Argentine government measures to preempt, or in response to, economic instability and the related social unrest may adversely affect the Argentine economy.

Despite Argentina’s economic recovery during the past years, social and political tensions and high levels of poverty have not abated. Future Argentine government policies to preempt, or in response to, social unrest could adversely and materially affect the economy, and thereby our business.

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

On March 22, 2012, the Argentine Congress passed Law No. 26,739, which amended the charter of the Central Bank (the "Central Bank's Charter") and Law No. 23,298 (the "Convertibility Law"). This new law amends the objectives of the Central Bank (established in its charter) and removes certain provisions previously in force. Pursuant to the amendment, the Central Bank focuses on promoting monetary and financial stability as well as development with social equity.

A key component of the amendment of the Central Bank charter relates to the use of the international reserves. Pursuant to this amendment, Central Bank reserves may be made available to the government for the repayment of debt or to finance public expenses. During 2013, the currency reserves in U.S. dollars held by the Argentine government in the Central Bank have significantly decreased. This use of Central Bank reserves for the expanded purposes may result in Argentina being more vulnerable to inflation or external shocks, affecting the country's capacity to overcome the effects of an external crisis.

Risks relating to the Argentine financial system

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

In recent years, the loan portfolio of the Argentine financial system grew significantly. Loans to the private sector grew by approximately 46% in 2011, 32% in 2012 and 31% in 2013 for the financial system as a whole. In spite of the recovery of the credit activity, the long-term loans market (pledged loans and mortgage loans) did not grow at the same pace.

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

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

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

Total deposits with the financial system increased by 23% in 2011, 29% in 2012 and 26% in 2013.

The average total deposits of the Argentine financial system represented 25% of GDP during 2013 compared to 28% and 31% on average in 2012 and 2011, respectively.

In spite of the increasing trend showed during previous years, the deposit base of the Argentine financial system, including ours, may be affected in the future by adverse economic, social and political events. If there were a loss of confidence upon these events and, therefore, depositors withdraw significant holdings from banks, there will be a substantial negative impact on the manner in which financial institutions, including us, conduct their business and on their ability to operate as financial intermediaries. International loss of confidence in the financial institutions may also affect sensibility of Argentine depositors.

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

Financial institutions have bonds of, and loans to, the Argentine federal and provincial governments as part of their portfolios. Exposure to public sector of the financial system has decreased year after year, from 48.9% in 2002 to 9.3% in 2013.

To some extent, the value of the assets held by Argentine banks, as well as their income generation capacity, is dependent on the Argentine public sector's creditworthiness, which is in turn dependent on the government's ability to promote sustainable economic growth in the long run, generate tax revenues and control public spending.

As of December 31, 2013, our exposure to the public sector, not including LEBACs (*Letras del Banco Central*) and NOBACs (*Notas del Banco Central*), totaled approximately Ps. 1.7 billion, representing 2.9 % of our total assets.

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

The capacity of many Argentine private sector debtors to repay their loans has deteriorated as a result of certain economic events in Argentina or the international economic crisis, materially affecting the asset quality of financial institutions, including us. From the end of 2008, we had consistently established large allowances for loan losses to cover the risks inherent to our private loan portfolio.

During 2010 and 2011, the ratio of the non-performing private sector lending showed a great decline from the levels reported for 2009, with a record minimum ratio of 1.4% as of December 31, 2011 for the financial system as a whole. Such improvements were reflected in both the consumer loan portfolio and the commercial portfolio. During 2012, the ratio of the non-performing private sector lending increased, standing at 1.7% as of December 31, 2012. During 2012 and 2013, the ratio of the non-performing private sector lending remained stable (1.7% as of December 31, 2013).

Our credit portfolio quality ratio and coverage ratio followed the financial system trend standing at 1.7% and 149.1% ratios for our entire portfolio, respectively, as of December 31, 2013.

Despite of the good quality of our portfolio we may not succeed in recovering substantial portions of loans that were provisioned. If Argentina's economic growth slows down and the financial condition of the private sector deteriorates, the financial system, including us, will experience an increase in the incidence of non-performing loans.

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

Certain public and private organizations have initiated class actions against financial institutions in Argentina. The Argentine National Constitution and Law No. 24,240 (the "Consumer Protection Law") contain certain provisions regarding class actions. However, their guidance with respect to procedural rules for instituting and trying class action cases is limited. Nonetheless, by means of an ad hoc doctrine construction, Argentine courts have admitted class actions in some cases, including various lawsuits against financial entities related to "collective interests" such as alleged overcharging on products, applied interest rates, advice in the sale of public securities, etc. If class action plaintiffs were to prevail against financial institutions, their success could have an adverse effect on the financial industry and on our business.

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

To protect debtors affected by the economic crisis, beginning in 2002 the Argentine government adopted measures that temporarily suspended proceedings to enforce creditors' rights, including mortgage foreclosures and bankruptcy petitions. Such limitations have restricted creditors' ability to collect defaulted loans. Most of these measures have been rescinded; however, we cannot assure you that in an adverse economic environment the government will not adopt new measures in the future, which could have a material adverse effect on the financial system and our business.

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

The Consumer Protection Law sets forth certain rules and principles designed to protect consumers, which include our customers. The Consumer Protection Law was amended on March 12, 2008 by Law No. 26,361 to expand its applicability and the penalties associated with violations thereof.

Additionally, Law No. 25,065 (as amended by Law No. 26,010 and Law No. 26,361, the "Credit Card Law") also sets forth several mandatory regulations designed to protect credit card holders.

Both the involvement of the applicable administrative authorities at the federal, provincial and local levels, and the enforcement of the Consumer Protection Law and the Credit Card Law by the courts are increasing. This trend has increased general consumer protection levels. We cannot provide any assurance that judicial and administrative rulings based on the applicable regulation, or measures adopted by the enforcement authorities, will not increase the consumer protection given to debtors and other clients in the future, or that they will not favor the claims initiated by consumer groups or associations, and in such event, certain penalties and remedies could prevent or limit the collection of payments due from services and financing provided by banks engaged in such practices and materially adversely affect the financial results of those entities.

Future governmental measures and/or regulations may adversely affect the economy and the operations of financial institutions.

The Argentine government has historically exercised significant influence over the economy, and financial institutions, in particular, have operated in a highly regulated environment. In the first quarter of 2012, the Central Bank's Charter was amended resulting in an increase influence of government over the financial system. For example, in June 2012, the Central Bank established that certain financial entities, including us, must allocate an amount equal to at least 5% of the monthly average of the daily balance of the deposits held with such entities by the non-financial private sector, at a fixed interest rate in Pesos determined by the Central Bank, to fund investment projects for the acquisition of capital goods; the construction of plants; the marketing of goods or the acquisition of property (subject in this case to certain additional requirements). The Central Bank extended the term of this ruling in December 2012 and in December 2013. Furthermore, the Central Bank sets certain regulations that provides more control over the relationship between them and their customers and imposed the obligation to report any change in their fees with a prior 90-day notice. In addition, in February 2014, the Central Bank established that the net global position in foreign currency of financial institutions cannot exceed the lesser of 30% of the RPC or the liquid funds of the institution. As a result, financial entities, including us, sold part of their position in U.S. dollars to comply with such rule. We cannot assure that laws and regulations currently governing the economy or the banking sector will not continue to change in the future or that any changes will not adversely affect our business,

financial condition and results of operations.

As of the date of this report, three different bills to amend the Financial Institutions Law No. 21,526 as amended (the “Financial Institution Law”) have been put forth for review in the Argentine Congress, seeking to amend different aspects of the Financial Institutions Law. A thorough amendment of the Financial Institutions Law would have a substantial effect on the banking system as a whole.

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

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

Moreover, in February 2011, Argentina, represented by the Minister of Justice, attended the FATF Plenary in Paris, in order to present a preliminary action plan. FATF granted an extension to implement changes.

In June, 2011, Argentina made a high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies. In compliance with recommendations made by the FATF on money laundering prevention, on June 1, 2011 the Congress enacted Law No. 26,683. Under this law, money laundering is now a crime per se, and self-laundering money is also considered a crime.

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

Notwithstanding the improvements that Argentina made, the FATF as of October 2012 has determined that certain strategic AML/CFT deficiencies continue, including, among others, (i) addressing the remaining deficiencies with regard to the criminalization of money laundering; (ii) further improving procedures for the confiscation of funds related to money laundering and freezing terrorist assets; (iii) enhancing financial transparency; (iv) ensuring a fully operational and effectively functioning Financial Intelligence Unit and improving suspicious transaction reporting requirements; (v) further enhancing the AML/CFT supervisory program for all financial sectors; (vi) further improving and broadening customer due diligence measures; and (vii) establishing appropriate channels for international co-operation and ensuring effective implementation.

Since October 2013, Argentina has taken steps towards improving its AML/CFT regime, including by issuing new regulations strengthening suspicious transaction reporting requirements and the financial sector regulator's existing powers to apply sanctions for AML/CFT deficiencies. However, the FATF (pursuant to its report dated February 14, 2014) determined that certain strategic AML/CFT deficiencies remain. Argentina must continue to work on implementing its action plan to address these deficiencies, including by: (i) addressing the remaining deficiencies with regard to the framework for freezing terrorist-related assets, and (ii) further enhancing the range and proportionality of the sanctions available for non-compliance with AML/CFT requirements. The FATF encourages Argentina to address its remaining deficiencies and continue the process of implementing its action plan.

The FATF will continue to monitor the progress of Argentina regarding the compliance with AML/CFT international standards. Therefore, the outcome of new evaluations could adversely affect Argentina's ability to obtain financing from international markets and attract foreign investments.

Risks relating to us

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

Our business strategy is to increase fee income and loan origination in our target market, low- and middle-income individuals and small and medium-sized businesses.

This target market is particularly vulnerable to economic recessions and, in the event of such a recession, growth in our target market may slow and consequently adversely affect our business. The Argentine economy as a whole, and our target market in particular, have not stabilized enough for us to be certain that demand will continue to grow. Therefore, we cannot assure you that our business strategy will in fact be successful.

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

As of March 31, 2014, our controlling shareholders directly or beneficially owned 10,539,895 Class A shares and 224,221,644 Class B shares in the aggregate. Although currently there is no formal agreement among them, together our controlling shareholders control virtually all decisions with respect to our company made by shareholders. They may, without the concurrence of the remaining shareholders, elect a majority of our directors, effect or prevent a merger, sale of assets or other business acquisition or disposition, cause us to issue additional equity securities, effect a related party transaction and determine the timing and amounts of dividends, if any. Their interests may conflict with your interests as a holder of Class B shares, ADSs or notes, and they may take actions that

might be desirable to the controlling shareholders but not to other shareholders or holders of our notes.

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

We have expanded our business primarily through acquisitions. We will continue to consider attractive acquisition opportunities that we believe offer additional value and are consistent with our business strategy. We cannot assure you, however, that we will be able to identify suitable acquisition candidates or that we will be able to acquire promising target financial institutions on favorable terms. Although to date all acquisitions have been authorized by the Central Bank and other relevant authorities, we cannot assure you that any future acquisition will also be authorized by these authorities. Additionally, our ability to obtain the desired effects of such acquisitions will depend in part on our ability to successfully complete the integration of those businesses. The integration of acquired businesses entails significant risks, including:

- unforeseen difficulties in integrating operations and systems;

- problems assimilating or retaining the employees of acquired businesses;
- challenges retaining customers of acquired businesses;
- unexpected liabilities or contingencies relating to the acquired businesses; and
- the possibility that management may be distracted from day-to-day business concerns by integration activities and related problem solving.

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

We expect that competition with respect to small and medium-sized businesses is likely to increase. As a result, even if the demand for financial products and services from these markets continues to grow, competition may adversely affect our results of operations by decreasing the net margins we are able to generate.

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

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

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

However, we cannot guarantee that this trend will continue unless increases in lending or additional cost-cuttings take place. A reverse of this trend in such terms could adversely affect our profitability.

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

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

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

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

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

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

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

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

computer systems and network infrastructure, which may result in significant liability to us in excess of insurance coverage, and may cause existing and potential customers to refrain from doing business with us. Although we intend to continue to implement security technology devices and establish operational procedures to prevent such damage, we cannot assure you that all of our systems are entirely free from vulnerability and these security measures will be successful. If any of these events occur, it could damage our reputation, entail serious costs and affect our transactions, as well as our results of operations and financial condition.

Differences in the accounting standards between Argentina and certain countries with highly developed capital markets, such as the United States, may make it difficult to compare our financial statements and reported earnings with companies in other countries and the United States.

Publicly available corporate information about us in Argentina is different from and may be more difficult to obtain than the information available for registered public companies in certain countries with highly developed capital markets, such as the United States. Except as otherwise described herein, we prepare our financial statements in accordance with Central Bank Rules, which differ in certain significant respects from U.S. GAAP and, to a certain extent, from Argentine GAAP. As a result, our financial statements and reported earnings are not directly comparable to those of banks in the United States.

The instability of the Argentine regulatory framework, in particular the regulatory framework affecting financial entities, could have a material adverse effect on financial entities' activities, including us.

During 2011, 2012 and 2013 a series of new regulations have been issued, mainly regulating the foreign exchange market, capital and minimum cash requirements, lending activity and dividend distribution for financial institutions.

In this regard, the Central Bank, increased the capital requirements for financial institutions carrying out activities in Argentina establishing a minimum capital level to mitigate operational risk. The Central Bank has stated that this new requirement is based on the credit risk policies under Basel II.

Moreover, the Central Bank imposed new restrictions on the distribution of dividends, including a limitation on the maximum distributable amount of dividends which cannot exceed the excess in minimum regulatory capital, exclusively considering, to such end, a 75% incremental adjustment to the capital requirement; i.e. the capital remaining after the distribution of dividends must be sufficient to meet the regulatory capital requirement increased by 75%. This limitation prevented us from distributing dividends for fiscal years 2011 and 2012. We have met the regulatory threshold for dividend distribution for the fiscal year 2013 and we are currently awaiting Central Bank approval to pay dividends for that fiscal year.

The Central Bank established that certain financial entities, including us, must allocate an amount equal to at least 5% of the monthly average of the daily balance of the deposits held with such entities by the non-financial private sector, at a fixed interest rate in Pesos determined by the Central Bank, to fund investment projects for the acquisition of capital goods; the construction of plants; the marketing of goods or the acquisition of property (subject in this case to certain additional requirements). The Central Bank extended the term of this ruling in December 2012 and in December 2013. Furthermore, the Central Bank sets certain regulations that provides more control over the relationship between the banks and their customers and imposed the obligation to report any change in their fees with a prior 90-day notice.

On February 4, 2014, the Central Bank issued Communication "A" 5536 in connection with foreign exchange net global positions for Argentine banks (i.e. the amount of foreign currency either in currency or securities held by Argentine financial entities) and futures contracts. In particular, Communication "A" 5536 set forth two new limits: (a) Net Position of Foreign Exchange: according to the rule, the general limit of the monthly average of daily balances converted into Pesos at the reference exchange rate cannot be greater than the lesser of either (i) 30% of the bank's computable capital (*responsabilidad patrimonial computable* or "RPC") calculated as of the prior month, and (ii) the liquid assets of the institution. The difference in excess of such percentage must be sold within three months; (b) Futures Contracts: the new rule establishes a specific limit for the positive overall net term position of foreign exchange, which cannot be higher than 10% of a bank's RPC calculated as of the prior month. These limits must be complied with before April 30, 2014.

Changes in the regulatory framework could limit the ability of financial institutions, including us, to make long-term decisions, such as asset allocation decisions, that could cause uncertainty with respect to the future financial condition and results of operations.

Risks relating to our Class B shares and the ADSs

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

In 2003, the Central Bank prohibited financial institutions from distributing dividends. In 2004, the Central Bank amended the restriction to require the Central Bank's prior authorization for the distribution of dividends. We have consistently obtained authorization from the Central Bank to distribute dividends corresponding to fiscal years 2003 through 2010. Under new Central Bank Rules on distribution of dividends, the capital remaining after the distribution of dividends must be sufficient to meet the regulatory capital increased by 75%. For the fiscal years ended December 31, 2011 and 2012 we were not able to distribute dividends because we did not reach the regulatory threshold for dividend distribution under Central Bank regulations. For the fiscal year ended December 31, 2013, we reached such regulatory threshold and, in compliance with current regulations, in March 2014 we requested approval from the Central Bank for the payment of dividends for that fiscal year. Authorization for such payment was pending as of the date of this annual report.

No assurance can be given that in the future we will be able to reach the regulatory threshold or that if so, the Central Bank will continue to grant us the authorization to distribute dividends by our shareholders at the annual ordinary shareholders' meeting or that such authorization shall be for the full amount of distributable dividends.

Additional regulatory and contractual restrictions exist which could affect the distribution of earnings and are included in note 15 of our audited consolidated financial statements as of December 31, 2013.

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

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

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

On September 23, 2013, Law No. 26,893 amending the Income Tax Law was enacted. According to the amendments, the distribution of dividends is subject to income tax at a rate of 10.0%, unless they are distributed to Argentine corporate entities, and the sale, exchange or disposition of shares and other securities not traded in or listed on capital markets and securities exchanges is subject to income tax at a rate of 15.0% when the income is obtained by Argentine resident individuals or by foreign beneficiaries. These amendments were recently regulated by Decree 2334/2013. See “Item 10. Additional Information—E.Taxation—Material Argentine tax considerations relating to our Class B shares and ADSs”. However, as of the date of this annual report, many aspects of such taxes remain unclear and, pursuant to certain announcements made by Argentine tax authorities, such taxes are subject to further rulemaking and interpretation, which may adversely affect the tax treatment of our Class B Shares and/or ADSs.

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

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

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

Prior to March 24, 2006, there has not been a public market for the ADSs or, in the case of our Class B shares, a market outside of Argentina. We cannot assure you that any market for our Class B shares or for the ADSs will be available or liquid or the price at which the Class B shares or the ADSs may be sold in that market.

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

Investing in securities that trade in emerging markets, such as Argentina, often involves greater risk than investing in securities of issuers in the United States, and such investments are generally considered to be more speculative in nature. The Argentine securities market is substantially smaller, less liquid, more concentrated and can be more volatile than major securities markets in the United States, and is not as highly regulated or supervised as some of these other markets. There is also significantly greater concentration in the Argentine securities market than in major securities markets in the United States. The ten largest companies in terms of market capitalization represented approximately 96% of the aggregate market capitalization of the BCBA as of December 31, 2013. Accordingly, although you are entitled to withdraw the Class B shares underlying the ADSs from the depositary at any time, your ability to sell such shares at a price and time at which you wish to do so may be substantially limited. Furthermore, new capital controls imposed by the Central Bank could have the effect of further impairing the liquidity of the BCBA by making it unattractive for non-Argentines to buy shares in the secondary market in Argentina.

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

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

Our Class B shares or the ADSs may have been characterized as stock in a “passive foreign investment company” in the past, or may be so characterized in the future, for U.S. federal income tax purposes.

The application of the “passive foreign investment company” rules to equity interests in banks such as us is unclear under current U.S. federal income tax law. While we do not believe that we are currently a passive foreign investment company, the test for determining our “passive foreign investment company” status is a factual one based upon a periodic evaluation of our assets and income and is unclear when applied to banking businesses such as our own. In addition, we may have been a PFIC in the past. It is therefore possible that our Class B shares or the ADSs could be characterized as stock in a “passive foreign investment company” for U.S. federal income tax purposes, which could have adverse tax consequences to U.S. holders (as defined in “Item 10. Additional Information—E.Taxation—Material U.S. Federal Income Tax Considerations”) in some circumstances. If we were classified as a passive foreign investment company in the past, U.S. holders of our Class B shares or the ADSs that held such Class B shares or ADSs at that time generally would be subject to special rules and adverse U.S. tax consequences with respect to certain distributions

made by us and on any gain recognized on the sale or other disposition of our Class B shares or the ADSs. In addition, if we are treated as a passive foreign investment company in future tax years, U.S. holders of our Class B shares or the ADSs in such future periods may be subject to these same rules. In either case, U.S. holders might be subject to a greater U.S. tax liability than might otherwise apply and incur tax on amounts in advance of when U.S. federal income tax would otherwise be imposed. A U.S. holder of our Class B shares or the ADSs might be able to avoid these rules and consequences by making an election to mark such shares to market (although it is not clear if this election is available for the Class B shares). U.S. holders should carefully read “Item 10. Additional Information—E. Taxation—Material U.S. Federal Income Tax Considerations—Passive Foreign Investment Companies” and consult their tax advisors regarding the “passive foreign investment company” rules.

Risks relating to our notes

The notes are effectively subordinated to our secured creditors and our depositors.

Unless otherwise specified, the notes rank at least *pari passu* in right of payment with all of our existing and future unsecured and unsubordinated indebtedness, other than obligations preferred by statute or by operation of law, including, without limitation, tax and labor-related claims and our obligations to depositors.

In particular, under Financial Institutions Law, all of our existing and future depositors will have a general priority right over holders of notes issued under our medium-term note program. The Financial Institutions Law provides that in the event of judicial liquidation or insolvency, all depositors would have priority over all of our other creditors (including holders of notes), except certain labor creditors and secured creditors. Moreover, depositors would have priority over all other creditors, with the exception of certain labor creditors, to funds held by the Central Bank as reserves, any other funds at the time of any revocation of our banking license and proceeds from any mandatory transfer of our assets by the Central Bank.

We have issued and may also issue additional subordinated notes. In that case, in addition to the priority of certain other creditors described in the preceding paragraphs, subordinated notes will also rank at all times junior in right of payment to certain of our unsecured and unsubordinated indebtedness.

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

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

In such event, your ability to receive payments on the notes may be impaired.

We may redeem the notes prior to maturity.

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

As a financial institution, any bankruptcy proceeding against us would be subject to intervention by the Central Bank, which may limit remedies otherwise available and extend the duration of proceedings.

If we are unable to pay our debts as they come due, the Central Bank would typically intervene by appointing a reviewer, request us to file a reorganization plan, transfer certain of our assets and liabilities and possibly revoke our banking license and file a liquidation petition before a local court. Upon any such intervention, noteholders' remedies may be restricted and the claims and interests of our depositors and other creditors may be prioritized over those of noteholders. As a result, the noteholders may realize substantially less on their claims than they would in a bankruptcy proceeding in Argentina, the United States or any other country.

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

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

The ratings of the notes may be lowered or withdrawn depending on various factors, including the rating agency's assessment of our financial strength and Argentine sovereign risk.

Independent credit rating agencies may assign credit ratings to the notes. The ratings of the notes reflect the relevant rating agency's assessment of our ability to make timely payment of principal and interest on the notes. Moreover, the methods of assigning ratings used by Argentine rating agencies may differ in important aspects from those used by the rating agencies in the United States or other countries. The ratings of the notes are not a recommendation to buy, sell or hold the notes, and the ratings do not comment on market prices or suitability for a particular investor. We cannot assure you that the ratings of the notes will remain for any given period of time or that the

ratings will not be lowered or withdrawn. A downgrade in ratings will not be an event of default with respect to the notes. The assigned ratings may be raised or lowered depending, among other things, on the rating agency's assessment of our financial strength as well as its assessment of Argentine sovereign risk generally, and any change to these may affect the market price or liquidity of the notes.

Risks relating to our 2036 Notes

Interest on the 2036 Notes may be limited to the extent we do not have sufficient Distributable Amounts.

No interest on the 2036 Notes will be due and payable in the event that the payment of such interest, together with any other payments or distributions (other than payments in respect of redemptions or repurchases) on or in respect of our parity obligations (including the notes) previously made or scheduled to be made during the distribution period in which such interest payment Date falls, would exceed our distributable amounts for such distribution period. Interest payments on the notes are non-cumulative such that if an interest payment is not made in full as a result of the limitation described in the preceding sentence, such unpaid interest will not accrue or be due and payable at any time and, accordingly, holders of 2036 Notes will not have any claim thereon, whether or not interest is paid with respect to any other interest period.

The distributable amounts available for payment of interest on the 2036 Notes on an interest payment date is based principally on our unappropriated retained earnings from the prior year. Subject to certain limited exceptions, Argentine law does not restrict our shareholders from approving the payment of dividends to themselves out of our unappropriated retained earnings, and the indenture relating to the notes does not restrict our ability to pay dividends unless interest on the notes has not been paid in full as scheduled. In addition, distributable amounts available for payment of interest on the 2036 Notes depends on the amount of payments or other distributions on or in respect of our parity obligations previously made or schedule to be made during the relevant distribution period. Although we do not currently have any parity obligations outstanding, the indenture relating to the notes will not restrict our ability to issue parity obligations in the future. Accordingly, we cannot assure you that we will have sufficient distributable amounts to make interest payments on the 2036 Notes.

We may be prevented by the Central Bank or Argentine banking regulations from making interest or other payments on or in respect of the 2036 Notes.

No interest on the 2036 Notes will be due and payable on an Interest Payment Date in the event that we would be prevented from paying interest on the notes on such interest payment date as a result of (X) a general prohibition by the Central Bank on paying interest or making either payments or distributions on or in respect of our parity obligations (including the notes) or (Y) as provided in Communication "A" 5485 of the Central Bank or any successor regulations thereto, (a) we are subject to a liquidation procedure or the mandatory transfer of our assets by the Central Bank in accordance with Sections 34 or 35 bis of the Financial Institutions Law or successors thereto; (b) we are receiving financial assistance from the Central Bank; (c) we are not in compliance with or have failed to comply on a timely basis with our reporting obligations to the Central Bank; (d) we are not in compliance with minimum capital requirements (both on an individual and consolidated basis) or with minimum cash reserves (on average); or (e) we are subject to significant penalties imposed by the UIF except if certain corrective actions have been implemented by the Superintendency or if a risk mitigation plan has been required.

As a result of the 2001 Argentine crisis, all banks were prohibited by the Central Bank from paying dividends in 2002 and 2003. As the economy recovered, the Central Bank eased the prohibition but still requires prior authorization for the distribution of dividends by banks. Although the prohibition is no longer in effect, we cannot assure you that, if confronted with a similar crisis, the Central Bank will not prevent banks from making interest payments on parity obligations, including the 2036 Notes.

The 2036 Notes are unsecured and subordinated and, in the event of our bankruptcy, the 2036 Notes will rank junior to our unsubordinated obligations and certain of our subordinated obligations.

The 2036 Notes constitute our unsecured and subordinated obligations. In the event of our bankruptcy, the 2036 Notes will rank junior to all claims of our unsubordinated creditors and certain of our subordinated creditors. By reason of the subordination of the notes, in the case of our bankruptcy, although the notes would become immediately due and payable at their principal amount together with accrued interest thereon, our assets would be available to pay such amounts only after all such creditors have been paid in full. We expect to incur from time to time additional obligations that rank senior to the notes, and the indenture relating to the notes does not prohibit or limit the incurrence of such obligations.

Under Argentine law, our obligations under the 2036 Notes will also be subordinated to certain statutory preferences such as tax and labor-related claims and our obligations to depositors. In particular, under the Financial Institutions Law, all of our existing and future depositors will have a general priority right over holders of notes. The Financial Institutions Law provides that in the event of our bankruptcy or insolvency, all depositors would have priority over all of our other creditors (including holders of notes), except certain

labor creditors and secured creditors. Moreover, depositors would have priority over all other creditors, with the exception of certain labor creditors, to funds held by the Central Bank as reserves, any other funds at the time of any revocation of our banking license and proceeds from any mandatory transfer of our assets by the Central Bank.

If we do not satisfy our obligations under the 2036 Notes, your remedies will be limited.

Payment of principal on the 2036 Notes may be accelerated only in certain events involving our bankruptcy. There is no right of acceleration in the case of a default in the performance of any of our covenants, including a default in the payment of principal, premium or interest.

The U.S. federal income tax treatment of the 2036 Notes is unclear.

Because of certain features of the 2036 Notes, the U.S. federal income tax treatment applicable to the 2036 Notes is uncertain. While we do not intend to treat the 2036 Notes as subject to the “contingent payment debt instrument” rules under U.S. federal income tax regulations, it is possible that the U.S. Internal Revenue Service (“IRS”) could assert such treatment. If this assertion were successful, U.S. holders (as defined in “Taxation—Material U.S. Federal Income Tax Considerations”) generally would be required to include interest income on a constant yield basis at a rate that could differ from, and could at certain times be in excess of, the stated interest on the 2036 Notes. In addition, any gain on the sale of 2036 Notes derived by a U.S. holder would be treated as ordinary income rather than capital gain.

It is also possible that the IRS could assert that the 2036 Notes should be treated as equity for U.S. federal income tax purposes. If this assertion were successful, U.S. holders could also be subject to adverse tax rules (including an interest charge on and ordinary income treatment of any gain derived with respect to the notes) if it were also determined that we are a “passive foreign investment company” for U.S. federal income tax purposes. While we do not believe that we are currently a passive foreign investment company, the test for determining “passive foreign investment company” status is a factual one based upon a periodic evaluation of our assets and income and is unclear when applied to banking businesses such as our own. Thus we cannot provide any assurance that we will not be determined to be a “passive foreign investment company” as of the issuance of the 2036 Notes or in any future period.

Certain definitions.

“Parity Obligations” means (i) all claims in respect of our obligations, or our guarantees of liabilities, that are eligible to be computed as part of our Tier 1 capital under Argentine banking regulations (without taking into account any limitation placed on the amount of such capital); and (ii) all claims in respect of any of our other obligations (including guarantees) that rank, or are expressed to rank, *pari passu* with the 2036 Notes.

“Distribution Period” means, with respect to an Interest Payment Date, the period from and including the date of our annual ordinary shareholders’ meeting immediately preceding such Interest Payment Date to but excluding the date of our annual ordinary shareholders’ meeting immediately following such Interest Payment Date.

“Distributable Amounts” for a Distribution Period means the aggregate amount, as set out in our audited financial statements for our fiscal year immediately preceding the beginning of such Distribution Period, prepared in accordance with Central Bank Rules and approved by our shareholders, of our unappropriated retained earnings minus: (i) required legal and statutory reserves; (ii) asset valuation adjustments as determined and notified by the Superintendency, whether or not agreed to by us, and the asset valuation adjustments indicated by our external auditor, in each case to the extent not recorded in such financial statements; and (iii) any amounts resulting from loan loss or other asset valuation allowances permitted by the Superintendency including adjustments arising from the failure to put into effect an agreed upon compliance plan. For the avoidance of doubt, the calculation of Distributable Amounts in respect of a particular Distribution Period shall be made prior to the appropriation or allocation of any amounts to any voluntary or contingent reserves and any dividends or distributions on any Junior Obligations or Parity Obligations during such Distribution Period.

Item 4. Information on the Bank

A. History and development of the Bank

Our legal and commercial name is Banco Macro S.A. We are a financial institution incorporated on November 21, 1966 as a *sociedad anónima*, a stock corporation, duly incorporated under the laws of Argentina for a 99-year period and registered on March 8, 1967 with the Public Registry of Commerce of the City of Bahía Blanca, in the Province of Buenos Aires, Argentina under No. 1154 of Book 2, Volume 75 of *Estatutos*. We subsequently changed our legal address to the City of Buenos Aires and registered it with the IGJ on October 8, 1996 under No. 9777 of Book 119, Volume A of *Sociedades Anónimas*.

Our principal executive offices are located at Sarmiento 447, City of Buenos Aires, Argentina, and our telephone number is (+ 54-11-5222-6500). We have appointed CT Corporation System as our agent for service of process in the United States, located at 111 Eight Avenue, New York, New York, 10011.

Our history – Banco Macro S.A.

Banco Macro commenced operations as non-banking financial institution in 1985, through the acquisition of Macro Compañía Financiera S.A. (created in 1977). In May 1988, it received the authorization to operate as a commercial bank and it was incorporated as Banco Macro S.A. Subsequently, as a result of the merger process with other entities, it adopted other names (among them, Banco Macro Bansud S.A.) and since August 2006, the name of “Banco Macro S.A.”

From then onwards and up to 1995, Banco Macro operated as a wholesale bank, being a pioneer in corporate bonds issuances. It mainly acted in the areas of money market, trading of government and corporate bonds and financial services for medium and big companies.

Since 1994, Banco Macro has substantially changed its business strategy, focusing on retail banking in market areas with a low level of banking transactions and high growth potential and the Bank has focused on the regional areas outside the City of Buenos Aires. Following this strategy, in 1996, we started to acquire entities as well as assets and liabilities resulting from the privatization of provincial and other banks, including Banco Misiones, Banco Salta and Banco Jujuy.

In 2001, 2004 and 2006, Banco Macro acquired the control of Banco Bansud S.A., Nuevo Banco Suquía S.A. and Nuevo Banco Bisel S.A., respectively, expanding through these acquisitions its presence in the south and center of the country. Such entities merged with us on December 2003, October 2007 and August 2009, respectively.

During the fiscal year ended December 31, 2006, we acquired 79.84% of the capital stock of Banco del Tucumán and increased our participation to 89.93% of its capital stock during fiscal year 2007.

Additionally, on September 20, 2010, Banco Macro acquired 100% of the capital stock of Banco Privado de Inversiones S.A. (“Banco Privado”), with the intention of reinforcing the strategy in Buenos Aires area. In December 2013, a merger with Banco Privado was completed. See “—Banco Privado”.

The Bank currently offers traditional bank products and services to companies, including those operating in regional economies, as well as to individuals, thus reinforcing the Bank’s objective to be a multi-services bank.

In addition, Banco Macro performs certain transactions through its subsidiaries, including mainly Banco del Tucumán, Macro Bank Limited, Macro Securities S.A., Macro Fiducia S.A. and Macro Fondos S.G.F.C.I. S.A.

Our shares have been publicly listed on the BCBA since November 1994, and since March 24, 2006 on the NYSE.

Banco Privado

On March 30, 2010, we signed a share purchase agreement with the shareholders of Banco Privado to purchase 100% of the shares of such entity. On September 9, 2010 the Central Bank issued Resolution 198/2010 stating that there were not objections for Banco Macro to acquire 100% of Banco Privado’s capital stock and to transfer 1% to each of our subsidiaries Macro Fiducia S.A. and Macro Securities S.A.

On September 20, 2010, 100% of the capital stock of Banco Privado was transferred to the Banco Macro, which paid US\$23.3 million, out of which, US\$10.4 million is related to a guaranteed amount, as provided in the purchase agreement. As of such date, Banco Privado’s assets and liabilities amounted to Ps. 403.7 million and Ps. 368.0 million respectively.

On September 22, 2010, we made an irrevocable capital contribution of Ps.50 million to Banco Privado as provided in Resolution No. 443 of the Superintendency dated September 15, 2010.

On December 20, 2010, the Bank sold 1% of Banco Privado’s shares to each of our subsidiaries Macro Fiducia S.A. and Macro Securities S.A. for a total aggregate amount of Ps.0.7 million. Consequently, as of December 31, 2012, Banco Macro held 98% of the capital stock and votes of Banco Privado.

Banco Privado’s integration enables us to serve a greater number of customers expanding our credit card business, in particular in the City of Buenos Aires, achieving greater economies of scale and permitting former Banco Privado’s clients access to a network with a greater geographical coverage.

On August 15, 2012, the Domestic Trade Department (*Secretaría de Comercio Interior*) of the Ministry of Economy and Public Finance, following the opinion issued by the National Commission of Competition Defense (the Argentine antitrust authority) on August 1, 2012, granted antitrust clearance to the acquisition of the capital stock of Banco Privado by the Bank.

On March 7, 2013, the Boards of Directors of Banco Macro and Banco Privado entered into a “preliminary merger agreement”, which established the merger of the latter with and into Banco Macro retroactively effective since January 1, 2013, based on the financial statements of such banks as of December 31, 2012.

On June 10, 2013, the special general shareholders’ meetings of Banco Macro and Banco Privado, our subsidiary at the time, approved the “preliminary merger agreement”, the special purpose consolidated merger balance sheet as of December 31, 2012, the related exchange of shares and the corresponding increase in capital of Banco Macro.

The share exchange in connection with the merger was agreed at 0.106195 of a Banco Macro common share per Banco Privado common share. The minority shareholders of Banco Privado are entitled to receive 0.106195 shares of Banco Macro for each Banco Privado common share they hold. Consequently, Banco Macro will issue 77,860 Class B shares of common stock with a face value of Ps 1.

On July 10, 2013, after the term within which the Bank’s creditors could file objections elapsed, the “final merger agreement” was signed.

On December 23, 2013, the board of directors of the Central Bank authorized Banco Privado to merge with and into Banco Macro and on January 23, 2014, the CNV gave its approval. Additionally, the CNV authorized the public offering of shares to be delivered to the former minority shareholders of Banco Privado. As a result, on December 27, 2013, Banco Privado merged with and into Banco Macro.

Investment in property

In 2011 we acquired from the Government of the City of Buenos Aires a site located at Av. Eduardo Madero No. 1180, in the City of Buenos Aires, for an aggregate amount of Ps. 110 million. The Bank has developed a project to build its new corporate offices on this site. Work commenced in 2012 and is expected to be completed by 2016. As of December 31, 2013 the total aggregate amount invested in the project was Ps. 96 million (approximately US\$19.3 million at the applicable exchange rates as of the respective dates of such investments). The total cost of this project is estimated at approximately US\$146 million.

For more information, see Item 4D. "Property, plants and equipment."

B. Business Overview

We are one of the leading banks in Argentina. With the most extensive private-sector branch network in the country, we provide standard banking products and services to a nationwide customer base. We distinguish ourselves from our competitors by our strong financial position and by our focus on low- and middle-income individuals and small and medium-sized businesses, generally located outside of the City of Buenos Aires. We believe this strategy offers significant opportunity for continued growth in our banking business. According to the Central Bank, as of November 30, 2013, we were ranked first in terms of branches, second in terms of equity and third in terms of total loans and total deposits among private banks in Argentina.

As of December 31, 2013, on a consolidated basis, we had:

- Ps. 59,295.0 million (US\$9,097.1 million) in total assets;
- Ps. 39,023.8 million (US\$5,987.1 million) in loans to the non-financial private sector and foreign residents;
- Ps. 43,427.0 million (US\$6,662.6 million) in total deposits;
- approximately 3.2 million retail customers and 0.1 million corporate customers that provide us with approximately 3.3 million clients; and
- approximately 1.1 million employee payroll accounts for private sector customers and provincial governments.

Our consolidated net income for the year ended December 31, 2013 was Ps. 2,443.6 million (US\$374.9 million), representing a return on average equity of 33.3% and a return on average assets of 4.6%.

In general, given the relatively low level of banking intermediation in Argentina currently, there are limited products and services being offered. We are focusing on the overall growth of our loan portfolio by expanding our customer base and encouraging them to make use of our lending products. We have a holistic approach to our banking business; we do not manage the Bank by segments or divisions or by customer categories, by products and services, by regions, or by any other segmentation for the purpose of allocating resources and assessing profitability. We offer savings and checking accounts, credit and debit cards, consumer finance loans and other credit-related products and transactional services available to our individual customers and small and medium-sized businesses through our branch network. We also offer *Plan Sueldo* payroll services, lending, corporate credit cards, mortgage finance, transaction processing and foreign exchange. In addition, our *Plan Sueldo* payroll processing services for private companies and the public sector give us a large and stable customer deposit base.

Our competitive strengths

We believe we are well positioned to benefit from opportunities created by the economic and business environment in Argentina. Our competitive strengths include the following:

- Strong financial position. As of December 31, 2013 we had excess capital of Ps. 4,236.2 million (25.3% capitalization ratio). Our excess capital is aimed at supporting growth, and consequently, a higher leverage of our balance sheet.
- Consistent profitability. As of December 31, 2013, we had obtained profitability for the last 48 consecutive quarters, the only bank with that trade record in Argentina, with a return on average equity of 26.7%, 27.1% and 33.3% for 2011, 2012 and 2013 compared to 25.3%, 25.8% and 29.6% respectively, for the Argentine banking system as a whole.
- Our shareholders' equity as of December 31, 2011, 2012 and 2013 as calculated under Central Bank Rules, was Ps. Ps. 4,719.6 million, Ps. 6,199.1 million and 8,627.4 million, respectively, and our shareholders' equity under U.S. GAAP at December 31, 2011, 2012 and 2013 was Ps. 4,363.1 million, Ps. 5,928.1 million and Ps. 8,402.5 million, respectively.
- Strong presence in fast-growing target customer market. We have achieved a leading position with low- and middle-income individuals and among small and medium-sized businesses, generally located outside of the City of Buenos Aires, which have been relatively underserved by the banking system. Based on our experience, this target market offers significant growth opportunities and a stable base of depositors.

- High exposure to export-led growth. Given the geographical location of the customers we target, we have acquired banks with a large number of branches outside of the City of Buenos Aires with the aim of completing our national coverage. The Bank's focus is particularly in some export oriented provinces. Most of these provinces engage in economic activities primarily concentrated in areas such as agriculture, mining, cargo transportation, edible oils, ranching and tourism, which have benefited from the export-driven growth in the Argentine economy.
- Largest private-sector branch network in Argentina. With 430 branches, we have the most extensive branch network among private-sector banks in Argentina. We consider our branch network to be our key distribution channel for marketing our products and services to our entire customer base with a personalized approach. In line with our strategy, approximately 93% of these branches are located outside of the City of Buenos Aires.
- Loyal customer base. We believe that our customers are loyal to us due to our presence in traditionally underserved markets and to our *Plan Sueldo* payroll services. We have benefited from Argentine regulations that require all employees to maintain *Plan Sueldo* accounts for the direct deposit of their wages. In addition, we emphasize face-to-face relationships with our customers and offer them personalized advice.
- Exclusive financial agent for four Argentine provinces. We perform financial agency services for the governments of the provinces of Salta, Jujuy, Misiones and Tucumán in northern Argentina. As a result, each provincial government's bank accounts are held in our bank and we provide all their employees with *Plan Sueldo* accounts, giving us access to substantial low cost funding and a large number of loyal customers.
- Strong and experienced management team and committed shareholders. We are led by a committed group of shareholders who have transformed our bank from a small wholesale bank to one of the strongest and largest banks in Argentina, with senior executive roles in our management and more than 20 years of experience in the banking industry.

Our strategy

Our strengths position us to better participate in the coming years development of the financial system, which we believe will be stronger in our target market of low- and middle-income individuals, small and medium-sized businesses and in the provinces outside the City of Buenos Aires, where we have a leading presence.

Our goal is to promote the overall growth of the Bank by increasing our customer base, expanding our loan portfolio and generating more fee income from transactional services. We achieve this goal by managing the Bank on a holistic basis, focusing our growth strategy on the marketing and promotion of our standard banking products and services. We have pursued our growth strategy by acquiring banks throughout Argentina, which has enabled us to significantly expand our branch network and customer base. We make acquisition decisions in the context of our long-term strategy of focusing on low- and middle-income individuals, small and medium-sized businesses and to complete our national coverage of Argentina, especially in provinces outside of the City of Buenos Aires. We have taken advantage of the opportunities presented by the Argentine financial system to move into new locations by acquiring banks or absorbing branches from banks liquidated by the Central Bank.

We intend to continue enhancing our position as a leading Argentine bank. The key elements of our strategy include:

- Focus on underserved markets with strong growth potential. We intend to continue focusing on both low- and middle-income individuals and small and medium-sized businesses, most of which have traditionally been underserved by the Argentine banking system and are generally located outside of the City of Buenos Aires, where competition is relatively weaker and where we have achieved a leading presence. We believe that these markets offer attractive opportunities given the low penetration of banking services and limited competition. We believe the provinces outside of the City of Buenos Aires that we serve are likely to grow faster than the Argentine economy as a whole because their export-driven economies have benefited from the devaluation of the Peso and higher prices for agricultural products and commodities.
- Further expand our customer base. We intend to continue growing our customer base, which is essential to increasing interest and fee-based revenues. To attract new customers we intend to:
 - Utilize our extensive branch network. We intend to utilize our extensive branch network, which we consider our key distribution channel, to market our products and services to our entire customer base. We utilize a personalized approach to attract new customers by providing convenient and personalized banking services close to their homes and facilities.
 - Offer medium- and long-term credit. We intend to capitalize on the increased demand for long-term credit that we believe will accompany the expected economic growth in Argentina. We intend to use our strong liquidity and our capital base to offer a more readily available range of medium- and long-term credit products than our competitors.
 - Focus on corporate banking customers, strengthening financing to the small business segment.
 - Expand our share in the agricultural and livestock industry and those export-related activities.

- Expand *Plan Sueldo* payroll services. We will continue to actively market our *Plan Sueldo* payroll services, emphasizing the benefits of our extensive network for companies with nationwide or regional needs.
- Offer personalized service. We offer our clients a menu of products and personalized, face-to-face advice to help them select the banking services that best respond to their needs.
- Expand the customer base in the City of Buenos Aires by opening new branches in this region.
- Strengthen our credit card market share by increasing promotion actions and benefits for clients.
- Focus on efficiency and cost control. We intend to increase our efficiency creating new economies of scale, and reducing costs in connection with the integration of merged entities. We have been working on upgrading our information systems and other technology in order to further reduce our operating costs and to support larger transaction volumes nationally.
- Extend existing corporate relationships to their distributors and suppliers. We have established relationships with major corporations in Argentina and will focus our marketing efforts on providing services to their distributors, suppliers, customers and employees, including providing working capital financing and *Plan Sueldo* payroll services.
- Increase cross-selling. We plan to increase cross-selling of products and services to our existing clients. Since almost all of our clients have a checking and savings account, we have a significant opportunity to expand our relationships with them through other products such as credit cards, loans and insurance. For example, significant cross-selling opportunities lie with our retail clients, of whom only 26% currently have personal loans from us and only 42% currently have a credit card from us.

Our products and services

We provide our customers with a combination of standard products and services that is designed to suit individual needs. We have two broad categories of customers: retail customers which include individuals and entrepreneurs; and corporate customers, which include small, medium and large companies and major corporations. In addition, we provide services to four provincial governments. We offer a relatively narrow range of standard products, which are generally available to both our retail and corporate customers. We have a holistic approach to our banking business with a single commercial division responsible for all of our customers and our branch network; we do not manage the Bank by segments or divisions or by customer categories, by products and services, by regions, or by any other segmentation for the purpose of allocating resources or assessing profitability. Our strategy is to grow our business, as demand for credit in Argentina increases, by focusing on cross-selling opportunities among our broad customer base. The following discussion of our business follows the broad customer categories of retail and corporate as a way to understand who our customers are and the products and services that we provide.

Retail customers

Overview

Retail customers are individuals and entrepreneurs. We provide services to them throughout Argentina, in particular outside of the City of Buenos Aires, which has higher concentrations of low- and middle-income individuals who are traditionally underserved by large private banks. We serve our retail customers through our extensive, nationwide branch network. Approximately 93% of our branches are located outside of the City of Buenos Aires.

We offer our retail customers traditional banking products and services such as savings and checking accounts, time deposits, credit and debit cards, consumer finance loans (including personal loans), mortgage loans, automobile loans, overdrafts, credit-related services, home and car insurance coverage, tax collection, utility payments, automatic teller machines (“ATMs”) and money transfers.

Our retail customers provide us with a key source of funding as well as a significant interest and fee income. We believe that our large retail customer client base provides us with an excellent opportunity to expand the volume of our lending business. For example, of our retail customers, only 26% currently have a personal loan from us and only 42% currently have a credit card, and we believe there is strong potential to increase these percentages.

Our efforts were aimed at strengthening relationships with our customers by offering them the products that are best suited to their needs and circumstances, based on our individualized, professional advice, which we believe is an important feature that distinguishes us in serving our target markets.

We defined as our main goals for the retail bank: to consolidate the leading and competitive position of our personal loans portfolio; to increase our market share in the credit cards business, using this product as a tool to strengthen relations with the various customer segments; to improve credit quality ratios; to promote an atomized time deposit portfolio and to generate a strong and stable fee base.

In 2011 market conditions continued to improve and the demand for household financing, mainly consumer loans (personal and credit card loans) continued to increase. During 2012, the demand for household financing continued to increase, mainly in terms of consumer loans (personal and credit card loans), allowing us to attain some of our strategic goals in this area. In 2013 we maintained our market share of consumer loans, maintaining a sustained leadership and competitive positioning of the personal loan portfolio, and our significant growth in credit cards.

Savings and checking accounts and time deposits

We generate fees from providing savings and checking account maintenance, account statements, check processing and other direct banking transactions, direct debits, fund transfers, payment orders and bank debit cards. In addition, our time deposits provide us with a strong and stable funding base.

During 2011 and 2012 we continued fostering the diversified development of our funding sources and established a solid commission base. Our commercial and customer bonding actions enabled us to achieve growth in the deposit portfolio, above market levels, mainly due to an increase in time deposits of retail customers (less than 1 million) which intensified funding atomization. In 2013, the portfolio showed a significant growth, driven by a significant increase in demand deposits.

In 2012 the government established that all payments made to pensioners by the ANSES take place through financial institutions, which in our case resulted in the opening of over 200,000 accounts. Likewise, in 2013 the payment of family allowances into bank accounts was implemented massively, resulting in the opening of over 45,000 accounts and the issuance of the associated debit cards.

Our “Debit Card” product is critical within the framework of our strategies to increase customer transactions by encouraging the use of accounts. Its secondary purpose is to develop account balances due to increased deposits into transactional accounts thus expanding our demand deposits base. With respect to transactional accounts, during 2013, the monetary volume of purchase transactions increased by 40% while the number of debit card purchases increased by 27%.

The following table reflects the number of retail accounts as of December 31, 2011, 2012 and 2013:

Product	Approximate number of retail accounts (as of December 31, of each year)		
	2011	2012	2013
Savings			
Total savings accounts	1,905,214	2,125,687	2,231,442
<i>Plan Sueldo</i> (private sector)	561,567	569,539	583,976
<i>Plan Sueldo</i> (public sector)	582,617	546,592	554,679
Retirees	424,905	689,218	696,858
Open market	336,125	320,338	395,929
Checking			
Checking accounts	340,294	424,086	538,407
Electronic account access			
Debit cards	1,694,305	1,906,384	2,174,140

Lending products and services

We offer personal loans, document discounts, (housing) mortgages, overdrafts, pledged loans and credit card loans to our retail customers.

We intend to continue to increase our retail lending by focusing our marketing efforts on underserved target markets such as the low- and middle-income individuals and to cross-sell our retail lending products to our existing customers, particularly those who have savings and checking accounts with us because we provide payroll and pension services to their employers.

In 2012, the Bank increased the market share in consumer loans, consolidating the Bank's leadership and competitiveness in the personal loans market. In this context and focused on our continuous growth in the credit card market, we have reinforced our actions aiming to increase credit card consumption and total assets. The credit quality of the portfolio remained strong, improving the balance of risk assumed and benefits obtained from this portfolio. The efficiency of our marketing efforts was improved by implementing new channels (external marketing agencies and sales force).

In 2013, our retail loan portfolio (which we define here as loans to individuals and loans to very small companies in an amount up to Ps. 20,000) grew by 30% as of December 31, 2013 as compared to December 31, 2012, which allowed us to maintain our market share and leadership in consumer loans.

During 2013 our growth in personal loans reached 28%, this growth was accompanied by a substantial increase in profitability. This performance allowed us to maintain our leading position with a market share of 14% in 2013. Growth during 2013 was closely related to direct and mass communication campaigns launched in mid-2012 through highly efficient, low-cost, innovative communication channels. Text, voice and multimedia messaging actions were added to those already implemented.

In addition, aiming to strengthen our relationship with our customers and generating automatic loan extension mechanisms, two new Personal Loan extension channels were added in 2013: “pronto cash on line” whereby customers can obtain a loan in seconds directly through Home Banking and “Pronto cash telefónico” which allows customers to call our 0810 line and obtain cash immediately, to the extent they are pre-qualified.

To continue growing in the credit card market, actions aiming to increase consumption and total assets were strengthened. An aggressive new accounts and client acquisition plan was developed, supplemented with direct marketing campaigns to promote consumption and use of credit cards by phone.

We maintained our point-of-sale promotion strategy, offering discounts and interest free payment installments, resulting in increased additional card consumption and automatic debits on credit cards.

We are also one of the major credit card issuers in Argentina, with approximately 1.9 million credit cards in circulation as of December 31, 2013. One of our initiatives to expand lending is to encourage low- and middle-income customers to use credit cards for larger purchases.

As a result of our actions, the credit card portfolio grew by 41% in 2013 as compared to 2012, attaining a market share of 8%.

As of December 31, 2011, 2012 and 2013, our retail loan portfolio (which we define here as loans to individuals and loans to very small companies in an amount up to Ps. 20,000) was as follows:

	Retail loan portfolio (as of December 31, of each year) (in millions of Pesos and as percentage of retail loan portfolio)					
	2011		2012		2013	
Overdrafts	243.6	1.7 %	264.7	1.5%	333.0	1.4%
Documents (1)	793.1	5.5 %	939.4	5.2%	1,073.2	4.6%
Pledged loans (2)	243.7	1.7 %	334.9	1.8%	501.1	2.1%
Mortgage loans	532.3	3.7 %	587.5	3.2%	623.5	2.6%
Personal loans	9,129.0	63.8 %	11,006.5	60.6%	14,125.8	59.9%
Credit card loans	2,956.5	20.6 %	4,547.6	25.0%	6,428.1	27.2%
Other	436.1	3.0%	496.8	2.7%	521.2	2.2%
Total	14,334.3	100.0%	18,177.5	100.0%	23,605.9	100.0%

(1) Factoring, check cashing advances and loans with promissory notes.

(2) Primarily secured automobile loans.

The table below sets forth additional information related to our retail loan portfolio (which we define here as loans to individuals and loans to very small companies in an amount up to Ps. 20,000) as of December 31, 2013:

	Retail loan portfolio (in Pesos except where noted) (as of December 31, 2013)						
	Personal loans	Documents (1)	Mortgage loans	Overdrafts	Pledged loans (2)	Credit card loans	Others
Total customers with outstanding loans	786,566	11,343	5,409	369,251	2,970	928,166	7,573
Average gross loan amount	13,369	9,503	113,136	735	153,201	6,175	61,514

(1) Factoring, check cashing advances and loans with promissory notes.

(2) Primarily secured automobile loans.

Personal loans, the most representative share of our portfolio, carried as of December 31, 2013 an annual average interest rate of 37.5% and an average maturity of 44.3 months. Interest rates and maturities vary across products.

Plan Sueldo payroll services

Since 2001, Argentine labor law has provided for the mandatory payment of wages through accounts opened by employers in the name of each employee at financial institutions within two kilometers of the workplace, in the case of urban areas, and ten kilometers of the workplace, in the case of rural areas. There are similar requirements in place for pension payments. We handle payroll processing for private sector companies and the public sector, or *Macrosueldos*, which require employers to maintain an account with us for the direct deposit of employee wages. Currently, we provide payroll services for the governments of the Argentine provinces of Misiones, Salta, Jujuy and Tucumán and for the private sector, for a total aggregate of 1.8 million retail clients (including retirees). Our payroll services provide us with a large and diversified deposit base with significant cross-selling potential.

Corporate customers

Overview

We provide our corporate customers with traditional banking products and services such as deposits, lending (including overdraft facilities), check cashing advances and factoring, guaranteed loans and credit lines for financing foreign trade and cash management services. We also provide them trust, payroll and financial agency services, corporate credit cards and other specialty products.

The corporate business is focused on the classification by sizes and sectors. We have four categories for our corporate customers: small companies, which register up to Ps.100 million in sales per year; medium companies, which register more than Ps.100 million and less than Ps.150 million in sales per year; major companies, which register more than Ps.150 million in sales per year; and agro companies, which include individuals and companies who operate in agriculture or in the commerce of its products.

As in previous years, the Bank continued developing its decentralized segment-specific service strategy aiming at improving customer service. At present, the Bank has a network of branches with business officials specialized in each category offering a wide range of products including working capital facilities, investment projects, leaseings and foreign trade transactions.

Our corporate customer base also acts as a source of demand for our excess liquidity through overnight and short-term loans to major corporate customers. See Item 5.B. "Operating and Financial Review and Prospects - Liquidity and Capital Resources."

Lending products and services

Most of our current lending activity consists of working capital loans to small and medium-sized businesses. Our historic focus on small and medium-sized businesses has enabled us to diversify our credit risk exposure, by granting smaller-sized loans to clients in diverse business sectors. As of December 31, 2013, our 20 largest private sector loans accounted for 10% of our total corporate loans.

We offer short-term and medium- to long-term corporate lending products.

Short-term: Products include credit lines for up to 180 days and consist mainly of overdraft facilities, corporate credit and debit cards and factoring, as well as foreign trade related financing, such as pre-export, post-shipment and import financing. These products also include contingency lines, such as short-term guarantees (performance guarantees and bid bonds) and import letters of credit. The credit risk assigned to these kinds of transactions is the debtor rating described below, unless increased as a result of a pledge or a guarantee.

Medium- to long-term: Products include credit lines and specific lending facilities of more than 180 days. Credits are usually asset-based, such as leasing, whereby a credit enhancement is achieved by means of the underlying asset.

Medium- to long-term facilities risks are mitigated through different mechanisms that range from pledges and mortgages to structured deals through financial trusts whereby the debtor pledges the underlying asset, mostly future income flows. Regardless of the term and based on the fact that these credit lines are devoted to small to medium-size companies, our policy is to require personal guarantees from the owners, although the underlying debtor rating remains unchanged.

Our lending activities to the corporate sector (defined here as companies with loans outstanding in excess of Ps.20,000) totaled Ps. 15,418 million as of December 31, 2013. In 2013, our corporate loan portfolio recorded a 19% increase compared to 2012. This development was driven by an increase in long term facilities, mainly pledge loans and mortgage loans.

As in 2012, the contribution of the agribusiness and SMEs segments, which were once again the most dynamic, was critical in 2013. Loans to agrocompanies and small sized companies, grew by 36% and 44% respectively in 2013 as compared to 2012 contributing to the increased atomization and stability of our corporate loan portfolio.

In 2013, the agricultural sector continued to be one of the most active players in terms of financial activity. During 2013 we covered the financial needs at more than 17,500 agricultural producers, such as working capital financing, including over 1,000 investment projects for over Ps. 613 million through the Credit Facilities for Productive Investments (*Línea de Créditos para la Inversión Productiva*). Additionally, actions adopted in connection with Macro Agro Cards were especially important, resulting in a more effective activation of accounts and an increase in consumption volumes and portfolio balances of 272% and 95%, respectively in 2013, mainly as a result of the new alliances.

In 2013, the credit portfolio for the small sized companies increased significantly mainly as a consequence of an increase in medium and long term loans. Through our Credit Facilities for Productive Investments (*Línea de Créditos para la Inversión Productiva*), the Bank funded venture projects for over 2,500 companies, from 1,600 in 2012, for an aggregate amount of Ps. 1,134 million. In this regard, the bank's strategy was essential to reach more clients offering them a wide range of products subject to a fast approval process.

In 2013, the medium size companies and major companies' loan portfolio increased 9% and 4%, respectively, as compared to 2012.

As of December 31, 2013 the Bank had disbursed Ps. 2,480 million through our Credit Facilities for Productive Investments, an amount above the mandatory minimum amount required by the Central Bank regulations, supporting the Bank's commitment to finance productive activities.

As of December 31, 2011, 2012 and 2013, our loans to companies were as follows:

Loans to companies in excess of Ps. 20,000 (as of December 31, of each year) (in millions of Pesos and as percentage of corporate loan portfolio)						
	2011		2012		2013	
Overdrafts	2,556.8	25.8%	4,149.0	31.9%	4,283.7	27.8%
Documents (1)	2,369.2	23.9%	2,702.3	20.7%	3,193.7	20.7%
Pledged loans (2)	441.4	4.5%	613.7	4.7%	957.2	6.2%
Mortgage loans	628.5	6.3%	956.6	7.3%	1,750.6	11.4%
Other (3)	3,908.0	39.5%	4,604.9	35.4%	5,232.5	33.9%
Total	9,903.9	100.0%	13,026.5	100%	15,417.9	100.0%

(1) Factoring, check cashing advances and promissory notes.

(2) Primarily securing cargo transportation equipment.

(3) Mostly structured loans (medium- and long-term).

Transaction services

We offer transaction services to our corporate customers, such as cash management, customer collections, payments to suppliers, payroll administration, foreign exchange transactions, foreign trade services, corporate credit cards, and information services, such as our Datanet and Interpymes services. There are usually no credit risks involved in these transactions, except for intra-day gapping (payments done against incoming collections) as well as settlement and pre-settlement related to foreign exchange transactions which, in general, are approved following the debtor rating process explained below.

Payments to suppliers. Our payments to suppliers services enable our customers to meet their payment obligations to their suppliers on a timely basis through a simple and efficient system. This service also provides payment liquidations, tax payment receipts, invoices and any other documents required by the payer.

Collection services. Our collection services include cash or check deposits at our 430 branches, automatic and direct debits from checking or savings accounts and the transportation of funds collected from corporate customers to our branches for deposit. Our extensive branch network enables us to offer fast and efficient collection services throughout Argentina, which is of critical importance to both regional and nationwide companies.

Datanet and Interpymes. We provide our corporate clients with access to the Datanet service, which is an electronic banking network linking member banks in Argentina. These services permit our clients to obtain reliable on-line information on a real-time basis from their bank accounts in Datanet as well as perform certain transactions.

Interpymes is an electronic banking system designed to meet the needs of small businesses. It does not require special installation procedures and is easily accessible through the Internet, helping to simplify day-to-day operations for our customers.

Tax collection and financial agency services. We also have exclusive, long-term arrangements to provide tax collection and financial agency services to four provinces.

Payroll services. We provide payroll services to four provinces and the private sector. See “Our products and services – Retail customers”.

Our distribution network

As of December 31, 2013 we had the largest private sector branch network in the country with 430 branches spread throughout Argentina. In particular, in line with our strategy of expanding nationally, we have extensive coverage of the provinces of Argentina with 93% of our branches located outside of the City of Buenos Aires. Furthermore, as of December 31, 2013 we had 1,133 ATMs, 836 self-service terminals (“SSTs”), 65 service points used for social security benefit payments and servicing of checking and savings accounts and an internet banking service (home banking).

The following table breaks down the distribution of our branches per province and sets forth our market share for all banks in those provinces as of October 31, 2013:

Province	Branches	As of October 31, 2013	
		% of total	Market Share (% share of total of branches in each province)
City of Buenos Aires	31	7.2%	3.8%
Buenos Aires (Province)	61	14.2%	4.6%
Catamarca	1	0.2%	4.2%
Chaco	1	0.2%	1.6%
Chubut	5	1.2%	5.3%
Cordoba	67	15.6%	15.3%
Corrientes	3	0.7%	3.5%
Entre Rios	8	1.9%	6.3%
Formosa	0	0.0%	0.0%
Jujuy	15	3.5%	46.9%
La Pampa	2	0.5%	1.9%
La Rioja	2	0.5%	7.4%
Mendoza	14	3.3%	8.9%
Misiones	34	7.9%	53.1%

Neuquen	5	1.2%	5.3%
Rio Negro	6	1.4%	8.5%
Salta	27	6.3%	45.8%
San Juan	1	0.2%	2.7%
San Luis	1	0.2%	2.1%
Santa Cruz	2	0.5%	4.7%
Santa Fe	106	24.7%	23.8%
Santiago del Estero	1	0.2%	1.9%
Tierra del Fuego	2	0.5%	8.7%
Tucuman	34	7.9%	42.5%
TOTAL	429	100.0%	9.9%

Source: Central Bank

Technology

The Bank's technological development is continuous and the number of alternative methods to perform banking transactions is increasing. Automated channels allow our clients to perform banking transactions with enhanced speed, comfort and safety, offering a wide variety of available transactions.

During 2013 we have focused on automatic channels, giving customers more accessible and flexible services. As a consequence, the use of automated channels continued expanding, in terms of volume of transactions and number of users. The transactions performed through the ATMs increased by 10% in 2013 and transactions performed through home banking increased by 17% as compared with the previous year. The significant and sustained increase in the number of users and transactions evidences the effectiveness and level of acceptance of these services in the market.

Regarding the use of ATMs, we implemented new programs in order to maintain high standards of safety and service quality and availability. In addition, the Bank continued implementing technological improvements and updates to its ATMs. In 2013, the Bank installed 500 ATMs of which 76% were replacements, 12% were new units and 12% were reinforcements. We have increased the number of access points in our branches, reaching a total of 1,133 operating ATMs and 836 SSTs, representing one of the widest network in the country.

Furthermore, we continued with our efforts to improve the management of business processes and during 2012 we implemented a BPM (Business Process Management) software. During 2013 we continued implementing the BPM software upon demand from the different Bank areas for the purpose of improving efficiency and providing adequate flexibility.

In 2012 we started with the improvement of our server platform, by creating a virtual version of our servers. In 2013, we continued optimizing the use of space, reducing costs and improving quality.

The main technological developments of 2013 include: (i) implementation of a system to manage the flow of users of queue ticket dispensers in branches and payment centers, (ii) definition of attendance standards and queue times in branches, (iii) creation of a complaint handling module (CMR application), (iv) development of technological platform for *incident management and services*, (v) implementation of IP technology across the call center system, (vi) creation of the client contact center and (vii) monitoring of ATMs.

The total amount that we plan to invest in technology in 2014 is approximately US\$ 46 million.

Risk management policies

For purposes of complying with the "Risk Management Guidelines for Financial Institutions" set forth under Communication "A" 5203, as amended, we have adopted various measures at our organizational structure level and have implemented actions to ensure the establishment of an independent risk management the definition and/or adequacy of policies and procedures.

As to the Bank's organizational structure, the board of directors has created a Risk Management Committee responsible for coordinating the application of risk management policies and the relevant responsible officers. For more information, see "Item 6. C". In this regard, the Committee includes the heads of financial risk, credit risk and operational risk, which are in charge of implementing the guidelines contained in the Risk Management framework policy.

Our risk management framework policy establishes the environment for the risk management process under the notions of risk identification, measurement, monitoring and mitigation. In addition, it lays out the duties of each organizational level in the process.

Our risk management process includes the definition by the board of directors of the accepted risk levels, the monitoring by responsible officers of the Bank's compliance with such levels, the issuance of regular reports for the Risk Management Committee, the follow up of alerts and the application of action plans in connection with such alerts. In addition, our risk management process also defines the guidelines for the development of stress tests, which commenced in 2013 based on an action plan approved by the Risk Management Committee.

The development of the stress test program was established and planned. The process includes documenting and formalizing the program, including the persons in charge of carrying it out, the frequency of testing and the validation of the system. It also provides for the development of a contingency plan based on the test results. The Risk Management Committee leads and coordinates these tasks.

Additionally, the system is supplemented with policies and procedures specific to each risk (financial, credit, operational, counterparty credit, country risk, securitization, reputational, compliance, strategic risks, among others).

Economic capital estimate

In 2013, the Bank commenced with the capital self-assessment process.

Economic capital is the estimated amount of unexpected losses identified for each one of the individual risks (financial, credit, counterparty credit, concentration, operational, securitization, strategic and reputational) determined for the Bank on a consolidated basis.

Economic capital was first quantified based on the amounts as of December 31, 2013, in compliance with the provisions of Communication “A” 5394 and “A” 5398. Starting January 2014, it was implemented as a formal procedure to be calculated on a monthly basis, both currently and prospectively, and is a tool used in the day-to-day management of risks, in preparing the business plan and the “stress tests”.

The methods used to measure the economic capital of each risk were documented and approved by management, pursuant to the internal rules on corporate governance and risk management.

Financial risk

Financial risk is understood to be comprised of liquidity, market and interest rate risks, which, independently or in an interrelated manner, can affect the Bank’s liquidity and solvency.

The Bank has strategies, policies and limits defined for each exposure which have been approved by the Board of Directors within the framework of market, liquidity and interest rate risk management. This process is reviewed periodically by the risk management committee in accordance with the guidelines set forth by Central Bank.

The purpose of the financial risk policy is to ensure that the Risk Management Committee and senior management have the proper procedures, tools and information to enable them to measure, manage and control the applicable risks.

Credit risk

Credit policy and credit risk management

Credit risk results from the possibility of loss derived from customers or counter-parties from fully or partially breaching financial obligations they have undertaken with the Bank.

The Bank has counter-party and credit risk policies and strategies, the purpose of which is to ensure that risks fall within a risk tolerance level decided by the board of directors, which is responsible for approving our strategy, significant credit policies and practices and level of risk tolerance.

The Credit Risk Management Committee is responsible for establishing the policies and procedures for risk management and monitoring our senior management's activities involving the management of credit risks, among others. It advises the board of directors on the Bank's risks.

The Credit Risk Department is responsible for the implementation of policies and procedures for managing and monitoring our credit risk exposure, enabling us to a clear identification, evaluation, control, follow up and mitigation of such risk.

During 2013, the Credit Risk Management Department was created, which is in charge of designing the company rating and individual scoring models, calculation of expected losses and economic capital and stress tests. It is also involved in designing the decision engines to approve the credit ratings on a mass scale and/or in a decentralized manner, and in generating the credit risk monitoring indicators.

Procedure manuals and tools (information systems, rating and follow-up systems, risk models, and delinquency recovery policies) are used to manage risk efficiently based on the type of client. One of the credit risk management tools used includes the evaluation or score models (for admission, behavior and collections), which are used at different stages of the credit cycle, attributing an internal risk rating to customers, according to which the assigned credit limits are managed and according to which the portfolio is monitored. The Bank is also developing models to use in relation to expected losses, forecasts and capital adequacy assessments, which are currently at different stages of progress and form part of our action plan to adjust to local regulations (Communications "A" 5394 and "A" 5398), the Basel principles and best practices for risk management. In addition, we continuously monitor compliance with credit regulations of the Central Bank.

Credit risk rating and approval process

In order to determine the credit risk, our Credit Risk Department qualifies each individual or company by means of a risk rating model, assigning a rating to each debtor, taking into consideration quantitative as well as qualitative concepts. The Credit Risk Department has focused on its actions aimed at increasing the quality and efficiency of the credit risk rating process.

Various credit committees, composed of members of the business and risk areas, act under the supervision of our board of directors and are responsible for reviewing and determining whether to approve certain loans, depending upon the amount and type of loan: a senior credit committee, a junior credit committee, a credit committee by business, a credit committee by region and a small agrobusiness committee. The senior credit committee consists of members of the board of directors and senior management and considers loan proposals in excess of Ps.18 million.

In Corporate Banking, approval by credit committees is required, and specific risk reports are prepared by customer or by group of companies. To streamline this process of approving pre-defined products and smaller amounts, there are decentralized assessment methods in place for agro businesses and MSMEs. There is an individual and joint powers system in place for managers and business officers which is applied exclusively to short term transactions involving small amounts or which have self-liquidating collateral.

The Retail Banking area has assessment policies in place to evaluate each customer depending the type of client. In order to streamline the processes, the requested assistance is entered into the related evaluation system, which produces an approval or a rejection and, if applicable, determines the maximum financing amount. There is also a widespread use of scores (imposing a minimum limit of admission related to an acceptable arrears level), credit prequalification models to evaluate potential clients (which reduce and standardize analyses) and the permanent rating for consumer customers (which allows branches to provide assistance within the margins set out on a centralized basis).

Operational risk

Operational risk, which we define pursuant to the Basel II Accord and Communication "A" 5398 of the Central Bank, consists of the risk of suffering losses due to inadequate or failed internal processes, systems or persons, or due to external events. This definition includes legal risk but excludes strategic and reputational risk.

The Bank has policies, procedures and structures, appointing a head of operational risk and an operational risk committee, whose main objective is to secure an operational risk management plan which includes policies, programs, measurements and competencies for identifying, assessing and managing risks, with the purpose of assisting area managers and the Bank's board of directors, in an environment of rapidly changing and significant risks.

A quantitative approach is used to measure operational risk and technological risk. As regards Risk Management related to the IT and information systems, we have contingency and business continuity plans in place to minimize the risks that could affect the Bank's continuity of operations.

We have an incentives system to manage operational risk in such a way that it would encourage involvement and risk assessment. The risk assessment policy has also been reinforced for new products and in modifications to existing products.

In addition, in 2013 we continued to implement improvements on different functions of our risk management system.

Banking industry

The Argentine banking industry was affected by the 2008 global financial crisis. Since 2010, the sector has showed an upward trend in terms of scale, profitability, solvency and asset quality.

Scale

Following the improved economic and financial outlook in Argentina, the financial intermediation activities of banks with the private sector expanded during 2011, 2012 and 2013. Deposits from private sector increased by 32%, 26% and 29% on average in 2011, 2012 and 2013, respectively. Loans to the private sector increased by 47%, 35% and 32% on average in 2011, 2012 and 2013, respectively, mainly as a result of an increase in the economic activity as a whole. Total deposits grew by 31%, 23% and 27% on average in 2011, 2012 and 2013, respectively.

The level of private sector loans and deposits over GDP was still low as of December 31, 2013, at 19% for private sector loans/GDP and 29% for total deposits/GDP. These levels in terms of GDP allow to forecast a considerable potential growth in upcoming years.

	2011	2012	2013
	(in million of Pesos)		
Total Assets (1)	577,367	712,390	892,921
Total Deposits (1)	427,444	524,874	666,724
Gross Private Sector Loans (1)	245,666	330,627	435,783
Private Sector Deposits (1)	295,858	371,774	480,009

Source: Central Bank

(1) Twelve-month average.

Profitability

The Argentine financial system and the profitability of banks were deeply affected by the 2001-2002 local crisis. Since 2003, the financial system has steadily been on its path to recovery, with a growing number of profit-making entities each year.

The Argentine financial system continues its consolidation process after reaching a stage of more stable profits, and accumulating positive results for over 12 years, which underscores the sector's solvency.

In 2013 the profitability of the financial system increased by 50% to Ps. 29,169 million from Ps. 19,497 million in 2012, signaling a recovery in the intermediation activity and generating an improvement of profitability ratios.

	2011	2012	2013
Net income (in millions of Pesos) (1)	14,754	19,497	29,169
Return on average equity	25.3%	25.8%	29.6%
Return on average assets	2.7%	2.9%	3.4%

Source: Central Bank

(1) This indicator excludes results and asset accounts related to permanent interests in domestic financial institutions.

Asset Quality

The credit quality of the Argentine financial system showed a marginal decline as a consequence of the 2008 global financial crisis due to a slowdown in the placement of credit to the public sector and the increase in delinquency rates. This situation, started to reverse during mid-2009. During 2010 and 2011, the credit quality improved substantially, both for private and public sectors. In 2012, asset quality ratios deteriorated slightly as a consequence of the decrease in Argentina's economic growth; however, the financial system continued to show low levels of non-performing portfolio and extensive coverage ratios for non-performing portfolio. During 2013, such ratios remained comparable to those from 2012.

As of December 31, 2013, the non-performing credit portfolio level reached 1.5% of the total credit portfolio, whereas the coverage ratio level reached 143%.

The following table shows the percentages of non-performing portfolios in the Argentine financial system:

	2011	2012	2013
Non-performing Credit Portfolio	1.2%	1.5%	1.5%
Non-performing Credit Portfolio - Private Sector	1.4%	1.7%	1.7%
Coverage ratio	176.0%	144%	143%

Source: Central Bank

Competition

We believe that we have an important advantage over our competitors in providing banking products and services to small communities in the provinces of Argentina as a result of the close community relationships and strong loyalty we have developed over time with our customers in these areas.

We consider Banco Santander Río S.A., Banco de Galicia y Buenos Aires S.A., BBVA Banco Francés S.A., HSBC Bank Argentina S.A. and Banco Patagonia S.A. to be our main competitors among private banks. We also compete with regional banks.

In the future, we expect competition to increase in corporate transactions products, long-term lending, mortgage lending and other secured financings, credit cards, specialized credit packages, payroll services and investment management services.

Competitive landscape

We are ranked as the third private bank and the fifth bank overall in Argentina in terms of total loans and total deposits as of November 30, 2013. In terms of equity we are ranked as the second private bank and the third bank overall in Argentina as of November 30, 2013. Below are the rankings of banks across these metrics:

Total Loans (As of November 30, 2013)		Ps. Million	Market Share (% share of total private sector loans for the Argentine financial system)
1	BANCO DE LA NACION ARGENTINA(1)	107,854,014	20.0%
2	BANCO SANTANDER RIO S.A.	43,906,524	8.1%
3	BANCO DE LA PROVINCIA DE BUENOS AIRES (1)	40,890,123	7.6%
4	BANCO DE GALICIA Y BUENOS AIRES S.A.	39,188,514	7.3%
5	BANCO MACRO S.A. (2)	37,692,779	7.0%
6	BBVA BANCO FRANCES S.A.	33,278,493	6.2%
7	BANCO DE LA CIUDAD DE BUENOS AIRES(1)	23,042,701	4.3%
8	HSBC BANK ARGENTINA S.A.	21,109,162	3.9%
9	BANCO PATAGONIA S.A.	18,474,479	3.4%
10	BANCO CREDICOOP COOPERATIVO LIMITADO	16,872,526	3.1%
	OTHERS	156,876,547	29.1%
	TOTAL	539,185,862	100.0%

Source: Central Bank

(1) Public sector banks.

(2) Figures from Banco Macro on a consolidated basis.

Total Deposits (As of November 30, 2013)		Ps. Million	Market Share (% share of total deposits for the Argentine financial system)
1	BANCO DE LA NACION ARGENTINA(1)	213,264,026	29.1%
2	BANCO DE LA PROVINCIA DE BUENOS AIRES(1)	70,057,972	9.6%
3	BANCO SANTANDER RIO S.A.	49,421,782	6.8%
4	BANCO DE GALICIA Y BUENOS AIRES S.A.	48,652,809	6.6%
5	BANCO MACRO S.A. (2)	43,692,460	6.0%
6	BBVA BANCO FRANCES S.A.	40,518,728	5.5%
7	HSBC BANK ARGENTINA S.A.	28,009,674	3.8%
8	BANCO CREDICOOP COOPERATIVO LIMITADO	27,296,730	3.7%
9	BANCO DE LA CIUDAD DE BUENOS AIRES(1)	25,478,562	3.5%
10	BANCO PATAGONIA S.A.	21,379,527	2.9%
	OTHERS	164,273,971	22.4%
	TOTAL	732,046,241	100.0%

Source: Central Bank

(1) Public sector banks.

(2) *Figures from Banco Macro on a consolidated basis.*

Equity (As of November 30, 2013)		Ps. Million	Market Share (% share of equity for the Argentine financial system)
1	BANCO DE LA NACION ARGENTINA(1)	25,630,912	21.9%
2	BANCO SANTANDER RIO S.A.	8,762,434	7.5%
3	BANCO MACRO S.A.(2)	8,238,973	7.0%
4	BBVA BANCO FRANCES S.A.	6,729,418	5.8%
5	BANCO DE GALICIA Y BUENOS AIRES S.A.	6,463,446	5.5%
6	HSBC BANK ARGENTINA S.A.	4,920,493	4.2%
7	BANCO DE LA PROVINCIA DE BUENOS AIRES (1)	4,517,803	3.9%
8	BANCO PATAGONIA S.A.	4,452,859	3.8%
9	CITIBANK N.A.	4,441,820	3.8%
10	BANCO DE LA CIUDAD DE BUENOS AIRES(1)	4,356,398	3.7%
	OTHERS	38,494,757	32.9%
	TOTAL	117,009,313	100.0%

Source: Central Bank

(1) *Public sector banks.*

(2) *Figures from Banco Macro.*

There is a large concentration of branches in the City and province of Buenos Aires in the financial system as a whole, as shown by the following table. However, we have the most extensive private-sector branch network in Argentina, and a leading regional presence holding 68% of the total branches in eight provinces including Santa Fe, Córdoba, Río Negro, and Tierra del Fuego, in addition to Misiones, Salta, Tucumán and Jujuy, where we are the largest bank in terms of branches.

As of October 31, 2013					Market Share (% share of total of branches in each province)
Province	Banking system		Banco Macro (1)		
	Branches	% of total	Branches	% of total	
City of Buenos Aires	811	18.7%	31	7.2%	3.8%
Buenos Aires (Province)	1,329	30.7%	61	14.2%	4.6%
Catamarca	24	0.6%	1	0.2%	4.2%
Chaco	61	1.4%	1	0.2%	1.6%
Chubut	95	2.2%	5	1.2%	5.3%
Cordoba	439	10.1%	67	15.6%	15.3%
Corrientes	85	2.0%	3	0.7%	3.5%
Entre Rios	128	3.0%	8	1.9%	6.3%
Formosa	18	0.4%	0	0.0%	0.0%
Jujuy	32	0.7%	15	3.5%	46.9%
La Pampa	108	2.5%	2	0.5%	1.9%
La Rioja	27	0.6%	2	0.5%	7.4%
Mendoza	158	3.6%	14	3.3%	8.9%
Misiones	64	1.5%	34	7.9%	53.1%
Neuquen	95	2.2%	5	1.2%	5.3%
Rio Negro	71	1.6%	6	1.4%	8.5%
Salta	59	1.4%	27	6.3%	45.8%
San Juan	37	0.9%	1	0.2%	2.7%
San Luis	48	1.1%	1	0.2%	2.1%
Santa Cruz	43	1.0%	2	0.5%	4.7%
Santa Fe	446	10.3%	106	24.7%	23.8%
Santiago del Estero	53	1.2%	1	0.2%	1.9%
Tierra del Fuego	23	0.5%	2	0.5%	8.7%
Tucuman	80	1.8%	34	7.9%	42.5%
TOTAL	4,334	100.0%	429	100.0%	9.9%

Source: Central Bank

(1) Includes branches of Banco Macro, Banco del Tucuman and Banco Privado.

Approximately 81% of the branches in the Argentine financial system are located outside the City of Buenos Aires; in our case, approximately 93% of our branches are outside the City of Buenos Aires. The ten largest banks, in terms of branches, account for 69% of the total amount of the system. As of October 31, 2013 we were second to Banco de la Nación Argentina in terms of market share outside the City of Buenos Aires, with a market share of 11.3%. The following ranking is based on financial institutions with a relevant number of branches as of October 31, 2013:

Entity	As of October 31, 2013						
	Total Number of Branches	Market Share of Branches in Argentina	Branches in City of Buenos Aires	Market Share of Branches in City of Buenos Aires	Branches in the Rest of Country	Market Share of Branches in Rest of Country	% of Branches in the Rest of Country
BANCO DE LA NACION							
ARGENTINA (1)	631	14.6%	64	7.9%	567	16.1%	89.9%
BANCO MACRO S.A. (2)	429	9.9%	31	3.8%	397	11.3%	92.5%
BANCO DE LA PROVINCIA DE							
BUENOS AIRES (1)	342	7.9%	38	4.7%	304	8.6%	88.9%
BANCO SANTANDER RIO S.A.	337	7.8%	99	12.2%	238	6.8%	70.6%
BANCO DE GALICIA Y BUENOS							
AIRES S.A.	261	6.0%	86	10.6%	175	5.0%	67.0%

BANCO CREDICOOP							
COOPERATIVO LIMITADO	253	5.8%	40	4.9%	213	6.0%	84.2%
BBVA BANCO FRANCES S.A.	245	5.7%	82	10.1%	163	4.6%	66.5%
BANCO DE LA PROVINCIA DE							
CORDOBA S.A.(1)	170	3.9%	1	0.1%	169	4.8%	99.4%
BANCO PATAGONIA S.A.	170	3.9%	42	5.2%	128	3.6%	75.3%
HSBC BANK ARGENTINA S.A.	139	3.2%	46	5.7%	93	2.6%	66.9%
OTHERS	1,357	31.3%	282	34.8%	1,076	30.5%	79.3%
TOTAL	4,334	100.0%	811	100.0%	3,523	100.0%	81.3%

Source: Central Bank

(1) Public sector bank.

(2) Includes branches of Banco Macro, Banco del Tucumán and Banco Privado.

Argentine banking regulation

Overview

Founded in 1935, the Central Bank is the principal monetary and financial authority in Argentina. Its mission is to promote monetary and financial stability, employment and economic development with social equity.

It operates pursuant to its charter, which was amended on March 22, 2012 by Law No. 26,739 and the provisions of the Financial Institutions Law. Under the terms of its charter, the Central Bank must operate independently from the Argentine government.

Since 1977, banking activities in Argentina have been regulated primarily by the Financial Institutions Law, which empowers the Central Bank to regulate the financial sector. The Central Bank regulates and supervises the Argentine banking system through the Superintendency. The Superintendency is responsible for enforcing Argentina's banking laws, establishing accounting and financial reporting requirements for the banking sector, monitoring and regulating the lending practices of financial institutions and establishing rules for participation of financial institutions in the foreign exchange market and the issuance of bonds and other securities, among other functions.

The powers of the Central Bank include the authority to fix monetary base, interest rate, minimum capital, liquidity and solvency requirements, regulate credit, approve bank mergers, approve certain capital increases and transfers of stock, grant and revoke banking licenses, and to authorize the establishment of branches of foreign financial institutions in Argentina and the extension of financial assistance to financial institutions in cases of temporary liquidity or solvency problems.

The Central Bank establishes certain "technical ratios" that must be observed by financial entities, such as ratios related to levels of solvency, liquidity, the maximum credits that may be granted per customer and foreign exchange assets and liability positions.

In addition, financial entities need the authorization of the Central Bank for the disposition of their assets, such as opening or changing branches or ATMs, acquiring share interests in other financial or non-financial corporations and establishing liens over their assets, among others.

As supervisor of the financial system, the Central Bank requires financial institutions to submit information on a daily, monthly, quarterly, semi-annual and annual basis. These reports, which include balance sheets and income statements, information relating to reserve funds, use of deposits, classifications of portfolio quality (including details on principal debtors and any allowances for loan losses), compliance with capital requirements and any other relevant information, allow the Central Bank to monitor the business practices of financial entities. In order to confirm the accuracy of the information provided, the Central Bank is authorized to carry out inspections.

If the Central Bank's rules are not complied with, various sanctions may be imposed by the Superintendency, depending on the level of infringement. These sanctions range from a notice of non-compliance to the imposition of fines or, in extreme cases, the revocation of the financial entity's operating license. Additionally, non-compliance with certain rules may result in the compulsory filing of specific adequacy or restructuring plans with the Central Bank. These plans must be approved by the Central Bank in order to permit the financial institution to remain in business.

The Central Bank fulfills the function of lender of last resort, and is allowed to provide financial assistance to financial institutions with liquidity or solvency problems.

Banking regulation and supervision

Central Bank supervision

Since September 1994, the Central Bank has supervised the Argentine financial entities on a consolidated basis. Such entities must file periodic consolidated financial statements that reflect the operations of head offices or headquarters as well as those of their branches in Argentina and abroad, and of their significant subsidiaries, whether domestic or foreign. Accordingly, requirements in relation to liquidity and solvency, minimum capital, risk concentration and loan loss provisions, among others, should be calculated on a consolidated basis.

Permitted activities and investments

The Financial Institutions Law governs any individuals and entities that perform habitual financial intermediation and, as such, are part of the financial system, including commercial banks, investment banks, mortgage banks, financial companies, savings and loan companies for residential purposes and credit unions. Except for commercial banks, which are authorized to conduct all financial activities and services that are specifically established by law or by regulations of the Central Bank, the activities that may be carried

out by Argentine financial entities are set forth in the Financial Institutions Law and related Central Bank Rules. Commercial banks are allowed to perform any and all financial activities inasmuch as such activities are not forbidden by law. Some of the activities permitted for commercial banks include the ability to (i) receive deposits from the public in both local and foreign currency; (ii) underwrite, acquire, place or negotiate debt securities, including government securities, in both exchange and over-the-counter markets (subject to prior approval by the CNV, if applicable);

(iii) grant and receive loans; (iv) guarantee customers' debts; (v) conduct foreign currency exchange transactions; (vi) issue credit cards; (vii) act, subject to certain conditions, as brokers in real estate transactions; (viii) carry out commercial financing transactions; (ix) act as registrars of mortgage bonds; (x) participate in foreign exchange transactions; and (xi) act as fiduciary in financial trusts.

In addition, pursuant to the Financial Institutions Law and Central Bank Communication "A" 3086, as amended, commercial banks are authorized to operate commercial, industrial, agricultural and other types of companies that do not provide supplemental services to the banking services (as defined by applicable Central Bank Rules) to the extent that the commercial bank's interest in such companies does not exceed 12.5% of its voting stock or 12.5% of its capital stock. Nonetheless, if the aforementioned limits were to be exceeded, the bank should (i) request Central Bank's authorization; or (ii) give notice of such situation to the Central Bank, in certain circumstances. However, even when commercial banks' interests do not reach such percentages, they are not allowed to operate such companies if (i) such interest allows them to control a majority of votes at a shareholders' or board of directors' meeting, or (ii) the Central Bank does not authorize the acquisition.

Under Central Bank Rules, the total amount of the investments of a commercial bank in the capital stock of third parties, including interests in Argentine mutual investment funds, may not exceed 50% of such bank's regulatory capital (*Responsabilidad Patrimonial Computable*, or "RPC"). In addition, the total amount of a commercial bank's investments in the following: (i) unlisted stock, excluding interests in companies that provide services that are supplementary to the finance business and interests in state-owned companies that provide public services, (ii) listed stock and interests in mutual funds that do not give rise to minimum capital requirements on the basis of market risk, and (iii) listed stock that does not have a "largely publicly available market price," taken as a whole, is limited to 15% of such bank's RPC.

To this effect, a given stock's market price is considered to be "largely publicly available" when daily quotations of significant transactions are available, and the sale of such stock held by the bank would not significantly affect the stock's quotation.

Operations and activities that banks are not permitted to perform

The Financial Institutions Law prohibits commercial banks from: (a) creating liens on their assets without prior approval from the Central Bank, (b) accepting their own shares as security, (c) conducting transactions with their own directors or managers and with companies or persons related thereto under terms that are more favorable than those regularly offered in transactions with other clients, and (d) carrying out commercial, industrial, agricultural or other activities without prior approval of the Central Bank, except those considered financially related activities under Central Bank Rules. Notwithstanding the foregoing, banks may own shares in other financial institutions with the prior approval of the Central Bank, and may own shares or debt of public services companies, if necessary to obtain those services.

Liquidity and solvency requirements

As of 1994, the Central Bank supervision of financial institutions is carried out on a consolidated basis. Therefore, all of the documentation and information filed with the Central Bank, including financial statements, must show the operations of each entity's headquarters and all of its branches (in Argentina and abroad), the operations of significant subsidiaries and, as the case may be, of other companies in which such entity holds stock. Accordingly, all requirements relating to liquidity, minimum capital, risk concentration and bad debts' reserves, among others, are calculated on a consolidated basis.

Legal reserve

According to Section 33 of the Financial Institutions Law, financial institutions are required to maintain a legal reserve which shall be funded with no more than 20% and no less than 10% of their yearly income. This reserve can only be used during periods in which a financial institution has incurred losses and has exhausted all other reserves. If a financial institution does not comply with the required legal reserve, it is not allowed to pay dividends to its shareholders.

Non-liquid assets

Since February 2004, non-liquid assets (computed on the basis of their closing balance at the end of each month, and net of those assets that are deducted to compute the regulatory capital, such as equity investments in financial institutions and goodwill) plus the financings granted to a financial institution's related persons (computed on the basis of the highest balance during each month for each customer) cannot exceed 100% of the Argentine regulatory capital of the financial institution, except for certain particular cases in which it may exceed such limitation, although it shall not exceed 150% of the financial institution regulatory capital (*Responsabilidad Patrimonial Computable*, or RPC for its Spanish acronym) of the relevant financial institution.

Non-liquid assets consist of miscellaneous receivables, bank property and equipment, miscellaneous assets, assets securing obligations, except for swap, futures and derivative transactions, certain intangible assets and equity investments in unlisted

companies or listed shares, if the holding exceeds 2.5% of the issuing company's equity.

Non-compliance with the ratio produces an increase in the minimum capital requirements equal to 100% of the excess on the ratio.

Minimum capital requirements

The Central Bank requires that financial institutions maintain minimum capital amounts measured as of each month's closing. The minimum capital is defined as the greater of (i) the basic minimum capital requirement, which is explained below, or (ii) the sum of the credit risk, market risk of the financial institution's assets and operational risk. Financial institutions (including their domestic Argentine and international branches) must comply with the minimum capital requirements on an individual and a consolidated basis.

The capital composition to be considered in order to determine the compliance with minimum capital requirements is the financial institution's RPC (Communication "A" 5282).

Basic minimum capital

The basic minimum capital requirement varies depending on the type of financial institution and the jurisdiction in which the financial institution's headquarter is registered, with Ps. 26 million for banks under category I and II (Ps. 12 million for other financial entities under this category), and Ps. 15 million for banks under category III to VI (Ps. 8 millions for other financial entities under this category).

<u>Category</u>	<u>Banks</u>	<u>Other financial entities (except Credit Unions)</u>
I and II	26 millions	12 millions
III to VI	15 millions	8 millions

Additionally, financial entities located in ports and airports must comply with category I requirements and those entities engaged in foreign trade transactions must comply with the requirements applicable to banks under said category.

On the other hand, the regulatory capital of commercial banks acting as custodians of securities representing investments of the *Fondo de Garantía de Sustentabilidad del Sistema Integrado Previsional Argentino* must be equal to or exceed the higher of Ps. 400 million or an amount equivalent to 1% of the total book value of the securities in custody.

Regulatory Capital of Financial Institution: Level 1 and Level 2 capital regulations

Argentine financial institutions must comply with guidelines similar to those adopted by the Basel Committee on Banking Regulations and Supervisory Practices, as amended in 1995 (the "Basel Rules"). In certain respects, however, Argentine banking regulations require higher ratios than those set forth under the Basel Rules.

The Central Bank takes into consideration the RPC in order to determine compliance with capital requirements. Pursuant to Communication "A" 5369 issued by the Central Bank on November 9, 2012, the RPC consists of Level 1 capital (Basic Net Worth-NWb) and Level 2 capital (Complementary Net Worth-NWc).

$$RPC = NWb + NWc$$

Basic Net Worth (NWb): Level 1 capital

Level 1 capital consists of (i) ordinary capital level 1 (CON1), (ii) deductible concepts from ordinary capital level 1 (CDCON1), (iii) additional capital level 1 (CAN1), (iv) deductible items from additional capital level 1 (CDCAN1):

$$NWb = CON1 - CDCON1 + CAN1 - CDCAN1$$

Ordinary capital level 1 includes the following net worth items: (i) capital stock (excluding preferred stock), (ii) non-capitalized capital contributions (excluding share premium), (iii) adjustments to shareholders' equity, (iv) savings reserves (excluding the special reserve for debt instruments), (v) retained earnings, (vi) other results either positive or negative, in the following terms:

- with respect to results at prior fiscal years, 100% of net earnings or losses recorded until the last quarterly financial statements with limited review report, corresponding to the last closed fiscal year and in respect to which the auditor has not issue the audit report;
- 100% of net earnings or losses for the current year as of the date of the most recent audited quarterly financial statement;
- 50% of profits or 100% of losses for the most recent audited quarterly or annual financial statements;
- 100% of losses not shown in the financial statements, arising from quantification of any facts and circumstances reported by the auditor;

(vii) share premiums of the instruments included in CON1, and, in consolidation cases, (viii) minority shareholdings (common shares issued by subsidiaries subject to consolidated supervision and belonging to third parties, if certain criteria are met).

In order for the shares to fall under CON1, at the time of issuance, the financial entity must not generate any expectation that such shares will be re-acquired, rescued or amortized, and the contractual terms must not contain any clause that might generate such an expectation.

The abovementioned items will be considered without certain deductions pursuant to subsection 8.4.1. and 8.4.2 (as applicable) of the Central Bank Communication "A" 5369.

Deductible Items

Items deductible from COn1 include, among others: (a) positive balances resulting from the application of income tax withholdings above 10% of the previous months of NWb; (b) deposits maintained in a corresponding account with a foreign financial institutions that are not rated as “investment grade,” (c) debt securities not held by the relevant financial institutions, except in the case of securities registered by or in custody of the Central Bank (CRYL), Caja de Valores S.A., Clearstream, Euroclear, Depository Trust Company or Deutsche Bank, New York, (d) securities issued by foreign governments whose risk rating is lower than that assigned to Argentine government securities; (e) subordinated debt instruments issued by other financial institutions; (f) certain credits related to the application of tax deferrals; (g) shareholders; (h) real property added to the assets of the financial entity and with respect to which the title deed is not duly recorded with the pertinent Argentine real property registry, except where such assets shall have been acquired in a court-ordered auction sale; (i) goodwill; (j) organization and development costs; (k) items pending allocation, debtor balances and other; (l) certain assets, as required by the Superintendency resulting from differences between carry amount and the fair value of assets; (m) any deficiency relating to the minimum loan loss provisions required by the Superintendency; (n) equity interests in companies that have the following activities: (i) financial assistance through leasing or factoring agreements or (ii) transitory equity acquisitions in other companies in order to further their development to the extent the ultimate purpose is selling such interest after development is accomplished; (o) excess in the granting of asset-backed guaranties, according to Central Bank’s regulations; (p) the highest balance of that month’s financial assistance to the public sector, when certain conditions are met; (q) earnings from sales related to securitizations under certain circumstances; (r) gains and losses related to derivate transactions due to changes in the credit risk of the financial institution and (s) equity interests in other Argentine or foreign financial institutions subject to a consolidated supervision.

CAn1 includes certain debt instruments of financial entities which are not included under COn1 and meet the regulatory criteria established in section 8.3.2 of Communication “A” 5369, and share premiums resulting from instruments included in CAn1. Furthermore, in consolidation cases, it includes instruments issued by subsidiaries subject to a consolidated supervision and belonging to third parties, pursuant to applicable regulatory requirements.

Moreover, debt instruments included under CAn1 must comply with the following requirements:

- Must be totally subscribed and paid in full.
- Subordinated to depositors, unsecured creditors and to the subordinated debt of the financial entity. The instruments must contemplate that in case of the entity’s bankruptcy and once all debts with all the other creditors are satisfied, its creditors shall have priority in the distributions of funds only and exclusively with respect to the shareholders (irrespective of their class), with the express waiver of any privilege either general or special.
- Not insured or guaranteed by the issuer or a related entity, and with no agreement improving either legally or economically the payment priority in case of the entity’s bankruptcy.
- They shall not contemplate any type of capital payment, except in case of liquidation of the financial entity. Provision gradually increasing remuneration or other incentives for anticipated amortization are not allowed.
- After 5 years as from the issuance date, the financial entity can buy back the debt instruments if: (i) it has the previous authorization of the Superintendency, (b) the entity does not create any expectations regarding the exercise of the purchase option, and (c) the debt instrument is replaced by an RPC of equal or greater value sustained by its revenue capacity, or if it is demonstrated that once the purchase option is exercised its RPC significantly exceeds at least by 20% of the minimum capital requirements.
- Any capital repayment requires previous authorization from the Superintendency. In this sense, the financial entity must not create any market expectations regarding the granting of such authorization.
- The financial entity can pay dividends/interest coupon at any time. The included dividends/interest coupon shall not have periodic adjustments because of the financial entity’s credit risk.
- They should not have been bought by the financial entity or any other entity over which the financial entity has control or significant influence.
- They should not have been bought with direct or indirect financing from the financial entity, and they shall not contain elements that make re-capitalization difficult.

Instruments considered as liabilities must absorb losses once a pre-established triggering event takes place. The instruments must do so through their conversion in common shares and a mechanism assigning losses to the instrument.

The new regulatory provisions regarding the RPC issued by Communication “A” 5369 became effective on February 1, 2013. Pursuant to said communication, capital instruments that do not comply with the new regulatory requirements (including our 2036 Notes) will be excluded from the RPC’s calculations as of the aforementioned date. Thus, as long as those instruments maintain the

same conditions that previously allowed them to be included in the RPC's determination, the value to be computed shall be the accounting values of the instruments at the end of each month, using the methodology applied at that time. Its recognition as RPC will be limited to 90% to the value so obtain, and it will be reduced by 10% every twelve months.

Complementary Net Worth (NWc): Level 2 capital

Level 2 capital includes (i) certain debt instruments of financial entities which are not included in Level 1 capital, and meet the regulatory criteria established in section 8.3.3 of Communication "A" 5369, (ii) share premium from instruments included in Level 2 capital, and (iii) loan loss provisions on the loan portfolio of debtors classified as being in a "normal situation" pursuant to Central Bank Rules on debtor classification and financing with preferred security "A" not exceeding 1.25% of the assets measured for credit risk. Additionally, in consolidation cases, it includes (iv) debt instruments issued by subsidiaries subject to a consolidated supervision and belonging to third parties, if they meet the criteria in order to be included under complementary net worth.

The abovementioned items will be considered minus deductible items pursuant to section 8.4.2. of Communication “A” 5369 issued by the Central Bank, which will be described hereunder.

Moreover, debt instruments included under NWc must comply with the following requirements:

- Must be totally subscribed and paid in full.
- Subordinated to depositors, unsecured creditors and to the subordinated debt of the financial entity.
- Not insured or guaranteed by the issuer or a related entity, and with no agreement improving either legally or economically the payment priority in case of the entity’s bankruptcy.
- Maturity: (i) original maturity date within no less than 5 years, (ii) clauses considering gradually increasing remuneration or other incentives for anticipated amortization are not allowed, and (iii) from the beginning of the last five years of life of the indebtedness, the computable amount will be diminished by 20% of its nominal issuance value. After 5 years as from the issuance date, the financial entity can buy back the debt instruments with the previous authorization of the Superintendency, and if the entity does not create any expectations regarding the exercise of the purchase option. The debt instrument must be replaced by an RPC of equal or greater value sustained by its revenue capacity, or if it is demonstrated that once the purchase option is exercised its RPC significantly exceeds at least in a 20% of the minimum capital requirements.
- The investor shall not be entitled to accelerate the repayment of future projected payments, except in the case of bankruptcy or liquidation.
- They cannot incorporate dividends/coupon with periodic adjustments linked to the financial entity’s credit risk.
- They should not have been bought by the financial entity or any other entity over which the financial entity has control or significant influence.
- They should not have been bought with direct or indirect financing from the financial entity.

Additionally, instruments included in Level 2 capital and CAn1, shall present the following conditions in order to assure their loss-absorbency capacity:

- a) Their terms and conditions must include a provision pursuant to which the instruments must absorb losses – either through a release on debt or its conversion into ordinary capital- once a triggering event has occurred, as described hereunder.
- b) If there the holders receive compensation for the debt release performed, it should be carried out immediately and only with common shares, pursuant to applicable regulations.
- c) The financial entity must have been granted the authorization required for the immediate issuance of the corresponding common shares in case a triggering event, as described hereunder, takes place.
- d) Triggering events of regulatory provisions described in item (a) are: (i) solvency or liquidity of the financial entity is threatened and the Central Banks rejects the regularization plan submitted or revokes its authorization to function or authorizes restructuring protecting depositors (whatever happens first) or (ii) the decision to capitalize the financial entity with public funds.

Further criteria regarding the eligibility of items included in the RPC calculation are pursuant to the regulatory requirements of minority shareholdings and other computable instruments issued by subsidiaries, and are subject to consolidated supervision by third parties. A minority shareholding may be included in COn1 of the financial entity if the original instrument complies with the requirements established for its qualification as common shares regarding the RPC.

Deductible items applied to the different capital levels:

- Investments in computable instruments under the financial entity’s RPC are not subject to consolidated supervision when the entity owns up to 10% of the issuer’s ordinary capital according to the following criteria: (i) investments include direct, indirect or synthetic interests; (ii) investments include the acquired net position; (iii) securities issued are placed within 5 business days. When those participations in other financial entity’s capital (individually representing less than 10% of each issuer’s COn1) exceeds 10% of the COn1 of the financial entity, net of deductions, the amount above said 10% must be deducted from each one of the capital levels according to the following methodology:
 - Amount to be deducted from COn1: the amount exceeding the 10% multiplied by the proportion of the holdings of COn1 over the total capital interests.
 - Amount to be deducted from CAn1: the amount exceeding the 10% multiplied by the proportion of the holdings of CAn1 over the total capital interests.

- Amount to be deducted from NWc: the amount exceeding the 10% multiplied by the proportion of the holdings of the NWc over the total capital interests.
- Investments in computable instruments under the financial entity's RPC are not subject to consolidated supervision, when the entity owns up to 10% of the issuer's ordinary capital or when the issuer is a subsidiary of financial entity according to the following criteria: (i) investments include direct, indirect or synthetic interests; (ii) investments includes the acquired net position; (iii) securities issued are placed within 5 business days.

Limitations

Communication "A" 5369 establishes minimum thresholds regarding the capital integration: (i) for COn1 the amount resulting from multiplying 4.5% by the capital risk weighted assets (*activos ponderados por riesgos* or APR, as for its acronym in Spanish language);

(ii) for the NWb, the amount resulting from multiplying 6% by the APR and (iii) for the RPC the amount resulting from multiplying 8% by the APR. Please note that the APR calculation results from multiplying by 12.5% the minimum capital requirement. The lack of compliance with any of these limitations is considered as an infringement to minimum capital integration requirements.

Economic Capital

Communication “A” 5398 of the Central Bank requires that financial institutions must have an integrated global internal process in place to assess the adequacy of their economic capital based on their risk profile (the “Internal Capital Adequacy Assessment Process” or “ICAAP”) as well as a strategy aiming to maintain their regulatory capital. If as a result of this internal process, it is found that the regulatory capital is insufficient, financial institutions must increase it based on their own estimates to meet the regulatory requirement.

The economic capital of financial institutions is the amount of capital required to pay not only unexpected losses arising from exposure to credit, operational and market risks, but also those arising from other risks to which the financial institution may be exposed.

Financial institutions must demonstrate that their internal capital targets are well funded and adequate to their general risk profile and operations. The ICAAP should take into consideration all the material risks to which the institution is exposed; to such end, institutions must define an integral process for the management of, at least, credit, operational, market, interest rate, liquidity, reputational and strategic risks, using stress tests to assess potential adverse scenarios that may affect their regulatory capital.

The ICAAP must include stress tests supplementing and validating any other quantitative or qualitative approach employed by the institution in order to provide the board of directors and senior management with a deeper understanding of the interaction among the various types of risk under stress conditions. In addition, the ICAAP must consider the short- and long-term capital needs of the institution and ensure the prudent accumulation of excess capital during positive periods of the economic cycle.

The required amount of capital of each institution shall be determined based on its risk profile, taking into consideration other external factors such as the effects of the economic cycle and the economic scenario.

Requirements applicable to dividend distribution

The Central Bank imposed certain restrictions on the payment of dividends, limiting the ability of financial institutions to distribute dividends without its prior consent.

Pursuant to Communication “A” 5072 (as amended and supplemented), the Central Bank amended and restated the regulations governing dividend distribution by financial institutions. The Superintendency will be in charge of reviewing the ability of a financial entity to distribute dividends upon their request for approval. The request must be filed within 30 business days prior to the shareholders’ meeting that approves the financial institutions’ annual financial statements. Financial institutions may distribute dividends only if each of the following conditions is not met during the month preceding the request:

- the financial institution is subject to a liquidation procedure or a mandatory transfer of assets ordered by the Central Bank in accordance with section 34 or 35 bis of the Financial Institutions Law;
- the financial institution receives financial assistance from the Central Bank;
- the financial institution does not comply with its reporting obligations under Central Bank regulations;
- the financial institution breaches the minimum capital requirements (both on an individual and consolidated basis, excluding any individual exemption granted by the Superintendency) or minimum cash reserves (on average), whether in Pesos, foreign currency or securities issued by the public sector;
- the financial institution is subject to significant penalties imposed by the UIF except when certain corrective actions have been implemented by the Superintendency or if a risk mitigation plan has been required.

Financial institutions that do not comply with all of the abovementioned conditions may distribute dividends up to an amount equal to: (i) the positive balance of the account “unappropriated earnings” (“*Resultados no asignados*”) at the end of the fiscal year, (ii) plus voluntary reserves for future dividend payments, (iii) minus voluntary reserves and mandatory statutory reserves and other items, such as: (a) balance of account related to payments made under pesification judicial rulings; (b) the net positive balance of the book-value and the market-value of certain public debt securities and Central Bank notes that the financial institution owns that are not marked to market; (c) unrecorded adjustments of asset value informed by the Superintendency or mentioned by external auditors on their report; (d) individual exemptions for asset valuation granted by the Superintendency; (e) balance of judicial deposits in foreign currency and accounting value of such deposits as required by Law No. 25,561 and Decree No. 214/02; and (f) net results of losses

due to application of rules for valuation of securities of the non-financial public sector and monetary regulations of the Central Bank.

Dividends cannot be paid, however, in any of the following circumstances:

- if the minimum cash reserve in average is lower than that cash required by the latest reported position or the pro-forma position after making the dividend payment; and/or
- if the minimum regulatory capital after making the dividend payment is lower than the minimum capital required increased by 75%; and/or
- if the financial institution received any kind of financial assistance from the Central Bank due to liquidity problems, pursuant to Section 17 of the Central Bank's charter.

In addition, for financial institutions that are branches of foreign financial institutions, the Superintendency will consider the liquidity and solvency of their headquarters and the markets in which they operate.

Pursuant to Communication “A” 5369, from February 1, 2013, the minimum regulatory capital has to account for the requirement of counterparty risk capital for securitizations for every ongoing transaction at the time of determination.

In 2011 and 2012, we did not meet the abovementioned conditions set forth by Central Bank regulations for dividend distribution. In particular, we did not meet the threshold, pursuant to which the minimum regulatory capital after carrying out the dividend payment should not be lower than the minimum capital requirement increased by 75%. We have met the regulatory threshold for dividend distribution for the fiscal year 2013 (i.e. the capital remaining after the distribution of dividends will be sufficient to meet the regulatory capital requirements increased by 75%) and such distribution was approved at our shareholders’ meeting held on April 29, 2014. We requested prior authorization from the Central Bank, which was pending as of the date of this annual report.

Credit risk

The minimum capital requirement due to counterparty (“CRC”) risk must be calculated by dividing the sum of each item’s daily balance by the amount of days corresponding to the month. The capital requirement for counterparty risk is defined as:

$$\text{CRC} = k * [0.08 * (\text{APRc} + \text{no DvP}) + \text{DvP} + \text{RCD}] + \text{INC} + \text{IP}.$$

Where “k” is determined by the rating (1 strongest, 5 weakest) assigned to the financial entity by the Superintendency, pursuant to the following scale:

<u>Rating</u>	<u>K Factor</u>
1	1
2	1.03
3	1.08
4	1.13
5	1.19

“APRc” stands for capital risk weighted assets calculated by adding the value obtained from applying the following formula:

$$A * p + \text{PFB} * \text{CCF} * p$$

Where “A” is computable assets, “PFB” is computable items which are not registered on the balance sheet (off balance sheet), “CCF” is the conversion credit factor and “p” is risk measure.

Additionally, “no DvP” refers to transactions without delivery against payment; “DvP” refers to failed payment delivery; “RCD” refers to requirements for counterparty risk in over-the-counter transactions. The “INC” variable amount refers to increases in minimum capital requirements that arise when certain mandatory technical ratios are exceeded (fixed assets, counterparty risk diversification and rating and limitations on transactions with related clients). The variable “IP” refers to increases that arise from the extension of the general limit on negative foreign currency net global position.

Excluded items include: (a) securities granted for the benefit of the Central Bank for direct obligations; (b) deductible items pursuant to RPC regulations; and (c) finance and securities granted by branches and local subsidiaries of foreign financial entities by order and on account of their headquarters or foreign branches or the foreign controlling entity, to the extent (i) the foreign entity has an investment grade rating, (ii) the foreign entity is subject to regulations that entail consolidated fiscalization, (iii) in case of finance operations, they shall be repaid by the local branch or subsidiary exclusively with funds received from the aforementioned foreign intermediaries; and (iv) in case of guarantees granted locally, they are in turn guaranteed by their headquarters or foreign branches or the foreign controlling entity and foreclosure on such guaranty may be carried out immediately and at the sole requirement of the local entity.

Each type of asset is weighted based on its respective accepted risk level. The table below shows the weighted percentage assigned to the most important types of assets:

<i>Type of asset</i>	<i>Weighted percentage</i>
Cash and cash equivalents	0 – 20
Exposure to governments and central banks	0 – 100
Exposure to the Multilateral Development Banks (MDB)	0 – 100
Exposure to national financial institutions	20 – 100
Exposure to foreign financial institutions	100
Exposure to national and foreign companies and other entities - including national foreign exchange entities, insurance companies, brokerage houses and other companies considered non-financial private sector entities pursuant to the provisions of Section 1 of the regulations governing the “Financing of the non-financial public sector”	100
Exposures included in the retail portfolio	75 – 100

Exposures guaranteed by reciprocal guaranty companies (<i>sociedades de garantía recíproca</i>) or public security funds registered with the Registries authorized by the Central Bank	50
First mortgages and mortgages of any ranking on residential homes, to the extent the entity is the mortgagee	35 – 100
First mortgages and mortgages of any ranking other than on residential homes, to the extent the entity is the mortgagee	50 – 100
Delinquent loans over 90 days	50 – 150
Interests in companies	150
Exposures to central counterparty entities (CCP)	0
Other assets	100

Interest rate risk

Until January 1, 2013, financial entities had to comply with minimum capital requirements regarding interest rate risk. Communication “A” 5369 removed all rules and regulations regarding minimum capital requirements for interest rate risk. These requirements are intended to capture the sensitivity of assets and liabilities to changes in the interest rates. Notwithstanding this ruling, financial entities must continue to manage this risk and such management will be subject to the Superintendency’s supervision. The Superintendency may determine the need to maintain more regulatory capital.

Market risk

Minimum capital requirements for market risks are computed as a function of the market risk of financial entities’ portfolios, measured as their value at risk (“VaR”). The regulation includes those assets traded on a regular basis in open markets and excludes those assets held at investment accounts, which must meet counterparty and interest rate risk minimum capital requirements.

There are five categories of assets. Domestic assets are divided into equity and public bonds/Central Bank’s debt instruments, the latter being classified in two categories that, according to whether their modified duration is less than or more than 2.5 years. Foreign equity and foreign bonds make up another two categories classified according to their duration as well, the latter also comprising two separate categories, defined as for domestic assets. The fifth category is comprised of foreign exchange positions, differentiated according to currency involved.

Overall capital requirements in relation to market risk are the sum of the five amounts of capital necessary to cover the risks arising from each category.

Market risk minimum capital requirements must be met daily. Information must be reported to the Central Bank on a monthly basis. As from May 2003, the U.S. dollar has been included as a foreign currency risk factor for the calculation of the market risk requirement, considering all assets and liabilities in that currency.

Consequences of a failure to meet minimum capital requirements

In the event of non-compliance with capital requirements by a financial institution, Central Bank Communication “A” 3171 provides that:

- *non-compliance reported by the institution*: the institution must meet the required capital no later than the end of the second month after the date of non-compliance or submit a restructuring plan within 30 days after the end of the month in which such non-compliance was reported. In addition, non-compliance with minimum capital requirements will entail a number of consequences for the financial institution, including a prohibition to open branches in Argentina or in other countries, establish representative offices abroad, or own equity in foreign financial institutions, as well as a prohibition to pay cash dividends. Moreover, the Superintendency may appoint a representative, who shall have the powers set forth by the Financial Institutions Law.
- *non-compliance detected by the Superintendency*: the institution may challenge the non-compliance determination within 30 days after being served notice by the Superintendency. If no challenge is made, or if the defense is dismissed, the non-compliance determination will be deemed to be final, and the procedure described in the previous item will apply.

Furthermore, pursuant to Communication “A” 5282, if a financial institution fails to meet market risk daily minimum capital requirements, except for any failure to meet the requirements on the last day of the month, calculated as a sum of values at risk of included assets (VaR), the financial institution must replace its capital or decrease its financial position until such requirement is met, having up to ten business days from the first day on which the requirement was not met to meet the requirement. If the

financial institution fails to meet this requirement after ten business days, it must submit a regularization and reorganization plan within the following five business days, and it may become subject to an administrative proceeding initiated by the Superintendent.

Operational risk

The regulation on operational risk (“OR”) recognizes the management of OR as a comprehensive practice, separated from that of other risks given its importance. OR is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition includes legal risk but excludes strategic and reputational risk.

Financial institutions must establish a system for the management of OR that includes policies, processes, procedures and the structure for their adequate management. This scheme must also allow the financial entity to evaluate capital sufficiency.

Seven categories of loss events derived from OR types are defined, according to internationally accepted criteria: internal fraud; external fraud; employment practices and workplace safety; clients, products and business practices; damage to physical assets; business disruption and system failures, and execution, delivery and process management.

Financial entities are in charge of implementing an efficient management of OR following the guidelines provided by the Central Bank. A solid system for risk management must have a clear assignment of responsibilities within the organization of financial entities. Thus, the regulation describes the roles of each level of the organization for the management of OR (such as the roles of the Board of Directors, senior management and the business units of the financial institution).

An “OR unit” is required, adjusted to the financial institutions’ size and sophistication and the nature and complexity of its products and processes, and the extent of the transaction. For small institutions, this unit may even consist of a single person. This unit may functionally respond to the senior management (or similar) or a functional level with risk management decision capacity that reports to that senior management.

An effective risk management will contribute to prevent future losses derived from operational events. Consequently, financial entities must manage the inherent OR in their products, activities, processes and systems. The OR management process comprises:

- a) Identification and assessment: the identification process should consider both internal and external factors that could adversely affect the development of the processes and projections done according to the business strategies defined by the financial institution. Financial entities should use internal data, establishing a process to register frequency, severity, categories and other relevant aspects of the OR loss events. This should be complemented with other tools, such as self-risk assessments, risk mapping and key risk indicators.
- b) Monitoring: an effective monitoring process is required, for quickly detecting and correcting deficiencies in the policies, processes and procedures for managing OR. In addition to monitoring operational loss events, banks should identify forward-looking indicators that enable them to act upon these risks appropriately.
- c) Control and mitigation: financial entities must have an appropriate control system for ensuring compliance with a documented set of internal policies, which involves periodic reviews (at least annually) of control strategies and risk mitigation, and should adjust them if necessary.

Pursuant to Communications “A” 5272 and “A” 5282, the minimum capital requirements regarding OR is equal to 15% of the annual average positive gross income of the last 36 months.

The gross income is equal to the sum of: (a) financial and service charge income minus financial and service charge expense, and (b) other income minus other expenses. The following items are excluded from the terms (a) and (b):

- i) expenses derived from the creation or elimination of reserves during previous fiscal years and recovered credits during the fiscal year which were written-off in previous fiscal years;
- ii) profits or losses from holding of equity in other financial institutions or companies, if these were deductible from RPC;
- iii) extraordinary or unusual gains –i.e. those arising from unusual and exceptional events which resulted in gains- including income from insurance recovery; and
- iv) gains from the sale of financial public sector notes, as set forth under the Central Bank Rules (“*Valuación de instrumentos de deuda del sector público no financiero y de regulación monetaria del Banco Central de la República Argentina*”).

Pursuant to Communication “A” 5346, the minimum capital requirements regarding OR in addition to requirements regarding counterparty and market risk were applied progressively, according to the following timetable:

- i) Financial entities, which on February 1, 2012 belonged to Group “A” according to Communication “A” 5106, as amended:

Period	Coefficient
February 2012 - March 2012	0
April 2012 - July 2012	0.50
August 2012 - November 2012	0.75
December 2012	1

- ii) Financial entities, which on February 1, 2012 belonged to Group “B” or “C” pursuant to Communication “A” 5106, as amended:

Period	Coefficient
February 2012 - March 2012	0
April 2012 - October 2012	0.25
November 2012 - December 2013	0.50
January 2014 - November 2014	0.75
December 2014	1

In addition, financial institutions must have a minimum amount of capital before the last day of each month that is equal to the higher of (i) the basic minimum capital requirement or (ii) the sum of the requirements for counterparty risk, interest rate risk, market risk and operational risk.

The determination of minimum capital requirements for operational risk complies with Basel II guidelines and enables entities to calculate the aforementioned requirements by applying basic or standardized approaches to calculation.

Minimum cash reserve requirements

The minimum cash reserve requirement requires that a financial institution keep a portion of its deposits or obligations readily available and not allocated to lending transactions. Pursuant to Communication “A” 3498 (as amended and supplemented) as of March 1, 2002, the minimum cash requirement includes deposits and obligations for other financial intermediation transactions (overnight and fix term transactions).

Minimum cash requirements are applicable to demand and time deposits and other liabilities arising from financial intermediation denominated in Pesos, foreign currency, or government and corporate securities, and any unused balances of advances in checking accounts under formal agreements not containing any clauses that permit the bank to discretionally and unilaterally revoke the possibility of using such balances.

Minimum cash reserve obligations exclude (i) amounts owed to the Central Bank, (ii) amounts owed to domestic financial institutions, (iii) amounts owed to foreign banks (including their head offices, entities controlling domestic institutions and their branches) in connection with foreign trade financing facilities, (iv) cash purchases pending settlement and forward purchases, (v) cash sales pending settlement and forward sales (whether or not related to repurchase agreements), (vi) overseas correspondent banking operations, and (vii) demand obligations for money orders and transfers from abroad pending settlement to the extent they do not exceed a 72 business hour term as from their deposit.

The liabilities subject to these requirements are computed on the basis of the effective principal amount of the transactions, excluding interest accrued, past due, or to become due on the aforementioned liabilities, provided they were not credited to the account of, or made available to, third parties, and, where available, the amount accruing upon the adjustment rate (CER) is applied.

The basis on which the minimum cash reserve requirement is computed is the monthly average of the daily balances of the liabilities at the end of each day during each calendar month, except for the period ranging from December of a year to February of the next, period in which it shall be applied on a quarterly average. Such requirement shall be complied with on a separate basis for each currency in which the liabilities are denominated.

The table below shows the percentage rates that should be applied (from April 2014) to determine the required minimum cash reserve requirement, which in the case of transactions in Pesos, will depend on the category under which the jurisdiction of the main office of the financial entity falls (Communication “A” 5569):

Item	Rate (%)			
	Category I		Categories II to VI	
	Pesos	Foreign Currency	Pesos	Foreign Currency
1-Checking account deposits	17		15	
2-Savings account, basic account and free universal account	17	50	15	50
3-Legal custody accounts, special accounts for savings clubs, “Unemployment Fund for Construction Industry Workers” (<i>Fondo de Cese Laboral para los Trabajadores de la Industria de la Construcción</i>) and “Salary payment,” special checking accounts for legal entities and social security savings accounts	17	50	15	50
4-Other demand deposits and liabilities, pension and social security benefits credited by ANSES pending collection and immobilized reserve funds for liabilities covered by these regulations	17	50	15	50
5-Unused balances of advances in checking accounts under executed overdraft agreements	17		15	
6-Deposits in checking accounts of non-bank financial institutions, computed for purposes of meeting their required minimum cash reserve	100		100	
7-Time deposits, liabilities under acceptances, repurchase agreements (including responsibilities for sale or transfer of credits to agents different from financial institutions), stock-exchange repos (cautions				

and stock exchange passive repos), constant-term investments, with an option for early termination or for renewal for a specified term and variable income, and other fixed-term liabilities, except rescheduled deposits included in the following items 11, 12, 13 and 14 of this table:

(i) Up to 29 days	13	50	12	50
(ii) From 30 days to 59 days	10	38	9	38
(iii) From 60 days to 89 days	6	25	5	25

Item	Rate (%)			
	Category I		Categories II to VI	
	Pesos	Foreign Currency	Pesos	Foreign Currency
(iv) From 90 days to 179 days	1	14	—	14
(v) More than 180 days	—	5	—	5
8-Liabilities owed due to foreign facilities (not executed by means of time deposits or debt securities)	—		—	
9-Securities (including Notes)				
(i) Up to 29 days	14	50	14	50
(ii) From 30 days to 59 days	11	38	11	38
(iii) From 60 days to 89 days	7	25	7	25
(iv) From 90 days to 179 days	2	14	2	14
(v) More than 180 days	—	5	—	5
10-Liabilities owing to the Trust Fund for Assistance to Financial and Insurance Institutions	0		0	
11-Demand and time deposits made upon a court order with funds arising from cases pending before the court, and the related immobilized balances	10	25	10	25
12-Deposits as assets of a mutual fund	19	50	19	50
13-Special deposits related to inflows of funds. Decree 616/2005	100		100	
14-Time deposits in nominative, non-transferable Peso-denominated certificates, belonging to public sector holders, with the right to demand early withdrawal in less than 30 days from its setting up	15		14	

In addition to the abovementioned requirements, the reserve for any defect in the application of resources in foreign currency for any given month shall be applied to an amount equal to the minimum cash requirement of the corresponding currency for each month.

The minimum cash reserve must be set up in the same currency to which the requirement applies, and eligible items include the following:

1. Accounts maintained by financial institutions with the Central Bank in Pesos.
2. Accounts of minimum cash maintained by financial institutions with the Central Bank in U.S. dollars, or other foreign currency.
3. Special guarantee accounts for the benefit of electronic clearing houses and to cover settlement of credit card and ATM transactions.
4. Checking accounts maintained by non-bank financial institutions with commercial banks for the purpose of meeting the minimum reserve requirement.
5. Special accounts maintained with the Central Bank for transactions involving social security payments by the ANSES.
6. Minimum cash sub-account 60, authorized in the Registration and Settlement Central for Public Debt and Financial Trusts – CRYL (“*Central de Registro y Liquidación de Pasivos Públicos y Fideicomisos Financieros* – CRYL”) for public securities and securities issued by the Central Bank at their market value.

These eligible items are subject to review by the Central Bank and may be changed in the future.

The Central Bank makes interest payments on reserve requirements up to the legal cash requirement level established for term transactions. Reserves in excess of that requirement will not be compensated.

Compliance on public bonds and time deposits must be done with holdings marked to market and of the same type, only in terms of monthly status. Holdings must be deposited on special accounts at the Central Bank.

Compliance with the minimum cash reserve requirement will be measured on the basis of the monthly average of the daily balances of eligible items maintained during the month to which the minimum cash reserve refers by dividing the aggregate of such balances by the total number of days in the relevant period.

The aggregate balances of the eligible items referred to above, maintained as of each daily closing, may not, on any one day during the month, be less than 50% of the total required cash reserve, excluding the requirement for incremental deposits, determined for the next preceding month, recalculated on the basis of the requirements and items in force in the month to which the cash reserves relate. The daily minimum required is 70% when a deficit occurs in the previous month.

Any deficiencies in meeting the required minimum cash reserve and the daily minimum reserve in Pesos are subject to a penalty equal to two times the private banks' BADLAR rate for deposits in Pesos for the last business day of the month.

Any deficiencies in meeting the required minimum cash reserve and the daily minimum reserve in foreign currency are subject to a penalty equal to two times the private banks' BADLAR rate for deposits in U.S. dollars or two times the 30-day U.S. dollar LIBO rate for the last business day of the month (whichever is higher).

Internal liquidity policies of financial institutions

The regulations designed to limit liquidity risk provide that financial institutions should adopt management and control policies that ensure the maintenance of reasonable liquidity levels to efficiently manage their deposits and other financial commitments. Such policies should establish procedures for evaluating the liquidity of the institutions in the framework of prevailing market conditions to allow them to revise projections, take steps to eliminate liquidity constraints and obtain sufficient funds, at market terms, to maintain a reasonable level of assets over the long term. Such policies should also address (i) the concentration of assets and liabilities in specific customers, (ii) the overall economic situation, likely trends and the impact on credit availability, and (iii) the ability to obtain funds by selling government debt securities and assets.

Credit risk regulation

The regulations on credit risk prescribe standards in order to reduce such risk without significantly eroding average profitability. There are three types of ratios that limit a lender's risk exposure, namely: risk concentration limits, limits on transactions with customers on the basis of the institution's capital and credit limits on the basis of the customer's net worth.

Risk concentration: regulations include the concept of risk concentration, defined as the sum of loans that individually exceed 10% of the financial institution's RPC. Risk concentration cannot be greater than:

- Three times the RPC without considering loans to local financial institutions,
- Five times the RPC on total financings,
- Ten times the RPC of second-tier commercial banks when taking into account transactions with other financial institutions.

The three-time and five-time limits rise to four and six times, respectively, whenever increases are allocated to provide assistance to trusts or fiduciary funds from the non-financial public sector.

Those loans (other than the inter-bank operations) that exceed 2.5% of the financial institution's RPC must be recommended by senior management and approved by the institution's board or similar authority.

Diversification of risk: Financial institutions must ensure that their loan portfolio, is diversified among the highest possible number of individuals or companies and across all economic sectors, so as to avoid the concentration of risk due to transactions with a small group of individuals or companies or related to a specific sector, that may significantly affect the institution's assets.

Degree of risk: In the case of credit limits based on the customers' net worth, as a general rule the financial assistance cannot exceed 100% of the customer's net worth. The basic margin may be increased by an additional 200% provided such additional margin does not exceed 2.5% of the financial institution's RPC as of the last day of the second month prior to the date of the financing and the increase is approved by the board of directors of the relevant financial institution.

Limits on credit assistance

Maximum individual limits on credit assistance for non-related clients are established as a percentage of the financial institution's RPC.

Maximum limits for credit assistance to non-financial public sector are as follows:

Transactions with the non-financial public sector	Maximum limit (*)
i) Transactions with the national public sector	50%
ii) Transactions with each provincial jurisdiction or the City of Buenos Aires	10%
iii) Transactions with each municipal jurisdiction	3%

(*) *Individual limits will be increased by 15%, when the increase is applied to financial assistance granted to trusts or fiduciary funds subject to certain conditions and related to the financing of public sector or the inclusion of debt instruments issued by them.*

Globally, lending to the public sector cannot exceed 75% of the institution's RPC. As from July 2007, monthly credit assistance to the public sector cannot exceed 35% of a financial institution's assets.

Maximum limits for credit assistance to non-financial private sector of the country and non-financial sector abroad are as follows:

Transactions with the non-financial private sector of the country and non-financial sector abroad	
	Maximum limit
i) For each borrower	
a) Unsecured financings	15%
b) Total financings (secured or not) and/or collaterals included in financings guaranteed by other persons	25%
ii) For each Reciprocal Guarantee Company (RGC) (even related) or public guarantee fund	25%
iii) For each export credit insurance company	15%

Maximum limits for credit assistance to the financial sector of the country are as follows:

Transactions with the financial sector of the country	Lender	Taker	
		Rated 1, 2 or 3	Rated 4 or 5
i) Financing by a financial institution that is not a second tier commercial bank to a local financial institution.	Rated 1, 2 or 3	25%*	25%
	Rated 4 or 5	25%	0%
ii) Financing by a financial institution that is a second tier commercial bank	Rated 1, 2 or 3	100%	100%
	Rated 4 or 5	100%	0%

* This limit can be divided in two segments, with and without collateral, in each case by 25% subject to compliance with certain requirements.

Maximum limits for credit assistance to the financial sector abroad are as follows:

Transactions with the financial sector abroad	Maximum limit
i) Investment grade banks	25%
ii) Non-investment grade banks	5%

The allocation of margins for exposure to counterparty credit risk in derivative contracts is done on the basis of risk-sensitive measures and the features of each particular type of transaction (type of contract, frequency of marking to market, volatility of the asset). Transactions to be included are forwards, futures and options on shares and public bonds, and Central Bank debt instruments for which volatility is published, purchase and sale options on such assets, and swaps.

Operations with related clients

The regulation imposes limits on the risk arising from lending to persons or companies related to a financial institution. Regarding financial institutions, the term “related persons” refers to the following types of relationships:

A-Control relationship

- i) any person, other than from the non financial public sector of the country, having direct or indirect control over the financial institution;
- ii) any individual or entity, other than from the non financial public sector, directly or indirectly controlled by one or more persons directly controlling the financial institution;
- iii) any entity or individual directly or indirectly controlled by the financial institution, pursuant to the provisions of section 28, subsection a) of the Law on Financial Institutions and the regulations on “Services supplementary to the financial activity and permitted activities” and “Credit Grading”;
- iv) any financial institution or entity engaged in the provision of services supplementary to the financial activity, other than those referred to in the preceding items, subject to consolidated supervision with the financial institution;
- v) any financial institution, other than those referred to in the preceding items, having directors in common with the entity or company, other than from the non financial public sector of the country, having direct or indirect control over the financial institution or with the financial institution, to the extent such directors represent a simple majority of the respective boards of each such entities or financial institution;
- vi) in connection with local branches of foreign financial institutions, the parent company and the other branches; and
- vii) as an exception, if so determined by the board of directors of the Central Bank, based on the recommendation of the head of the Superintendency.

Control by one person of another is defined under such regulations as:

- i) holding or controlling, directly or indirectly, 25% or more of the total voting stock of the other person;
- ii) holding 50% or more of the total voting stock at shareholders’ or board meetings where directors or similar officers are elected;
- iii) even if holding less than 25% of the total voting stock, having control over other institutions that may in turn influence the decision making process of the relevant entity; and
- iv) when the Central Bank board of directors – pursuant to a proposal from the Superintendency – determines as such.

B - Personal relationship: including

1-Direct relationship with individuals in the following offices:

- a) Incumbent directors, incumbent members of the board of directors and the supervisory committee;
- b) Highest local officer of local branches of foreign financial institutions;
- c) General manager or general deputy managers or similar officers;
- d) Officers authorized to make credit decisions, up to manager or similar officer; and
- e) Incumbent statutory supervisors.

2- Direct relationship with the following individuals:

- a) persons employed by financial institutions or companies engaged in the provision of services supplementary to the financial activity, subject to consolidated supervision by the financial institution;
- b) spouse or relatives up to the second degree of consanguinity or the first degree of affinity to individuals directly or indirectly related to the financial institution under a control or personal relationship; and
- c) sole proprietorships directly or indirectly controlled by individuals directly or indirectly related to the financial institution.

C - Relationship assumed due to lack of, or outdated, sworn statement

Borrowers which are required to file sworn statements as to whether they are related or not to the lending institution or whether the relationship with such institution implies the existence of a controlling influence, and have failed to file such sworn statement or any subsequent update thereof, shall be considered related to the institution and the aggregate credit extended to them shall be subject to the limits applicable to related clients.

Limits for affiliated individuals:

Lending limits for related clients are determined in terms of the RC of the financial institution and its CAMELBIG rating, which rates the categories of capital, assets, market, earnings, liquidity and business of Argentine financial institutions on a scale of 1 through 5, with 1 being the highest, as follows:

1- Financial institutions with a CAMELBIG rating between 1 and 3:

- a) To each related client from non-financial private sector:
 - i) Loans with collateral: 10% of RPC.
 - ii) Loans without collaterals: 5% of RPC.

b) In the case of financial institutions or service companies with complementary activities, there are various limits that depend on the rating of the granting institution and the taker, and whether the companies are subject to consolidation.

- c) Foreign investment grade banks: 10% of RPC .

2- Institutions with CAMELBIG ratings 4 or 5:

Lending to related clients is forbidden, except for subsidiaries and companies that provide complementary services subject to consolidation with limits of 5% and 10% of RPC, and loans of up to Ps. 50,000 to their directors and managers to meet personal and family needs.

For all related clients, except for financial institutions or companies with complementary activities subject to consolidation: 20% of RPC.

Mandatory extension of credit facilities for productive investments

On July 5, 2012, the Central Bank issued Communication "A" 5319 mandating financial entities to extend a credit facility directed at

productive investments, according to the terms and conditions described therein. Subsequently, the Central Bank issued Communication “A” 5380 and Communication “A” 5516, which replaced Communication “A” 5319 and established new regulations applicable to credit facilities for productive investments. Pursuant to the new regulation, there are three groups of financial entities which must extend credit facilities: the “2012 quota”, the “2013 quota” and the “2014 quota.”

Financial institutions included under the 2012 quota, the 2013 quota and the 2014 quota are those operating as financial agents of the national, provincial, City of Buenos Aires and/or municipal governments and/or whose total deposits are equal to or greater than 1% of the

total deposits in the financial system, according to the information emerging from the “Monthly Accounting Reporting Regime – Balance” (based on the average of the last three months prior to June 1, 2012, for the 2012 quota; prior to November 1, 2012, for the 2013 quota first tranche; prior to May 1, 2013, for the 2013 quota second tranche; and prior to December 1, 2013, for the 2014 quota).

2012 quota

Financial entities included in the 2012 quota must allocate to credit facilities for productive investments an amount equivalent to 5% of the non-financial private sector deposits in Pesos, calculated according to the average balances of June 2012.

The maximum interest rate is 15.01% fixed per annum for at least the first 36 months. After the completion of this period, if the financing continues, institutions may apply a variable rate that may not exceed the total BADLAR rate in Pesos plus 400 basis points.

Quota 2012 must aim at least 50% of the credit facilities rendered to micro, small- and medium-sized enterprises. The credits granted must be denominated in Pesos and, at the time of disbursement of the funds, must have a weighted average life equal to or greater than 24 months and shall mature beyond 36 months. All financing under the 2012 quota must be granted by December 31, 2012. In instances of a single payment, such payments shall be made before the aforementioned date. If the project justifies staggered disbursements, then the disbursements must not take place after June, 30, 2013.

2013 quota

Financial entities included in the 2013 quota must allocate to credit facilities for productive investments an amount equivalent to 5% of the non-financial private sector deposits in Pesos, calculated according to the balance resulting as of the end of November 2012, for the first tranche, and as of the end of May 2013, for the second tranche, as stated by the Monthly Accounting Reporting Regime.

The maximum interest rate is 15.25% fixed per annum for at least the first 36 months (for both tranches). After the completion of this period, if the financing continues, institutions may apply a variable rate that may not exceed the total BADLAR rate in Pesos plus 400 basis points.

Quota 2013 must aim at least 50% of the credit facilities rendered to micro, small- and medium-sized enterprises. The credits granted must be denominated in Pesos and, at the time of disbursement of the funds, must have a weighted average life equal to or greater than 24 months and shall mature beyond 36 months. Financing under the first tranche of the 2013 quota must be granted by June 30, 2013. Financing under the second tranche of the 2013 quota must be granted by December 31, 2013. In instances of a single payment, such payments shall be made before the aforementioned date. If the project justifies staggered disbursements, then the disbursements must not take place after December 31, 2013, for the first tranche, and June 30, 2014, for the second tranche.

2014 quota

Financial entities included in the 2014 quota must allocate to credit facilities for productive investments an amount equivalent to 5% of the non-financial private sector deposits in Pesos, calculated according to the balance resulting as of the end of November 2013, as stated by the Monthly Accounting Reporting Regime.

The maximum interest rate for the 2014 quota is 17.50% fixed per annum for at least the first 36 months. After the completion of this period, if the financing continues, institutions may apply a variable rate that may not exceed the total BADLAR rate in Pesos plus 300 basis points.

Quota 2014 must aim the 100% of the credit facilities rendered to micro, small- and medium-sized enterprises. The credits granted must be denominated in Pesos and, at the time of disbursement of the funds, must have a weighted average life equal to or greater than 24 months and shall mature beyond 36 months. All financing under the 2014 quota must be granted by June 30, 2014. In instances of a single payment, such payments shall be made before the aforementioned date. If the project justifies staggered disbursements, then the disbursements must not take place after December, 31, 2014.

Foreign exchange system

During the first quarter of 2002, the Argentine government established certain foreign exchange controls and restrictions.

On February 8, 2002, Decree No. 260 was issued, establishing as of February 11, 2002 a Local Foreign Exchange Market (“Mercado Único y Libre de Cambios”) system through which all transactions involving the exchange of foreign currency are to be traded at exchange rates to be freely agreed upon.

On such date, the Central Bank issued Communications “A” 3471 and “A” 3473, which stated that the sale and purchase of foreign currency can only be performed with entities authorized by the Central Bank to operate in foreign exchange. Item 4 of Central Bank Communication “A” 3471 stated that the sale of foreign currency in the local exchange market shall be in all cases against Peso bills.

Since January 2, 2003, there have been several modifications to the restrictions imposed by the Central Bank. For further information, see Item 10.D “Additional Information—Exchange Controls.”

Foreign currency lending capacity

The Regulations on the allocation of deposits in foreign currencies (updated by Communication “A” 5275) establish that the lending capacity from foreign currency deposits, including U.S. dollar-denominated deposits to be settled in Pesos, must fall under one of the following categories: (a) pre-financing and financing of exports to be made directly or through principals, trustees or other brokers, acting on behalf of the owner of the merchandise; (b) financing for manufacturers, processors or collectors of goods, provided they refer to non-revocable sales agreements with exporters for foreign currency-denominated prices (irrespective of the currency in which such transaction is settled), and they refer to exchangeable foreign-currency denominated goods listed in local or foreign markets, broadly advertised and easily available to the general public; (c) financing for manufacturers of goods to be exported, as final products or as part of other goods, by third-party purchasers, provided that such transactions are secured or collateralized in foreign currency by third-party purchasers; (d) financing of investment projects, working capital or purchase of any kind of goods –including temporary imports of commodities- that increase or are related to the production of goods to be exported –including syndicated loans, whether granted by local or foreign financial institutions; (e) financing for commercial clients or commercial loans considered as consumer loans, with the purpose of importing capital goods, whenever they help to increase goods production for the domestic market; (f) debt securities or financial trust participation certificates whose underlying assets are loans made by the financial entities in the manners set forth in (a) to (d) above (excluding syndicated loans); (g) foreign currency debt securities or financial trust participation certificates, publicly listed under an authorization by the CNV, whose underlying assets are securities bought by the fiduciary and guaranteed by reciprocal guarantee companies or public guarantee funds, in order to finance export transactions; (h) financings for purposes other than those mentioned in (a) to (d) above, included under the IDB credit program (“Préstamos BID N° 119/OC-AR”), not exceeding 10% of the lending capacity; (i) inter-financing loans (any inter-financing loans granted with such resources must be identified); and (j) Central Bank bills denominated in dollars.

Communication “A” 4851 (as supplemented by Communication “A” 5275) provides a specific formula in order to calculate the financial institution’s capacity to lend money in foreign currency for imports (items (d) and (e), and, as applicable items (f) to (h) of the foregoing paragraph).

The lending capacity shall be determined for each foreign currency raised, such determination being made on the basis of the monthly average of daily balances recorded during each calendar month. Any defect in the application shall give rise to an increase in the minimum cash requirement in the relevant foreign currency.

General exchange position

The general exchange position (“GEP”) includes all the liquid external assets of the institution, such as gold, currency and foreign currency notes reserves, sight deposits in foreign banks, investments in securities issued by OECD member governments with a sovereign debt rating not below “AA”), certificates of time deposits in foreign institutions (rated not less than “AA”), and correspondents’ debit and credit balances. It also includes purchases and sales of these assets already arranged and pending settlement involving foreign exchange purchases and sales performed with customers within a term not exceeding two business days and correspondent balances for third-party transfers pending settlement. It does not include, however, foreign currency notes held in custody, term sales and purchases of foreign currency or securities nor direct investments abroad.

The GEP ceiling is calculated every month and, therefore, updated the first business day of the month. Pursuant to the relevant reporting system regulations this ceiling is set at 15% of the amount equivalent in U.S. dollars to the RPC at the end of the month immediately preceding the last month when filing with the Central Bank has already expired. It will be increased by an amount equivalent in U.S. dollars to 5% of the total amount traded by the institution on account of the purchases and sales of foreign currency in the calendar month prior to the immediately preceding month, and by 2% of the total demand and time deposits locally held and payable in foreign bills, excluding deposits held in custody, recorded by the institution at the end of the calendar month prior to the immediately preceding month. If the ceiling does not exceed US\$8.0 million, this figure will be considered its floor.

Institutions authorized to trade in foreign currency failing to comply with the GEP ceilings or the exchange reporting regulations should refrain from trading in foreign currency until they are in compliance with the above.

Although certain exceptions are admitted, institutions authorized to trade in foreign currency require the Central Bank’s prior consent to perform their own purchases when payment is made against delivery of foreign currency or other foreign assets comprising the GEP.

Foreign currency net global position

All assets and liabilities from financial intermediation in foreign currency and securities in foreign currency (deriving from cash and term transactions) are included in the net global position (for ongoing and completed operations).

In addition, forward transactions under master agreements entered within domestic self-regulated markets paid by settlement of the net amount without delivery of the underlying asset are also included. Deductible assets for determining RPC are excluded from the ratio.

Two ratios are considered in the Foreign currency Net Global Position:

- *Negative foreign currency net global position (liabilities exceeding assets)*: the limit is 15% of the RPC, but it can be extended up to 15 p.p. provided the entity records at the same time: a) medium and long-term financing in Pesos to non-financial private sector (mid and long-term financings are those exceeding 4 years, weighting capital maturity without considering CER) under certain conditions for an amount equivalent to the increase of said limit; and b) an increase in the minimum capital requirement equivalent to the increase of the general limit of the negative foreign currency net global position.

- *Positive foreign currency net global position (assets exceeding liabilities):* this position cannot exceed the lesser of:
 - a) 30% of the RPC; and
 - b) The liquid funds of the relevant financial institution (which refer to the RPC minus “fixed assets” and loans to related clients).

Such limit should be extended by the amount increased between January 2014 and the month of the net global position, by the credit lines from abroad settled through the MULC. The calculation must be done considering the monthly average of daily balances of the credit lines entered converted to Pesos at the reference exchange rate.

Foreign currency positive net global position limit for term transactions:

The foreign currency positive net global position for term transactions must not exceed 10% of the regulatory capital RPC of the previous month.

To determine the foreign currency positive net global position for term transactions should be considered relevant items included in other credits from financial intermediation, other banking liabilities for financial intermediation and derivatives denominated in foreign currency. To this end, financial entities must not deduct sales transactions entered into with “related parties”.

The excesses of these ratios are subject to a charge equal to 1.5 times the nominal interest rate of the Peso denominated LEBAC (Central Bank bill). Charges not paid when due are subject to the charge established for excesses, increased by 50%.

In addition to the abovementioned charge, sanctions set forth in Section 41 of the Financial Institutions Law shall apply (caution; warning; fine; temporary or permanent disqualification to dispose of a banking current account; temporary or permanent disqualification to act as promoters, founders, directors, administrators, members of surveillance committees, comptrollers, liquidators, managers, auditors, partner or shareholders; and license revocation).

Debt classification and loan loss provisions

Credit portfolio

The regulations on debt classification are designed to establish clear guidelines for identifying and classifying the quality of assets, as well as evaluating the actual or potential risk of a lender sustaining losses on principal or interest, in order to determine, taking into account any loan security, whether the provisions against such contingencies are adequate. Banks must classify their loan portfolios into two different categories: (i) consumer or housing loans and (ii) commercial loans. Consumer and housing loans include housing loans, consumer loans, credit-card financings and other types of installment credits to individuals. All other loans are considered commercial loans. Consumer or housing loans in excess of Ps. 1,500,000, the repayment of which is linked to its projected cash flows, are classified as commercial loans. Central Bank Rules allow financial institutions to apply the consumer and housing loan classification criteria to commercial loans of up to Ps. 1,500,000, given with or without guarantees. If a customer has both kinds of loans (commercial and consumer and housing loans), the consumer or housing loans will be added to the commercial portfolio to determine under which portfolio they should be classified based on the amount indicated. In these cases, the loans secured by preferred guarantees shall be considered to be at 50% of its face value.

Under the current debt classification system, each customer, as well as the customer’s outstanding debts, is included within one of six sub-categories. The debt classification criteria applied to the consumer loan portfolio is primarily based on objective factors related to customers’ performance on their obligations or their legal standing, while the key criterion for classifying the commercial loan portfolio is each borrower’s paying ability based on its future cash flow.

Commercial loans classification

The principal criterion to evaluate a loan pertaining to the commercial portfolio is its borrower’s ability to repay it, whose ability is mainly measured by such borrower’s future cash flow. Pursuant to Central Bank Rules, commercial loans are classified as follows:

<u>Classification</u>	<u>Criteria</u>
Normal Situation	Borrowers for whom there is no doubt as to their ability to comply with their payment obligations.
Subject to special Monitoring/Under observation	Borrowers that, among other criteria, are up to 90 days past due and, although considered to be able to meet all their financial obligations, are sensitive to changes that could compromise their ability to honor debts absent timely corrective measures.

Subject to special Monitoring / Under negotiation or refinancing agreement	Borrowers who are unable to comply with their obligations as agreed with the bank and, therefore, formally state, within 60 calendar days after the maturity date, their intention to refinance such debts. The borrower must enter into a refinancing agreement with the bank within 90 calendar days (if up to two lenders are involved) or 180 calendar days (if more than two lenders are involved) after the payment default date. If no agreement has been reached within the established deadline, the borrower must be reclassified to the next category according to the indicators established for each level.
Troubled	Borrowers with difficulties honoring their financial obligations under the loan on a regular basis, which, if uncorrected, may result in losses to the bank.
With high risk of insolvency	Borrowers who are highly unlikely to honor their financial obligations under the loan.
Irrecoverable	Loans classified as irrecoverable at the time they are reviewed (although the possibility might exist that such loans might be collected in the future). The borrower will not meet its financial obligations with the financial institution
Irrecoverable according to Central Bank's Rules	(a) Borrower has defaulted on its payment obligations under a loan for more than 180 calendar days according to the corresponding report provided by the Central Bank, which report includes (1) financial institutions liquidated by the Central Bank, (2) residual entities created as a result of the privatization of public financial institutions, or in the privatization or dissolution process, (3) financial institutions whose licenses have been revoked by the Central Bank and find themselves subject to judicial liquidation or bankruptcy proceedings and (4) trusts in which <i>Seguro de Depósitos S.A. (SEDESA)</i> is a beneficiary, or (b) certain kinds of foreign borrowers (including banks or other financial institutions that are not subject to the supervision of the Central Bank or similar authority of the country in which they are incorporated) that are not classified as "investment grade" by any of the rating agencies approved by the Central Bank.

Consumer and housing loans classification

The principal criterion applied to loans in the consumer and housing portfolio is the length of period for which such loans remain overdue. Under the Central Bank Rules, consumer and housing borrowers are classified as follows:

<u>Classification</u>	<u>Criteria</u>
Normal Situation	If all payments on loans are current or less than 31 calendar days overdue and, in the case of checking account overdrafts, less than 61 calendar days overdue.
Low Risk	Loans upon which payment obligations are overdue for a period of more than 31 and up to 90 calendar days.
Medium Risk	Loans upon which payment obligations are overdue for a period of more than 90 and up to 180 calendar days.
High Risk	Loans in respect of which a legal action seeking collection has been filed or loans having payment obligations overdue for more than 180 calendar days, but less than 365 calendar days.
Irrecoverable	Loans in which payment obligations are more than one year overdue or the debtor is insolvent or in bankruptcy or liquidation.
Irrecoverable according to Central Bank's Rules	Same criteria as for commercial loans in the Irrecoverable according to Central Bank Rules.

Minimum Credit Provisions

The following minimum credit provisions are required to be made by Argentine banks in relation to the credit portfolio category:

Category	With Preferred Guarantees	Without Preferred Guarantees
“Normal situation”	1%	1%
“Under observation” and “Low risk”	3%	5%
“Under negotiation or refinancing agreement”	6%	12%
“Troubled” and “Medium Risk”	12%	25%
“With high risk of insolvency” and “High Risk”	25%	50%
“Irrecoverable”	50%	100%
“Irrecoverable according to Central Bank’s Rules”	100%	100%

The Superintendency may require additional provisioning if it determines that the current level is inadequate.

Financial institutions are entitled to record allowances for loan losses in amounts larger than those required by Central Bank Rules. In such cases and despite the existence of certain exceptions, recording a larger allowance for a commercial loan, to the extent the recorded allowance amount falls into the next credit portfolio category set forth by Central Bank Rules, shall automatically result in the corresponding debtor being re-categorized accordingly.

Minimum frequency for classification review

In accordance with Central Bank Rules financial institutions are required to develop procedures for the analysis of the credit facilities assuring an appropriate evaluation of a debtor's financial situation and a periodic revision of its situation concerning objective and subjective conditions of all the risks taken. The procedures established have to be detailed in a manual called "Manual of Procedures for classification and allowances" which shall be permanently available for the Superintendency. The frequency of the review of existing classifications must answer to the importance considering all facilities. The classification analysis shall be duly documented. The classification review must include (i) clients whose credits (in Pesos and in foreign currency) exceed the lower of 1% of the financial institution's RPC corresponding to prior month and Ps. 4 million and (ii) at least 20% of the financial institution's total active credit portfolio, which, if applicable, shall be completed by incorporating clients (in decreasing order) whose total indebtedness is inferior to the limits described in the preceding point (i).

In the case of commercial loans, applicable regulations require a minimum frequency of review. Such review must take place: (i) quarterly for clients with indebtedness equal or greater than 5% of the financial entity's RPC for the prior month and (ii) semi-annually for clients whose indebtedness is (x) higher than the lower of 1% of the financial entity's RPC for the prior month and Ps. 4 million, and (y) lower than 5% of the financial entity's RPC for the prior month. At the end of the first calendar semester, the total review under points (i) and (ii) should have covered no less than 50% of the financial entity's commercial loan portfolio and, if less, it shall be completed by incorporating clients (in descending order) whose total indebtedness is inferior to the limits described in the preceding point (ii)(x).

In addition, financial institutions have to review the rating assigned to a debtor in certain instances, such as when another financial institution reduces the debtor classification in the "Credit Information Database" and grants 10% or more of the debtor's total financing in the financial system. Only one-level discrepancy is allowed in relation to the information submitted by financial institutions to the "Credit Information Database" and the lower classification awarded by at least two other banks and total lending from such banks account for 40% or more of the total informed; if there is a greater discrepancy, the financial institution will be required to reclassify the debtor.

Allowances for loan losses

The allowance for loan losses is maintained in accordance with applicable regulatory requirements of the Central Bank. Increases in the allowance are based on the level of growth of the loan portfolio, as well as on the deterioration of the quality of existing loans, while decreases in the allowance are based on regulations requiring the write-off of non-performing loans classified as irrecoverable after a certain period of time and on decisions of the management to write off non-performing loans evidencing a very low probability of recovery.

Priority rights of depositors

Under Section 49 of the Financial Institutions Law, in the event of judicial liquidation or bankruptcy of a bank, depositors have a general and absolute priority right to collect their claims over all other creditors, except claims secured by pledges or mortgages and certain employee liens. Additionally, the holders of any type of deposit have a special priority right over all other creditors of the bank, except certain employee creditors, to be paid out of (i) any funds of the branch that may be in the possession of the Central Bank as Minimum Cash Reserve, (ii) any other funds of the bank existing as of the date on which the bank's license is revoked, or (iii) any proceeds resulting from the mandatory transfer of certain assets of the financial institution to another as determined by the Central Bank pursuant to Section 35 of the Financial Institutions Law, according to the following order of priority: (a) deposits of up to Ps. 50,000 per person (including all amounts such person deposited in one financial entity), or its equivalent in foreign currency, (b) all deposits of an amount higher than Ps. 50,000, or its equivalent in foreign currency for the amount exceeding Ps. 50,000, and (c) the liabilities originated in commercial lines granted to the financial institution and which directly affect international commerce.

Mandatory deposit insurance system

Law No. 24,485 passed on April 12, 1995, as amended, created a Deposit Insurance System, or "SSGD," which is mandatory for bank deposits, and delegated the responsibility for organizing and implementing the system to the Central Bank. The SSGD is a supplemental protection to the privilege granted to depositors by means of Section 49 of the Financial Institutions Law, as mentioned

above.

The SSGD has been implemented through the establishment of a Deposit Guarantee Fund, or “FGD,” managed by a private-sector corporation called *Seguro de Depósitos Sociedad Anónima*, (Deposit Insurance Corporation, or “SEDESA”). According to Decree No. 1292/96, the shareholders of SEDESA are the government through the Central Bank and a trust set up by the participating financial institutions. These institutions must pay into the FGD a monthly contribution determined by Central Bank Rules. The SSGD is financed through regular and additional contributions made by financial institutions, as provided for in Central Bank Communication “A” 4271, dated December 30, 2004.

The SSGD covers deposits made by individuals and legal entities in Argentine or foreign currency and maintained in accounts with the participating financial institutions, including checking accounts, savings accounts, and time deposits up to the amount of Ps. 120,000, as set forth by Central Bank Communication “A” 5170, dated January 11, 2011, as amended.

Effective payment on this guaranty will be made within 30 business days after revocation of the license of the financial institution in which the funds are held; such payment is subject to the exercise of the depositor’s priority rights described above.

In view of the circumstances affecting the financial system, Decree No. 214/2002 provided that SEDESA may issue registered securities for the purpose of offering them to depositors in payment of the guarantee in the event it should not have sufficient funds available.

The SSGD does not cover: (i) deposits maintained by financial institutions in other financial institutions, including certificates of deposit bought in the secondary market, (ii) deposits made by persons directly or indirectly affiliated with the institution, (iii) time deposits of securities, acceptances or guarantees, (iv) any transferable time deposits that have been transferred by endorsement, (v) any deposits benefiting from some incentive (e.g., car raffles) in addition to the agreed upon interest rate, and (vi) any deposits in which the agreed-upon interest rate is higher than the reference interest rates periodically released by the Central Bank for time deposits and demand deposit account balances and available amounts from overdue deposits or closed accounts.

Pursuant to Communication “A” 4271, every financial institution is required to contribute to the FGD a monthly amount of 0.015% of the monthly average of daily balances of deposits in local and foreign currency, as determined by the Central Bank. Prompt contribution of such amounts is a condition precedent to the continuing operation of the financial institution. The first contribution was made on May 24, 1995. The Central Bank may require financial institutions to advance the payment of up to the equivalent of two years of monthly contributions and debit the past due contributions from funds of the financial institutions deposited with the Central Bank. The Central Bank may require additional contributions by certain institutions, depending on its evaluation of the financial condition of those institutions.

When the contributions to the FGD reach the greater of Ps. 2 billion or 5.0% of the total deposits of the system, the Central Bank may suspend or reduce the monthly contributions, and reinstate them when the contributions subsequently fall below that level.

Other restrictions

Pursuant to the Financial Institutions Law, financial institutions cannot create any kind of rights over their assets without the Central Bank’s authorization, nor enter into transactions with their directors, officers or affiliates in terms more favorable than arms-length transactions.

Capital markets

Law 26,831 (the “Capital Markets Law”), introduced substantial changes in markets, stock exchanges and the various agents operating in capital markets, in addition to certain amendments to the powers conferred to the CNV. On September 9, 2013, the CNV published Resolution No. 622/2013 (the “CNV Rules”) supplementing the Capital Markets Law. The CNV Rules have been in force since September 18, 2013 (i.e., 8 calendar days after its publication in the Official Gazette).

One of the most relevant modifications introduced by the Capital Markets Law and the CNV Rules establish that agents and markets must comply with the CNV’s requirements for applying for an authorization to operate, as well as registration. They further provide that each category of agent must meet a minimum net worth and liquidity requirements.

The CNV Rules also established a schedule for the registration of agents and the compliance with the requirements, which ends on June 30, 2014.

Additionally, under the Capital Markets Law, the self-regulation of markets was eliminated, and authorization, supervision, control, as well as disciplinary and regulatory powers, are conferred to the CNV regarding all capital market players.

Commercial banks may operate as both managers and custodians of Argentine mutual investment funds or *fondos comunes de inversión*; provided, however, that a bank may not act simultaneously as manager and depositary agent for the same fund.

Financial institutions with economic difficulties

Financial Institutions Law provides that any financial institution, including a commercial bank, operating at less than certain required technical ratios and minimum net worth levels, in the judgment of the Central Bank adopted by members representing the majority of the board of directors, with impaired solvency or liquidity or in any of the other circumstances listed in Section 44 of the Financial

Institutions Law, must (upon request from the Central Bank and in order to avoid the revocation of its license) prepare a restructuring plan or *plan de regularización y saneamiento*. The plan must be submitted to the Central Bank on a specified date, not later than 30 calendar days from the date on which a request to that effect is made by the Central Bank. Upon the institution's failure to submit, secure regulatory approval of, or comply with, a restructuring plan, the Central Bank will be empowered to revoke the institution's license to operate as such.

Furthermore, the Central Bank's charter authorizes the Superintendency to fully or partially suspend, exclusively subject to the approval of the President of the Central Bank, the operations of a financial institution for a term of 30 days if the liquidity or solvency thereof are adversely affected. Such term could be renewed for up to 90 additional days, with the approval of the Central Bank's board of directors. During such suspension term an automatic stay of claims, enforcement actions and precautionary measures is triggered, any commitment increasing the financial institution's obligations shall be null and void, and debt acceleration and interest accrual shall be suspended. If per the Central Bank's criteria a financial institution is undergoing a situation which, under the Financial Institutions Law, would authorize the Central Bank to revoke its license to operate as such, the Central Bank may, before considering such revocation, order a plan of restructuring that may consist on certain steps, including, among others: measures to capitalize or increase the capital of the financial institution; revoke any approval granted to the shareholders of the financial institution to hold interests therein; restructure or transfer assets and liabilities; grant temporary exemptions to comply with technical regulations or payment of charges and penalties arising from such flawed compliance; or appoint a delegate or auditor ("interventor") that may prospectively replace the board of directors of the financial institution.

Revocation of the license to operate as a financial institution

The Central Bank may revoke the license to operate as a financial institution in case a restructuring plan has failed or is not deemed feasible, or violations of local laws and regulations have been incurred, or solvency or liquidity of the financial institution has been affected, or significant changes have occurred in the institution's condition since the original authorization was granted, or if any decision by the financial institution's legal or corporate authorities concerning its dissolution has been adopted, among other circumstances set forth in the Financial Institutions Law.

Once the license to operate as a financial institution has been revoked, the financial institution shall be liquidated.

Liquidation of financial institutions

As provided in the Financial Institutions Law, the Central Bank must notify the revocation decision to a competent court, which will then determine who will liquidate the entity: the corporate authorities (extrajudicial liquidation) or an independent liquidator appointed by the court for that purpose (judicial liquidation). The court's decision will be based on whether or not there is sufficient assurance that the corporate authorities are capable of carrying out such liquidation properly.

Bankruptcy of financial institutions

According to the Financial Institutions Law, financial institutions are not allowed to file their own bankruptcy petitions. In addition, the bankruptcy shall not be adjudged until the license to operate as financial institution has been revoked.

Once the license to operate as a financial institution has been revoked, a court of competent jurisdiction may adjudge the former financial institution in bankruptcy, or a petition in bankruptcy may be filed by the Central Bank or by any creditor of the bank, in this case after a period of 60 calendar days has elapsed since the license was revoked.

Once the bankruptcy of a financial institution has been adjudged, provisions of the bankruptcy Law No. 24,522 (the "Bankruptcy Law") and the Financial Institutions Law shall be applicable; provided however that in certain cases, specific provisions of the Financial Institutions Law shall supersede the provisions of the Bankruptcy Law (i.e. priority rights of depositors).

Merger, consolidation and transfer of goodwill

Merger, consolidation and transfer of goodwill may be arranged between entities of the same or different type and will be subject to the prior approval of the Central Bank. The new entity must submit a financial-economic structure profile justifying the transaction in order to obtain authorization from the Central Bank.

Financial system restructuring unit

The Financial System Restructuring Unit was created to monitor the implementation of a strategic approach for those banks benefiting from financial assistance granted by the Central Bank. This unit is in charge of rescheduling maturities, determining restructuring strategies and action plans, approving transformation plans, and accelerating repayment of the facilities granted by the Central Bank.

Anti-Money laundering

The concept of money laundering is generally used to denote transactions aimed at introducing funds from illicit activities in the institutional system and thus transform gains from illegal activities in assets of a seemingly legitimate source.

On April 13, 2000, the Argentine Congress passed Law No. 25,246 (as amended by Laws No. 26,087, 26,119, 26,286, and 26,683, together the “Anti-Money Laundering Law”), which sets forth an administrative criminal system and supersedes several sections of the Argentine Criminal Code related to money laundering. This law defines money laundering as a crime committed whenever a person converts, transfers, manages, sells, encumbers, or otherwise uses money, or any other assets, connected to a crime with the possible result that the original or substituted assets may appear to be of a legitimate origin, provided the value of the assets exceeds Ps. 300,000, whether such amount results from one or more transactions. Also, money laundering is considered as a separate crime against the economic and financial order, independent from the legal concept of concealment, which is considered an offense against the public administration. Thus, money laundering is a crime which may be prosecuted independently, whether or not the money launderer took part in the preceding crime from which the proceeds of which are being laundered.

In addition, the Anti-Money Laundering Law created the Financial Information Unit (hereinafter “UIF”), under the Argentine Ministry of Justice, Security and Human Rights, which is responsible for the handling and transmitting of information in order to prevent the laundering of assets originated from: (i) crimes related to illegal trafficking and commercialization of narcotics (Law No. 23,737); (ii) crimes related to arms trafficking (Law No. 22,415); (iii) crimes related to the activities of an illegal association as defined in Section 210 bis of the Argentine Criminal Code; (iv) illegal acts committed by illegal associations (Section 210 of the Argentine Criminal Code) organized to commit crimes with political or racial objectives; (v) crimes of fraud against the Public Administration (Section 174, Paragraph 5 of the Argentine Criminal Code); (vi) crimes against the Public Administration under Chapters VI, VII, IX and IX bis of Title XI of the Second Book of the Argentine Criminal Code; (vii) crimes of underage prostitution and child pornography under Sections 125, 125 bis, 127 bis and 128 of the Argentine Criminal Code; (viii) crimes involving terrorist financing (Section 213 quarter of the Argentine Criminal Code); (ix) extortion (Section 168 of the Argentine Criminal Code), (x) crimes contemplated by Law No. 24,769; and (xi) human trafficking.

The Anti-Money Laundering Law, like anti-money laundering laws of other countries, does not designate sole responsibility to the Argentine government for the monitoring of these criminal activities, but rather also delegates certain duties to diverse private sector entities such as banks, stockbrokers, stock markets, and insurance companies. These obligations essentially consist of information gathering functions, such as: (a) obtaining from clients documents that indisputably prove the identity, legal status, domicile and other information, concerning their operations needed to accomplish the intended activity; (b) reporting any suspicious activity or operation; and (c) keeping any monitoring activities in connection with a proceeding pursuant to the Anti-Money Laundering Law confidential from both clients and third parties.

In addition, Argentine financial institutions are required to report to the UIF any suspicious or unusual transaction, as well as any transaction that lacks economic or legal justification, or is unnecessarily complex, whether performed on isolated occasions or repeatedly.

Central Bank Rules require Argentine banks to take certain precautions to prevent money laundering. In this regard, Central Bank recommends financial institutions create an Anti-Money Laundering Committee, to assist in the compliance of the anti-money laundering regulations. Additionally, as mentioned, each financial institution must appoint a member of the board of directors as the person responsible for money laundering prevention, in charge of centralizing any information the Central Bank may require on its own initiative or at the request of any competent authority and reporting any suspicious transactions to the UIF.

Argentine financial institutions must comply with all applicable anti-money laundering regulations as provided by the Central Bank and the UIF. Resolution 121/2011 issued by the UIF, as amended (“Resolution 121”), is applicable to financial entities subject to Law No. 21,526, to entities subject to the Law No. 18,924, as amended, and to individuals and legal entities authorized by the Central Bank to intervene in the purchase and sale of foreign currency through cash or checks issued in foreign currency or through the use of credit or payment cards, or in the transfer of funds within or outside the national territory. Resolution No. 229/2011 of the UIF, as amended or supplemented by Resolutions No. 52/2012 and 140/2012 (“Resolution 229”), is applicable to brokers and brokerage firms, companies managing common investment funds, agents of the over-the-counter market, intermediaries in the purchase or leasing of securities affiliated with stock exchange entities with or without associated markets, and intermediary agents registered on forwards or option markets. Resolution 121 and Resolution 229 regulate, among others, the obligation to collect documentation from clients and the terms, obligations and restrictions for compliance with the reporting duty regarding suspicious money laundering and terrorism financing transactions.

Resolution 121 and Resolution 229 set forth general guidelines in connection with the client’s identification (including the distinction between occasional and regular clients), the information to be requested, the documentation to be filed and the procedures to detect and report suspicious transactions. Moreover, the main duties established by such resolutions are the following: a) to create a manual establishing the mechanisms and procedures to be used to prevent money laundering and terrorism financing; b) to appoint a compliance officer; c) to implement periodic audits; d) to offer personnel training; e) to create a record of detected unusual and suspicious operations; f) to implement technological tools to allow the development of efficient control systems for prevention of money laundering and terrorism financing; and g) to implement measures to allow persons obliged under Resolution 121 and Resolution 229, to electronically consolidate the transactions carried out with clients, and to develop electronic tools to identify certain behaviors and observe possible suspicious transactions. Entities covered by Resolution 121 must report any money laundering suspicious activity to the UIF within 150 calendar days of its occurrence (or attempt) and any terrorism financing suspicious activity before a 48 hours period has elapsed. However, pursuant to Resolution UIF 3/2014, entities covered by Resolution 121 must report any money laundering suspicious activity to the UIF within 30 calendar days as of the day on which any such activity qualifies as suspicious.

According to Resolution 121, unusual transactions are those attempted or consummated transactions, on a one-time or on a regular basis, without economic or legal justification, inconsistent with the economic and financial profile of the client, and which deviate from standard market practices, based on their frequency, regularity, amount, complexity, nature or other particular features. According to Resolution 229, an unusual transaction is one that, considering the suitability of the reporter in light of the activity it

carries out, and the analysis made, may be suspicious of money laundering and financing terrorism. On other hand, suspicious transactions are those attempted or consummated transactions that, having been previously identified as unusual transactions, are inconsistent with the lawful activities declared by the client or, even if related to lawful activities, give rise to suspicion that they are linked or used to finance terrorism.

The Central Bank itself must also comply with anti-money laundering regulations set forth by the UIF, including reporting suspicious or unusual transactions. In particular, the Central Bank must comply with UIF Resolution No. 12/2011, as supplemented by Resolution No. 1/2012, which, among other things, lists a few examples of what constitute “suspicious or unusual transactions”. The listed transactions

must be particularly scrutinized by the Central Bank and include, among others, any transaction involving financial institutions, regular transactions involving securities (specially daily purchases and sales of the same amount of securities), capital contributions into financial institutions that have been paid-in in cash (or means other than bank transfers), and capital contributions by companies incorporated or domiciled in jurisdictions that do not allow for information relating to family relations of its shareholders, board members or members of its supervisory committee, Deposits or withdrawals in cash for unusual amounts by entities or individuals that normally use checks or other financial instruments and/or whose declared business does not correspond with the type or amount of the transaction; subsequent cash deposits for small amounts that, in the aggregate, add up to a relevant sum; a single client holding numerous accounts that, in the aggregate, hold relevant sums inconsistent with such client's declared business; transfers of funds for amounts inconsistent with the client's business or usual kind of transaction; accounts with several authorized signatories that hold no apparent relation (in particular when domiciled or acting off-shore or in tax havens); clients that unexpectedly cancel loans; frequent cash deposits or withdrawals for relevant amounts without commercial justification.

Starting on August 19, 2011, financial institutions and foreign exchange entities are required to adopt a money laundering and terrorist financing prevention policy, consisting mainly in conducting an exhaustive analysis and recording of all transactions involving them. In this respect, financial entities are responsible for, among others, implementing a prevention manual describing the mechanisms and procedures to be observed in their practice, organizing periodic training activities for their employees, implementing periodic audits, preparing an analysis and risk management record of unusual and suspicious transactions detected, appointing a member of the board of directors as the compliance officer, implementing measures aimed at consolidating all transactions conducted with customers into an electronic file and developing technological tools to examine or monitor certain behaviors and detect suspicious transactions, requesting information and, if applicable, supporting documents from its customers, and also adopting reinforced identification methods applicable to customers with specific features as provided by applicable regulations.

The guidelines issued by the Central Bank to detect unusual or suspected money laundering or terrorist financing transactions require the reporting of unusual transactions, based on the resources of the entity subject to the reporting obligation and on the type of analysis performed. In particular, the following special circumstances, among others, shall be considered: (a) if the amount, type, frequency and nature of a transaction made by a customer bears no relationship to such customer's previous history and financial activity; (b) amounts that are unusually high or transactions that are of a complexity and type not usual for the relevant customer; (c) if a customer refuses to provide information or documents required by the entity or the information furnished is found to have been altered; (d) if a customer fails to comply with any applicable regulation; (e) if a customer appears to show an unusual disregard for risks it may be assuming and/or costs involved in the transactions, and this is incompatible with the customer's financial profile; (f) if a country or jurisdiction that are considered "tax havens" or have been identified as non-cooperative by the Financial Action Task Force ("FATF") are involved; (g) if a same address appears registered for different legal entities or the same natural persons have been empowered by and/or act as attorneys-in-fact for different legal entities and such circumstance is not justified by any financial or legal reason, in particular taking into account whether any such companies or entities are located in "tax havens" and their main business involves off-shore transactions; (h) if transactions of a similar nature, amount, type or which are conducted simultaneously, it may be presumed that a single transaction has been split into several for the purpose of avoiding the application of transaction detection and/or reporting procedures; (i) if continued profits or losses are derived from transactions repeatedly conducted between the same parties; or (j) if certain signs suggest an illegal source, handling or use of funds involved in the transactions, and the entity subject to the legal obligation does not have any explanation for this.

The CNV Rules include a specific chapter regarding "Prevention of Money Laundering and the Financing of Terrorism". CNV Rules provide that the entities involved in the public offering of securities (other than issuers), including, among others, underwriters of any primary issuance of securities, and other entities must comply with the standards set by the UIF. In particular, they must comply with the obligations regarding customer identification and required information, record-keeping, precautions to be taken to report suspicious operations and policies and procedures to prevent money laundering and financing of terrorism. With respect to issuers, CNV Rules provide that any entity performing significant capital contributions or loans must be identified as to whether or not it is a shareholder at the time of the contributions, and must meet the requirements for general participants in the public offering of securities, provided in the CNV Rules and the UIF regulations, especially with regards to the identification of such persons and to the origin and legality of the funds and loans provided.

Furthermore, the CNV Rules establish that the abovementioned entities shall only be able to carry out any transactions therein contemplated under the public offering system, when such transactions are carried out or ordered by persons organized, domiciled or resident in dominions, jurisdictions, territories or associated States included in the cooperating countries list contained in Executive Decree No. 589/2013, section 2 (b).

In compliance with recommendations made by the FATF on money laundering prevention, on June 1, 2011 the Argentine Congress enacted Argentine Law No. 26,683. Under this law, money laundering is a crime *per se*, and laundering one's own money is also penalized. Also, this law extends reporting duties to certain members of the private sector who were formerly not under such an obligation.

Additionally, pursuant to Section 4, Chapter II, Title XII of the CNV Rules, issuers, clearing houses and any other agents acting in the public offering of securities have certain loyalty duties and other obligations. In particular: a) directors, administrators, auditors, in matters within their competence, must: 1) make the social interest of the issuer and the common interest of all its shareholders prevail over any other interest; 2) refrain from obtaining any personal benefit that is not their own remuneration of its function; 3) organize and implement preventive systems and social protection mechanisms interest, so as to reduce the risk of permanent or occasional conflict of interest in his personal relationship with the issuer or other persons related to the issuer; 4) establish the necessary internal controls to ensure prudent management and prevent breaches of the duties provided in CNV Rules; 5) act with diligence in the preparation and release of the information and ensure the independence of external auditors; b) clearing houses and other agents registered with the CNV, must: observe an exemplary professional conduct, acting at all times in a fair and diligent way towards its customers and other market participants, avoiding any practice that may affect the transparency, stability, integrity or reputation of the market.

For a more thorough analysis of money laundering regulations in effect as of the date of this document, investors are advised to consult with their own legal counsel and to read Title XIII, Second Book of the Argentine Criminal Code and any regulations issued by the UIF in their entirety. For this purpose, interested parties may visit the websites of the Argentine Ministry of Economy and Public Finance www.infoleg.gov.ar, the UIF, www.uif.gov.ar, or the CNV, www.cnv.gob.ar.

C. Organizational Structure

Subsidiaries

We have five subsidiaries: (i) Banco del Tucumán, our acquired retail and commercial banking subsidiary in the province of Tucumán; (ii) Macro Bank Limited, our subsidiary in the Bahamas through which we provide primarily private banking services; (iii) Macro Securities S.A., which is a member of the BCBA, and through which we provide investment research, securities trading and custodial services to our customers; (iv) Macro Fiducia S.A., a subsidiary that acts as trustee and provides financial advisory and analysis services; and (v) Macro Fondos S.G.F.C.I.S.A., an asset management subsidiary.

<u>Subsidiary</u>	<i>Banco Macro's direct and indirect equity interest</i>	
	<u>Percentage of Capital Stock</u>	<u>Percentage of possible votes</u>
Banco del Tucumán S.A. (1)	89.932%	89.932%
Macro Bank Limited (2)(3)	99.999%	100.000%
Macro Securities S.A. (1)	99.921%	99.932%
Macro Fiducia S.A. (1)	98.605%	98.605%
Macro Fondos S.G.F.C.I. S.A. (1)	99.936%	100.000%

(1) Country of residence: Argentina

(2) Country of residence: Bahamas

(3) Consolidates with Sud Asesores (ROU) S.A.

D. Property, plants and equipment

Property

Banco Macro dedicates 25,146 square meters of office space to headquarters, where management, accounting and administrative personnel are located, of which 23,226 square meters are owned by the Bank and 1,920 square meters are leased. Our headquarters are distributed at the offices located in Sarmiento 341-355, 401-447, 731-735, Perón 564 and Leandro N. Alem 1110, all in the City of Buenos Aires. As of December 31, 2013, we have a branch network consisted of 430 branches in Argentina, of which 186 were leased properties.

As a result of the merger with Banco Privado, we also acquired a building located in L. N. Alem Av. 1110, 1st floor, City of Buenos Aires.

In 2011 we acquired from the Government of the City of Buenos Aires a site located at Av. Eduardo Madero No. 1180, in the City of Buenos Aires, for an aggregate amount of Ps. 110 million. The Bank has developed a project to build its new corporate offices on this site. Works have been initiated in 2012 and is expected to be completed by 2016. The new corporate tower will be designed taking full advantage of natural light, using materials that do not adversely affect the environment and with an efficient use of the available energy. It will be built in compliance with the Leed International Sustainability Standards of the "U.S. Green Building Council".

The building will have an area of 52,700 square meters and the Bank estimates that its project will require an investment of approximately US\$ 146 million. As of December 31, 2013 the total aggregate amount invested was Ps. 96 million (approximately US\$ 19.3 million at the applicable exchange rates as of the respective dates of such investments).

Selected Statistical Information

The following information is included for analytical purposes and should be read in conjunction with the consolidated financial statements as well as Item 5. "Operating and Financial Review and Prospects". This information has been prepared from our financial records, which are maintained in accordance with the regulations established by the Central Bank and do not reflect adjustments necessary to state the information in accordance with U.S. GAAP. See Note 33 to the consolidated financial statements for the three years ended on December 31, 2013 for a summary of the significant differences between Central Bank Rules and U.S. GAAP.

Due to the modification of certain disclosure methods defined for certain items in the consolidated balance sheets and consolidated statements of income, certain figures have been restated for comparability purposes. See "Presentation of certain financial and other information."

Average balance sheets, interest earned on interest-earning assets and interest paid on interest-bearing liabilities

The following tables show average balances, interest amounts and nominal rates for our interest-earning assets and interest-bearing liabilities for the years ended December 31, 2011, 2012, 2013.

	Average Balance	2011 Interest Earned/ (Paid)	Average Nominal Rate	Average Balance (in thousand of Pesos)	2012 Interest Earned/ (Paid)	Average Nominal Rate	Average Balance	2013 Interest Earned/ (Paid)	Average Nominal Rate
ASSETS									
Interest-earning assets									
Government securities (1)									
Pesos	3,370,212	428,324	12.71%	3,856,772	301,436	7.82%	2,892,521	283,493	9.80%
Foreign currency	282,596	10,168	3.60%	368,669	14,872	4.03%	741,385	34,498	4.65%
Total	3,652,808	438,492	12.00%	4,225,441	316,308	7.49%	3,633,906	317,991	8.75%
Loans									
Private and financial Sector									
Pesos	16,961,109	3,641,606	21.47%	23,580,405	5,641,032	23.92%	31,438,373	7,904,360	25.14%
Foreign currency	2,658,945	110,482	4.16%	2,766,236	173,996	6.29%	2,016,460	195,404	9.69%
Total	19,620,054	3,752,088	19.12%	26,346,641	5,815,028	22.07%	33,454,833	8,099,764	24.21%
Public Sector									
Pesos	355,243	22,813	6.42%	377,297	66,534	17.63%	575,666	132,437	23.01%
Foreign currency	0	0	0.00%	0	0	0.00%	0	0	0.00%
Total	355,243	22,813	6.42%	377,297	66,534	17.63%	575,666	132,437	23.01%
Other assets									
Pesos	920,941	126,023	13.68%	2,665,835	291,727	10.94%	2,141,519	283,594	13.24%
Foreign currency	2,730,416	34,978	1.28%	830,723	11,279	1.36%	937,545	11,163	1.19%
Total	3,651,357	161,001	4.41%	3,496,558	303,006	8.67%	3,079,064	294,757	9.57%
Total interest-earning assets									
Pesos	21,607,505	4,218,766	19.52%	30,480,309	6,300,729	20.67%	37,048,079	8,603,884	23.22%
Foreign currency	5,671,957	155,628	2.74%	3,965,628	200,147	5.05%	3,695,390	241,065	6.52%
Total	27,279,462	4,374,394	16.04%	34,445,937	6,500,876	18.87%	40,743,469	8,844,949	21.71%
Non interest-earning assets									
Cash and due from banks									
Pesos	1,482,954	0	—	1,579,250	0	—	2,040,616	0	—
Foreign currency	638,438	0	—	470,509	0	—	271,698	0	—
Total	2,121,392	0	—	2,052,918	0	—	2,312,314	0	—
Investments in other companies									
Pesos	9,218	0	—	9,424	0	—	11,124	0	—
Foreign currency	1,039	0	—	808	0	—	974	0	—
Total	10,257	0	—	10,232	0	—	12,098	0	—
Property and equipment and miscellaneous and intangible assets and items pending of allocation									
Pesos	1,051,922	0	—	1,196,379	0	—	1,315,587	0	—
Foreign currency	0	0	—	0	0	—	0	0	—
Total	1,051,922	0	—	1,196,379	0	—	1,315,587	0	—
Allowance for loan losses									
Pesos	(452,770)	0	—	(659,369)	0	—	(883,915)	0	—
Foreign currency	(52,351)	0	—	(54,731)	0	—	(51,343)	0	—
Total	(505,121)	0	—	(714,100)	0	—	(935,258)	0	—
Other assets									
Pesos	2,814,241	0	—	4,507,991	0	—	5,612,108	0	—
Foreign currency	2,066,913	0	—	3,293,245	0	—	4,208,338	0	—
Total	4,881,154	0	—	7,801,236	0	—	9,820,446	0	—
Total non interest-earning assets									
Pesos	4,905,565	0	—	6,633,675	0	—	8,095,520	0	—
Foreign currency	2,654,039	0	—	3,712,990	0	—	4,429,667	0	—
Total	7,559,604	0	—	10,346,665	0	—	12,525,187	0	—
TOTAL ASSETS									
Pesos	26,513,070	0	—	37,113,984	0	—	45,143,599	0	—
Foreign currency	8,325,996	0	—	7,678,618	0	—	8,125,057	0	—
Total	34,839,066	0	—	44,792,602	0	—	53,268,656	0	—
LIABILITIES									
Interest-bearing liabilities									
Savings accounts									
Pesos	3,535,983	24,532	0.69%	4,680,210	33,491	0.72%	6,237,331	40,872	0.66%
Foreign currency	1,058,795	855	0.08%	1,045,192	798	0.08%	1,106,136	685	0.06%
Total	4,594,778	25,387	0.55%	5,725,402	34,289	0.60%	7,343,467	41,557	0.57%
Time deposits									
Pesos	10,817,929	1,212,458	11.21%	15,483,182	2,154,075	13.91%	19,059,864	3,054,652	16.03%

	Average Balance	2011 Interest Earned/ (Paid)	Average Nominal Rate	Average Balance	2012 Interest Earned/ (Paid)	Average Nominal Rate	Average Balance	2013 Interest Earned/ (Paid)	Average Nominal Rate
Foreign currency	2,614,070	15,253	0.58%	2,056,050	15,402	0.75%	1,804,392	12,959	0.72%
Total	13,431,999	1,227,711	9.14%	17,539,232	2,169,477	12.37%	20,864,256	3,067,611	14.70%
Borrowing from the Central Bank									
Pesos	379	39	10.29%	13,572	1,188	8.75%	18,129	1,603	8.84%
Foreign currency	0	0	0.00%	0	0	0.00%	42	0	0.00%
Total	379	39	10.29%	13,572	1,188	8.75%	18,171	1,603	8.82%
Borrowings from other financial institutions									
Pesos	185,861	18,273	9.83%	114,920	13,113	11.41%	142,310	14,562	10.23%
Foreign currency	106,366	1,715	1.61%	202,554	7,394	3.65%	147,728	5,318	3.60%
Total	292,227	19,988	6.84%	317,474	20,507	6.46%	290,038	19,880	6.85%
Corporate Bonds									
Pesos	197,066	21,185	10.75%	85,072	9,180	10.79%	0	0	0.00%
Foreign currency	1,058,971	98,074	9.26%	1,166,812	108,288	9.28%	1,404,885	131,117	9.33%
Total	1,256,037	119,259	9.49%	1,251,884	117,468	9.38%	1,404,885	131,117	9.33%
Other liabilities									
Pesos	0	0	0.00%	0	0	0.00%	0	0	0.00%
Foreign currency	0	0	0.00%	0	0	0.00%	4,613	0	0.00%
Total	0	0	0.00%	0	0	0.00%	4,613	0	0.00%
Total Interest-bearing liabilities									
Pesos	14,737,218	1,276,487	8.66%	20,376,956	2,211,047	10.85%	25,457,634	3,111,689	12.22%
Foreign currency	4,838,202	115,897	2.40%	4,470,608	131,882	2.95%	4,467,796	150,079	3.36%
Total	19,575,420	1,392,384	7.11%	24,847,564	2,342,929	9.43%	29,925,430	3,261,768	10.90%
Non-interest bearing liabilities and Shareholders' equity									
Demand deposits									
Pesos	7,920,372	0	—	10,068,548	0	—	12,594,928	0	—
Foreign currency	933,780	0	—	645,064	0	—	376,681	0	—
Total	8,854,152	0	—	10,713,612	0	—	12,971,609	0	—
Other liabilities									
Pesos	1,244,744	0	—	3,004,536	0	—	2,399,233	0	—
Foreign currency	731,190	0	—	672,252	0	—	567,517	0	—
Total	1,975,934	0	—	3,676,788	0	—	2,966,750	0	—
Minority Interest									
Pesos	32,824	0	—	44,275	0	—	60,531	0	—
Foreign currency	0	0	—	0	0	—	0	0	—
Total	32,824	0	—	44,275	0	—	60,531	0	—
Shareholders' equity									
Pesos	4,400,739	0	—	5,510,363	0	—	7,344,336	0	—
Foreign currency	0	0	—	0	0	—	0	0	—
Total	4,400,739	0	—	5,510,363	0	—	7,344,336	0	—
Total non-interest bearing liabilities and shareholders' equity									
Pesos	13,598,676	0	—	18,627,722	0	—	22,399,028	0	—
Foreign currency	1,664,970	0	—	1,317,316	0	—	944,198	0	—
Total	15,263,646	0	—	19,945,038	0	—	23,343,226	0	—
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY									
Pesos	28,335,894	0	—	39,004,678	0	—	47,856,662	0	—
Foreign currency	6,503,172	0	—	5,787,924	0	—	5,411,994	0	—
Total	34,839,066	0	—	44,792,602	0	—	53,268,656	0	—

(1) Includes instruments issued by the Central Bank. The interest earned/paid includes changes due to mark-to-market of those securities.

Changes in interest income and interest expense; volume and rate analysis

The following tables allocate, by currency of denomination, changes in our interest income and interest expense segregated for each major category of interest-earning assets and interest-bearing liabilities into amounts attributable to changes in their average volume and their respective nominal interest rates for the fiscal year ended December 31, 2011 compared to the fiscal year ended December 31, 2010; for the fiscal year ended December 31, 2012 compared to the fiscal year ended December 31, 2011; and for the fiscal year ended December 31, 2013 compared to the fiscal year ended December 31, 2012.

	December 2011/December 2010			December 2012/December 2011			December 2013/December 2012		
	Increase (Decrease) Due to Changes in			Increase (Decrease) Due to Changes in (in thousands of Pesos)			Increase (Decrease) Due to Changes in		
	Volume	Rate	Net Change	Volume	Rate	Net Change	Volume	Rate	Net Change
ASSETS									
Interest-earning assets									
Government securities									
Pesos	(253,682)	(171,991)	(425,673)	38,028	(164,916)	(126,888)	(75,241)	57,298	(17,943)
Foreign currency	(3,465)	(59,309)	(62,774)	3,472	1,232	(4,704)	15,006	4,620	19,626
Total	(257,147)	(231,300)	(488,447)	41,500	(163,684)	(122,184)	(60,235)	61,918	1,683
Loans									
Private and financial Sector									
Pesos	1,368,078	17,346	1,385,424	1,583,504	415,922	1,999,426	1,879,027	384,301	2,263,328
Foreign currency	24,794	(27,861)	(3,067)	6,749	56,765	63,514	(47,161)	68,569	21,408
Total	1,392,872	(10,515)	1,382,357	1,590,253	472,687	2,062,940	1,831,866	452,870	2,284,736
Public Sector									
Pesos	4,217	(100,022)	(95,805)	3,889	39,832	43,721	34,956	30,947	65,903
Foreign currency	0	0	0	0	0	0	0	0	0
Total	4,217	(100,022)	(95,805)	3,889	39,832	43,721	34,956	30,947	65,903
Other assets									
Pesos	21,527	21,610	43,137	190,947	(25,243)	165,704	(57,445)	49,312	(8,133)
Foreign currency	3,265	(25,885)	(22,620)	(25,793)	2,094	(23,699)	1,472	(1,588)	(116)
Total	24,792	(4,275)	20,517	165,154	(23,149)	142,005	(55,973)	47,724	(8,249)
Total interest-earning assets									
Pesos	1,140,140	(233,057)	907,083	1,816,368	265,595	2,081,963	1,781,297	521,858	2,303,155
Foreign currency	24,594	(113,055)	(88,461)	(15,572)	60,091	44,519	(30,683)	71,601	40,918
Total	1,164,734	(346,112)	818,622	1,800,796	325,686	2,126,482	1,750,614	593,459	2,344,073
LIABILITIES									
Interest-bearing liabilities									
Savings accounts									
Pesos	3,931	(1,993)	1,938	8,188	771	8,959	11,418	(4,037)	7,381
Foreign currency	121	(384)	(263)	(10)	(47)	(57)	87	(200)	(113)
Total	4,052	(2,377)	1,675	8,178	724	8,902	11,505	(4,237)	7,268
Time deposits									
Pesos	209,973	72,803	282,776	649,046	292,571	941,617	497,152	403,425	900,577
Foreign currency	(187)	(11,363)	(11,550)	(4,180)	4,329	149	(1,869)	(574)	(2,443)
Total	209,786	61,440	271,226	644,866	296,900	941,766	495,283	402,851	898,134
Borrowing from the Central Bank									
Pesos	39	0	39	1,155	(6)	1,149	398	17	415
Foreign currency	0	0	0	0	0	0	0	0	0
Total	39	0	39	1,155	(6)	1,149	398	17	415
Borrowings from other financial institutions									
Pesos	4,585	(2,200)	2,385	(8,095)	2,935	(5,153)	3,125	(1,676)	1,449
Foreign currency	908	(1,030)	(122)	3,511	2,168	5,679	(2,002)	(74)	(2,076)
Total	5,493	(3,230)	2,263	(4,584)	5,103	526	1,123	(1,750)	(627)
Corporate Bonds									
Pesos	(35)	(16)	(51)	(12,085)	80	(12,005)	(9,180)	0	(9,180)
Foreign currency	5,173	58	5,231	10,008	206	10,214	22,085	744	22,829
Total	5,138	42	5,180	(2,077)	286	(1,791)	12,905	744	13,649

	December 2011/December 2010 Increase (Decrease) Due to Changes in			December 2012/December 2011 Increase (Decrease) Due to Changes in (in thousands of Pesos)			December 2013/December 2012 Increase (Decrease) Due to Changes in		
	Volume	Rate	Net Change	Volume	Rate	Net Change	Volume	Rate	Net Change
Total Interest-bearing liabilities									
Pesos	218,493	68,594	287,087	638,209	296,351	934,560	502,913	397,729	900,642
Foreign currency	6,015	(12,719)	(6,704)	9,329	6,656	15,985	18,301	(104)	18,197
Total	224,508	55,875	280,383	647,538	303,007	950,545	521,214	397,625	918,839

Interest-earning assets: net interest margin and spread

The following table analyzes, by currency of denomination, the levels of our average interest-earning assets and net interest income, and illustrates the comparative margins and spreads for each of the years indicated.

	Year Ended December 31, (in thousands of Pesos, except percentages)		
	2011	2012	2013
Average interest-earning assets			
Pesos	21,607,505	30,480,309	37,048,079
Foreign currency	5,671,957	3,965,628	3,695,390
Total	27,279,462	34,445,937	40,743,469
Net interest income (1)			
Pesos	2,942,279	4,089,682	5,492,195
Foreign currency	39,731	68,265	90,986
Total	2,982,010	4,157,947	5,583,181
Net interest margin (2)			
Pesos	13.62%	13.42%	14.82%
Foreign currency	0.70%	1.72%	2.46%
Weighted average rate	10.93%	12.07%	13.70%
Yield spread nominal basis (3)			
Pesos	10.86%	9.82%	11.00%
Foreign currency	0.34%	2.10%	3.16%
Weighted average rate	8.93%	9.44%	10.81%

- (1) Defined as interest earned less interest paid. Trading results from our portfolio of government and private securities and from foreign exchange transactions are included in interest.
- (2) Net interest income (including income from government and private securities and from foreign exchange transactions) divided by average interest-earning assets.
- (3) Defined as the difference between the average nominal rate on interest-earning assets and the average nominal rate on interest-bearing liabilities.

Investment portfolio: government and private securities

We own, manage and trade a portfolio of securities issued by the Argentine and other governments and private issuers. The following table analyzes, by currency of denomination, our investments in Argentine and other governments and private securities as of December 31, 2011, 2012 and 2013. Securities are stated before deduction of allowances.

	Years Ended December 31, (in thousands of Pesos)		
	2011	2012	2013
Government securities			
In Pesos:			
Government securities at market value (3)			
Federal government bonds at Badlar Private + 3.00% – Maturity: 2015	—	115,708	423,606
Federal government bonds at Badlar Private + 2.75% – Maturity: 2014	196,511	545,833	215,685
Secured bonds under Presidential Decree No. 1,579/02 at 2% – Maturity: 2018	173,871	59,140	214,105
Consolidation bonds – 6° Serie at 2% – Maturity: 2024	2,304	161	8,163
Consolidation bonds – 7° Serie – Maturity: 2016	413	—	3,427
Consolidation bonds – 8° Serie – Maturity: 2022	2	49	1,921

Consolidation bonds of social security payables – 4° Serie – Maturity: 2014	8,740	5,328	1,807
Federal government bonds at 2% – Maturity: 2014	3,683	3,044	1,563
Consolidation bonds – 4° Serie at 2% – Maturity: 2016	297	217	662
Consolidation bonds of security payables – 5° Serie – Maturity: 2014	190	2	536
Others	186,321	56,894	541
Subtotal Government securities at market value	572,332	786,376	872,016
Government securities at amortized cost			
Province of Buenos Aires Treasury Bills – Maturity: 2014	—	—	98,759
Province of Tucumán bonds – 1° Serie – Maturity: 2018	2,846	2,775	4,225
Others	103,616	174,076	—
Subtotal Government securities at amortized cost	106,462	176,851	102,984
Instruments Issued by Central Bank of Argentina			
Listed Central Bank of Argentina bills and notes (Lebacs/Nobacs)	39,455	35,040	12,980

	Years Ended December 31,		
	2011	2012	2013
	(in thousands of Pesos)		
Unlisted Central Bank of Argentina bills and notes (Lebacs/Nobacs)	246,236	90,843	35,647
Subtotal Instruments Issued by Central Bank.	285,691	125,883	48,627
Securities under reverse repurchase agreement (3)			
Unlisted Central Bank of Argentina bills and notes (Lebacs/Nobacs)	932,367	270,659	124,404
Secured bonds under Presidential Decree No. 1,579/02 at 2% – Maturity: 2018	12,585	12,509	94,130
Federal government bonds at Badlar Private + 3.00% – Maturity: 2015	6,171	8,336	47,460
Federal government bonds at Badlar Private + 2.75% – Maturity: 2014	30,740	21,040	40,620
Discount bonds at 5.83% – Maturity: 2033	30,231	59,815	26,176
GDP – Related Securities – Maturity: 2035	46,936	—	14,672
Consolidation bonds – 6° Serie at 2% – Maturity: 2024	8,458	38,628	9,500
Consolidation bonds – 8° Serie – Maturity: 2022	—	—	1,460
Listed Central Bank of Argentina bills and notes (Lebacs/Nobacs)	85,813	216,347	—
Subtotal Securities under reverse repurchase agreement	1,153,301	627,334	358,422
Total Government securities in Pesos	2,117,786	1,716,444	1,382,049
In Foreign currency:			
Government securities at market value (3)			
Treasury Bill - Vto. 01-16-14	—	—	560,546
Treasury Bill - Vto. 01-09-14	—	—	78,216
Debt Securities of the Province of Neuquén – Serie 1 – Maturity: 2016	—	—	50,566
Par bonds – Maturity: 2038 (Reg. by NY Law)	—	—	13,020
Federal government bonds at 7% – Maturity: 2015	633	7,407	8,433
Debt Securities of the Province of Córdoba at 12% – Maturity: 2017	16,275	18,000	4,316
Federal government bonds at 7% – Maturity: 2017	2,934	113	3,399
Discount bonds at 8.28% – Maturity: 2038 (Reg. by Argentine Law)	1	30	248
Others	236,323	398,736	3
Subtotal Government securities at market value	256,165	424,286	718,747
Government securities at amortized cost			
Argentine saving bond for the economy development at 4% – Maturity: 2016	—	—	98,437
Secured Province of Neuquén Treasury Bills Class 1 – Maturity: 2014	—	146,341	37,435
Debt Securities Class 1 - Chubut development and infrastructure bonds at 4% – Maturity: 2019	—	—	10,376
Province of Tucumán bonds – 2° Serie at 9.45% – Maturity: 2015	6,425	4,972	1,281
Debt Securities Series II Fixed rate for 360-day term – Marurity: 2013	—	25,010	—
Subtotal Government securities at amortized cost	6,425	176,323	147,529
Securities under reverse repurchase agreement (3)			
Federal government bonds at 7% – Maturity: 2017	—	2,885	156,418
Federal government bonds at 7% – Maturity: 2015	—	3,077	35,760
GDP – Related Securities – Maturity: 2035 (NY)	—	—	810
Federal government bonds at Libor – Maturity: 2013	—	70	—
Federal government bonds at 7% – Maturity: 2013	1,992,625	—	—
Subtotal Securities under reverse repurchase agreement	1,992,625	6,032	192,988

Total Government securities in foreign currency	2,255,215	606,641	1,059,264
Total Government securities	4,373,001	2,323,085	2,441,313
Investments in Listed Private Securities			
In Pesos:			
Mutual Funds	10,607	23,563	41,084
Shares	11,359	8,799	3
In Foreign currency:			
Mutual Funds	9,055	15	17
Shares	12,502	11,194	—
Total Private securities	43,523	43,571	41,104
Total Government and Private securities	4,416,524	2,366,656	2,482,417
Investments in Unlisted Private Securities			
In Pesos:			
Certificates of Participation in Financial Trusts (1)	237,811	302,961	297,738
Debt Securities in Financial Trusts	229,112	396,051	393,859
Corporate Bonds (2)	2,244	8,311	68,404
In Foreign currency:			
Certificates of Participation in Financial Trusts (1)	112,935	110,576	—
Debt Securities in Financial Trusts	48,905	30,221	30,540

	Years Ended December 31,		
	2011	2012	2013
	(in thousands of Pesos)		
Corporate Bonds (2)	311,412	133,249	202,286
Total Investments in Unlisted Private Securities	942,419	981,369	992,827
Total	5,358,943	3,348,025	3,475,244

- (1) The Bank booked allowances for impairment in value amounting to Ps. 225,270 thousand, Ps. 223,832 thousand and Ps.232,512 thousand as of December 31, 2013, 2012 and 2011, respectively.
- (2) The Bank booked allowances for impairment in value amounting to Ps. 4,084 thousand, Ps.6,034 thousand and Ps.3,346 thousand as of December 31, 2013, 2012, and 2011, respectively.
- (3) As of December 31, 2013 the book value and market value of instruments issued by the Argentine government amounted to Ps. 1,422,562 (not including Treasury bills, Central Bank bills and notes, and provincial debt securities).

Remaining maturity of government and private securities

The following table analyzes the remaining maturities of our investment portfolio as of December 31, 2013 in accordance with issuance terms (before allowances).

	Maturing within 1 year	Maturing after 1 year but within 5 years	Maturing after 5 years but within 10 years	Maturing after 10 years	Without due date	Total
	Book Value (in thousands of Pesos, except percentages)					
In Pesos:						
Government securities at market value						
Federal government bonds at Badlar Private + 3.00% – Maturity: 2015	211,676	211,930	—	—	—	423,606
Federal government bonds at Badlar Private + 2.75% – Maturity: 2014	215,685	—	—	—	—	215,685
Secured bonds under Presidential Decree No. 1,579/02 at 2% – Maturity: 2018	48,660	165,445	—	—	—	214,105
Consolidation bonds – 6° Serie at 2% – Maturity: 2024	610	3,252	4,065	236	—	8,163
Consolidation bonds – 7° Serie – Maturity: 2016	—	3,427	—	—	—	3,427
Consolidation bonds – 8° Serie – Maturity: 2022	—	—	1,921	—	—	1,921
Consolidation bonds of social security payables in Pesos – 4° Serie – Maturity: 2014 at 2%	1,807	—	—	—	—	1,807
Federal government bonds at 2% – Maturity: 2014	1,563	—	—	—	—	1,563
Consolidation bonds– 4° Serie at 2% – Maturity: 2016	330	332	—	—	—	662
Others	608	30	—	439	—	1,077
Government securities at amortized cost						
Province of Buenos Aires Treasury Bills – Maturity: 2014	98,759	—	—	—	—	98,759
Province of Tucumán bonds – 1° Serie – Maturity: 2018	960	3,265	—	—	—	4,225
Instruments Issued by Central Bank of Argentina (2)						
Listed Central Bank of Argentina bills and notes (Lebacs/Nobacs)	12,980	—	—	—	—	12,980
Unlisted Central Bank of Argentina bills and notes (Lebacs/Nobacs)	35,647	—	—	—	—	35,647
Securities under reverse repurchase agreement						
Unlisted Central Bank of Argentina bills and notes (Lebacs/Nobacs)	124,404	—	—	—	—	124,404
Secured bonds under Presidential Decree No. 1,579/02 at 2% – Maturity: 2018	94,130	—	—	—	—	94,130
Federal government bonds at Badlar Private + 3.00% – Maturity: 2015	47,460	—	—	—	—	47,460
Federal government bonds at Badlar Private + 2.75% – Maturity: 2014	40,620	—	—	—	—	40,620
Discount bonds – Maturity: 2033 at 5.83%	26,176	—	—	—	—	26,176
GDP – Related Securities – Maturity: 2035	14,672	—	—	—	—	14,672
Consolidation bonds – 6° Serie at 2% – Maturity: 2024	9,500	—	—	—	—	9,500
Consolidation bonds – 8° Serie – Maturity: 2022	1,460	—	—	—	—	1,460

Total Government securities in Pesos	987,707	387,681	5,986	675	—	1,382,049
In Foreign currency:						
Government securities at market value						
Treasury Bill - Vto. 01-16-14	560,546	—	—	—	—	560,546
Treasury Bill - Vto. 01-09-14	78,216	—	—	—	—	78,216
Debt Securities of the Province of Neuquén – Serie 1 – Maturity: 2016	—	50,566	—	—	—	50,566
Par bonds – Maturity: 2038 (Reg. by N.Y. Law)	—	—	—	13,020	—	13,020
Federal government bonds at 7% – Maturity: 2015	—	8,433	—	—	—	8,433
Debt Securities at 12% Córdoba Province – Maturity: 2017	1,079	3,237	—	—	—	4,316
Federal government bonds at 7% – Maturity: 2017	—	3,399	—	—	—	3,399
Discount bonds at 8.28% - Maturity: 2038 (Reg. by Argentine Law)	—	—	—	248	—	248
Others	—	3	—	—	—	3
Government securities at amortized cost						
Argentine saving bond for the economy development – Maturity: 2016	—	98,437	—	—	—	98,437
Secured Province of Neuquén Treasury Bills Class 1 – Maturity: 2014	37,435	—	—	—	—	37,435
Debt Securities Class 1 - Chubut development and infrastructure bonds at 4% – Maturity: 2019	—	7,782	2,594	—	—	10,376
Province of Tucumán bonds – Second series at 9,45% – Maturity: 2015	641	640	—	—	—	1,281

Securities under reverse repurchase agreement						
Federal government bonds at 7% – Maturity: 2017	156,418	—	—	—	—	156,418
Federal government bonds at 7% – Maturity: 2015	35,760	—	—	—	—	35,760
GDP – Related Securities – Maturity: 2035 (NY)	810	—	—	—	—	810
Total Government securities in foreign currency	870,905	172,497	2,594	13,268	—	1,059,264
Total Government securities	1,858,612	560,178	8,580	13,943	—	2,441,313
Weighted average rate (1)	9.30%	10.05%	9.03%	7.81%		

Private securities

Investments in listed private securities

In Pesos:

Mutual Funds	41,084	—	—	—	—	41,084
Shares	—	—	—	—	3	3

In foreign currency:

Mutual Funds	17	—	—	—	—	17
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Investments in unlisted private securities

In Pesos:

Certificates of Participation in Financial Trusts (3)	50,569	19,984	—	3,353	223,832	297,738
Debt Securities in Financial Trusts	320,326	73,533	—	—	—	393,859
Corporate Bonds (4)	16,495	51,909	—	—	—	68,404

In Foreign currency:

Debt Securities in Financial Trusts	4,524	18,098	7,918	—	—	30,540
Corporate Bonds (4)	24,102	173,564	4,620	—	—	202,286

Total Private securities	457,117	337,088	12,538	3,353	223,835	1,033,931
Weighted average rate (1)	12.99%	14.45%	2.30%			

(1) Effective yield based on December 31, 2013 quoted market values.

(2) As of December 31, 2013, “Instruments Issued by the Central Bank” included Ps. 12,980 thousand to fall due in 30 days, and Ps. 35,647 thousand to fall due in 120 days.

(3) The Bank booked allowances for impairment in value amounting to Ps. 225,270 thousand as of December 31, 2013.

(4) The Bank booked allowances for impairment in value amounting to Ps. 4,084 thousand as of December 31, 2013.

Loan portfolio

The following table analyzes our loan portfolio (without considering leasing agreements) by type as of December 31, 2009, 2010, 2011, 2012 and 2013.

	2009	2010	As of December 31, 2011 (in thousands of Pesos)	2012	2013
To the non-financial government sector	206,484	336,430	336,189	586,557	640,158
To the financial sector (1)	90,916	155,701	343,282	299,250	364,897
To the non-financial private sector and foreign residents					
Overdrafts (2)	1,436,292	2,032,986	2,712,718	4,280,640	4,449,988
Documents (3)	1,412,551	1,805,226	3,178,058	3,651,390	4,320,772
Mortgage loans	746,762	902,734	1,142,944	1,508,463	2,308,916
Pledged loans (4)	262,508	347,321	667,102	928,693	1,429,414
Consumer loans (5)	4,956,690	7,355,625	12,092,079	15,551,778	20,715,186
Other loans	2,271,756	3,302,223	4,158,915	4,808,641	5,206,630
Accrued Interest, adjustments, foreign exchange and quoted price differences receivables	182,168	216,888	360,245	570,281	779,436
Less: Unposted payments	(29)	—	—	—	—
Less: Unearned discounts	(21,246)	(30,121)	(74,050)	(95,940)	(186,547)
Less: Allowances	(448,045)	(514,910)	(599,224)	(887,156)	(1,006,495)
Total Loans	11,096,807	15,910,103	24,318,258	31,202,597	39,022,355

(1) Includes loans to financial institutions, interfinancing (granted call) and other financing to Argentine financial institutions.

- (2) *Includes overdraft lines of credit resulting from checking accounts.*
- (3) *Includes the face values of drafts, promissory notes and other bills transferred to us by endorsement for which the assignor is liable, whenever the latter is an Argentine resident within the non- financial private sector.*
- (4) *Includes the principal amounts actually lent of automobile and other collateral granted, for which the obligor is part of the non-financial private sector.*
- (5) *Includes credit card loans and other consumer loans. Overdrafts to individuals are included under “Overdrafts”.*

Maturity composition of the loan portfolio

The following table analyzes our loan portfolio as of December 31, 2013 by type and by the time remaining to maturity. Loans are stated before deduction of the allowance for loan losses. We expect most loans to be repaid at maturity in cash or through refinancing at market terms.

	Amount as of December 31, 2013	Maturing Within 1 Year	After 1 Year but Within 5 Years	After 5 Years
(in thousands of Pesos, except percentages)				
To the non-financial government sector	640,158	155,032	485,126	—
To the financial sector (1)	364,897	360,372	4,525	—
To the non-financial private sector and foreign residents				
Overdrafts (2)	4,616,700	4,616,662	38	—
Documents (3)	4,267,126	4,264,974	2,093	59
Mortgage loans	2,374,049	834,195	1,374,545	165,309
Pledged loans (4)	1,458,314	559,323	898,991	—
Consumer loans (5)	20,967,405	11,168,849	9,793,402	5,154
Other loans	5,340,201	3,987,939	1,308,908	43,354
Total Loans	40,028,850	25,947,346	13,867,628	213,876
Percentage of total loan portfolio	100%	65%	35%	0%

- (1) Includes loans to financial institutions, interfinancing (granted call) and other financing to Argentine financial institutions.
- (2) Includes overdrafts lines of credit resulting from checking accounts.
- (3) Includes the face value of drafts, promissory notes and other bills transferred to us by endorsement for which the assignor is liable, whenever the latter is an Argentine resident within the non-financial private sector.
- (4) Includes the principal amount actually lent of automobile and other collateral granted, for which the obligator is part of the non-financial private sector.
- (5) Includes credit card loans and other consumer loans. Overdrafts to individuals are included under "Overdrafts".

Interest rate sensitivity of outstanding loans

The following table presents the interest rate sensitivity of our outstanding loans with maturities over one year as of December 31, 2013:

	As of December 31, 2013 (in thousands of Pesos)
Loans with maturities over one year:	
Variable Rate	
To the non-financial government sector	484,791
To the financial sector	4,000
To the non-financial private sector and foreign residents	1,258,573
Total	1,747,364
Fixed rate	
To the non-financial government sector	335
To the financial sector	525
To the non-financial private sector and foreign residents	12,333,280
Total	12,334,140
Total Loans with maturities over one year	14,081,504

Loans—portfolio classification

The following table presents our loan portfolio, before deduction of the allowance for loan losses, using the classification system of the Central Bank in effect at the end of each year:

Loan Portfolio	2009		2010		As of December 31, 2011		2012		2013		
	(in thousands of Pesos, except percentages)										
Categories											
1 – Normal situation/ Performing	10,963,274	94.96%	15,946,416	97.09 %	24,360,917	97.78%	31,096,866	96.91%	38,927,002	97.25%	
2 – Subject to special monitoring –in observation- in negotiation or with rollover agreement/ Low risk	206,477	1.79%	132,797	0.81 %	180,080	0.72%	421,981	1.31%	438,254	1.10%	
3 – Troubled/Medium risk	130,649	1.13%	73,403	0.45 %	155,686	0.62%	203,545	0.63%	245,887	0.61%	
4 – With high risk of insolvency/ High risk	188,058	1.63%	161,072	0.98%	155,612	0.62%	185,723	0.58%	345,494	0.86%	
5 – Irrecoverable	55,996	0.49%	110,914	0.67%	64,797	0.26%	181,502	0.57%	71,926	0.18%	
6 – Irrecoverable according to Central Bank's Rules	398	0.00%	411	0.00%	390	0.0%	136	0.00%	287	0.00%	
Total Loans	11,544,852	100.00%	16,425,013	100.00%	24,917,482	100.00%	32,089,753	100.00%	40,028,850	100.00%	

For the explanation of each category please see “Argentine Banking Regulation—Liquidity and Solvency Requirements—Debt classification and loan loss provisions.

Non-performing loans

The following table presents our non-performing loan portfolio, before deduction of the allowance for loan losses, using the loan classification criteria of the Central Bank in effect, at the end of each year:

Non-performing loans	2009		As of December 31,		2013
			2010	2011	
			(in thousands of Pesos)		
With preferred guarantees	42,904	43,221	37,419	45,260	104,181
Unsecured	332,197	302,579	339,066	525,646	559,413
Total non-performing loans	375,101	345,800	376,485	570,906	663,594

For additional information on non-accrual loans, past due loans and restructured loans please see note 33.4.c) and d) to our audited consolidated financial statement for the year ended December 31, 2013.

Analysis of the allowance for loan losses

The table below sets forth the activity in the allowance for loan losses for the years ended December 31, 2009, 2010, 2011, 2012 and 2013:

	2009	2010	Year Ended December 31, 2011 (in thousands of Pesos)		2012	2013
Balance at the beginning of the year	438,348	448,045	514,910	599,224	887,156	
Provisions for loan losses	187,648	254,010	290,651	688,966	707,370	
Charge off (1)	(177,951)	(187,145)	(206,337)	(401,034)	(588,031)	
Overdrafts	(32,519)	(14,857)	(11,793)	(23,288)	(49,973)	
Consumer loans	(116,084)	(134,061)	(111,209)	(315,331)	(464,967)	
Mortgage loans	(5,096)	(4,337)	(2,999)	(11,951)	(9,617)	
Pledged loans	(1,341)	(911)	(2,945)	(5,766)	(4,550)	
Documents	(14,171)	(7,523)	(4,703)	(6,695)	(10,819)	
Other	(8,740)	(25,456)	(72,688)	(38,003)	(48,105)	
Balance at the end of year	448,045	514,910	599,224	887,156	1,006,495	
Charge-off/average loans (1)	1.59 %	1.45 %	1.03 %	1.50 %	1.73 %	

(1) Charge-off includes reversals.

Under Central Bank Rules, non-performing loans must be charged-off seven months after such loans were classified as “irrecoverable without preferred guaranties” and fully provisioned. Pursuant to the current regulations, we charge-off non-performing loans on the next month following the date on which such circumstances are verified. Such debts are registered in off-balance accounts as the Bank continues with collection efforts.

Allocation of the allowances for loan losses

The following table allocates the allowance for loan losses by each category of loans and sets forth the percentage distribution of the total allowance for each of the years ended December 31, 2009, 2010, 2011, 2012 and 2013.

	2009		2010		As of December 31, 2011 (in thousands of Pesos, except percentages)		2012		2013	
Overdrafts	37,242	8.31%	37,757	7.33%	59,136	9.87%	111,419	12.56%	122,006	12.12%
Documents	32,825	7.33%	31,403	6.10%	49,061	8.19%	58,493	6.59%	82,751	8.22%
Mortgage loans	24,422	5.45%	24,016	4.66%	25,800	4.31%	30,126	3.40%	48,361	4.80%
Pledged loans	9,664	2.16%	10,971	2.13%	13,075	2.18%	16,772	1.89%	23,258	2.31%
Consumer loans	229,558	51.24%	269,281	52.30%	351,887	58.72%	503,441	56.75%	584,583	58.08%
Other loans	114,334	25.52%	141,482	27.48%	100,265	16.73%	166,905	18.81%	145,536	14.46%
TOTAL	448,045	100.00%	514,910	100.00%	599,224	100.00%	887,156	100.00%	1,006,495	100.00%

Loans by economic activities

The table below analyzes our loan portfolio according to the borrowers’ main economic activity as of December 31, 2009, 2010, 2011, 2012 and 2013.

	2009		2010		As of December 31, 2011 (in thousands of Pesos, except percentages)		2012		2013	
	Loan Portfolio	% of Loan Portfolio	Loan Portfolio	% of Loan Portfolio	Loan Portfolio	% of Loan Portfolio	Loan Portfolio	% of Loan Portfolio	Loan Portfolio	% of Loan Portfolio
Retail Loans	4,403,933	38.15%	6,512,629	39.65%	10,611,776	42.59%	13,432,743	41.86%	17,762,834	44.38%
Agricultural livestock- Forestry- Fishing- Mining- Hunting	1,910,164	16.55%	2,286,297	13.92%	3,201,824	12.85%	4,191,012	13.06%	4,155,033	10.38%
Construction	1,112,702	9.64%	1,009,744	6.15%	1,456,323	5.84%	1,594,771	4.97%	1,767,016	4.41%
Other services	858,936	7.44%	1,281,916	7.80%	1,808,807	7.26%	1,920,122	5.98%	1,682,547	4.20%
Retail and consumer products	747,897	6.48%	1,140,019	6.94%	1,840,756	7.39%	2,260,041	7.04%	3,484,567	8.71%
Foodstuff and beverages	637,814	5.52%	917,874	5.59%	1,178,894	4.73%	2,393,940	7.46%	2,894,059	7.23%
Financial Services	290,331	2.51%	387,074	2.36%	691,460	2.77%	760,903	2.37%	828,678	2.07%

Governmental services	258,784	2.24%	418,026	2.55%	480,892	1.93%	764,150	2.38%	870,545	2.17%
Real estate, business and leases	236,555	2.05%	357,865	2.18%	383,209	1.54%	527,821	1.64%	739,238	1.85%
Transportation, storage and communications	190,796	1.65%	488,356	2.97%	565,384	2.27%	871,237	2.72%	1,299,210	3.25%
Manufacturing and wholesales	140,620	1.22%	302,927	1.84%	603,487	2.42%	754,009	2.35%	1,247,855	3.12%
Chemicals	129,145	1.12%	455,313	2.77%	441,458	1.77%	883,970	2.75%	1,097,191	2.74%
Electricity, oil, water	75,095	0.65%	92,475	0.56%	190,792	0.77%	210,974	0.66%	164,620	0.41%
Hotels and restaurants	29,949	0.26%	27,866	0.17%	39,261	0.16%	93,902	0.29%	184,876	0.46%
Other	522,131	4.52%	746,632	4.55%	1,423,159	5.71%	1,430,158	4.46%	1,850,581	4.62%
Total Loans	11,544,852	100.00%	16,425,013	100.00%	24,917,482	100.00%	32,089,753	100.00%	40,028,850	100.00%

Deposits

The following table sets out the composition of each category of deposits that exceeded 10% of average total deposits in each of the years ended December 31, 2011, 2012 and 2013.

	2011	Year Ended December 31, 2012 (in thousands of Pesos)	2013
Deposits in Domestic Bank Offices			
Non-interest-bearing Demand Deposits (1)			
Average			
Pesos	7,920,297	10,067,667	12,593,823
Dollars	933,554	644,522	376,203
Total	8,853,851	10,712,189	12,970,026
Saving Accounts			
Average			
Pesos	3,535,983	4,680,210	6,237,331
Dollars	603,767	449,401	312,880
Total	4,139,750	5,129,611	6,550,211
Average nominal rate			
Pesos	0.69%	0.72%	0.66%
Dollars	0.11%	0.11%	0.06%
Total	0.61%	0.66%	0.63%
Time Deposits			
Average			
Pesos	10,817,929	15,483,182	19,059,864
Dollars	2,346,928	1,837,111	1,637,447
Total	13,164,857	17,320,293	20,697,311
Average nominal rate			
Pesos	11.21%	13.91%	16.03%
Dollars	0.56%	0.78%	0.74%
Total	9.31%	12.52%	14.82%
Deposits in Foreign Bank Offices			
Non-interest-bearing Demand Deposits			
Average			
Pesos	68	472	1,105
Dollars	226	543	478
Total	294	1,015	1,583
Saving Accounts			
Average			
Dollars	455,028	595,791	793,256
Total	455,028	595,791	793,256

	Year Ended December 31,		
	2011	2012	2013
	(in thousands of Pesos)		
Average nominal rate			
Dollars	0.04%	0.05%	0.06%
Total	0.04%	0.05%	0.06%
Time Deposits			
Average			
Dollars	267,142	218,939	166,945
Total	267,142	218,939	166,945
Average nominal rate			
Dollars	0.82%	0.47%	0.51%
Total	0.82%	0.47%	0.51%

(1) Non-interest-bearing demand deposits consist of checking accounts.

Maturity of deposits at December 31, 2013

The following table sets forth information regarding the maturity of our deposits at December 31, 2013.

	Total	Within 3 Months	Maturing After 3 but Within 6 Months	After 6 but Within 12 Months	After 12 Months
		(in thousands of Pesos)			
Checking accounts	11,456,331	11,456,331	—	—	—
Savings accounts	8,992,170	8,992,170	—	—	—
Time deposits	21,001,061	19,707,536	1,160,417	127,925	5,183
Investment accounts	816,814	623,760	109,905	83,120	29
Other	1,160,642	1,160,603	21	18	—
Total Deposits	43,427,018	41,940,400	1,270,343	211,063	5,212

Maturity of outstanding time deposits and investment accounts in amount of Ps. 100,000 or more at December 31, 2013

The following table sets forth information regarding the maturity of our time deposits and investment accounts in denominations of Ps.100,000 or more at December 31, 2013.

	Total	Within 3 Months	Maturing After 3 but Within 6 Months	After 6 but Within 12 Months	After 12 Months
		(in thousands of Pesos)			
Domestic bank offices	16,938,007	15,624,847	1,115,461	193,316	4,383
Foreign bank offices	91,971	82,191	9,780	—	—
Total	17,029,978	15,707,038	1,125,241	193,316	4,383

Return on equity and assets

The following table presents certain selected financial information and ratios for the years indicated.

	Year Ended December 31,		
	2011	2012	2013
	(in thousands of Pesos, except percentages)		
Net income	1,176,097	1,493,618	2,443,564
Average total assets	34,839,066	44,792,602	53,268,656
Average shareholders' equity	4,400,739	5,510,363	7,344,336
Shareholders' equity at the end of the fiscal year	4,719,552	6,199,095	8,627,431
Net income as a percentage of:			
Average total assets	3.38%	3.33%	4.59%
Average shareholders' equity	26.72%	27.11%	33.27%
Declared cash dividends	—	—	596,254
Dividend payout ratio (1)	0.00%	0.00%	24.40%
Average shareholders' equity as a percentage of average total assets	12.63%	12.30%	13.79%

(1) Declared cash dividends stated as percentage of net income.

Short-term borrowings

Our short-term borrowings totaled approximately Ps. 1,789.7 million, Ps. 2,178.2 million and Ps. 2,728.9 million for the years ended December 31, 2011, 2012, 2013 respectively. The table below shows the breakdown of those amounts at the end of each year.

	2011		Year Ended December 31, 2012		2013	
	Amount	Annualized Rate	Amount	Annualized Rate	Amount	Annualized Rate
	(in thousands of Pesos, except percentages)					
Central Bank of the Argentine Republic:						
Total amount outstanding at the end of the reported period	2,431	0.00%	3,992	1.00%	9,676	5.11%
Average during year (1)	1,714	0.03%	3,504	0.29%	6,929	4.50%
Maximum month-end balance	2,431		3,992		9,676	
Banks and international institutions:						
Total amount outstanding at the end of the reported period	155,583	2.12%	276,804	3.89%	326,495	2.79%
Average during year (1)	121,518	1.65%	217,813	3.71%	166,824	3.28%
Maximum month-end balance	156,870		287,026		326,495	
Non-subordinated Corporate Bonds						
Total amount outstanding at the end of the reported period	214,694	10.75%	18,529	8.38%	24,561	8.50%
Average during year (1)	162,816	9.76%	63,200	8.37%	15,256	8.50%
Maximum month-end balance	214,694		210,375		24,561	
Financing received from Argentine financial institutions:						
Total amount outstanding at the end of the reported period	5,239	2.00%	45,779	8.57%	11,973	5.25%
Average during year (1)	30,620	8.68%	47,912	8.65%	31,434	7.91%
Maximum month-end balance	39,527		52,278		53,547	
Other						
Total amount outstanding at the end of the reported period	1,409,431	0.01%	1,830,487	0.01%	2,352,716	0.01%
Average during year (1)	1,081,962	0.01%	1,531,053	0.01%	1,762,725	0.01%
Maximum month-end balance	1,409,431		1,938,379		2,352,716	
Subordinated corporate bonds:						
Total amount outstanding at the end of the reported period	2,273	9.75%	2,597	9.75%	3,442	9.75%
Average during year (1)	9,664	9.75%	10,644	9.75%	12,875	9.75%
Maximum month-end balance	17,422		19,452		23,999	
Total Short Term	1,789,651		2,178,188		2,728,863	

(1) Average balances are calculated from quarterly-end balances.

Interest rate sensitivity

The interest rate sensitivity measures the impact on the gross intermediation margin in response to a change in market interest rates. For any given period, the pricing structure is matched when an equal amount of assets and liabilities reprice. Any mismatch of interest-earning assets and interest-bearing liabilities is known as a gap position and is shown in the following tables. A negative gap denotes liability sensitivity and normally means that a decline in interest rates would have a positive effect on net interest income while an increase in interest rates would have a negative effect on interest income.

The following table shows the interest rate sensitivity of our interest-earning assets and interest-bearing liabilities based on contractual maturities. Variations in interest rate sensitivity may also arise within the repricing periods presented.

Figures are in thousands of Pesos, except percentages.

	Remaining Maturity at December 31, 2013					
	0-1 Year	1-5 Years	5-10 Years	Over 10 years	Without due date	Total
Interest-earning assets:						
Interest-bearing deposits in other banks	594,271	—	—	—	—	594,271
Government securities (2)	1,858,612	560,178	8,580	13,943	—	2,441,313
Receivables from financial leases	150,044	240,751	80	—	—	390,875
Loans to non-financial government sector (1)	155,032	485,126	—	—	—	640,158
Loans to the private and financial sector (1)	25,792,314	13,382,502	143,088	70,788	—	39,388,692
Other Assets	457,117	337,088	12,538	3,353	223,832	1,033,928
Total Interest-Earning Assets	29,007,390	15,005,645	164,286	88,084	223,832	44,489,237
Interest-bearing liabilities:						
Checking	933,138	—	—	—	—	933,138
Savings accounts	8,992,170	—	—	—	—	8,992,170
Time Deposits	20,995,878	5,183	—	—	—	21,001,061
Investment Accounts	816,785	29	—	—	—	816,814
Non- subordinated Corporate Bonds	24,561	693,483	—	—	—	718,044
Subordinated corporate bonds	3,442	—	—	977,700	—	981,142
Liabilities with Central Bank	9,676	12,213	105	—	—	21,994
Liabilities with local financial institutions	11,973	43,603	1,366	—	—	56,942
Liabilities with Banks and international Institutions	326,495	—	—	—	—	326,495
Other liabilities	2,519,838	975	87,186	—	—	2,607,999
Total Interest-Bearing Liabilities	34,663,956	755,486	88,657	977,700	—	36,455,799

Asset (Liability) Gap	(5,626,566)	14,250,159	75,629	(889,616)	223,832	8,033,438
Cumulative Asset/Liability Gap	(5,626,566)	8,623,593	8,699,222	7,809,606	8,033,438	
Cumulative sensitivity gap as a percentage of total interest-earning assets	(12.65%)	19.38%	19.55%	17.55%	18.06%	

	0-1 Year	1-5 Years	5-10 Years	Over 10 years	Without due date	Total
Interest-earning assets in Pesos						
Government securities (2)	987,707	387,681	5,986	675	—	1,382,049
Receivables from financial leases	150,040	240,751	80	—	—	390,871
Loans to non financial government sector (1)	155,032	485,126	—	—	—	640,158
Loans to the private and financial sector (1)	24,050,922	13,265,441	140,992	70,788	—	37,528,143
Other Assets	428,474	145,426	—	3,353	223,832	801,085
Total Interest-Earning Assets in Pesos	25,772,175	14,524,425	147,058	74,816	223,832	40,742,306

Interest-bearing liabilities in Pesos						
Savings accounts	8,207,301	—	—	—	—	8,207,301
Time Deposits	19,189,178	5,062	—	—	—	19,194,240
Investment Accounts	805,955	29	—	—	—	805,984
Non-subordinated Corporate Bonds	—	—	—	—	—	—
Subordinated corporate bonds	—	—	—	—	—	—
Liabilities with Central Bank	9,676	12,213	105	—	—	21,994
Liabilities with local financial institutions	11,973	43,603	1,366	—	—	56,942
Other Liabilities	2,027,134	975	87,186	—	—	2,115,295
Total Interest-Bearing Liabilities in Pesos	30,251,217	61,882	88,657	—	—	30,401,756

Asset (Liability) Gap	(4,479,042)	14,462,543	58,401	74,816	223,832	10,340,550
Cumulative Asset/Liability Gap	(4,479,042)	9,983,501	10,041,902	10,116,718	10,340,550	
Cumulative sensitivity gap as a percentage of total interest-earning assets	(10.99%)	24.50%	24.65%	24.83%	25.38%	

	0-1 Year	1-5 Years	5-10 Years	Over 10 years	without due date	Total
Interest-earning assets in foreign currency						
Interest-bearing deposits in other banks	594,271	—	—	—	—	594,271
Government securities (2)	870,905	172,497	2,594	13,268	—	1,059,264
Receivables from financial leases	4	—	—	—	—	4
Loans to the private and financial sector(1)	1,741,392	117,061	2,096	—	—	1,860,549
Other assets	28,643	191,662	12,538	—	—	232,843
Total Interest-Earning Assets	3,235,215	481,220	17,228	13,268	—	3,746,931

Interest-bearing liabilities in foreign currency						
Checking	933,138	—	—	—	—	933,138
Savings accounts	784,869	—	—	—	—	784,869
Time Deposits	1,806,700	121	—	—	—	1,806,821
Investment Accounts	10,830	—	—	—	—	10,830
Non-subordinated Corporate Bonds	24,561	693,483	—	—	—	718,044
Subordinated corporate bonds	3,442	—	—	977,700	—	981,142
Liabilities with Banks and International Institutions	326,495	—	—	—	—	326,495
Other liabilities	492,704	—	—	—	—	492,704

Total Interest-Bearing Liabilities	4,382,739	693,604	—	977,700	—	6,054,043
Asset (Liability) Gap	(1,147,524)	(212,384)	17,228	(964,432)	—	(2,307,112)
Cumulative Asset/Liability Gap	(1,147,524)	(1,359,908)	(1,342,680)	(2,307,112)	(2,307,112)	
Cumulative sensitivity gap as a percentage of total interest-earning assets	(30.63%)	(36.29%)	(35.83%)	(61.57%)	(61.57%)	

- (1) Loan amounts are stated before deducting the allowance for loan losses. Non-accrual loans are included with loans as interest-earning asset.
- (2) Includes instruments issued by the Central Bank.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

This section contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set forth in “Cautionary statement concerning forward-looking statements,” “Risk Factors,” and the matters set forth in this annual report in general.

The following discussion is based on, and should be read in conjunction with, our consolidated financial statements and related notes contained elsewhere in this annual report, as well as “Selected Financial Data” and the other financial information appearing elsewhere in this annual report in general.

A. Operating results

FINANCIAL PRESENTATION

Our audited consolidated financial statements as of and for the three years ended December 31, 2013, 2012 and 2011, included elsewhere in this annual report, have been prepared in accordance with Central Bank Rules. Central Bank Rules differ in certain significant aspects from U.S. GAAP. (See note 33 to our audited consolidated financial statements as of and for the three years ended December 31, 2013).

Argentine professional accounting standards effective in the City of Buenos Aires establish that financial statements must be expressed in constant Pesos. The adjustment methodology and the need to make those adjustments are required by TR (Technical Resolution) No. 6 and TR No. 17, which were amended by TR No. 39 dated October 4, 2013 (pending approval by the Professional Council of Economic Sciences of the City of Buenos Aires), each of which were issued by the FACPCE. These regulations introduced, among other modifications, the obligation to adjust financial statements so that they are stated in constant currency as of the date when the inflation rate accumulated over a three-year period reaches or exceeds 100%, considering the domestic wholesale price index of the INDEC.

Our consolidated financial statements recognized the changes in the Peso purchasing power until February 28, 2003, when the adjustments to reflect those changes were discontinued, as provided by the professional accounting standards effective in the City of Buenos Aires and as required by Presidential Decree 664/2003, IGJ General Resolution No. 4/2003, Central Bank Communication “A” 3,921 and CNV Rules. However, in reviewing our financial statements, investors should consider that, in recent years, there have been significant changes in the prices for relevant economic variables, such as salary cost, loan rates and the exchange rates, which are not required to be reflected in such consolidated financial statements such adjustments pursuant to local regulations.

COMPARABILITY

Due to the modification of certain disclosure methods for certain items in the consolidated balance sheets and consolidated statements of income, which did not affect the shareholders’ equity of the Bank, the consolidated financial statements as of December 31, 2012 and 2011, were modified for the sole purpose of comparability with the consolidated financial statements as of December 31, 2013.

MACROECONOMIC CONTEXT

During 2011, the deceleration of the worldwide economic activity was higher than expected, specially in developed countries. This was due to various factors, such as the weakness of labor markets, the fragility of financial systems and the increasing financing difficulties in certain economies of the Euro zone that led to the implementation of new fiscal adjustment plans. Meanwhile, emerging markets continued being the main drivers of global growth. At the local level, the economic activity expanded, mainly due to the increase in the level of employment and salaries, an increased supply of credit and increased government spending. The labor market continued improving, with the unemployment rate reaching its lowest level since 2002. Investment increased by 31%, evidencing higher needs for working capital within a context of increased demand.

As a result, in 2011 GDP grew by 8.9%. Primary expenses grew 32%. The Argentine government recorded a primary surplus of Ps. 5.0 billion, equivalent to 0.3% of the GDP. Inflation reached a rate of 9.5% per annum according to the INDEC, while at the same time the Argentine Peso depreciated 8% against the U.S. dollar. See item 3.D “*Risk Factors—An increase in inflation could have a material adverse effect on Argentina’s economic prospects*”.

During 2012, world economic growth recorded a slowdown, several eurozone countries experienced recession and various developed countries recorded moderate growth. Emerging markets suffered the impact of the slowdown in economic growth of their main trading partners and also recorded lower growth rates than expected. In Argentina, the existing international uncertainty resulted in a downturn of trade with the country’s main trading partners which coupled with the effects of a drought, caused a reduction in exports. Private sector consumption continued being the main driver of economic activity, supported by high rates of employment and increases in disposable income made possible by increases in average wages. The supply of credit also grew, partially stimulated by a set of measures designed to increase access to banking services and credit for the productive sector. The macroeconomic balance was due to a high trade surplus coupled with an expansive economic policy. The increase in the trade surplus was driven by a reduction in imports and the economic deceleration which overcompensated the decrease in exports.

In 2012 real GDP grew by 1.9%. Primary expenses grew 29% and the Argentine government recorded a primary deficit of Ps. 4.3 billion. Inflation reached a rate of 10.8% per annum according to the INDEC, while at the same time the Argentine Peso depreciated 14.3% against the U.S. dollar. See item 3.D “Risk Factors—An increase in inflation could have a material adverse effect on Argentina’s economic prospects.”

During 2013, the global economy grew at very different rates, affecting the performance of the Argentine economy. The USA and Europe maintained a weak recovery after the 2008/2009 crisis due to fiscal adjustment and debt pressures partially offset by expansive monetary policies implemented by the respective central banks.

Although China's expansion rate decreased, its demand for raw materials remained positive for commodity producing regions, specifically Latin America.

Latin America maintained its growth rate driven by two opposing forces. On one hand, the deceleration in the volume of exports coupled with a reduction in commodity prices and the slow dynamics of Brazil as a consequence of its anti-inflationary policy. On the other hand, the inflow of financial capital and direct investment was a driven force. Latin America's growth rate remained at 3.5%, as in the previous year.

In this international context, Argentina grew by 3.0% in 2013, more than in 2012 but below the annual average of 7.2% maintained since 2003.

An expansive fiscal policy resulted in an increase of primary expenditures (current and capital expenses) by 33% while the national government's income increased by 30%. As a consequence, the national public sector reported a primary deficit of Ps. 22.3 billion, equal to 0.8% of the GDP. Including the payment of interest, the financial deficit amounted to Ps. 64.6 billion, or 2.4% of the GDP, a similar percentage of the previous year.

By the end of the year, the Argentine government implemented an external risk mitigation process by increasing the devaluation rate, imposing quantitative restrictions on imports and higher taxes on luxury assets and on the purchase of foreign currency for tourism. Inflation reached a rate of 10.9% per annum according to the INDEC, while at the same time the Argentine Peso depreciated 32.6% against the U.S. dollar. See item 3.D "Risk Factors—An increase in inflation could have a material adverse effect on Argentina's economic prospects."

RESULTS OF OPERATIONS

The following discussion of our results of operations is for the Bank as a whole and without reference to any operating segments. We do not manage the Bank by segments or divisions or by customer categories, by products and services, by regions, or by any other segmentation for the purpose of allocating resources or assessing profitability.

We consider loans to the private sector and the level of deposits to be key measures of our core business.

Our loan portfolio to the private sector grew to Ps. 24,238 million as of December 31, 2011, increasing 52% compared to 2010, to Ps. 31,204 million as of December 31, 2012 increasing 29% compared to 2011 and to Ps. 39,024 million as of December 31, 2013 increasing 25% compared to 2012.

Within a context of increasing prices the Bank, as well as the financial system, benefited from a continuous demand of consumer loans, the main growth driver of our portfolio for the last three years. During 2011, 2012 and 2013 consumer loans (personal loans and credit card loans), which are short term loans, have driven the expansion of our loan portfolio, increasing 64%, 29% and 33% respectively.

During 2013, the Bank maintained its leading position in terms of personal loans, which increased by 28%, with a 14.4% of market share (as of December 31, 2013). As to its credit card products, the Bank's portfolio increased 45% compared to 2012, accounting for 8% of the market.

Among commercial loans in 2013, pledge and mortgages loans (mainly productive investments loans with mortgage and pledge guarantees respectively, according to Communication "A" 5319, "A" 5380 and "A" 5449 of BCRA), grew 53% and 54%, respectively, compared to 2012.

During 2013 we continued with the policy of maintaining high coverage of non-performing loans through the creation of additional provisions to such required by the Central Bank. The coverage was maintained at approximately 152% above the average of the financial system. Delinquency levels remained at historically low levels, reaching a rate of 1.7% loan losses, slightly below the previous year.

In 2013, the Bank maintained a high liquidity ratio increasing from 31.7% as of December 31, 2012 to 33.3% as of December 31, 2013. The Bank's liquidity ratio exceeded the liquidity ratio of the financial system as a whole.

During 2013 our public sector exposure to total assets ratio was reduced to 3% from 3.9% in 2012 and remained below Argentina's financial system average.

Our total deposits increased by 25%, 24% and 20% as of December 31, 2011, 2012 and 2013, respectively, up to Ps. 43,427 million as of December 31, 2013.

During 2011, private sector deposits were the main source of funding, increasing by 28% compared to 2010, with increase in time deposits and sight deposits. During 2012, private sector deposits increased by 19% compared to 2011, with increase in time deposits and sight deposits, and public sector deposits increased by 43% compared to 2011. During 2013, private sector deposits were the main source of funding increasing by 32% compared to 2012, with increase in time deposits and sight deposits of 35% and 29%, respectively, over the prior year. Public sector deposits decreased by 21% during 2013.

The Bank was the fifth largest financial institution in terms of volume of total loans and total deposits, with a 7% and 6% of market share, respectively, as of November 30, 2013, maintaining a leading position as the previous year.

YEAR ENDED DECEMBER 31, 2013 COMPARED TO YEAR ENDED DECEMBER 31, 2012 AND YEAR ENDED DECEMBER 31, 2012 COMPARED TO YEAR ENDED DECEMBER 31, 2011

Net income

The following table sets forth certain components of our income statement for the years ended December 31, 2011, 2012 and 2013.

	Year Ended December 31, (in thousands of Pesos)			Change December 31,	
	2011 (1)	2012(1)	2013	2013-2012	2012-2011
Financial income	4,698,648	6,904,370	9,753,531	2,849,161	2,205,722
Financial expenses	(1,718,721)	(2,827,590)	(4,021,540)	(1,193,950)	(1,108,869)
Gross intermediation margin	2,979,927	4,076,780	5,731,991	1,655,211	1,096,853
Provision for loan losses	(273,224)	(600,424)	(540,032)	60,392	(327,200)
Service charge income	1,969,173	2,644,731	3,426,324	781,593	675,558
Service charge expenses	(427,954)	(685,392)	(917,807)	(232,415)	(257,386)
Administrative expenses	(2,488,577)	(3,115,385)	(4,015,356)	(899,971)	(626,860)
Net other income (expense)	84,721	40,573	109,526	68,953	(44,148)
Minority interest	(10,111)	(13,790)	(18,173)	(4,383)	(3,679)
Net income before income tax	1,853,955	2,347,093	3,776,473	1,429,380	513,138
Income tax	(657,858)	(853,475)	(1,332,909)	(479,434)	(195,617)
Net income	1,176,097	1,493,618	2,443,564	949,946	317,521

(1) Due to the modification of certain disclosure methods defined for certain items in the consolidated balance sheets and consolidated statements of income, figures have been restated for comparability purposes. See "Presentation of certain financial and other information."

Our consolidated net income for 2013 increased 64% or Ps. 949.9 million as compared to 2012, from Ps. 1,493.6 million in 2012 to Ps. 2,443.6 million in 2013. This increase was primarily attributable to:

- 41% increase in financial income of Ps. 2,849.2 million; and
- 30% increase in service charge income of Ps. 781.6 million.

This increase was partially offset by a:

- 42% increase in financial expenses of Ps. 1,193.9 million;
- 34% increase in service charge expenses of Ps. 232.4 million;
- 29% increase in administrative expenses of Ps. 900.0 million; and
- 56% increase in income tax of Ps. 479.4 million.

Financial income

The components of our financial income for the years ended December 31, 2011, 2012 and 2013 were as follows:

	Year Ended December 31, (in thousands of Pesos)		
	2011 (1)	2012 (1)	2013
Interest on cash and due from banks	179	185	241
Interest on loans to the financial sector	29,137	46,084	51,468
Interest on overdrafts	456,904	721,000	1,074,900
Interest on documents (2)	234,928	414,815	654,111
Interest on mortgage loans	158,449	198,809	333,854
Interest on pledged loans (3)	91,550	126,822	197,135
Interest on credit card loans	371,352	740,670	1,022,177
Interest on other loans (4)	2,398,336	3,537,074	4,782,671
Interest on other receivables from financial intermediation	684	1,040	3,101
Interest on financial leases	56,712	60,037	68,435
Income from government and private securities, net	493,920	361,538	409,054
Income from guaranteed loans (5)	4,918	17,017	26,026

Net income from options	1,077	—	—
CER (Indexation by benchmark stabilization coefficient) adjustment (6)	4,428	22,947	35,155
CVS (Indexation by salary variation coefficient) adjustment	362	512	606
Difference in quoted prices of gold and foreign currency	283,189	386,989	808,143
Other (7)	112,523	268,831	286,454
Total financial income	4,698,648	6,904,370	9,753,531

- (1) *Due to the modification of certain disclosure methods defined for certain items in the consolidated balance sheets and consolidated statements of income, figures have been restated for comparability purposes. See "Presentation of certain financial and other information."*
- (2) *Includes income on factoring, check cashing advances and loans with promissory notes.*
- (3) *Includes primarily income on interest on loans with collateral pledge.*
- (4) *Includes interest on loans not classified under prior headings, including interest on personal loans.*
- (5) *Includes income on loans to the Argentine government that were issued in exchange for federal and provincial government bonds.*
- (6) *Includes CER accrued for all the assets subject to adjustment by CER.*
- (7) *Mainly results from pre-financing and financing export transactions, forward foreign currency transactions and premiums on repos.*

2013 and 2012 - Our financial income increased 41% or Ps. 2,849.2 million as compared to 2012, driven primarily by income derived from higher interest on loans.

Interest on loans (i.e., for all loans in the aggregate, excluding guaranteed loans) grew 40% as a result of an increase in the financial intermediation activities and the average portfolio volume (the average loan portfolio grew by 27% as compared to 2012). Additionally the average interest rate for private sector loans increased from 21.0% in 2012 to 23.1% in 2013.

The main variation of total interest on loans was from interest on documents which increased 58%, interest on overdrafts which increased 49%, interest on credit card loans which increased 38% and interest on other loans (including interest on personal loans) which increased 35% compared to 2012. The average volume of documents increased by 43%, the average volume of overdrafts grew by 37%, the average volume of credit cards loans grew by 47% and the average volume of personal loans grew by 25%, in each case as compared to 2012.

Income derived from differences in quoted prices of gold and foreign currency increased 109% or Ps. 421.1 million due to higher FX position revaluation due to the depretiation of the Peso against the U.S. dollar. The FX rate increased from Ps. 4.9173 per dollar as of December 31, 2012 to Ps. 6.5180 per dollar as of December 31, 2013.

2012 and 2011 - Our financial income increased 47% or Ps. 2,205.7 million as compared to 2011, driven primarily by income derived from higher interest on loans.

Interest on loans (i.e., for all loans in the aggregate, excluding guaranteed loans) grew 55% as a result of an increase in the financial intermediation activities and the average portfolio volume (the average loan portfolio grew by 36% as compared to 2011). Additionally the average interest rate for private sector loans increased from 18.4% in 2011 to 21.0% in 2012.

The main variation of total interest on loans was from interest on credit card loans which increased 99%, interest on documents which increased 77% and interest on overdrafts which increased 58% compared to 2011. The average volume of credit card loans increased by 80%, the average volume of documents grew by 44% and the average volume of overdrafts grew by 73%, in each case as compared to 2011. Interest on other loans increased by 47% mainly by the increase in interest on personal loans.

Income from government and private securities decreased by 27% compared to 2011, mainly due to lower results from Central Bank instruments. During 2012 we have reduced our Central Bank instruments portfolio from Ps. 285.7 million as of December 31, 2011 to Ps. 125.8 million as of December 31, 2012.

Other income increased 139% or Ps. 156.3 million compared to 2011 mainly due to an increase in premiums on reverse repurchase agreements.

Income derived from differences in quoted prices of gold and foreign currency increased 37% or Ps. 103.8 million due to higher position results and the depretiation of the Peso against the U.S. dollar.

The following tables set forth the changes in financial income due to increases (decreases) in volume and increases (decreases) in nominal rates of average interest-earning assets. Such financial income excludes exchange differences and premiums on forward sales of foreign exchange:

Changes in financial income (interest earned)	December 31 2011	December 31 2012	December 31 2013
	vs. December 31 2010 Increase (Decrease)	vs. December 31 2011 Increase (Decrease) (in thousands of Pesos)	vs. December 31 2012 Increase (Decrease)
Due to changes in the volume of interest-earning assets	1,164,734	1,800,796	1,750,614
Due to changes in average nominal rates of interest-earning assets	(346,112)	325,686	593,459
Net change	818,622	2,126,482	2,344,073

Changes in financial income due to changes in volume	December 31 2011 vs. December 31 2010 Increase (Decrease)	December 31 2012 vs. December 31 2011 Increase (Decrease) (in thousands of Pesos)	December 31 2013 vs. December 31 2012 Increase (Decrease)
Government securities	(257,147)	41,500	(60,235)
Loans to private and financial sector	1,392,872	1,590,253	1,831,866
Loans to public sector	4,217	3,889	34,956
Other assets	24,792	165,154	(55,973)
Net change	1,164,734	1,800,796	1,750,614

Changes in financial income due to changes in nominal rates	December 31 2011 vs. December 31 2010 Increase (Decrease)	December 31 2012 vs. December 31 2011 Increase (Decrease) (in thousands of Pesos)	December 31 2013 vs. December 31 2012 Increase (Decrease)
Government securities	(231,300)	(163,684)	61,918
Loans to private and financial sector	(10,515)	472,687	452,870
Loans to public sector	(100,022)	39,832	30,947
Other assets	(4,275)	(23,149)	47,724
Net change	(346,112)	325,686	593,459

Financial expenses

The components of our financial expenses for the years ended December 31, 2011, 2012 and 2013 were as follows:

	Year Ended December 31, 2011 (1) 2012 (1) 2013 (in thousands of Pesos)		
Interest on checking accounts	203	317	497
Interest on savings accounts	25,184	33,972	41,060
Interest on time deposits	1,225,052	2,167,614	3,065,823
Interest on interfinancing received loans (received call)	4,903	4,283	2,883
Interest on other financing from the financial institutions	8	12	7
Interest on other liabilities from financial intermediation (2)	64,752	62,529	61,674
Interest on subordinated corporate bonds	60,592	66,897	80,953
Other interest	2,679	3,033	3,369
CER adjustment (3)	4,107	4,405	4,295
Contribution to Deposit Guarantee Fund	44,248	55,937	67,808
Other (4)	286,993	428,591	693,171
Total financial expenses	1,718,721	2,827,590	4,021,540

- (1) Due to the modification of certain disclosure methods defined for certain items in the consolidated balance sheets and consolidated statements of income, figures have been restated for comparability purposes. See "Presentation of certain financial and other information."
- (2) Includes lines of credit from other banks, repurchase agreements and Central Bank borrowings.
- (3) Includes CER accrued for all the liabilities subject to CER adjustments.
- (4) Mainly resulting from turnover tax.

2013 and 2012 - Financial expenses increased 42% or Ps. 1,193.9 million as compared to 2012.

This increase was mainly explained by a growth in interest expenses related to deposits (including checking accounts, savings accounts and time deposits), which increased by 41% due to an increase in the average volume of interest bearing deposits by 21% and the increase in the average interest rate of time deposits (from 12.8% in 2012 to 15.0% in 2013).

During 2013, other expenses increased by 62% compared to 2012, mainly due to an increase in turnover tax as a result of our higher computable financial income and, to a lesser extent, to an increase in tax rates in certain provinces in which we operate.

2012 and 2011 - Financial expenses increased 65% or Ps. 1,108.9 million as compared to 2011.

This increase was mainly explained by a growth in interest expenses related to deposits (including checking accounts, savings accounts and time deposits), which increased by 76% due to an increase in the average volume of interest bearing deposits by 27% (from Ps. 19.6 billion in 2011 to Ps. 24.8 billion in 2012) and the increase in the average interest rate of time deposits (from 9.5% in 2011 to 12.8 % in 2012).

During 2012, other expenses increased by 49% compared to 2011, mainly due to an increase in turnover tax as a result of our higher computable financial income and, to a lesser extent, to an increase in tax rates in certain provinces in which we operate.

The following tables set forth the changes in financial expense due to increases (decreases) in volume and increases (decreases) in nominal rates of average interest-bearing liabilities. Such financial expense excludes exchange rate variations and premiums on forward purchases of foreign exchange, contributions to Deposit Guarantee Fund, mandatory contributions and taxes on interest income:

Changes in financial expense (interest paid)

	December 31 2011 vs. December 31 2010 Increase (Decrease)	December 31 2012 vs. December 31 2011 Increase (Decrease) (in thousands of Pesos)	December 31 2013 vs. December 31 2012 Increase (Decrease)
Financial Expense due to changes in the volume of interest-bearing liabilities	224,508	647,538	521,214
Financial Expense due to changes in average nominal rates of interest-bearing liabilities	55,875	303,007	397,625
Net change	280,383	950,545	918,839

Changes in financial expense due to changes in volume

	December 31 2011 vs. December 31 2010 Increase (Decrease)	December 31 2012 vs. December 31 2011 Increase (Decrease) (in thousands of Pesos)	December 31 2013 vs. December 31 2012 Increase (Decrease)
Deposits	213,838	653,044	506,788
Borrowings from Central Bank and other financial institutions	5,532	1,155	1,521
Corporate Bonds	5,138	(2,077)	12,905
Net change	224,508	647,538	521,214

Changes in financial expense due to changes in nominal rates

	December 31 2011 vs. December 31 2010 Increase (Decrease)	December 31 2012 vs. December 31 2011 Increase (Decrease) (in thousands of Pesos)	December 31 2013 vs. December 31 2012 Increase (Decrease)
Deposits	59,063	297,624	398,614
Borrowings from Central Bank and other financial institutions	(3,230)	5,097	(1,733)
Corporate Bonds	42	286	744
Net change	55,875	303,007	397,625

Provision for loan losses

2013 and 2012 – Provision for loan losses decreased 10% or Ps. 60.4 million in 2013. The variation was due to the higher charge in 2012 as a result of the initial impact of the amendment of the provisioning policy for the non-performing consumer loans portfolio implemented in May 2012.

2012 and 2011 – Provision for loan losses increased 120% or Ps. 327.2 million in 2012.

This variation was the result of the increase in lending activity as compared to 2011 (lending activity increased 28% during 2012), a slight decrease in the quality of our loan portfolio and an increase in the additional allowances to those required by the Central Bank Rules (Ps. 79.6 million).

Service charge income

The following table provides a breakdown of our service charge income by category for the years ended December 31, 2011, 2012 and 2013:

	Year Ended December 31,		
	2011 (1)	2012 (1)	2013
	(in thousands of Pesos)		
Service charges on deposit accounts	1,169,977	1,571,838	2,022,656
Debit and credit card income	370,007	544,815	360,446
Other fees related to foreign trade	35,235	38,660	44,464
Credit-related fees	124,059	141,048	164,097
Capital markets and securities activities	1,754	2,415	4,338
Lease of safe-deposit boxes	49,591	64,621	70,791
Fees related to guarantees	2,895	1,003	1,434
Other (2)	215,655	280,331	758,098
Total service charge income	1,969,173	2,644,731	3,426,324

(1) Due to the modification of certain disclosure methods defined for certain items in the consolidated balance sheets and consolidated statements of income, figures have been restated for comparability purposes. See "Presentation of certain financial and other information."

(2) Includes insurance income and revenue from joint ventures.

2013 and 2012 - Service charge income increased 30% or Ps. 781.6 million in 2013 compared to 2012, mainly due to higher fees charged on deposits accounts (29%) and other service charge income (34%).

Income-increase derived from service charge on deposit accounts was driven by an increase in the amount of fees charged over such accounts (maintenance fees). Fees charged for maintenance of deposit accounts increased 22% on average in 2013, as compared to 2012.

2012 and 2011 - Service charge income increased 34% or Ps. 675.6 million in 2012 compared to 2011, mainly due to higher fees charged on deposits accounts (34%), debit and credit card fee income (47%) and other fees (30%).

Income-increase derived from service charge on deposit accounts was driven by the growth in the number of deposit accounts (13%) and an increase in the amount of fees charged over such accounts. Fees charged for maintenance of deposit accounts increased 28% on average in 2012, as compared to 2011.

The increase in debit and credit card income was mainly due to the growth in the average stock of credit cards issued in 2012 (15% as compared to the average in 2011) and the increase in average administrative fees charged on those products (43% as compared to the average in 2011).

Service charge expenses

2013 and 2012 - In 2013 service charge expenses increased 34% or Ps. 232.4 million as compared to 2012. This increase was mainly due to an increase in turnover and other municipal taxes and commissions paid to lending agents as a result of more aggressive marketing campaigns for our credit card products as part of our strategy to strengthen our credit card market share.

2012 and 2011 - In 2012 service charge expenses increased 60% or Ps. 257.4 million as compared to 2011. This increase was mainly due to an increase in credit card refunds as a result of more aggressive marketing campaigns for our credit card products as part of our strategy to strengthen our credit card market share.

Administrative expenses

The components of our administrative expenses for the years ended December 31, 2011, 2012 and 2013 are reflected in the following table:

	Year Ended December 31,		
	2011 (1)	2012 (1)	2013
	(in thousands of Pesos)		
Personnel expenses	1,485,554	1,844,336	2,351,921
Directors and statutory auditors fees	59,773	75,005	117,077
Other professional fees	90,425	109,906	138,212
Advertising and publicity	75,925	92,526	103,437
Taxes	131,883	169,306	218,491
Depreciation of equipment	72,972	85,037	98,666
Amortization of organization costs	59,213	72,721	89,019
Maintenance, conservation and repair expenses	97,738	127,856	187,684
Security services	89,563	127,954	192,873
Electric power and communications	59,968	84,561	102,023
Lease payments	51,364	58,894	77,713
Insurance	12,174	14,647	18,251
Stationery and office supplies	13,183	15,840	19,858
Other	188,842	236,796	300,131
Total administrative expenses	2,488,577	3,115,385	4,015,356

(1) Due to the modification of certain disclosure methods defined for certain items in the consolidated balance sheets and consolidated statements of income, figures have been restated for comparability purposes. See "Presentation of certain financial and other information."

2013 and 2012 - Administrative expenses increased 29% or Ps. 900 million in 2013.

This increase was mainly due to a 27% increase in personnel expenses as a result of a salary increase of 24% and other benefits agreed with the labor unions in May 2013 and a higher number of employees. The remaining administrative expenses increased in

total by 31% in 2013, in line with price increases recorded in the Argentine economy during 2013. The main increases corresponded to security services expenses, driven by a higher investment in equipment (installation of new alarms and surveillance camera circuits) and repair and maintenance expenses incurred in building refurbishment projects.

2012 and 2011 - Administrative expenses increased 25% or Ps. 626.8 million in 2012.

This increase was mainly due to a 24% increase in personnel expenses as a result of a salary increase of 24.5% agreed with the labor unions in May 2012. The remaining administrative expenses increased in total by 27% in 2012, in line with price increases recorded in the Argentine economy during 2012.

Net other income (expense)

2013 and 2012. In 2013 net other income was Ps. 109.5 million, increasing 170% or Ps. 69 million compared to 2012. This increase was mainly due to the mixed result of the increase on other income by 29% or Ps. 56.6 million, mainly in recovered loans, reversed allowances and other income, with a decrease of other expenses by 8% or Ps. 12.4 million compared to 2012.

2012 and 2011. In 2012 net other income totalled Ps. 40.6 million, decreasing 52% compared to 2011. Other expense increased by 47% or Ps. 50.3 million compared to 2011 mainly attribute to the full amortization, which amounted to Ps.45 million, of our entire balance of differences due to court orders (“amparos”) initiated in connection with the Public Emergency Law.

Income tax

2013 and 2012. In 2013 income tax expenses increased 56% to Ps. 1,332.9 million compared to Ps. 853.5 million in 2012. This increase was due to the increase in taxable revenues. The tax effective rate was 35.3% for the fiscal year 2013.

2012 and 2011. In 2012 income tax expenses increased 30% to Ps. 853.5 million compared to Ps. 657.9 million in 2011. This increase was due to the increase in taxable revenues. The tax effective rate was 36.4% for the fiscal year 2012.

B. Liquidity and Capital Resources

Our main source of liquidity consists of deposits, which totaled Ps. 43,427 million as of December 31, 2013, Ps. 36,188.7 million as of December 31, 2012 and Ps. 29,167.1 million as of December 31, 2011. These deposits include deposits generated by our branch network, from institutional, very large corporate clients and from provincial governments for whom we act as financial agent. We consider the deposits generated by our branch network and the provincial deposits to be stable.

Approximately 15% of the Bank’s total deposits as of December 31, 2013 derives from the non-financial government sector, in particular as a consequence of the Bank’s role as financial agent of several provinces and time deposits made by ANSES (as manager of the *Fondo de Garantía de Sustentabilidad*). This is an important source of low-cost funding.

Total deposits, which grew 20% in 2013 compared to 2012, representing 86% of our total liabilities as of December 31, 2013. Deposits were used primarily to finance the growth in credit made available to the private sector and the balance was invested in liquid assets. This approach has enabled us to maintain a high liquidity to deposits ratio while we await a return to stronger demand for private sector loans.

During 2013 the liquidity ratio increased from 31.7% as of December 31, 2012 to 33.3% as of December 31, 2013 due to the growth of total liquid assets by 26% based on an increase in cash and due from banks. The Bank’s liquidity ratio exceeds the liquidity ratio of the financial system as a whole.

On April 26, 2011 our shareholders’ approved an increase in the maximum aggregate principal amount under our Global Medium-Term Note Program from US\$ 700 million up to US\$1,000 million (or its equivalent in other currencies).

On September 15, 2011, the board of directors set forth the terms and conditions of a plan for the acquisition of the Bank’s shares. Under such conditions, as of December 14, 2011 (the expiration date) the Bank had repurchased an aggregate amount of 10,000,000 of its own shares for an aggregate amount of Ps. 92.9 million.

During 2012 Banco Macro repaid upon maturity all of the outstanding Argentine Peso-Linked 10.75% Notes Due 2012 for an amount of Ps. 197.1 million.

Additionally, the Bank currently has access to uncommitted lines of credit with foreign banks and to letters of credit.

The CFO manages the excess liquidity by analyzing interest rates from a limited number of liquid and short-term assets including Central Bank bills, deposits with the Central Bank and overnight loans to highly rated companies. The amount allocated to overnight loans is determined by the amount of deposits received from institutional investors, and as such, there is a high degree of volatility in our overnight allocations.

We believe that we have adequate working capital to meet our current and reasonably foreseeable needs. As of December 31, 2013, we had excess capital of Ps. 4,236.2 million. The Bank’s excess capital is aimed at supporting growth, and consequently, a higher leverage of the Bank’s balance sheet.

For further information regarding management and administration guidelines in relation to liquidity risk please note 17 “Risk management policies” to our audited consolidated financial statements for the year ended December 31, 2013. Additionally for further information regarding our restricted assets, assets in custody and trust agreements please see notes 7 “Restricted and pledged assets,” 11 “Items in custody” and 13 “Trust agreements” to our audited consolidated financial statements for the year ended December 31, 2013.

Minimum capital requirements

Our excess capital (representing the amount in excess of minimum reserve requirements of the Central Bank) is as set forth in the table:

	2011	As of December 31, 2012 (in thousands of Pesos, except ratios and percentages)	2013 (1)
Calculation of excess capital:			
Allocated to assets at risk	1,989,061	2,446,593	2,516,833
Allocated to Bank premises and equipment, intangible assets and equity investment assets	136,492	176,186	179,776
Market risk	26,674	36,136	52,026
Operational risk		693,492	709,873
Interest rate risk	656,798	806,636	838,215
Government sector and securities in investment account	39,854	55,332	55,866
Required minimum capital under Central Bank Rules			
	2,848,879	4,214,375	4,352,590
Ordinary capital Level 1 (Con1)	4,582,588	6,035,439	8,150,742
Deductible concepts COn1	(283,049)	(367,736)	(363,488)
Additional capital Level 1 (CAn1)	458,520	458,520	412,668
Capital Level2 (COn2)	123,449	154,980	388,919
Total capital under Central Bank Rules	4,881,508	6,281,203	8,588,841
Excess capital	2,032,629	2,066,828	4,236,251
Selected capital and liquidity ratios:			
Regulatory capital/risk weighted assets	18.26%	19.01%	25.29%
Average shareholders' equity as a percentage of average total assets	12.63%	12.30%	13.79%
Total liabilities as a multiple of total shareholders' equity	7.78x	6.80x	5.87x
Cash as a percentage of total deposits	21.16%	27.76%	29.61%
Liquid assets as a percentage of total deposits (2)	34.74%	31.75%	33.34%
Loans as a percentage of total assets	59.05%	65.15%	65.81%

- (1) Based on Communication "A" 5369, the calculation for the total capital requirement as of January 2013 remains as reference for the total capital requirement for 2013.
- (2) Liquid assets include cash, cash collateral, repos, LEBACs and NOBACs and interfinancing loans.

As of December 31, 2013, we had no material commitments for capital expenditures. We believe that our capital resources are sufficient for our present capital requirements on an individual and a consolidated basis.

Funding

Our principal source of funding are deposits from individuals and businesses located in Argentina. Deposits include checking accounts, savings accounts and time deposits. The following table sets forth our sources of funding as of December 31, 2011, 2012 and 2013.

	2011 (1)	As of December 31 2012 (1) (in thousands of Pesos)	2013
Deposits			
From the non-financial government sector	5,836,211	8,318,383	6,580,041
From the financial sector	17,731	24,222	26,874
From the non-financial private sector and foreign residents			
Checking accounts	4,911,863	6,716,911	8,602,700
Savings accounts	6,175,492	6,467,624	8,440,709
Time deposits	11,433,220	13,596,225	18,416,520
Investment accounts (2)	44,512	149,325	199,003

Other (3)	618,481	737,414	878,032
Accrued interest, adjustments, foreign exchange and quoted price differences payable	129,568	178,568	283,139
Borrowing from Central Bank and financial institutions			
Central Bank	9,155	21,725	21,994
Banks and international institutions	155,583	276,804	326,495
Financing received from Argentine financial institutions	44,751	85,135	56,942
Other	1,492,141	1,917,712	2,440,877
Minority interest in subsidiaries	37,584	51,355	69,502
Non-subordinated Corporate Bonds	672,532	541,705	718,044
Subordinated Corporate Bonds	647,753	740,192	981,142
Shareholders' equity	4,719,552	6,199,095	8,627,431
Total funding	36,946,129	46,022,395	56,669,445

- (1) Due to the modification of certain disclosure methods defined for certain items in the consolidated balance sheets and consolidated statements of income, figures have been restated for comparability purposes. See "Presentation of certain financial and other information."
- (2) Time deposit payable at the option of the depositor.
- (3) Includes, among others, expired time deposits and judicial deposits.

Critical accounting policies

Our accounting and reporting policies comply with Central Bank Rules, which differ in certain significant respects from U.S. GAAP. See Note 33 to our audited consolidated financial statements as of and for the three years ended December 31, 2013 included in this annual report for a reconciliation of our audited financial statements to U.S. GAAP. The preparation of our consolidated financial statements requires management to make, in certain cases, estimates and assumptions to determine the book value of assets and liabilities, income, expenses and contingencies. Our financial position and results of operations are based on the best estimate regarding the probability of occurrence of different future events and, thereof, the final amount may differ from such estimates, which may have a positive or negative impact on future years.

Critical accounting policies are those accounting policies that require management to make estimates based on assumptions about matters that are highly uncertain at the time the estimate is made and such estimates reasonably could have a material impact on the financial condition. Several factors are considered in determining whether or not a policy is critical in the preparation of our financial statements. These factors include, among others, whether the estimates are material to our financial statements, the nature of the estimates, the ability to readily validate the estimates with other information including information from third parties or available prices, and sensitivity of the estimates to changes in economic conditions and whether alternative accounting methods may be utilized under Central Bank Rules. Significant accounting policies are discussed in Note 4 to our audited consolidated financial statements as of the year ended December 31, 2013.

Allowance for loan losses

The loan loss reserve represents the estimate of probable losses in the loan portfolio. Pursuant to Central Bank Rules, a bank must classify its loan portfolio into two categories: consumer and commercial portfolio. Under each of these categories, customers are included within one of six sub-categories depending on the credit quality and the fulfillment of its obligations. A minimum allowance for loan losses is required to be established primarily based upon this classification and guarantees and collateral, supporting the transactions.

Determining the loan loss reserve requires significant management judgments and estimates. According to Central Bank Rules, for consumer portfolio, management must classify each customer based primarily on delinquency aging with the Bank and the financial system. For commercial portfolio, management must analyze the borrowers' operating and payment history, ability to service its debt, its internal information and control systems and the risk of the sector in which it operates.

In addition, Central Bank Rules allows the Bank to establish additional allowances for loan losses and changes loan classification, as the case may be, based on management's risk management policies. Our executive committee decided to increase the allowance for loan losses related to our loan portfolio as of December 31, 2013, 2012 and 2011 after evaluating the risk of our loan portfolio. Our management determines increase or decrease in allowances based on repayment estimates. International and local macroeconomic conditions generate a certain degree of uncertainty regarding future progress as a result of the contractions in growth levels, the volatility of financial assets and the foreign exchange market, among other issues, which has been observed with various degrees of intensity over the last few years. This scenario leads us to the assumption that some of the loans that currently make up our portfolio might sustain an impairment value.

The accounting for loan loss reserve under Central Bank Rules differs in some respects with practices of US-based banks, as mentioned below.

Under U.S. GAAP loans are considered impaired when, based on Management's evaluation, a borrower will not be able to fulfill its obligation under the original loan terms.

The methodology used for calculating impairment involves significant judgment. First, it involves the early identification of credits that are deteriorating. Second, it involves judgment in establishing the inputs used to estimate the allowance and third, it involves management judgment to evaluate certain macroeconomic factors and other relevant internal and external factor affecting the credit quality of a current portfolio, and to refine loss factors to better reflect these conditions.

FASB ASC 310, not applicable for large groups of smaller-balance homogeneous loans that are collectively evaluated, requires a creditor to measure impairment of a loan based on the present value of expected future cash flows discounted at the loan's effective interest rate, or at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. An allowance for impaired loans is provided when discounted future cash flows or the fair value of the collateral is lower than the book value.

To calculate the allowance required for smaller-balance impaired loans and other groups of loans that have not yet been individually identified as impaired or measured in the group mention before, historical loss ratios are determined by analyzing historical losses. Loss estimates are analyzed by loan type for homogeneous groups of clients. Such historical ratios are updated to incorporate the most recent data reflecting current economic conditions, trends and any other pertinent information that may affect the estimation of the allowance for loan losses.

Management estimates require significant judgment including, among others, identifying impaired loans, determining customers' ability to pay and estimating the fair value of underlying collateral or the expected future cash flows to be received. Actual events will likely differ from the estimates and assumptions used in determining the loan loss reserve. Additional loan loss reserves could be required in the future.

Income tax

In estimating accrued taxes, we assess the relative merits and risks of the appropriate tax treatment considering statutory, judicial and regulatory guidance in the context of the tax position.

Because of the complexity of tax laws and regulations, interpretation can be difficult and subject to legal judgment. It is possible that others, given the same information, may at any point reach different reasonable conclusions regarding the estimated amounts of accrued taxes.

Changes in the estimate of accrued taxes occur periodically due to changes in tax rates, interpretations of the status of examinations being conducted by various taxing authorities, and newly-enacted statutory and regulatory guidance that impact the relative merits and risks of tax positions. These changes, when they affect accrued taxes, can be material to our operating results.

As explained in note 5 to our audited consolidated financial statements, Central Bank Rules do not require the recognition of deferred tax assets and liabilities and, therefore, income tax is recognized on the basis of amounts due in accordance with Argentine tax regulations and no deferred tax and liabilities are recognized.

For purposes of U.S. GAAP reporting, we apply FASB ASC 740 “Income Tax”. Under this method, income tax is recognized based on the liability method whereby deferred tax assets and liabilities are recorded for temporary differences between the financial reporting and tax basis of assets and liabilities at each reporting date. FASB ASC 740 requires to record an allowance for deferred tax assets to the extent that it is more likely than not that deferred tax assets will be realized, based on the weight of available evidence. In order to determine the amount of the valuation allowance required, in accordance with FASB ASC 740-10-30-16 through 30-25, we evaluate for each consolidated entity all available evidence, both positive and negative and the future realization of the tax benefit in a relatively short period of time, considering future reversals of existing taxable temporary differences, future taxable income exclusive of reversing temporary differences and carryforwards and tax-planning strategies.

FASB ASC 740 also prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities.

There were no unrecognized tax benefits as of December 31, 2013, 2012 and 2011.

Contingent liabilities

In the normal course of business, we are a party to lawsuits of various types. We disclose contingent liabilities with respect to existing or potential claims, lawsuits and other legal proceedings and record an accrual for litigation when it is probable that future costs will be incurred and these costs can be reasonably estimated. These accruals are based on the most recent developments, our evaluation of the merit of each claim, our assessment of the likely outcome of the litigation and our counsel’s advice in dealing with, litigating and settling this and other similar legal matters. Thus, these determinations are based on certain assumptions from our management. Changes to the accrual may be necessary if future events differ substantially from the assumptions used in the assessment for each period.

Fair Value of financial instruments

Under U.S. GAAP, a portion of our assets and liabilities are measured at fair value, including government securities (debt instruments issued by Argentine government and the Central Bank), private securities and shares, other receivables from financial intermediation (mutual funds, securities in financial trusts and corporate bonds), forward transaction pending settlement and derivative instruments.

Under Central Bank Rules, those assets are valued as mentioned in Note 4.5 to our consolidated financial statements.

FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. To measure fair value, FASB ASC 820 has established a three-level hierarchy to prioritize the valuation input among (1) unadjusted quoted prices for identical assets or liabilities in an active market that we have the ability to access, (2) other than quoted prices that are observable for the asset or liability, either directly or indirectly and (3) prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management’s own assumptions about the assumptions a market participant would use in pricing the asset or liability.

When observable quoted prices are not available, fair value is based upon internally developed valuation techniques that use, quoted prices for similar assets or liabilities in active markets. Financial instruments valued at this manner are classified within Level 2 of the fair value hierarchy. We used the followings methods:

- a) For unlisted government and private securities: yield curve based on observable inputs taking similar instruments and the less active market approach for identical instruments traded in the market that will have a “less active market”.
- b) For corporate bonds: discounted cash flow.

For instruments classified in Levels 1 and 2, where inputs are principally based on observable market data, there is less judgment applied in arriving at the fair value measurement.

For assets and liabilities that do not have similar or identical instruments traded in the market we used an internally developed model to measure significant instruments. Those instruments would be classified as Level 3 of the fair value hierarchy, which requires significant management judgment or estimation. In arriving at an estimate valuation policies and procedures for Level 3 instruments (in the case of the Bank mainly debt securities and derivative instruments) are under the direction of the accounting and financial management.

Management is in charge of developing, reviewing, approving and monitoring the key model inputs, critical valuation assumptions and proposed discount rates utilized for the valuation of Level 3 instruments. In addition, management is also in charge of monitoring the changes in fair values of Level 3 instruments from period to period.

An income approach is used in this level for estimates fair value. We use discounted cash flow methodologies, such as discount interest rate and projected exchange rate.

Our management believes its valuation methods are appropriate and consistent with other market participants, however, the use of different methodologies, or assumptions, to determine the fair value could result in a different estimate or fair value at different reporting dates.

C. Research and Development, Patents and Licenses, Etc.

We incur research and development expenses in connection with information technology projects. The amount spent during each of the last three years was not material. We plan infrastructure development (processing, telecommunications, Internet, information security) based upon present and projected future demand of such services. See *“Item 4. Information on the Bank—Business Overview—Technology”*.

D. Trend Information

We believe that the following trends in the international context, the Argentine economy, the banking sector and our business have affected and will, for the foreseeable future, continue to affect our results of operations and profitability. Our continued success and ability to increase our value to our shareholders will depend, among other factors, upon the economic growth in Argentine economy and the corresponding growth of the market for long-term private sector lending.

International context

The world economic activity suffered a slowdown during 2008-2009 and has been recovering since 2010. During 2013, the global economy continued recovering and growing, but at different rates across the various countries, resulting in the implementation of very different economic policies, thus abandoning the relatively homogeneous decision-making criteria employed in the initial stages of the international crisis.

In 2013, the United States continued its weak recovery, resulting in the reduction of its liquidity policy. On the other hand, although China's expansion rate decreased, its demand for raw materials remained positive for commodity producing regions, specifically Latin America. Latin American economies generally continued growing, recording the same expansion level as in 2012.

Thus, the international scenario showed contradictory signals of global growth, as well as high financial and exchange uncertainty.

Changes in U.S. monetary policy impacted the economy of emerging countries, which were affected by the sharp unwinding of speculative asset positions, depreciation and increased volatility in the value of their currencies and higher interest rates. The general appreciation of the dollar resulting from a more restrictive U.S. monetary policy contributed to the fall of the international price of raw materials, increasing the difficulties of emerging countries which are exclusively exporters of these products. This trend began by the end of 2013 and has deepened in recent months, resulting in capital flow volatility and contributing to the economic weakening of emerging countries.

In 2014, a scenario of uncertainty about the degree of recovery of the United States is expected, with no substantial positive signals from other developed countries and an increased risk of a general deceleration in developing countries -specifically China- within a context of devaluation and higher interest rates in most of these economies, combined with high levels of indebtedness and fragile financial systems.

Argentine economic performance

During 2011, the Argentine economy continued to improve; GDP grew by 8.9% driven by a combination of pro-cyclical policies and the growth of trading partners (Brazil and China) in a context of global economic slowdown.

During 2012, the existing international uncertainty resulted in a downturn of Argentine's trade with the country's main trading partners which coupled with the effects of a drought, caused a reduction in exports. In 2012, Argentine economy experienced an important volatility, including some low or negative growth periods and high inflation levels, although it grew by 1.9% in real terms in 2012.

During 2013, Argentina's GDP grew by 3.0%. The trade balance fell 29% from the previous year and there was an increase in primary expenditure of 33%, which was a result of an expansionary fiscal policy. This trend was observed in the context of high inflation rates and was accompanied by a significant drop in reserves (approximately US\$13.7 million). The transition to a context of greater macroeconomic imbalance led to increased volatility in government and corporate securities and interest rates. The Argentine government initiated a process of adjustment for the last quarter of the year, which resulted in an increase in interest rates and the rate of devaluation. Consequently the expected growth for 2014 will likely be mitigated in the context of rising interest rates, although we believe improvement of external competitiveness may assist in strengthening expected growth.

The Argentine Financial System

Financial activity gained strength during 2013 and deposits and credits in the Financial System increased by 26% and 30%, respectively, throughout the year.

Total credit extended by the financial system represented 22% of the GDP, 7 points higher than in 2009, and approximately 90% of the credits were granted to the private sector.

Regarding deposits in 2013, performance was varied. Private sector deposits increased by 27% amounting to Ps. 544 billion, while public sector deposits increased 24%, in line with higher national and provincial fiscal deficit. Deposits in Pesos increased 30% while deposits in U.S. Dollars fell 14%.

Total loans in the financial system amounted to Ps. 563 billion, a 30% increase as compared to the previous year, mainly driven by the private sector.

The higher growth rate of credits as compared to liabilities resulted in lower systemic liquidity. Interest rates increased throughout the year due to a higher devaluation rate and the increase of loans over liabilities.

A higher volume of intermediation, spread stability and increasing bankarization, combined with low delinquency, resulted in profits for Ps. 29.2 billion in 2013, a 50% increase as compared to those reported in 2012.

Private sector lending

The extension of credits to the private sector in Argentina has recovered since 2010 and in 2013 continued to show improvement. During the last three years, loans to the private sector grew 46% in 2011, 32% in 2012 and 31% in 2013 for the financial system as a whole. This trend was also reflected in the evolution of our portfolio. Our private sector loan portfolio increased to Ps. 24,238 million (52%) in 2011, to Ps. 31,204 (29%) in 2012 and to Ps. 39,024 (25%) in 2013, as shown in the following table:

	2011	As of December 31, 2012 (In million of Pesos)	2013
Banco Macro			
Private sector loans	24,238	31,204	39,024
Financial System			
Private sector loans	291,708	383,674	501,793

We see the following trends in this important area of our business:

- As a result of our low cost of funds and our high level of liquidity, a key driver of our results is our ability to increase our lending within the scope of our credit policy, as such lending is always at a positive margin. Therefore, we have seen our gross intermediation margin widened as our private sector lending has increased.
- Growth prospects subject to development of inflation and long-term fixed rate lending. We believe that the main obstacle preventing a faster recovery of Argentina's private sector long-term lending has been the uncertain outlook on long-term inflation, which has a significant impact on both the supply of and demand for long-term loans as borrowers try to hedge against inflation risk by borrowing at fixed rates while lenders hedge against inflation risk by offering loans at floating rates. As a result, most of the increase in the volume of private loans in the financial system until December 31, 2013 was concentrated in short-term products. For example, the ratio of consumer loans, overdrafts and documents to GDP increased from 3% in June 2003 to 14% as of December 31, 2013 while long-term loans represented by mortgages and pledged loans maintained a level of 3% of GDP during the same period.
- Stable intermediation spread. Based on the low banking penetration in Argentina, we believe that the expected loan growth mix, with a larger participation of consumer loans compared to commercial loans, will improve spreads. However, price competition could offset this effect and intermediation spreads might remain stable.

Lending portfolio credit quality

During the last three years, non-performance levels remained stable, being 1.7% as of December 31, 2013. Our figures reflect the similar level and evolution registered by the financial system as a whole.

The table below reflects the portfolio credit quality of the Bank and the financial system for 2011, 2012 and 2013:

	As of December 31,		
	2011	2012	2013
Banco Macro			
Allowances/lending (1)	2.4%	2.7%	2.5%
Non-performing lending ratio (2)	1.5%	1.8%	1.7%
Financial System			
Allowances/lending (1)	2.0%	2.1%	2.0%(3)
Non-performing lending ratio (2)	1.2%	1.5%	1.5%

Source: Central Bank

- (1) Includes loans, other receivables from financial transactions, financial leases, memorandum accounts—other guarantees provided and unused portion of loans granted (included in Debtors Rating Standards).
- (2) Non-performing lending includes all lending to borrowers classified as “3—troubled/medium risk,” “4—with high risk of insolvency/high risk,” “5—irrecoverable” and “6—irrecoverable according to Central Bank Rules” under the Central Bank loan classification system.
- (3) Most recent data is as of November 30, 2013

During 2011, 2012 and 2013, we determined additional allowances above those required by the Central Bank, with the aim of maintaining the coverage ratio set forth by the Bank's policies. As a result, the Bank's coverage level reached 149.1% of the non-performing lending portfolio as of December 31, 2013.

Organic growth complemented by strategic acquisitions

During 2010, we acquired Banco Privado; this acquisition has enabled us to serve a greater number of customers with our current structure, to complement lines of business and to achieve greater economies of scale by additionally providing Banco Privado with a more efficient financing structure and permitting its clients access to a network with a greater geographical coverage (for additional information please see "Item 4.A "Information on the Bank – History and development of the Bank").

We will continue to consider strategic acquisition opportunities to complement our branch network consistently with our strategy. Due to our significant excess liquidity and capital, we are in a position to continue to complement organic growth with strategic acquisitions.

We evaluate the effectiveness of our acquisition strategy by how it complements our organic growth strategy and whether or not such acquisitions result in the Bank increasing its customer base, expanding its loan portfolio and generating more fee income from transactional services.

Commercial and balance sheet strategies

We have the most extensive branch network among private-sector banks in Argentina, with 93% of our branches located outside of the City of Buenos Aires. Our extended presence in Argentine regional economies and sectors that have benefited from Argentina's economic recovery grant us a key advantage with respect to other banks upon competing in the credit expansion service in Argentina. In addition, this strong network of branches and the functions of financial agents from different provinces provide us with a source of growth and low cost in our deposit base.

We will continue with the diversification strategy regarding the credit portfolio, thus enabling to obtain satisfactory efficiency, growth, security and profitability in commercial management. We also intend to stress our assistance to small- and medium-sized enterprises, emphasizing the election of dynamic economic sectors and growth potential in industrial, commercial and service areas for the purpose of contributing to companies' expansion and ensuring an acceptable return of the funds assigned. At the same time, a complete range of corporate financial services will be offered, including exports and imports financing, letters of credit confirmation and opening, and granting guarantees to third parties on behalf of its customers.

We maintain a strong position with respect to excess capital, the liquidity ratio and the level of our provisions for loan losses. To counteract the effects that a run on deposits may have, one of our main priorities is to give depositors confidence that we would be able to absorb losses and fulfill our obligations to them.

Our practice of maintaining high liquidity levels throughout the business cycles helps us to withstand the economic crisis by serving two key purposes. First, we have funds available in the face of adverse systemic events. Second, we give our depositors confidence that they would be able to have access to their deposits at any time, even during the depth of a crisis. We also minimize excess cash deposited in the Central Bank, without harming our overall liquidity position. In this way, we maximize the return on our liquidity stock by keeping funds in more profitable assets, such as Central Bank-issued LEBACs/NOBACs and overdrafts to highly rated large corporations.

E. Off-Balance Sheet Arrangements

We enter into various transactions involving off-balance sheet financial instruments and we use these instruments to meet the risk management, trading and financing needs of customers or for our proprietary trading and asset and liability management purposes.

These instruments are subject to varying degrees of credit and market risk. We monitor credit risk and market risk associated with on- and off-balance sheet financial instruments on an aggregate basis. We use the same credit policies in determining whether to enter or extend option contracts, commitments, conditional obligations and guarantees as we do for granting loans. Our management believes that the outstanding off-balance sheet items do not represent an unusual credit risk.

For additional information of financial instruments with off-balance sheet risk see note 31 to our audited consolidated financial statements for the year ended December 31, 2013.

F. Contractual Obligations

The following table represents our contractual obligations and commercial commitments as of December 31, 2013:

	Total	Payments due by period			After 5 years
		Less than 1 year (in thousands of Pesos)	1-3 years	3-5 years	
Contractual obligations					
Central Bank	21,994	9,676	12,107	106	105
Banks and international institutions	326,495	326,495	—	—	—
Non-Subordinated Corporate Bonds	718,044	24,561	—	693,483	—
Financing received from Argentine financial institutions	56,942	11,973	26,014	17,589	1,366
Other	2,440,877	2,352,716	975	—	87,186
Operating leases	112,075	50,300	48,448	8,589	4,738
Subordinated corporate bonds	981,142	3,442	—	—	977,700
Total contractual obligations	4,657,569	2,779,163	87,544	719,767	1,071,095
Commercial commitments					
Lines of credit	16,265	9,601	6,664	—	—
Guarantees	281,170	143,885	36,095	12,471	88,719
Standby letters of credit	92,428	92,428	—	—	—
Total commercial commitments	389,863	245,914	42,759	12,471	88,719

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

We are managed by our board of directors, which is currently comprised of 13 members and 5 alternate members. On April 16, 2012, our shareholders approved the proposal of the board of directors and amended our bylaws increasing the size of our Board from 12 to 13 members. Currently, the shareholders present at any annual ordinary meeting may determine the size of the board of directors, provided that there shall be no less than three and no more than thirteen directors. Any director so appointed will serve for three fiscal years. If the shareholders elect more than nine board members, each director will be re-elected as a staggered board, to be renewed by thirds, provided that in all cases no less than three directors shall be renewed each time. The annual ordinary shareholders' meeting may also appoint an equal or lesser number of alternate directors, to hold office for the same term than regular directors, to fill any vacancy in the board occurring for any reason whatsoever, and shall further determine the order of substitution. Alternate directors shall hold office until the regular directors in whose place they have acted as substitutes shall resume office, and in case any such absence is permanent, until the next ordinary meeting of shareholders where at directors shall be appointed. Both regular and alternate directors may be re-elected indefinitely.

DUTIES AND LIABILITIES OF DIRECTORS

Under Argentine Corporate Law, directors have the obligation to perform their duties with the loyalty and the diligence of a prudent business person. Directors are jointly and severally liable to a corporation, the shareholders and third parties for the improper performance of their duties, for violating the law, the corporation's bylaws or regulations, if any, and for any damage caused by fraud, abuse of authority or gross negligence. The following are considered integral to a director's duty of loyalty: (i) the prohibition on using corporate assets and confidential information for private purposes; (ii) the prohibition on taking advantage, or to allow another to take advantage, by action or omission, of the business opportunities of the Bank; (iii) the obligation to exercise board powers only for the purposes for which the law, the corporation's bylaws or the shareholders' or the board of directors' resolutions have intended; and (iv) the obligation to take strict care so that acts of the board do not go, directly or indirectly, against the Bank's interests. A director must inform the board of directors and the supervisory committee of any conflicting interest he may have in a proposed transaction and must abstain from voting thereon.

Under Argentine law, the board of directors is in charge of the management and administration of the Bank and, therefore, makes any and all decisions in connection therewith, as well as those decisions expressly provided for in the Argentine Corporate Law, the Bank's bylaws and other applicable regulations. Furthermore, the board is generally responsible for the execution of the resolutions passed by shareholders meetings and for the performance of any particular task expressly delegated by the shareholders. In general, our board of directors is more involved in operating decision-making than might be customary in other jurisdictions. The board of directors delegates affairs related to management and corporate activities to an executive committee with the assignment of specific duties pursuant to the Bank's bylaws.

BOARD OF DIRECTORS

The following table sets forth certain relevant information of the members of the board of directors as of December 31, 2013:

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Year First Appointed</u>	<u>Year of Expiration of Term</u>
Jorge Horacio Brito	Chairman	61	2002	2014
Delfín Jorge Ezequiel Carballo(1)	Vice Chairman	61	2002	2014
Jorge Pablo Brito	Director	34	2002	2014
Marcos Brito	Director	31	2007	2014
Juan Pablo Brito Devoto	Director	53	2002	2013
Luis Carlos Cerolini	Director	59	2002	2013
Roberto José Feletti (2)(3)	Director	55	2011	2013
Carlos Enrique Videla	Director	68	2002	2015
Alejandro Macfarlane	Director	48	2005	2015
Guillermo Eduardo Stanley	Director	65	2006	2015
Constanza Brito	Director	32	2007	2015
Emmanuel Antonio Alvarez Agis (2)	Director	32	2013	2015

Santiago Brito	Alternate director	26	2012	2014
Santiago Horacio Seeber	Alternate director	36	2012	2014
Ernesto Eduardo Medina	Alternate director	46	2002	2014
Chrystian Colombo	Alternate director	61	2012	2014
María Belén Franchini (2)(4)	Alternate director	38	2012	2014

- (1) *Mr. Carballo is on leave of absence since November 7, 2011.*
- (2) *Elected by ANSES (as manager of the Fondo de Garantía de Sustentabilidad), through the exercise of its cumulative voting rights. See Item 10.B “Additional Information - Memorandum and Articles of Association—Quorum and voting requirements” for a description of cumulative voting.*
- (3) *Pending Central Bank approval.*
- (4) *Mrs. Franchini notified us in March 2014 of her resignation as alternate director of Banco Macro due to personal reasons.*

On April 29, 2014, the Ordinary Shareholders’ Meeting of the Bank approved the appointment of 4 of the 13 members of the Board. As result, it is composed as follows:

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Year First Appointed</u>	<u>Year of Expiration of Term</u>
Jorge Horacio Brito	Chairman	61	2002	2014
Delfín Jorge Ezequiel Carballo(1)	Vice Chairman	61	2002	2014
Jorge Pablo Brito	Director	34	2002	2014
Marcos Brito	Director	31	2007	2014
Juan Pablo Brito Devoto	Director	54	2002	2016
Luis Carlos Cerolini	Director	60	2002	2016
Federico Pastrana (2)(3)	Director	32	2014	2016
Carlos Enrique Videla	Director	69	2002	2015
Alejandro Macfarlane	Director	48	2005	2015
Guillermo Eduardo Stanley	Director	66	2006	2015
Constanza Brito	Director	32	2007	2015
Emmanuel Antonio Alvarez Agis (2)(3)	Director	32	2013	2015
Santiago Brito	Alternate director	26	2012	2014
Santiago Horacio Seeber	Alternate director	37	2012	2014
Ernesto Eduardo Medina	Alternate director	47	2002	2014
Chrystian Colombo	Alternate director	61	2012	2014
Nicolás Todesca (3)	Alternate director	29	2014	2014

- (1) *Mr. Carballo is on leave of absence since November 7, 2011.*
- (2) *Elected by ANSES (as manager of the Fondo de Garantía de Sustentabilidad), through the exercise of its cumulative voting rights. See Item 10.B “Additional Information - Memorandum and Articles of Association—Quorum and voting requirements” for a description of cumulative voting.*
- (3) *Pending Central Bank approval.*

The following family relationships exist within the board of directors: (i) Chairman Jorge Horacio Brito and Vice Chairman Delfín Jorge Ezequiel Carballo are brothers-in-law; (ii) Jorge Pablo Brito, Marcos Brito and Santiago Brito are the sons of Chairman Jorge Horacio Brito and the nephews of Vice Chairman Delfín Jorge Ezequiel Carballo; (iii) Constanza Brito is the daughter of Chairman Jorge Horacio Brito and the niece of Vice Chairman Delfín Jorge Ezequiel Carballo; (iv) Chairman Jorge Horacio Brito and Director Juan Pablo Brito Devoto are cousins; (v) Jorge Pablo Brito, Marcos Brito, Constanza Brito and Santiago Brito are siblings.

SENIOR MANAGEMENT

Our senior management oversees our day-to-day operations to ensure that our overall strategic objectives are being implemented. Two deputy general managers report to the Executive Committee; one is in charge of the commercial area and the other is in charge of the operating area. Senior managers report to them. In addition, we have the following committees comprised of different directors and senior management: executive committee, internal audit committee, systems committee, senior credit committee, assets and liabilities committee, anti-money laundering committee, senior legal recovery committee, risk management committee, ethic performance and compliance committee, nominating and corporate governance committee and incentives committee.

The following table sets forth certain relevant information of our executive officers and our senior management, as of December 31, 2013:

Names	Position	Age	Year First Appointed
Jorge Horacio Brito	Chief Executive Officer	60	2002
Jorge Pablo Brito	Chief Financial Officer	33	2006
Juan Pablo Brito Devoto	Chief Accounting Officer	52	2002
Constanza Brito	Human resources and organization and process department Director (in charge)	31	2005
Ernesto Eduardo Medina	Deputy general manager in charge of operating area	45	2007
Guillermo Goldberg	Deputy general manager in charge of commercial area	55	2007
Jorge Francisco Scarinci	Financial and investor relations manager	42	2006
Ana María Magdalena Marcet	Credit risk manager	51	2002
Alejandro Becka	Corporate credit risk manager	43	2013
Miguel Leon Gurfinkiel	Government portfolio manager	62	2006
Juan Carlos Benoit	Business banking manager	58	2013
Juan Alberto Piccinini	Corporate banking manager	40	2013
Francisco Muro	Retail banking manager	39	2008
Brian Anthony	Distribution and sales manager	39	2005
Claudia Cueto	Systems manager	52	2010
Leonardo Leonardis	Organization and processes manager (in charge)	45	2012
Marcelo de la Llave	Security manager (in charge)	49	2012

Eduardo Roque Covello	Operations manager	55	2004
Gerardo Adrián Alvarez	Administration manager	43	2010
Daniel Hugo Violatti	Accountancy and tax manager	50	2003
Carmen Esther Estévez	Internal audit manager	55	2002
María Milagro Medrano	Institutional relations manager	36	2002
Alberto Figueroa	Management control and compliance manager	52	2009
Ernesto López	Legal manager	40	2008
Sebastian Palla	Investment banking manager	38	2010

The business addresses of Mr. Jorge H. Brito and Mr. Carballo are Sarmiento 735 and Esmeralda 130, 4th Floor, respectively, in each case in Buenos Aires. The business address of each of other current directors and management is Sarmiento 447, Buenos Aires, Argentina.

Set forth below are brief biographical descriptions of members of our board of directors and our senior management as of December 31, 2013:

Jorge Horacio Brito was born on July 23, 1952. He is the chairman of our board of directors, our Chief Executive Officer and a member of our executive committee and senior credit committee. He has been with our bank since June 1988. Mr. Brito is the chairman of Asociación de Bancos Argentinos (Argentine Bank Association or ADEBA). He also serves as chairman of the board of directors of Banco del Tucumán S.A., Inversora Juramento S.A. and Banco Privado de Inversiones S.A.

Delfín Jorge Ezequiel Carballo was born on November 21, 1952. He is the vice-chairman of our board of Directors (on leave of absence since November 7, 2011) and was our Chief Financial Officer until April 16, 2012. Mr. Carballo holds a law degree from the Law School of the Catholic University in Argentina. He has been with our bank since June 1988. Mr. Carballo also serves as vice-chairman (on leave of absence) of the board of directors of Banco del Tucumán S.A., Macro Securities S.A. and Banco Privado de Inversiones S.A.

Jorge Pablo Brito was born on June 29, 1979. He is a member of our board of directors and our Chief Financial Officer since April 16, 2012. He is the coordinator of our executive committee and also is a member of our senior credit committee, our systems committee, our assets and liabilities committee, our risk management committee, our ethic performance and compliance committee, our nominating and corporate governance committee, our senior legal recovery committee and our incentives committee. He has been a member of the board since June 2002. Mr. Brito also serves as chairman of the board of directors of Macro Warrants S.A., Macro Securities S.A. and Coy Aike S.A., as vice-chairman of the board of directors of Inversora Juramento S.A. and Genneia S.A., as director of Banco del Tucumán S.A., Banco Privado de Inversiones S.A. and Macro Bank Limited. On April 16, 2012, Mr. Jorge Pablo Brito has been appointed as our Chief Financial Officer.

Constanza Brito was born on October 2, 1981. She is a member of our board of directors and she is in charge of Human Resources and Organization and Processes Department. She is a member of our systems committee, our internal audit committee, our risk management committee, our ethic performance and compliance committee, our nominating and corporate governance committee and our incentives committee. Ms. Brito has a degree in Human resources from the University of Salvador. She has been a member of our staff since May 2005. Ms. Brito also serves as director of Banco Privado de Inversiones S.A. and alternate director of Banco del Tucumán S.A.

Marcos Brito was born on October 5, 1982. He holds an economics degree from the University Torcuato Di Tella. He is a member of our board of directors and a member of our executive committee, our senior credit committee, our assets and liabilities committee and our senior legal recovery committee. Mr. Brito also serves as director of Inversora Juramento S.A. and Banco Privado de Inversiones S.A. and as alternate director of Genneia S.A. and Banco del Tucumán S.A.

Juan Pablo Brito Devoto was born on March 25, 1960. He is a member of our board of directors, our Chief Accounting Officer and a member of our internal audit committee, our systems committee and our anti-money laundering committee. Mr. Brito Devoto holds an accounting degree from the school of Economics of the University of Buenos Aires in Argentina. He has been with our bank since June 1988. Mr. Brito Devoto serves as a chairman of the board of directors of Macro Bank, and Macro Fiducia S.A., as director of Banco Privado de Inversiones S.A. and Macro Securities S.A., and as alternate director of Banco del Tucumán S.A.

Luis Carlos Cerolini was born on January 27, 1954. He is a member of our board of directors and has been a member of the board since April 2000. He is a member of our anti-money laundering committee, our assets and liabilities committee and our senior legal recovery committee. Mr. Cerolini holds a law degree granted by the National University of Córdoba in Argentina. Mr. Cerolini also serves as director of Banco del Tucumán S.A., Macro Fiducia S.A., Macro Securities S.A., Macro Warrants S.A., Banco Privado de Inversiones S.A. and Provincanaje S.A.

Carlos Enrique Videla was born on March 21, 1945. He is a member of our board of directors and an independent member of our audit committee, our risk management committee, our ethic performance and compliance committee, our nominating and corporate governance committee and our incentives committee. He has been a member of the board since December 1999. Mr. Videla holds a law degree from the Law School of the Catholic University of Argentina.

Alejandro Macfarlane was born on August 16, 1965. He is a member of our board of directors, and has been a member since April 2005, and is an independent member of our audit committee. He also serves as chairman of the board of directors of EDELAP S.A. and GRUPO AM S.A.

Guillermo Eduardo Stanley was born on April 27, 1948. He is a member of our board of directors, our audit committee, our anti-money laundering committee, our ethic performance and compliance committee and our internal audit committee. He has been a member of our board of directors since May 2006. Mr. Stanley holds a degree in finances from the Universidad Argentina de la Empresa (UADE). He is an independent member of our audit committee. He also serves as director of Havanna S.A. and Inverlat S.A.

Emmanuel Antonio Alvarez Agis was born in May 9, 1981. His appointment has yet to be approved by the Central Bank. He holds an economics degree and a masters degree from the University of Buenos Aires. He serves as Secretary of Economic Policy and Development Planning of the Ministry of Economy and Public Finances of the Republic of Argentina. He also serves as director of Pampa Energía S.A., Edenor S.A. and Transener S.A.

Roberto José Feletti was born on October 22, 1958. His appointment has yet to be approved by the Central Bank. He was appointed as a member of our board of directors on April 26, 2011. Mr Feletti holds an accounting degree and a master degree in financial administration from the School of Economics of the University of Buenos Aires in Argentina.

Ernesto Eduardo Medina was born on January 9, 1967. He is an alternate member of our board of directors, a deputy general manager and a member of our systems committee, our risk management committee and our anti-money laundering committee. He has been a member of our staff since February 1989. Mr. Medina holds a public accountant and business administration degree from the School of Economics of the University of Buenos Aires in Argentina. In addition, Mr. Medina holds a degree in systems analysis from the University of Buenos Aires in Argentina, as well as a psychology degree from the Business and Social Sciences University. Mr. Medina also serves as director of Provincanaje S.A. and Compensadora Electrónica S.A. and as alternate director of Banco Privado de Inversiones S.A. and Banco del Tucumán S.A.

Santiago Brito was born on November 6, 1987. He is an alternate member of our board of directors. Mr. Brito has been with us since March 2006. He serves as alternate director of Inversora Juramento S.A.

Santiago Horacio Seeber was born on March 27, 1977. He is an alternate member of our board of directors. Mr. Seeber has been with us since November 2002. He also serves as vice-chairman of the board of directors of Anglia Sociedad Anónima, Financiera, de Mandatos y Servicios, director of Inversora Juramento S.A. and alternate director of Prosopis S.A., Tunas del Chaco S.A. and Emporio del Chaco S.A.

Chrystian Gabriel Colombo was born on November 11, 1952. He is an alternate member of our board of directors. Mr. Colombo holds a degree in economics from the school of Economics of the Catholic University of Argentina. He also serves as a chairman of the board of directors of Desarrollo y Gestión S.A., Desarrollo Alpha S.A., Desarrollo Epsilon S.A., Las Dos Chozas S.A., Camuzzi Gas Inversora and Jismol, as vice-chairman of the board of directors of Havanna S.A. and as alternate director of Impresora Contable S.A.

María Belén Franchini was born on December 30, 1975. She is an alternate member of our board of directors. Ms. Franchini holds a law degree from the Law School of the University of Buenos Aires and has a post-graduate degree from UNESCO in “Culture of Peace and Human Rights” from the Autonomous University of Barcelona. Ms. Franchini also serves as legal director of the ANSES and director of Transportadora de Gas del Sur S.A. On March 26, 2014, Mrs. Franchini notified us of her resignation as alternate director of Banco Macro due to personal reasons.

Guillermo Goldberg was born on January 31, 1957. He is our deputy general manager. He is a member of our systems committee, our asset and liabilities committee and our risk management committee. Mr. Goldberg holds an economics degree from the School of Economics of the University of Buenos Aires in Argentina. Mr. Goldberg has been with us since July 2005.

Jorge Francisco Scarinci was born on May 19, 1970. He is our financial and investor relations manager and our finance manager. He is a member of our assets and liabilities committee. Mr. Scarinci holds a degree from the School of Economics of the University of Belgrano in Argentina, a master in finance from the University of CEMA and became CFA in 2001. Mr. Scarinci has been with us since May 2006.

Ana María Magdalena Marcet was born on February 24, 1961. She is our credit risk manager. She has been a member of our staff since December 1996. She is a member of our senior credit committee, our senior legal recovery committee and our risk management committee. Ms. Marcet holds a public accountant, economics and business administration degree from the School of Economics of the University of Buenos Aires and a master in banking management from the University of CEMA, both located in Argentina.

Alejandro Becka was born on April 23, 1970. He is our corporate credit risk manager. He holds a public accountant degree from the School of Economics of the University of Buenos Aires in Argentina and a master degree in financial administration from the University Torcuato Di Tella. He has been with us since September 1994.

Miguel Leon Gurfinkiel was born on December 13, 1950. He is the government portfolio manager. He has been a member of our staff since April 2006.

Juan Carlos Benoit was born on January 1, 1955. He is our business banking manager. He holds an engineering degree in agricultural production from Catholic University of Argentina and a post-graduate degree in marketing from the Universidad Argentina de la Empresa (UADE). He has been with us since April 2007.

Juan Alberto Piccinini was born on September 28, 1963. He is our corporate banking manager. He holds a masters degree in business administration from the University of Palermo in Argentina. He has been with us since February 2012.

Francisco Muro was born on March 2, 1973. He is our retail banking manager and a member of our assets and liabilities committee. Mr. Muro holds an accounting degree from the School of Economics of the University of Buenos Aires and an MBA from the IAE (Universidad Austral). Mr. Muro has been with us since August 2004.

Brian Anthony was born on April 17, 1973. He is our distribution and sales manager. He is a member of our systems committee and our assets and liabilities committee. Mr. Anthony holds a business administration degree from the CAECE University. Mr. Anthony has been with us since September 2005.

Claudia Cueto was born on March 22, 1960. She is our systems manager and a member of our systems committee. She holds a systems degree from Universidad Argentina de la empresa (UADE) . She has been with us since August 2008.

Eduardo Roque Covello was born on February 20, 1957. He is the operations manager and a member of our systems committee. Mr. Covello holds a business administration degree from the Argentine Business School. He has been a member of our staff since January 1996.

Gerardo Adrián Alvarez was born on December 13, 1969. He is our administration manager. Mr. Alvarez holds a law degree from the University of Argentine Federal Police and a post-graduate degree in Money Laundering from University Torcuato Di Tella. He has been with us since January 2006.

Daniel Hugo Violatti was born on May 27, 1962. He is our accountancy and tax manager. He is a member of our systems committee and has been a member of our staff since December 1997. Mr. Violatti holds an accounting degree from the School of Economics of the University of Buenos Aires in Argentina.

Leonardo Gabriel Leonardis was born on May 12, 1967. He is in charge of our organization and processes management. He has been with us since July 1987.

Marcelo Amilcar de la Llave was born on April 21, 1963. He is our security manager (in charge). Mr. De la Llave holds a degree in Criminal and Social Sciences from the University of the Argentine Federal Police. He has been with us since January 2006.

Cármén Esther Estévez was born on April 28, 1957. She is our internal audit manager and a member of our internal audit committee. Ms. Estévez holds an accounting degree and a master degree in system audits from the School of Economics of the University of Buenos Aires in Argentina. She has been a member of our staff since October 1997.

María Milagro Medrano was born on October 27, 1976. She is our institutional relations manager and a member of our systems committee. She is an alternate director of Banco del Tucumán S.A. and Banco Privado de Inversiones S.A. Ms. Medrano holds a business administration degree from the Catholic University of Salta in Argentina. She has been a member of our staff since April 1997.

Alberto Figueroa was born on September 1, 1960. He is our management control and compliance manager. He is a member of our risk management committee, our ethic performance and compliance committee and our anti-money laundering committee. He holds a public accounting degree from de University of Buenos Aires. He has been with us since March 2007.

Ernesto López was born on October 5, 1972. Mr. López holds a law degree from the Law School of the University of Buenos Aires in Argentina. He is our legal manager and a member of our senior legal recovery committee. He has been a member of our staff since October 1999.

Sebastian Palla was born on June 12, 1974. He is our investment banking manager. He holds a economics degree from University Torcuato Di Tella. He has been with us since February 2009.

B. Compensation

Argentine law provides that the compensation paid to all directors and syndics (including those directors who are also members of senior management) in a fiscal year may not exceed 5.0% of net income for such year, if the Bank is not paying dividends in respect of such net income. Argentine law increases the annual limitation on director compensation to up to 25.0% of net income based on the amount of such dividends, if any are paid. In the case of directors that perform duties at special commissions or perform administrative or technical tasks, the aforesaid limits may be exceeded if a shareholders' meeting so approves and such issue is included in the agenda and is in accordance with the regulations of the CNV. In any case, the compensation of all directors and members of the supervisory committee requires shareholders' approval at an ordinary meeting.

The aggregate amount of compensation paid by Banco Macro and their subsidiaries to all of their directors, alternate directors and

members of supervisory committee for the fiscal year 2013 was Ps. 117.1 million. The aggregate amount of compensation paid by Banco Macro to its senior management during 2013 was Ps. 27.4 million, including salaries and bonuses. This amount also includes compensation accrued during 2012 and paid in 2013.

Neither we nor any of our subsidiaries have entered into any agreement that provides for any benefit or compensation to any director after the expiration of his term or upon his retirement.

C. Board Practices

Corporate Governance

As a listed company on the NYSE, we are required under the rules governing listed companies to (i) comply with SEC's requirements concerning audit committee, (ii) submit an annual written affirmation to the NYSE and interim written affirmations if applicable, (iii) disclose any significant ways in which our corporate governance practices differ from those followed by domestic companies under the NYSE listing standards, and (iv) our CEO must promptly notify the NYSE in writing after any executive officer becomes aware of any non-compliance with any of the applicable NYSE corporate governance rules. We incorporate the information regarding the significant ways in which our corporate governance practices differ from those followed by domestic companies under the NYSE listing standards by reference to our website www.macro.com.ar. For further information see item 16.G.

Independence of the Members of the board of directors and the Supervisory Committee

The members of the board of directors and the supervisory committee of a public company such as us must inform the CNV within ten days from the date of their appointment whether such members of the Board of Directors or the supervisory committee are "independent".

A director shall not be considered independent in certain situations, including where a director (i) owns a 15% equity interest in a company, or a lesser interest if such director has the right to appoint one or more directors of a company (hereinafter "significant participation") or has a significant participation in a corporation having a significant participation in the company or a significant influence in the company; (ii) depends on shareholders, or is otherwise related to shareholders, having a significant participation in the company or of other corporations in which these shareholders have directly or indirectly a significant participation or significant influence; (iii) is or has been in the previous three years an employee of the company; (iv) has a professional relationship or is a member of a corporation that maintains professional relationships with, or receives remuneration (other than the one received in consideration of his performance as a director) from, a company or its shareholders having a direct or indirect significant participation or significant influence on the same, or with corporations in which the shareholders also have a direct or indirect significant participation or a significance influence; (v) directly or indirectly sells or provides goods or services to the company or to the shareholders of the same who have a direct or indirect significant participation or significant influence, for higher amounts than his remuneration as a member of the administrative body; or (vi) is the spouse, legally acknowledged partner or parent (up to second grade of affinity or up to second grade of consanguinity) of persons who, if they were members of the administrative body, would not be independent, according to the above listed rules.

Carlos Enrique Videla, Alejandro Macfarlane, Guillermo Eduardo Stanley, Federico Pastrana, Chrystian Gabriel Colombo, Emmanuel Antonio Alvarez Agis and Nicolas Todesca qualified as independent members of the Board of Directors under these criteria.

Pursuant to the Capital Markets Law, all of the members of the Supervisory Committee of companies admitted to the public offering regime shall have independent status.

Additionally, the Consejo Profesional de Ciencias Económicas de la Ciudad de Buenos Aires (Buenos Aires Professional Council of Economic Sciences or "CPCE" for its acronym in Spanish language) also established certain requirements regarding the independence of public accountants which act as members of the Supervisory Committee. Pursuant to regulations issued by the CPCE and CNV, syndics must be independent from the company they are auditing. A syndic will not be independent if: (i) it is the owner, partner, director, administrador, manager or employee of the company or economically related entities; (ii) it is the spouse or relative (colateral until fourth grade), or relatives by affinity until second grade, of one of the owners, partners, directors, administradores or managers; (iii) it is a shareholder, debtor, creditor or guarantor of the company or economically related entities, representing a significant amount if compared with its own wealth or the company's net equity; (iv) it possesses a significant amount of interest in the company or economically related entities (or if it has had such interest during the period to be audited); (v) if the remuneration depends on or is contingent with the conclusions or results of its auditing work; (vi) if the remuneration agreed depends on the result of the operations of the company.

Alejandro Almarza, Alejandro Carlos Piazza, Vivian Haydee Stenghele, Carlos Javier Piazza, Leonardo Pablo Cortigiani and Javier Rodrigo Siñeriz qualified as independent members of our Supervisory Committee under these criteria.

For information on the expiration of current terms of directors see "Item 6.A".

For information on service contracts with directors providing benefits upon termination of employment see Item "6.B Compensation."

Supervisory Committee

Our bylaws provide for a supervisory committee, which consists of three syndics and three alternate syndics that serve for a term of one fiscal year. Pursuant to the Argentine Corporate Law, only lawyers and accountants admitted to practice in Argentina or civil partnerships composed of such persons may serve as syndics of an Argentine *sociedad anónima*, or limited liability corporation.

The primary responsibilities of the supervisory committee are to monitor the management's compliance with Argentine Corporate Law, the bylaws, its regulations, if any, and the shareholders' resolutions, and to perform other functions, including, but not limited to: (i) attending meetings of the Board of Directors, management committee and shareholders, (ii) calling extraordinary shareholders' meetings when deemed necessary and ordinary and special shareholders' meetings when not called by the Board of Directors and (iii) investigating written complaints of shareholders. In performing these functions, the supervisory committee does not control our operations or assess the merits of the decisions made by the directors.

The supervisory committee has unlimited access to our books and registers and a right to request as much information as necessary for the performance of its duties.

The following table sets forth certain relevant information of the members of our supervisory committee as of December 31, 2013:

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Year of Appointment</u>	<u>Current Term Ends</u>
Alejandro Almarza	Syndic	55	2013	April 2014
Carlos Javier Piazza	Syndic	55	2013	April 2014
Vivian Haydee Stenghele (1)	Syndic	44	2013	April 2014
Alejandro Carlos Piazza	Alternate syndic	59	2013	April 2014
Leonardo Pablo Cortigiani	Alternate syndic	45	2013	April 2014
Javier Rodrigo Siñeriz (1)	Alternate syndic	43	2013	April 2014

(1) Elected by ANSES (as manager of the Fondo de Garantía de Sustentabilidad), through the exercise of its cumulative voting rights. See Item 10.B “Additional Information - Memorandum and Articles of Association - Quorum and voting requirements” for a description of cumulative voting.

The following table sets forth certain relevant information of the members of our supervisory committee elected by the Ordinary shareholders’ meeting held on April 29, 2014:

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Year of Appointment</u>	<u>Current Term Ends</u>
Alejandro Almarza	Syndic	56	2014	April 2015
Carlos Javier Piazza	Syndic	55	2014	April 2015
Vivian Haydee Stenghele (1)	Syndic	44	2014	April 2015
Alejandro Carlos Piazza	Alternate syndic	59	2014	April 2015
Leonardo Pablo Cortigiani	Alternate syndic	45	2014	April 2015
Javier Rodrigo Siñeriz (1)	Alternate syndic	43	2014	April 2015

(1) Elected by ANSES (as manager of the Fondo de Garantía de Sustentabilidad), through the exercise of its cumulative voting rights. See Item 10.B “Additional Information - Memorandum and Articles of Association - Quorum and voting requirements” for a description of cumulative voting.

Set forth below are brief biographical descriptions of the members of our supervisory committee as of December 31, 2013:

Alejandro Almarza is a syndic on our supervisory committee. Mr. Almarza holds an accounting degree from the University of Buenos Aires in Argentina. Mr. Almarza also serves as syndic of Macro Securities S.A., Macro Fiducia S.A., Banco del Tucumán S.A., Banco Privado de Inversiones S.A., Macro Warrants S.A., and Seguro de Depósitos S.A. Mr. Almarza was admitted to the Accountants Professional Association of the City of Buenos Aires in 1983.

Carlos Javier Piazza is a syndic on our supervisory committee. Mr. Piazza holds an accounting degree from the University of Buenos Aires in Argentina. Mr. Piazza also serves as syndic of Macro Warrants S.A. and served as alternate syndic of Macro Securities S.A., Macro Fiducia S.A., Banco del Tucumán S.A. and Banco Privado de Inversiones S.A. Mr. Piazza was admitted to the Accountants Professional Association of the City of Buenos Aires in 1983.

Vivian Haydee Stenghele is a syndic on our supervisory committee. Ms. Stenghele holds an accounting degree from the University of Buenos Aires in Argentina. Ms. Stenghele also serves as syndic of Nucleoeléctrica Argentina S.A. and Nación Factoring S.A. and as alternate syndic of S.A. San Miguel, Consultatio S.A. and Tandanor S.A. Ms. Stenghele is a member of the Accountants Professional Association of the City of Buenos Aires.

Alejandro Carlos Piazza is an alternate syndic on our supervisory committee. Mr. Piazza holds accounting and business administration degree from the School of Economics of the University of Buenos Aires in Argentina. Mr. Piazza also serves as syndic of Macro Warrants S.A., Macro Fondos S.A. Sociedad Gerente de Fondos Comunes de Inversion S.A., CRIBA S.A. and Ingemática S.A. and as alternate syndic of Macro Securities S.A., Macro Fiducia S.A., and Banco Privado de Inversiones S.A. Mr. Piazza was admitted to the Accountants Professional Association of the City of Buenos Aires in 1978.

Leonardo Pablo Cortigiani is an alternate syndic on our supervisory committee. Mr. Cortigiani holds an accounting degree from the University of Buenos Aires in Argentina. Mr. Cortigiani also serves as syndic of Macro Fiducia S.A., Macro Fondos S.A. Sociedad Gerente de Fondos Comunes de Inversion S.A., Macro Securities S.A. and Banco Privado de Inversiones S.A. and serves as alternate

syndic of Macro Warrants S.A. Mr. Cortigiani was admitted to the Accountants Professional Association of the City of Buenos Aires in 1995.

Javier Rodrigo Siñeriz is an alternate syndic on our supervisory committee. Mr. Siñeriz holds a law degree from the Law School of the Catholic University of Argentina. Mr. Siñeriz also holds a master degree in law and juricature from the Austral University, a master degree in Governmental law from the School of Lawyers of the government and a specialization in fiscal law from the Litoral National University. He is also a certified financial advisor from the Spaniard Institute of Financial Advisors (Instituto Español de Asesores Financieros). Mr. Siñeriz also serves as syndic of Pellegrini S.A. Gerente de Fondos Comunes de Inversión, Intercargo SAC and SA San Miguel AGICI y F and as an alternate syndic of Nación Leasing S.A., Nación Servicios S.A., Energía Argentina S.A., Fábrica Argentina de Aviones Brig. San Martín S.A., Líneas Aéreas Federales S.A., Sociedad Operadora Ferroviaria S.E., BICE (Banco de Inversión y Comercio Exterior) and Tandanor SACIyN.

Audit Committee

Our audit committee is comprised of three directors, all of which have independent status according to CNV, and one alternate director, who is also independent. The Argentine independence standards under the rules of the CNV differ in many ways from the NYSE, NASDAQ or the U.S. federal securities law standards. See item 16.G “Corporate Governance”.

The audit committee is responsible for the fulfillment of the duties within its powers, as set forth under the Capital Markets Law, including, among others, the following: (i) delivering an opinion regarding the board of director’s proposal of appointment of our external auditors and controlling their independent status, (ii) supervising the correct performance of our internal control and accounting systems, (iii) supervising the observance of the policies regarding information about our risk management, and (iv) delivering an opinion regarding transactions with related parties or transactions that may threaten any conflicts of interest.

The following table sets forth certain relevant information of the members of the audit committee as of December 31, 2013:

Name	Position	Age	Year of Appointment	Status
Carlos Enrique Videla	Chairman	68	2013	Independent
Guillermo Eduardo Stanley	Vice Chairman	65	2013	Independent
Alejandro Macfarlane	Member	48	2013	Independent
Chrystian Colombo	Alternate Member	61	2012	Independent

All of the members of our audit committee who were appointed through a resolution of the Board of Directors dated May 2, 2007 were elected for one-fiscal year renewable terms. Such appointments were renewed by our board of directors on June 6, 2008, April 24, 2009, May 7, 2010, May 5, 2011, April 16, 2012, April 11, 2013 and April 29, 2014. However, as of the date of this annual report, the respective positions of the members within our audit committee for the next fiscal year term had not been determined.

A brief biographical description of the members of our audit committee is included in Item 6.A “Directors and Senior management”.

Committees Reporting to the Board of Directors and to the CEO and the CFO

The following committees are under the supervision of our Board of Directors:

Executive committee. The executive committee is responsible for the management of the business and common affairs of the Bank and its powers include to: (i) manage the business and common affairs of the Bank and all other matters delegated by the Board of Directors; (ii) develop the commercial, credit and financial policy of the Bank subject to the goals approved by the Board of Directors; (iii) establish, maintain, eliminate, restructure or move the offices and areas of the administrative and operating organization of the Bank; (iv) establish special committees and approve various operating structures and determine the scope of their functions and duties; (v) approve personnel, including to appoint the General Manager, Assistant Managers, Executive Vice Presidents and other Department Heads and Managers, and to set the amount of their remunerations, working terms and conditions and any other personnel policy measure, including promotions; (vi) propose the establishment, opening, moving or closing of branches, agencies or representatives in the country or abroad; and (vii) supervise the management of subsidiary companies and of the other companies in which the Bank holds a participating interest and to propose to the Board of Directors the incorporation, acquisition or total or partial sale of participating interests in companies in financial services.

The following table sets forth certain relevant information of the members of our executive committee as of December 31, 2013:

Name	Position
Jorge Horacio Brito	Chairman
Jorge Pablo Brito	Director – Coordinator
Marcos Brito	Director

Internal audit committee. The internal audit committee is responsible for supervising the correct functioning of our internal control systems and procedures. Furthermore, this committee reviews our annual and quarterly financial statements, the external auditor’s reports, the syndic’s reports, the relevant financial information and the audit committee’s reports.

The following table sets forth certain relevant information of the members of the internal audit committee as of December 31, 2013:

Name	Position
Jorge Pablo Brito	Director
Juan Pablo Brito Devoto	Director
Guillermo Eduardo Stanley	Director – Independent
Carmen Esther Estévez	Internal audit manager – Coordinator

Systems committee. The systems committee is responsible for the issuance of the systems and operations management policies. Furthermore, this committee verifies that the several management plans are in accordance with our business strategy and oversees the implementation of our strategic projects.

The main functions of the systems committee are to: i) oversee the proper functioning of Information Technology and Systems, ii) contribute to the improvement of the information technology and systems environment effectiveness; iii) note Systems Plan; iv) periodically evaluate the Systems Plan and review its compliance; v) review the reports issued by environmentally related audits of Information Technology and Systems and oversee the implementation of corrective actions designed to stabilize or minimize any weaknesses observed; and vi) maintain timely communication with officials of the External Audit Management Systems Division of the Superintendency in relation with any problems identified in inspections and monitor actions undertaken to solve such problems. The systems committee meets quarterly and prepares a written report which details the topics discussed at each meeting, as well as the points that require further follow-up. This record is sent to the Board of Directors for their knowledge.

The following table sets forth certain relevant information of senior members of the systems committee as of December 31, 2013:

Name	Position
Jorge Pablo Brito	Director
Juan Pablo Brito Devoto	Director
Guillermo Goldberg	Deputy general manager
Ernesto Eduardo Medina	Deputy general manager
Constanza Brito	Human Resources and Organization and Processes manager
Daniel Hugo Violatti	Accountancy and Tax manager
Eduardo Roque Covello	Operations manager
María Milagro Medrano	Institutional relations manager
Claudia Cueto	Systems manager - Coordinator
Brian Anthony	Distribution and Sales Manager

Senior credit committee. The senior credit committee is responsible for the issuance of our credit policy and credit analysis guidelines. Furthermore, this committee reviews and approves credit transactions in excess of Ps. 18,000,000 and examines periodic reports related to our loan portfolio.

The following table sets forth certain relevant information of the senior members of the senior credit committee, as of December 31, 2013:

Name	Position
Jorge Horacio Brito	Chairman
Marcos Brito	Director
Guillermo Goldberg	Deputy general manager
Ana María Magdalena Marcet	Credit risk manager – coordinator
Sebastian Palla	Investment banking manager
Alejandro Becka	Corporate credit risk manager
Juan Carlos Benoit	Business banking manager

Assets and liabilities committee. The assets and liabilities committee is responsible for the financial strategy of the Bank. In addition, it carries on deep market analysis and establishes strategic policies related to the Bank's liquidity, market, interest rate and currency risks.

The following table sets forth certain relevant information of the senior members of our assets and liabilities committee as of December 31, 2013:

Name	Position
Jorge Pablo Brito	Director
Marcos Brito	Director
Luis Cerolini	Director
Guillermo Goldberg	Deputy general manager
Brian Anthony	Distribution and Sales manager
Juan Carlos Benoit	Business banking manager
Francisco Muro	Retail banking manager
Jorge Francisco Scarinci	Financial and Investor relations manager – Coordinator

Anti-money laundering committee. The anti-money laundering committee is responsible for planning, coordinating and monitoring compliance with anti-money laundering policies approved by the Board of Directors and its powers include to: (i) define policies for compliance with anti-money laundering corporate guidelines, (ii) be a permanent forum for the discussion of money laundering and terrorist financing risks that affect the Bank, (iii) promote the definition of strategies controls to prevent money laundering and terrorist financing and implement such controls, (iv) be responsible for the continued update of the manual of procedures for the prevention of money laundering and terrorist financing, in accordance with regulatory changes and new Bank needs, (v) monitor the implementation of a program designed to provide training and raise awareness regarding the prevention and control of money laundering and terrorist financing, (vi) establish appropriate mechanisms for internal reporting of unusual / suspicious activities, (vii) report any unusual or suspicious transactions to the relevant governmental agencies in compliance with applicable regulations, and subsequently inform to the Board of Directors, (viii) provide support to the head of the anti-money laundering committee in the examination of unusual or suspicious transactions, (ix) approve and follow-up on the work program submitted by the anti-money laundering committee for the relevant fiscal year, for which it will report to the Board of Directors and (x) perform any other duties that may be imposed under applicable laws and regulations.

The following table sets forth certain relevant information of the senior members of our anti-money laundering committee as of December 31, 2013:

Name	Position
Luis Cerolini	Director
Juan Pablo Brito Devoto	Director
Guillermo Eduardo Stanley	Independent Director
Alberto Figueroa	Management control and compliance manager
Gerardo Adrián Alvarez	Administration Manager

Senior Legal Recovery committee. The senior legal recovery committee manages outstanding loans on behalf of the Board of Directors, which nevertheless retains its power in that regard. The committee's functions and powers are to: i) approve special recovery policies for different bank segments; ii) analyze and decide on payment or refinancing proposals that are exceptional to specified refinancing policies and reductions and also meet some of the following requirements: -The principal owed is higher than Ps. 500,000; or - implies a capital reduction in excess of Ps. 100,000; iii) analyze and decide on proposals for the termination of account management and the filing of court proceedings for unpaid principal amounts higher than Ps. 500,000; iv) analyze and decide on the selection of Law Firms to manage principal debts in excess of Ps. 500,000; v) discuss and decide on recovery policies or portfolio sales proposed by the Junior Recovery Committee; vi) approve write off of debts higher than Ps. 500,000; vii) determine, in both court and out-of-court tenders, the value of property guaranteeing financing in cases where powers granted exceed the scope of those conferred upon other empowered institutions.

The following table sets forth certain relevant information of the senior members of our Senior Legal Recovery committee as of December 31, 2013:

Name	Position
Jorge Pablo Brito	Director
Marcos Brito	Director
Luis Carlos Cerolini	Director
Ernesto López	Legal manager-coordinator
Ana María Magdalena Marcet	Credit Risk manager

Risk Management Committee: The committee is responsible for monitoring senior management activities involving the management of credit, market, liquidity, operational, compliance and reputational risks, among others. The committee's mission is to supervise that the controls and procedures in place are adequate to mitigate any risk, and to recommend and implement updates to risk management policies and procedures. In addition, this committee gives advice to the Board of Directors regarding the Bank's overall risk. Furthermore, this committee is responsible for notifying the Board of Directors and senior management about any failure to comply with applicable limits to risk exposure, suggesting remedies, such as assuming the risk, mitigating the risk or eliminating the risk.

The following table sets forth certain relevant information of the senior members of our risk management committee as of December 31, 2013:

Name	Position
Jorge Pablo Brito	Director - Coordinator
Constanza Brito	Director
Carlos Videla	Director - Independent
Guillermo Goldberg	Deputy general manager
Ernesto Eduardo Medina	Deputy general manager
Alberto Figueroa	Management control and compliance manager
Ana María Magdalena Marcet	Credit Risk manager

Ethics and Compliance Committee: This committee is responsible for implementing ethic guidelines set forth by the Board of Directors and supervising compliance. In addition, this committee promotes the implementation of the Bank's social responsibility policies and fosters the adoption of such policies by setting forth tools and procedures that will enable management to incorporate social responsibility policies and consequently spread those policies within the Bank.

The following table sets forth certain relevant information of the senior members of our ethic performance and compliance committee as of December 31, 2013:

Name	Position
Jorge Pablo Brito	Director
Carlos Videla	Director - Independent - Coordinator
Constanza Brito	Director
Guillermo Stanley	Director - Independent
Alberto Figueroa	Management control and compliance manager

Nominating and Corporate Governance Committee: This committee is responsible for evaluating the Board of Directors' performance as well as analyzing any possible change or substitution in the Bank's senior management. Nonetheless, this committee does not replace the judgment on performance of the Board of Directors by the shareholders in the annual ordinary shareholders' meeting.

The following table sets forth certain relevant information of the senior members of our nominating and corporate governance committee as of December 31, 2013:

Name	Position
Jorge Pablo Brito	Director
Constanza Brito	Director - Coordinator
Carlos Videla	Director - Independent

Incentives Committee: The committee's main functions are to control that incentives plans to all personnel -excluding directors- is consistent with the business culture, long term business plan, goals, business strategy, the control environment of the Bank and prudent risk taking.

The following table sets forth certain relevant information of the senior members of our incentives committee as of December 31, 2013:

Name	Position
Jorge Pablo Brito	Director
Constanza Brito	Director - Coordinator
Carlos Videla	Director - Independent

D. Employees

As of December 31, 2013 we had 8,708 employees, 38% of whom worked at our headquarters and the remaining 62% at our branches. Our employees are represented by a national bank union, which negotiates a collective bargaining agreement setting minimum wages for all of its members. We maintain good relations with our employees and have never experienced a work stoppage.

Employees	As of December 31,		
	2011	2012	2013
Headquarters	3,175	3,211	3,341
Branches	5,284	5,323	5,367
Total	8,459	8,534	8,708

E. Share Ownership

As of March 31, 2014, the persons who are currently members of our Board of Directors and our Supervisory Committee held as a group a total of 234,879,833 shares of our capital stock. This represented approximately 40% of our outstanding capital stock and 43% of the voting rights as of such date. Other than Jorge Horacio Brito, Delfin Jorge Ezequiel Carballo, Juan Pablo Brito Devoto, Jorge Pablo Brito and Carlos Enrique Videla, no member of our board of directors or our supervisory committee directly or beneficially owned shares as of March 31, 2014. In addition, Alberto Figueroa and Alejandro Becka, members of our senior management, each beneficially owned less than one percent of Class B shares as of March 31, 2014.

The following table sets forth the beneficial ownership of our shares by the members of our Board of Directors and our Supervisory Committee, as of March 31, 2014:

Shareholder Name	Number of Class A shares owned	Number of Class B shares owned	Percentage of Capital stock (%)	Percentage of Voting rights(%)
Jorge Horacio Brito	5,362,889	112,437,822	19.82%	21.78%
Delfin Jorge Ezequiel Carballo	4,895,416	106,805,523(1)	18.79%	20.53%
Juan Pablo Brito Devoto	281,590	4,978,299(1)	0.88%	1.00%
Jorge Pablo Brito	—	112,420	0.02%	0.02%
Carlos Enrique Videla	5,874	—	0.00%	0.00%
Total	10,545,769	224,334,064	39.51%	43.33%

(1) Includes capital stock held in the form of ADSs issued by the Bank of New York.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

As of December 31, 2013, we had 584,485,168 outstanding shares of common stock, consisting of 11,235,670 Class A shares and 573,249,498 Class B shares (not including shares to be issued pursuant the merger with Banco Privado, to be delivered to the former minority shareholders of Banco Privado). Additionally, we hold 10,000,000 Class B shares that have been repurchased by the Bank during 2011, resulting in a total of 594,485,168 shares, all of them with a par value of Ps. 1 per share. Each share of our common stock represents the same economic interests, except that holders of our Class A shares are entitled to five votes per share and holders of our Class B shares are entitled to one vote per share. Other than aforementioned differences among holders of Class A shares and holders of Class B shares, the holders of these shares listed in the table below do not have different voting rights.

The following table sets forth information regarding the ownership of our Class A and Class B shares as of December 31, 2013:

Shareholder Name	Number of Class A shares owned	Number of Class B shares owned	Total	Percentage of capital stock (%)	Percentage of Voting rights (%)
ANSES (as manager of the <i>Fondo de Garantía de Sustentabilidad</i>)	—	184,120,650	184,120,650	30.97%	28.79%
Jorge Horacio Brito	5,362,889	112,737,392	118,100,281	19.87%	21.82%
Delfín Jorge Ezequiel Carballo	4,895,416	106,805,523(1)	111,700,939	18.79%	20.53%
Juan Pablo Brito Devoto	281,590	4,978,299(1)	5,259,889	0.88%	1.00%
Other Shareholders (2)	695,775	358,728,284(3)	359,424,059	60.46%	56.65%
Total	11,235,670	583,249,498	594,485,168(4)	100.00%	100.00%

(1) Includes capital stock held in the form of ADSs issued by the Bank of New York.

(2) Includes the Bank of New York as depositary of ADSs.

(3) Includes 10,000,000 repurchased shares.

(4) Does not include shares to be issued regarding the merger with Banco Privado de Inversiones S.A. to be delivered to the former minority shareholders of Banco Privado.

As of March 31, 2014, we had 584,485,168 outstanding shares of common stock, consisting of 11,235,670 Class A shares and 573,249,498 Class B shares (not including shares to be issued pursuant the merger with Banco Privado, to be delivered to the former minority shareholders of Banco Privado). Additionally, we hold 10,000,000 Class B shares that have been repurchased by the Bank during 2011, resulting in a total of 594,485,168 shares, all of them with a par value of Ps. 1 per share. Each share of our common stock represents the same economic interests, except that holders of our Class A shares are entitled to five votes per share and holders of our Class B shares are entitled to one vote per share. Other than aforementioned differences among holders of Class A shares and holders of Class B shares, the holders of these shares listed in the table below do not have different voting rights.

The following table sets forth information regarding the ownership of our Class A and Class B shares as of March 31, 2014:

Shareholder Name	Number of Class A shares owned	Number of Class B shares owned	Total	Percentage of capital stock (%)	Percentage of Voting rights (%)
ANSES (as manager of the <i>Fondo de Garantía de Sustentabilidad</i>)	—	184,120,650	184,120,650	30.97%	28.79%
Jorge Horacio Brito	5,362,889	112,437,822	117,800,711	19.82%	21.78%
Delfín Jorge Ezequiel Carballo	4,895,416	106,805,523(1)	111,700,939	18.79%	20.53%
Juan Pablo Brito Devoto	281,590	4,978,299(1)	5,259,889	0.88%	1.00%
Other Shareholders (2)	695,775	174,907,204(3)	175,602,979	29.54%	27.90%
Total	11,235,670	583,249,498	594,485,168(4)	100.00%	100.00%

(1) Includes capital stock held in the form of ADSs issued by the Bank of New York

(2) Includes the Bank of New York as depositary of ADSs.

(3) Includes 10,000,000 repurchased shares.

(4) Does not include shares to be issued regarding the merger with Banco Privado de Inversiones S.A. to be delivered to the former minority shareholders of Banco Privado.

The table below represents the evolution of our capital stock and the material changes in equity participation of the major shareholders, in both cases, during the past three years:

Date	Capital Stock (Shares)	Event	Major Shareholders
December 31, 2011	594,485,168		Jorge H. Brito 19.49% Delfín Jorge Ezequiel Carballo 18.79% ANSES (as manager of the <i>Fondo de Garantía de Sustentabilidad</i>) 30.72% Juan Pablo Brito Devoto 0.89%
December 31, 2012	594,485,168		Jorge H. Brito 20.40% Delfín Jorge Ezequiel Carballo 18.79% ANSES (as manager of the <i>Fondo de Garantía de Sustentabilidad</i>) 30.97% Juan Pablo Brito Devoto 0.89%

December 31, 2013	594,485,168	Jorge H. Brito 19.87% Delfín Jorge Ezequiel Carballo 18.79% ANSES (as manager of the <i>Fondo de Garantía de Sustentabilidad</i>) 30.97% Juan Pablo Brito Devoto 0.88%
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B. Related Party Transactions

We are not party to any transactions with, and have not made any loans to, any of our directors, key management personnel or other related persons, nor are there any proposed transactions with such persons, except for those permitted by applicable law. Some of our directors have been involved in certain credit transactions with us. The Argentine Corporate Law and Central Bank Rules allow directors of a corporation to enter into a transaction with such corporation if the transaction is in line with prevailing market practice.

“Related parties” under local regulations, refers to our directors, our key officers, our syndics, our controlling shareholders as well as individuals related to them and any entities directly or indirectly affiliated with any of these parties that are not required to be consolidated.

For the years ended December 31, 2013 2012 and 2011 an aggregate of Ps. 210.6 million, Ps. 204.3 million and Ps. 191.4 million, respectively, in financial assistance granted by us (including loans, leases and guarantees granted) was outstanding to related parties. The largest outstanding amount granted by us (including loans, leases and guarantees granted) to related parties during 2013 was a total amount

of Ps.118.9 million to Inversora Juramento S.A. composed of Ps. 58.1 million of overdrafts (with a 25% average rate), Ps. 41.9 million of other loans (with a 15% average rate), Ps. 16.6 million of credit card loans (with a 27% average rate), Ps 1.7 million of pledge loans (with a 19.75% average rate) and Ps. 0.6 million of leases (with a 19.75% average rate).

All financial assistance to related parties (a) were made in the ordinary course of business; (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and (c) did not involve more than the normal risk of collectibility or present other unfavorable features.

Likewise, as of December 31, 2013, 2012 and 2011, the total amount of deposits made by related parties to the Bank amounted to Ps. 591.1 million, Ps. 489.3 million and Ps. 244.9 million, respectively. In addition, as of December 31, 2013 we held deposits for an aggregate amount of Ps. 466.9 million made by ANSES (as manager of the Fondo de Garantía de Sustentabilidad or Sustainability Guarantee Fund), which we consider “related party” as from April 2011 in accordance with FASB 850 and for purposes of this item (although it is not considered a “related party” under local rules). As of December 31, 2013 ANSES (as manager of the Fondo de Garantía de Sustentabilidad or Sustainability Guarantee Fund) held 30.97% of the Bank’s capital stock and 28.79% of the Bank’s votes, following the issuance of Emergency Decree No. 441 in April 2011.

For further information regarding related party transactions see note 8 to our audited consolidated financial statements for the year ended December 31, 2013.

C. Interest of experts and counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

See Item 18 and our audited consolidated financial statements as of December 31, 2013 included in this annual report.

Legal Proceedings

We are involved in normal collection proceedings and other legal proceedings in the ordinary course of business. We are not involved in any litigation or other legal proceedings that, if adversely determined, would individually or in the aggregate have a material adverse effect on our operations.

For further information regarding Legal proceedings see note 16 “Tax claims and other claims” to our audited consolidated financial statements for the year ended December 31, 2013.

Dividend Policy

Although we do not have, and have no current plans to adopt, a formal dividend policy governing the amount and payment of dividends, we currently intend to pay dividends subject to approval by a majority vote of our shareholders. All shares of our capital stock are *pari passu* with respect to the payment of dividends.

In addition, we are subject to new Central Bank Rules regarding dividends distribution. Under these rules, dividends can not be distributed if after effecting such distribution certain minimum capital requirements are not met. For more information, see Item 4B. “*Argentine banking regulation—Liquidity and Solvency Requirements—Requirements Applicable to Dividend Distribution*”.

The following table sets forth the cash dividends paid to our shareholders from 2003 through 2010. All banks were prohibited by the Central Bank from paying dividends in respect of the results of 2001 and 2002.

Based on financial statements for year ended December 31,	Payment Dates	Dividends per Share (in Pesos)	Aggregate Dividend Payment (in millions of Pesos)
2003	July 2004	0.10	60.9
2004	April 2005	0.05	30.4
2005	May 2006	0.10	68.4
2006	May 2007	0.15	102.6
2007	May 2008	0.25	171.0
2008	September 2009	0.25	149.9(1)
2009	June 2010	0.35	208.1
2010	May 2011	0.85	505.3
2013	(2)	1.02	596.3

- (1) For the fiscal year ended December 31, 2008, dividends paid in cash were Ps.148.3 million based on the outstanding number of shares on the payment dates.
- (2) For the fiscal year ended December 31, 2013, dividends are still pending approval from the Central Bank as of the date of this annual report.

For the fiscal years ended December 31, 2011 and 2012 we were not able to distribute dividends because we did not reach the regulatory threshold for dividend distribution under Central Bank regulations. We cannot assure that in the future we will be able to reach this regulatory threshold for dividend distribution.

Our shareholders' meeting, held on April 29, 2014, resolved to distribute cash dividends in the amount of Ps. 1.02 per outstanding share, which will produce a total distribution of Ps. 596,254,288.56 (584,563,028 outstanding shares after the capital increase approved by the special shareholders' meeting held on June 10, 2013). Deductions in respect of income tax in accordance with Law 26,893 will be deducted from the amount payable to each shareholder, as applicable, at the time dividends are paid. In March 2014 we requested prior authorization from the Central Bank to distribute such dividends, but such authorization was pending as of the date of this annual report.

For more information, see Item 4B. "Argentine banking regulation—Liquidity and Solvency Requirements—Requirements Applicable to Dividend Distribution".

Central Bank and contractual limitations on distribution of dividends

The Central Bank has imposed restrictions on the payment of dividends, substantially limiting the ability of financial institutions to distribute such dividends without its prior consent.

The Central Bank has eased these restrictions through Communication "A" 4,589, as amended by Communication "A" 4,591, "A" 5,072 and others, by providing for a mechanism for the calculation of distributable profits of the financial institutions:

The Superintendency will review the ability of the Bank to distribute dividends upon the Bank's requests for its approval. Such request has to be filed within 30 business days prior to the shareholders meeting that will resolve the approval of the annual financial statements. The Superintendency will authorize the distribution of dividends when none of the following circumstances are verified during the month preceding the request for the payment of dividends:

- (i) we are subject to a liquidation procedure or the mandatory transfer of assets by the Central Bank in accordance with section 34 or 35 bis of the Financial Institutions Law;
- (ii) we are receiving financial assistance from the Central Bank;
- (iii) we are not in compliance with or have failed to comply on a timely basis with our reporting obligations to the Central Bank; or
- (iv) we are not in compliance with minimum capital requirements (both on an individual and consolidated basis) or with minimum cash reserves (on average).

Any distribution of dividends will be authorized only to the extent the Bank complies with the minimum capital and minimum cash requirements calculated considering the proposed distribution and any applicable adjustment established by the regulations in force.

We have consistently obtained authorization from the Central Bank to distribute dividends corresponding to fiscal years 2003 through 2010. Under the new regulations on distribution of dividends, the maximum distributable amount cannot exceed the excess minimum regulatory capital, exclusively considering, to such end, a 75% incremental adjustment to the capital requirement; i.e. the capital remaining after the distribution of dividends must be sufficient to meet the regulatory capital increased by 75% capital. For the fiscal years ended December 31, 2011 and 2012 we were not able to distribute dividends because we did not reach the regulatory threshold for dividend distribution under Central Bank regulations. We have met the regulatory threshold for dividend distribution for the fiscal year 2013 and we are currently awaiting the Central Bank approval to pay dividends for that fiscal year.

We cannot assure that in the future we will be able to reach this regulatory threshold for dividend distribution. For more information, see Item 4B. "Argentine banking regulation—Liquidity and Solvency Requirements—Requirements Applicable to Dividend Distribution".

Additional regulatory and contractual restrictions exist which could affect the distribution of earnings and are included in note 15 of our audited consolidated financial statements as of and for the three years ended December 31, 2013.

Amounts available for distribution and distribution approval process

Under Argentine Corporate Law, declaration and payment of annual dividends, to the extent funds are legally available, is determined by our shareholders at the annual ordinary shareholders' meeting. Generally, but not necessarily, the Board of Directors makes a recommendation with respect to the payment of dividends.

Dividends may be lawfully declared and paid only out of our retained earnings stated in our yearly financial statements according to Central Bank Rules and approved by a shareholders' meeting as described below.

The Board of Directors submits our financial statements for the preceding fiscal year, together with reports thereon by the supervisory committee, at the annual ordinary shareholders' meeting for approval. Within four months of the end of each fiscal year, an ordinary shareholders' meeting must be held to approve the financial statements and determine the allocation of our net income for such year.

Under applicable CNV regulations, but subject to prior Central Bank approval, cash dividends must be paid to shareholders within 30 days of the shareholders' meeting approving such dividends. In the case of stock dividends, shares are required to be delivered within three months of our receipt of notice of the CNV authorization for the public offering of the shares arising paid as dividends. We were not able to make payment of dividends within this term in connection with fiscal years 2003, 2008 and 2009 due to Central Bank's delay in granting its approval. For the fiscal years ended December 31, 2011 and 2012 we were not able to distribute dividends because we did not reach the regulatory threshold for dividend distribution under Central Bank regulations. We are currently awaiting Central Bank approval to pay dividends for the fiscal year ended December 31, 2013, which payment was authorized at our ordinary shareholders' meeting held April 29, 2014.

Legal reserve requirement

According to the Argentine Financial Institutions Law, or the Financial Institutions Law, and Central Bank Rules, we are required to maintain a legal reserve which shall be funded with no more than 20% and no less than 10% of their yearly income. This reserve can only be used during periods in which a financial institution has incurred losses and has exhausted all other reserves. If a financial institution does not comply with the required legal reserve, it is not allowed to pay dividends to its shareholders.

Under Argentine Corporate Law and our bylaws, our yearly net income (as adjusted to reflect changes in prior results) is allocated in the following order: (i) to comply with the legal reserve requirement, (ii) to pay the accrued fees of the members of the Board of Directors and statutory supervisory committee; (iii) to pay fixed dividends, which are applied first to pending and unpaid dividends and holders of preferred stock (if applicable); (iv) for voluntary or contingent reserves, as may be resolved from time to time by our shareholders at the annual ordinary shareholders' meeting; and (v) the remainder of the net income for the year may be distributed as dividends on common stock or as otherwise decided by our shareholders at the annual ordinary shareholders' meeting.

Personal assets tax

Our shareholders approved the absorption of personal asset tax by us for the fiscal year 2013. There can be no assurance that in the future this tax will be absorbed by the Bank. For more information, see "Item 10. Additional Information—E.Taxation—Material Argentine tax considerations relating to our Class B shares and ADSs—Personal Assets Tax".

B. Significant Changes

Except as otherwise disclosed in this annual report, there has been no undisclosed significant change since the date of the most recent annual financial statements included herein.

Item 9. The Offer and Listing

A. Offer and listing details

The table below shows the high and low market prices in Pesos for our Class B shares on the BCBA for the periods indicated:

<u>Banco Macro</u>	<u>Ps. per Class B Share</u>	
	<u>High</u>	<u>Low</u>
2014:		
March	28.20	23.25
February	24.40	19.00
January	25.20	19.80
2013:		
December	28.40	19.50
November	28.10	22.50
October	30.25	21.00
2013	30.25	10.70
2012	12.50	7.35
2011	21.40	8.50
2010	22.50	9.40
2009	12.65	3.36
2014		
1st quarter	28.20	19.00
2013		
4th quarter	30.25	19.50
3rd quarter	21.30	10.70
2nd quarter	15.10	10.80
1st quarter	14.05	11.00
2012		
4th quarter	12.45	8.50
3rd quarter	9.99	7.85
2nd quarter	10.25	7.35

1st quarter	12.50	9.38
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Source: BCBA Bulletin.

The ordinary shares trade on the NYSE in the form of ADSs issued by The Bank of New York, as depositary. Each ADS represents ten ordinary shares. The table below shows the high and low market prices of the ADSs in dollars on the NYSE for the periods indicated.

Banco Macro	US\$ per ADS	
	High	Low
2014:		
March	29.01	21.80
February	23.66	16.42
January	24.55	17.72
2013:		
December	31.47	22.91
November	31.85	24.39
October	32.85	22.75
2013	32.85	13.53
2012	27.06	10.79
2011	51.94	18.09
2010	56.57	23.74
2009	33.85	8.72
2014		
1st quarter	29.01	16.42
2013		
4th quarter	32.85	22.75
3rd quarter	24.00	13.83
2nd quarter	17.25	13.53
1st quarter	19.16	14.18
2012		
4th quarter	18.86	13.18
3rd quarter	16.48	11.28
2nd quarter	19.73	10.79
1st quarter	27.06	19.00

Source: Reuters

B. Plan of Distribution

Not applicable.

C. Markets

Our Class B shares are currently traded on the BCBA under the symbol 'BMA'. Additionally, our ADSs have been trading on the NYSE since March 24, 2006 under the symbol 'BMA'.

Our (i) 9.75% Fixed/Floating Rate Non-Cumulative Junior Subordinated Notes Due 2036 and (ii) 8.50% Notes Due 2017 are all currently listed on both the BCBA and the Luxembourg Stock Exchange.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable

B. Memorandum and Articles of Association

General

We are a financial institution incorporated on November 21, 1966 as a *sociedad anónima*, or a stock corporation, duly incorporated under the laws of Argentina for a 99-year period and registered on March 8, 1967 with the Public Registry of Commerce of Bahía Blanca, Province of Buenos Aires, Argentina, under No. 1154 of Book 2, Folio 75 of *Estatutos*. We subsequently changed our legal address to the City of Buenos Aires and registered it with the IGJ on October 8, 1996 under No. 9777 of Book 119, Volume A of *Sociedades Anónimas*. A translation of our bylaws has been filed as an exhibit to our 2011 annual report on form 20-F filed on April 26, 2012.

As of December 31, 2013, our capital stock consists of Ps. 594,485,168, represented by 11,235,670 common, book-entry Class A shares, with a par value of one Peso each and the right to five votes per share, and 583,249,498 common, book-entry Class B shares, with a par value of one Peso each and the right to one vote per share.

Under our bylaws, we may issue different classes of shares of common stock entitled with one or five votes per share. However, as long as we remain in the public offering regime we cannot issue additional shares of any class of capital stock that could entitle the holder thereof to more than one vote per share. All outstanding shares are fully paid.

Our Class B shares have been listed on the BCBA since November 1994. Our ADSs have been listed in the NYSE since March 24, 2006. Holders of Class A shares are permitted to convert their shares into Class B shares on a one-for-one basis.

Corporate Purpose

Our bylaws sets forth that our corporate purpose is to engage within or outside of Argentina in any banking transaction contemplated and authorized under the Financial Institutions Law and other laws, rules and regulations governing banking activities in the place of performance, under the guidelines and with prior authorization, if appropriate, of the Central Bank. In addition, we are capable of acting as any category of “agent” under the Capital Markets Law and supplementing regulations, in connection with securities in the transactions contemplated under the legal provisions in effect governing the activity, under the guidelines and with the prior authorization, if appropriate, of the CNV. To that effect, we have full legal capacity to develop rights, incur obligations, and execute any kind of act and transaction related thereto. Furthermore, we are capable of having interests in other domestic or foreign financial institutions and or companies with the prior authorization of the Central Bank and in compliance with the rules of such entity, as applicable.

In respect of the different categories of agents established by the Capital Markets Law, effective as of January 28, 2013, and the CNV Rules, we, and certain of our subsidiaries, are in the process of registering with the CNV in one or more of the following categories: negotiation, clearing and settlement agent (ALyC) custody of collective investment products agent (AC PIC FCI), placement and distribution of mutual funds agent (ACYD FCI), financial trustees agent (FF) and nonfinancial trustees agent (FNOF), as applicable.

Shareholders’ liability

Shareholders’ liability for losses of a company is limited to the value of their shareholdings in the company. Under Argentine Corporate Law, however, shareholders who voted in favor of a resolution that is subsequently declared void by a court as contrary to Argentine laws or a company’s bylaws (or regulations, if any) may be held jointly and severally liable for damages to such company, other shareholders or third parties resulting from such resolution. See also “Risk Factors— Our shareholders may be subject to liability for certain votes of their securities”.

Redemption and rights of withdrawal

Our shares are subject to redemption in connection with a reduction in capital by the vote of a majority of shareholders at an extraordinary shareholders’ meeting. Any shares so redeemed must be cancelled by us. Whenever our shareholders approve a spin-off or merger in which we are not the surviving corporation, the change of our corporate legal status, a fundamental change in our corporate purpose, change of our domicile outside of Argentina, voluntary withdrawal from public offering or delisting, our continuation in the case of mandatory delisting or cancellation of the public offering authorization, or a total or partial recapitalization following a mandatory reduction of our capital or liquidation, any shareholder that voted against such action that was approved or did not attend the meeting at which the decision was taken, may withdraw and receive the book value of its shares, determined on the basis of our latest balance sheet prepared or that should have been prepared in accordance with Argentine laws and regulations, provided that such shareholder exercises its appraisal rights within a determined period. However, because of the absence of legal precedent directly on point, there is doubt as to whether holders of ADSs will be able to exercise appraisal rights either directly or through the depositary with respect to Class B shares represented by ADSs. Appraisal rights must be exercised within the five days following the adjournment of the meeting at which the resolution was adopted, in the event that the dissenting shareholder voted

against such resolution, or within 15 days following such adjournment if the dissenting shareholder did not attend such meeting and can prove that he was a shareholder on the date of such meeting. In the case of merger or spin-off, appraisal rights may not be exercised if the shares to be received as a result of such transaction are authorized for public offering or listed. Appraisal rights are extinguished if the resolution giving rise to such rights is revoked at another shareholders' meeting held within 75 days of the meeting at which the resolution was adopted.

Payment on the appraisal rights must be made within one year of the date of the shareholders' meeting at which the resolution was adopted, except when the resolution was to delist our stock or to continue following a mandatory delisting, in which case the payment period is reduced to 60 days from the resolution date.

Preemptive and accretion rights

In the event of a capital increase, a holder of existing common shares of a given class has a preemptive right to subscribe for a number of shares of the same class sufficient to maintain the holder's existing proportionate holdings of shares of that class.

In addition, shareholders are entitled to the right to subscribe on pro-rata basis for the unsubscribed shares remaining at the end of a preemptive rights offering, known as accretion rights.

Holders of ADSs may be restricted in their ability to exercise preemptive rights if an annual report under the Securities Act relating thereto has not been filed or is not effective or an exemption is not available. Preemptive rights are exercisable during the 30 days following the last publication of notice to the shareholders in the Official Bulletin of the Republic of Argentina, or the Official Gazette and an Argentine newspaper of wide circulation. Pursuant to Argentine Corporate Law, in the case of public companies, such 30-day period may be reduced to a minimum of ten days if so approved by the company's shareholders at an extraordinary shareholders' meeting.

Shares not subscribed by the shareholders by virtue of their exercise of preemptive rights or accretion rights may be offered to third parties.

Voting rights

Under our bylaws, each Class A share entitles the holder thereof to five votes at any meeting of our shareholders and Class B shares entitle the holders thereof to one vote per share. However, according to Argentine Corporate Law, shares entitle the holder to only one vote per share to vote the approval of: an early dissolution, a merger or spin-off when we are not the surviving entity, a reduction of capital stock and redemption of shares, a transformation from one type of entity to another, a limitation of shareholders' preemptive rights, a transfer of our domicile outside Argentina, and a fundamental change of our corporate purpose set forth in our bylaws. In such cases Class A shares are entitled to only one vote per share and Class B shares are entitled to only one vote per share. In addition, pursuant to Argentine applicable law, as long as we remain public we cannot issue additional shares of any class of capital stock that could entitle the holder thereof to more than one vote per share.

Rights attaching to shares

Shareholders may not claim the payment of dividends from us once three years have elapsed from the date on which the relevant dividend was made available to such shareholders. For a description of requirements applicable to dividend distribution see *Item 4B. "Argentine banking regulation—Liquidity and solvency requirements—Requirements applicable to dividend distribution"*.

Registration requirements of foreign companies that hold Class B shares directly

There are no restrictions imposed by Argentine law or our by-laws or other organizational documents regarding the rights of non-residents or foreign persons to hold or vote our shares or our ADSs.

Under Argentine regulations, foreign companies that hold shares directly (and not as ADSs) in an Argentine company must register with the IGJ to exercise certain shareholder rights, including voting rights. The registration requires the filing of corporate and accounting documents in order to demonstrate that the foreign shareholder's main activity is conducted outside of Argentina.

Liquidation rights

In the case of our liquidation or dissolution we are requested to communicate such event to the Central Bank, and our assets will be applied to satisfy our outstanding liabilities and proportionally distributed first among our holders of preferred stock as per the terms of the preferred stock, if any. If any surplus remains, it will be proportionally distributed among holders of our common stock.

Other shareholders' rights

In addition to the rights mentioned above, the shareholders of Argentine corporations are entitled to the following additional rights that can not be subject to any kind of limitation or suspension as they protect the minority shareholders in such capacity, (i) the right to participate in the company's profits; (ii) right to be informed and receive information from the company through the syndics or supervisory committee, including the right to request information or reports (shareholders representing at least 2% of the capital stock of the company are entitled to request the syndic or the members of the supervisory committee information related to their functions and certain investigations); (iii) right to request a shareholders' meeting (shareholders representing at least 5% of the capital stock of the company may request the call of a shareholders' meeting); (iv) right to disapprove the performance of the members of the board of directors (the liability of the company's directors and managers shall be extinguished if their performance is later approved by the

shareholders at a shareholders' meeting, or if they resign, provided that such liability is not incurred as a consequence of the violation of the applicable laws or the company's bylaws and if it does not mediate opposition of at least 5% of the capital stock) and (v) right to judicially object those shareholders' meetings resolutions violating the law or company's regulations and a right to ask for a judicial or administrative intervention when the administrator or administrators of a company execute acts or neglect acts whose omission places the company in serious danger.

In addition, according to the Capital Markets Law, the CNV is entitled to (i) appoint supervisors with powers of veto of the resolutions adopted by the board of directors and (ii) separate the board of directors for a period of 180 days when, as determined by the CNV, the interests of the minority shareholders and/or securities holders are affected.

Ordinary and extraordinary meetings

Shareholders' meetings may be ordinary meetings or extraordinary meetings. We are required to convene and hold an ordinary meeting of shareholders within four months of the close of each fiscal year to consider the matters specified in the first two paragraphs of Section 234 of the Argentine Corporation Law, such as the approval of our financial statements, allocation of net income for such fiscal year, approval of the reports of the Board of Directors and the supervisory committee and election and remuneration of directors and members of the supervisory committee. In addition, pursuant to the Capital Markets Law, at an ordinary shareholders' meetings, our shareholders must consider (i) the disposition of, or creation of any lien over, our assets as long as such decision has not been performed under the ordinary course of business; (ii) the execution of administration or management agreements; and (iii) whether to approve the payment of any agreement providing assets or services to us as long as such payment is material when measured against the volume of the ordinary course of business and our shareholders' equity. Other matters which may be considered at an ordinary meeting convened and held at any time include the responsibility of directors and members of the supervisory committee, capital increases and the issuance of certain corporate bonds. Extraordinary shareholders' meetings may be called at any time to consider matters beyond the authority of an ordinary meeting, including amendment of the bylaws, issuance of debentures, early dissolution, merger, spin off, reduction of capital stock and redemption of shares, transformation from one type of entity to another and limitation of shareholders' preemptive rights.

Notices of meetings

Notices of shareholders' meetings are governed by the provisions of Argentine Corporations Law, and in case of publicly traded companies, Capital Markets Law. Furthermore, notice of shareholders' meetings must be published for five days in the Official Gazette, in an Argentine newspaper of wide circulation and in the publications of Argentine exchanges or securities markets in which our shares are traded, at least twenty (20) but not more than forty five (45) days prior to the date on which the meeting is to be held. Such notice must include information regarding the type of meeting to be held, the date, time and place of such meeting and the agenda. If a quorum is not available at such meeting, a notice for a second meeting, which must be held within 30 days of the date on which the first meeting was called, must be published for three days, at least eight days before the date of the second meeting. The above-described notices of shareholders' meetings may be effected simultaneously for the second meeting to be held on the same day as the first meeting, only in the case of ordinary meetings. Shareholders' meetings may be validly held without notice if all shares of our outstanding capital stock are present and resolutions are adopted by unanimous vote of such shares.

Quorum and voting requirements

The quorum for ordinary meetings of shareholders on first call is a majority of the shares entitled to vote, and action may be taken by the affirmative vote of an absolute majority of the shares present that are entitled to vote on such action. If a quorum is not available at the first meeting a second meeting may be held at which action may be taken by the holders of an absolute majority of the shares present, regardless of the number of such shares. The quorum for an extraordinary shareholders' meeting on first call is 60% of the shares entitled to vote, and if such quorum is not available, a second meeting may be held, for which the quorum is 20% of the shares entitled to vote.

Action may be taken at extraordinary shareholders' meetings by the affirmative vote of an absolute majority of shares present that are entitled to vote on such action, except that: the approval of a majority of shares with voting rights (for these purposes non-voting preferred shares shall have voting rights), without application of multiple votes, is required at both the first and second meeting for: (i) the transfer of our domicile outside Argentina, (ii) a fundamental change of the corporate purpose set forth in our bylaws, (iii) our anticipated dissolution, (iv) the total or partial redemption of shares, (v) our merger or spin-off, if we are not the surviving entity, or (vi) the transformation of our corporate legal status, in which cases resolutions shall be adopted by the affirmative vote of the majority of shares with the right to vote. Preferred shares will be entitled to one vote in these circumstances.

Argentine Corporate Law reserves the right to cumulative voting in order to elect up to one third of the directors and one third of the members of the supervisory committee to fill vacancies of the Board of Directors and of the supervisory committee, respectively, sharing such part with candidates voted for by means of the plural system. Cumulative voting is a system designed to protect minority interests, as it gives rise to the possibility, but does not ensure, that minority interests will be able to elect some of their candidates. Each shareholder who votes cumulatively shall have a number of votes equal to the result of multiplying his/her own votes by the number of vacancies. On the other hand, shareholders who vote by the ordinary procedure and those who vote by cumulative vote will compete for the election of one third of the vacancies. The larger the number of vacancies, the greater the possibility that minority groups or shareholders will win positions in the Board of Directors or the Supervisory Committee.

Shareholders' meetings may be called by the Board of Directors or the members of the supervisory committee whenever required by law or whenever they deem it necessary. Also, the board or the members of the supervisory committee are required to call shareholders' meetings upon the request of shareholders representing an aggregate of at least five percent of our outstanding capital stock. If the board or the supervisory committee fails to call a meeting following such a request, a meeting may be ordered by the CNV or by the courts. In order to attend a meeting, a shareholder must also deposit with us a certificate of book-entry shares

registered in its name and issued by Caja de Valores S.A. at least three business days prior to the date on which the meeting is to be held. If so entitled to attend a meeting, a shareholder may be represented by proxy. Proxies may not be granted to our board, members of the supervisory committee, officers or employees.

Election of directors

The shareholders present at any annual ordinary meeting may determine the size of the Board of Directors, provided that there shall be no less than three and no more than 13 directors. Any director so appointed will serve for three fiscal years. If the shareholders elect nine or more board members, each director will be re-elected as a staggered board, to be renewed by thirds, provided that in all cases no less than three directors shall be renewed each time. The annual ordinary shareholders' meeting may also appoint an equal or lesser number of

alternate directors, to hold office for the same term than regular directors, to fill any vacancy in the board occurring for any reason whatsoever, and shall further determine the order of substitution. Alternate directors shall hold office until the regular directors in whose place they have acted as substitutes shall resume office, and in case any such absence is permanent, until the next ordinary meeting of shareholders where at directors shall be appointed. Both regular and alternate directors may be re-elected indefinitely.

Change in capital

Our by-laws do not establish conditions for the changes in our capital more stringent than those conditions imposed by the Argentine Corporate Law. For a description of conditions for the changes in our capital imposed by the Argentine Corporate Law see “Ordinary and extraordinary meetings”.

Purchases of Equity Securities by the Issuer

According to the Capital Markets Law, a stock corporation may acquire the shares issued by it, provided that the public offering and listing thereof has been authorized, subject to the following terms and conditions and those set forth by the CNV. The above-mentioned conditions are: (a) the shares to be acquired shall be fully paid up; (b) there shall be a resolution signed by the board of directors to such effect (duly reported to the Supervisory Committee and the Audit Committee); (c) the acquisition shall be made out of net profits or free or voluntary reserves; and (d) the total amount of shares acquired by the company, including previously acquired shares (and still hold by the company), shall not exceed 10% of the capital stock or such lower percentage determined by the CNV. The shares acquired by the company in excess of such limit shall be disposed of within the term of 90 days after the date of the acquisition originating such excess. The shares acquired by the company shall be disposed of by the company within the maximum term of three years counted as from the date of acquisition thereof or cancelled. Upon disposing of the shares, the issuer shall make a preemptive offer thereof. Such preemptive offer will not be mandatory in certain specific cases, pursuant to which shares may be sold in the open market. For more information, please see Item 16.E.

Anti-takeover provisions

Our bylaws do not contain any provision that would (i) oblige us to disclose information regarding our shareholders; and (ii) have the effect of delaying, deferring or preventing a change in control, the last of which may happen only in the event of a merger, acquisition or public offering for acquisition.

Tender offer regime

Optional mandatory tender offer regime in the case of a change in control

Mandatory tender offer or exchange in Argentina

The mandatory tender offer rules set forth in Capital Markets Law, apply to all companies having publicly traded shares in Argentina. Under such rules, in the event of change of control or acquisition of a significant shareholding, as described below, a company having publicly traded shares will be subject to a mandatory tender offer (“*oferta pública de adquisición*” or OPA) with respect to some or all of the outstanding shares, as described below.

Pursuant to such regulation, the mandatory tender offer will take place when anyone intends to purchase, either directly or indirectly, for cash, either individually or collectively, either in one act or in a series of successive acts during a period of 90 consecutive days, a number of voting shares, subscription rights or stock options, negotiable securities or similar securities which directly or indirectly, and by computing the prior holding of such person, may entitle such person to subscribe, purchase or convert voting shares, shares entitled to or that once exercised grant the right to a “significant share” in the voting capital stock and/or in the votes of a company having publicly traded shares. In such cases, the OPA must be launched by the prospective purchaser within 10 days of having made the decision to participate in such offer, except in those cases expressly mentioned in the CNV rules.

Such obligation is not applicable in cases where the acquisition of the significant share does not imply the acquisition of the company’s control. It also does not apply in cases where there is a change of control as a consequence of a corporate reorganization, merger or split-off. However, the regulation is applicable in certain cases of indirect acquisitions by means of a merger of the purchaser with the controlling shareholding company of the affected company or the taking of control of such controlling shareholding company.

Concept of a “Significant Share”

The regulations establish a duty to effect an offer with respect to a part or all of the outstanding shares depending on the percentage of the capital stock or relating to the votes to be acquired. The regulations provide for the following duties relating to the OPA:

- Whenever the goal is to acquire participation rights equal to or greater than 15% of the capital stock and/or the company's votes, the offer must be made for a number of securities that would enable the purchaser to acquire at least 50% of the voting capital stock of the affected company.
- Whenever an entity already holds participation rights equal to or greater than 15% of the voting capital stock and/or the company's votes but less than 51% of such rights, and the intention is to increase such share of the affected company's capital stock at least 6% during a 12-month period, the offer shall be made on the number of securities representing at least 10% of the voting capital stock of the affected company.
- Whenever participation rights equal to or greater than 51% of the voting capital stock and/or the company's votes are sought, the offer shall be made for the number of securities that would enable the purchaser to obtain 100% of the voting capital stock of the affected company. The application of this stipulation shall have priority over the stipulations discussed in the preceding paragraphs.

Determination of the price of the OPA in the case of a change in control

The price shall be determined by the offeror with the following exceptions:

- Whenever the purchaser would have purchased other securities related to the offering in the prior 90 consecutive days beginning as of the date the price was announced, the price cannot be lower than the highest price the purchaser would have paid in such transactions.
- Whenever the purchaser would have obtained firm sales commitments from the controlling shareholder or other shareholders with the right to take part in the public offering, the price cannot be lower than the price provided for in such commitments.

In order to determine the price, the purchaser shall also consider (“ponderar”) the following criteria, according to the CNV Rules:

(i) book value of the shares; (ii) valuation of the target company according to discounted cash flows (DCF) or other applicable valuation criteria applicable to comparable business; and (iii) average price of the shares for the last six months before the “offer”.

Penalties for breach

Without prejudice to the penalties established by the CNV, the Capital Markets Law provides that purchases of shares of a company in violation of the OPA regime shall be declared irregular and ineffective for administrative purposes by the CNV and cause the auction of the shares acquired on infringement, without prejudice to the penalties that may correspond.

Tender offer regime in the case of a voluntary withdrawal from the public offering and listing system in Argentina

The Capital Markets Law and its regulation also established that when a company, whose shares are publicly offered and listed in Argentina, agrees to voluntarily withdraw from the public offering and listing system in Argentina, it must follow the procedures provided for in the CNV’s regulations and it must likewise launch an OPA for its aggregate shares and/or subscription rights or securities convertible into shares or stock options under the terms provided for in such regulation. It is not necessary to extend the public offering to those shareholders that voted for the withdrawal at the shareholders’ meeting. The public offering can only be made as a purchase and sale and the consideration must be cash.

The acquisition of one’s own shares must be made with liquid and realized profits or with free reserves, whenever paid up in full, and for the amortization or disposition thereof, within the term set forth in section 221 of the Argentine Companies Law and the company must present the CNV with evidence that it has the necessary solvency to effect such purchase and that the payment for the shares will not affect its solvency.

Determination of the price of the OPA in the case of a voluntary withdrawal from the public offering and listing system in Argentina

The price offered should be an equitable price, as such, one must consider the following relevant criteria:

- The equity value of the shares, taking into account a special financial statement for the withdrawal from the public offering system and/or listing.
- The value of the company, in accordance with discounted cash flow criteria and/or ratios applicable to comparable businesses or companies.
- The company’s liquidation value.
- Average quotation prices on the stock exchange where the shares are listed during the six month period immediately preceding the withdrawal application, no matter the number of sessions necessary for such negotiation.
- The consideration offered beforehand, or the placement of the new shares, in the event that a public offering has been made with regard to the same shares or if new shares have been issued, if applicable, during the last year, to be counted as of the date of the agreement for the withdrawal application.

Under no circumstances can the price offered be lower than the average quotation price discussed in this paragraph.

Form and transfer

Our current capital stock is represented by book-entry shares. Our shareholders are required to hold their shares through book-entries directly made by Caja de Valores S.A. in the stock registry of the company carried by Caja de Valores S.A. or through book-entries with brokers, banks and other entities approved by the CNV that have accounts with Caja de Valores S.A., or with the participants of the Caja de Valores S.A.

Caja de Valores S.A. is in charge of maintaining a stock registry on our behalf based on information received from shareholders that choose to hold their shares directly by registration on the stock registry of the company and from participants of the Caja de Valores S.A., and in accordance with Argentine law only those holders listed in the stock registry either directly or through participants of the Caja de Valores S.A. will be recognized as shareholders. Shares held by participants of the Caja de Valores S.A. have the same rights as shares recorded in our shareholders' register.

C. Material Contracts

During the past two years we did not enter into or become a party to any contract that is required to be disclosed under this item.

D. Exchange controls

Exchange rates

On January 7, 2002, the Argentine congress enacted the Public Emergency Law, abandoning over ten years of fixed Peso-U.S. dollar parity at Ps.1.00 per US\$1.00. After devaluing the Peso and setting the official exchange rate at Ps.1.40 per US\$1.00, on February 11, 2002, the government allowed the Peso to float. The shortage of U.S. dollars and their heightened demand caused the Peso to further devalue significantly in the first half of 2002 reaching a value of Ps. 3.8675 per US\$1.00 in June 2002. During the first quarter of 2014, the Peso-U.S. dollar exchange rate has significantly increased, resulting in a devaluation of the Peso by 23% since December 31, 2013. See "Risk Factors—Risks relating to Argentina—Significant devaluation of the capital Peso against the U.S. dollar may adversely affect the Argentine Economy."

The following table sets forth the annual high, low, average and period-end exchange rates for the periods indicated, expressed in Pesos per U.S. dollar and not adjusted for inflation. There can be no assurance that the Peso will not depreciate again in the future, particularly while the restructuring of a substantial portion of Argentina's foreign debt remains unresolved. The Federal Reserve Bank of New York does not report a noon buying rate for Pesos.

	Exchange Rates (Peso per Dollar)			
	High	Low	Average (1)	Period-end
2009	3.8545	3.4497	3.7301	3.7967
2010	3.9857	3.7942	3.9127	3.9758
2011	4.3035	3.9715	4.1302	4.3032
2012	4.9173	4.3048	4.5515	4.9173
2013	6.5180	4.9228	5.4789	6.5180
October 2013	5.9108	5.7995	5.8482	5.9108
November 2013	6.1360	5.9215	6.0149	6.1360
December 2013	6.5180	6.1547	6.3192	6.5180
January 2014	8.0225	6.5430	7.0967	8.0182
February 2014	8.0178	7.7635	7.8565	7.8782
March 2014	8.0098	7.8657	7.9313	8.0098

Source: Central Bank

(1) Based on daily closing price.

The exchange rate on April 24, 2014 was Ps. 8.0080 to US\$ 1.00.

Exchange controls

In January 2002, with the approval of the Public Emergency Law, Argentina declared a public emergency situation in its social, economic, administrative, financial and foreign exchange matters and authorized the Argentine Executive Branch to establish a system to determine the foreign exchange rate between the Peso and foreign currencies and to issue foreign exchange-related rules and regulations. Within this context, on February 8, 2002, through Decree No. 260/2002, the Argentine Executive Branch established (i) a single and free-floating foreign exchange market (hereinafter, "MULC" as per the initials in Spanish) through which all foreign exchange transactions in foreign currency must be conducted, and (ii) that foreign exchange transactions in foreign currency must be conducted at the foreign exchange rate to be freely agreed upon among contracting parties, subject to the requirements and regulations imposed by the Central Bank (please see below for a summary of the main regulations).

On June 9, 2005, through Decree No. 616/2005, the Argentine Executive Branch mandated that (a) all inflows of funds into the local foreign exchange market arising from foreign debts incurred by residents, both individuals or legal entities in the Argentine private

sector, except for those concerning foreign trade financing and primary issuances of debt securities admitted to public offering and listed in self-regulated markets; and (b) all inflows of funds by non-residents channeled through the MULC and aimed at being held in local currency, acquiring all types of financial assets or liabilities in the financial or non-financial private sector (except for foreign direct investments and primary issuances of debt securities and shares admitted to public offering and listed in self-regulated markets), and investments in securities issued by the public sector and acquired in secondary markets, must meet the following requirements: (a) such inflows of funds may only be transferred outside the local foreign exchange market at the expiration of a term of 365 calendar days as from the date of settlement of such funds into Pesos; (b) the proceeds of such inflows of funds must be credited to an account in the local banking system; (c) a non-transferable and non-interest-bearing deposit for 30% of the amount of the transaction must be kept in Argentina for a period of 365 calendar days, in accordance with the terms and conditions set forth in the applicable regulations (the "Deposit"); and (d) the Deposit is to be denominated in U.S. dollars and held in Argentine financial institutions and it may not be used to guarantee or as collateral of any type of credit transactions. The requirements of Decree 616/2005 were subsequently eased, as detailed below.

Within this context and pursuant to Communication “A” 4359, the Central Bank issued regulations relating to the Deposit, which must be made as soon as foreign currency is transferred into Argentina through the MULC in the following cases:

- (a) financial indebtedness incurred by the financial sector and by the private, non-financial sector, except for primary issuances of publicly traded and listed debt securities;
- (b) primary issuance of shares by resident companies whose shares are neither registered for public offering nor listed in any self-regulated market, to the extent they do not qualify as “foreign direct investment;”
- (c) portfolio investments by non-residents to be applied to holdings of local currency and financial assets and liabilities in the financial sector and in the private, non-financial sector, to the extent they do not relate to the primary issuance of publicly traded and listed debt securities or publicly traded and listed shares issued by resident companies; and
- (d) portfolio investments by non-residents to be applied to the acquisition of rights in secondary markets concerning securities issued by the public sector.

On the basis of Resolution No. 365/2005 of the Ministry of Economy and Production, starting on June 29, 2005, inflows of funds resulting from the following transactions are also subject to the Deposit, pursuant to Communication “A” 4377:

- (a) Portfolio investments by non-residents to be applied to the primary subscription of securities issued by the Central Bank.
- (b) Proceeds from the sale of off-shore assets by private sector residents, in the amount that exceeds US\$2,000,000 per calendar month, in the aggregate of the institutions authorized to conduct foreign exchange transactions.

In addition, pursuant to Resolution No. 637/2005 of the Ministry of Economy and Production, starting on November 17, 2005, all inflows of funds into the local foreign exchange market aimed at the subscription of primary issuances of notes, bonds or participation certificates issued by the trustee of a trust, either admitted or not to public offering and regardless of their being listed in self-regulated markets, are required to comply with the Deposit in so far as the inflow of funds for the acquisition of any of the trust assets would be subject to the Deposit (Communication “B” 8599).

For foreign currency inflows denominated other than in U.S. dollars, the foreign exchange rates to be considered upon determining the amount of the Deposit are those applicable to repo transactions at the close of the foreign exchange market as quoted by *Banco de la Nación Argentina* on the business day immediately preceding the date when the Deposit is made. The following transactions are the main exceptions to the Deposit:

- 1) foreign currency settlements by residents resulting from foreign currency-denominated loans granted by local financial institutions;
- 2) inflows of foreign currency into the foreign exchange market due to direct investment contributions in Argentina (i.e., investments in real estate or ownership interests of at least 10% in the capital stock or voting rights of local companies) and sales of ownership interests in local companies to direct investors, to the extent certain documentation set forth by Communication “A” 4762 (as amended) is presented;
- 3) all types of inflows of funds into Argentina by Multilateral and Bilateral Credit Agencies and Official Credit Agencies (as listed in the Exhibit to Communication “A” 4662, as subsequently amended and complemented from time to time) either directly or through their related agencies, in so far as such funds pertain to transactions conducted in full compliance with their purposes (Communication “A” 4377);
- 4) financial indebtedness with non-resident creditors of the financial sector and of the private, nonfinancial sector, to the extent the proceeds from the foreign exchange settlement are simultaneously applied, net of taxes and expenses, to: (i) the acquisition of foreign currency to repay external debt services and (ii) the formation of long-term off-shore assets (Communication “A” 4377);
- 5) financial indebtedness with non-resident creditors of the private, non-financial sector, to the extent it has been incurred and repaid in an average term of not less than two years, including principal and interest payments, and the loan proceeds are applied to investments in non-financial assets (Communication “A” 4377);
- 6) inflows into the foreign exchange market arising from repatriations of off-shore assets of resident legal entities, when the proceeds from the sale of such assets are destined for the acquisition of non-financial assets as listed under Communications “C” 42303, 42884, 44670 y 46394;
- 7) inflows of funds into the foreign exchange market arising from repatriations of resident individuals and legal entities’ external off-shore assets, when the proceeds from the sale of such assets are destined for new capital contributions into resident companies and such companies apply them to the acquisition of non-financial assets as listed in Communications “C” 42303, 42884, 44670 y 46394;

The following is a description of the main aspects of Central Bank regulations concerning inflows and outflows of funds in Argentina.

Inflow of Capital

Capital

Foreign indebtedness incurred by (a) the private non-financial sector in connection with bonds and financial loans; and (b) the financial sector in connection with bonds, financial loans (including repos of securities), and offshore financial credit lines, are to be settled through the MULC (Communication “A” 5265).

Debt issuances by the private (financial and non-financial) sector denominated in foreign currency, with principal and interest payments not solely payable in Pesos in Argentina are to be subscribed in foreign currency and the proceeds must be settled through the MULC (Communication “A” 5265).

Transfer and settlement of such funds through the foreign exchange market shall be conducted within a term of up to 30 calendar days as from the date of the disbursement abroad and shall be subject to the rules and regulations in force on the date the foreign currency is settled through the MULC (Communication “A” 5265).

Any new financial indebtedness channeled through the MULC and any debt renewal with foreign creditors incurred by Argentine residents from the financial sector and from the private, non-financial sector, must be agreed and maintained for terms of at least 365 calendar days as from the date of settlement of the funds or renewal of the debt, as applicable, and they may not be prepaid before the lapse of said term, irrespective of the manner of cancellation of the obligation to the foreign creditor and of whether said cancellation is effected with or without access to the MULC (Communication “A” 5265).

Exempted from the provisions described in the preceding paragraph are the primary issuances of publicly traded and listed securities.

Outflow of Capital

Payment of Services

Remittances abroad for the payment of services rendered by non-residents are allowed (Communication “A” 5264, as amended). Access to the MULC for such payments requires the filing of documentation by residents evidencing the authenticity of the transaction related to the type of service rendered and the amount to be transferred abroad. Additionally, certain items including, among others, royalties, patents and trademarks, technical or professional assistance and commercial commissions, may require previous authorization from the Central Bank in specific circumstances, that is, whenever (a) the beneficiary is a person (natural or legal entity) (i) related to the local debtor either directly or indirectly or (ii) located in a tax haven jurisdiction or (iii) when the payment abroad is performed in a tax haven jurisdiction, and (b) the contracts involved generate payments or new debt (in the calendar year, at the foreign exchange local market concept code level and regarding the debtor) over US\$ 100,000 (Communication “A” 5295).

Payment of Profits (Interest, Earnings and Dividends)

Access to the MULC is granted for the payment of interest by the private, non-financial sector and in the financial sector (Communication “A” 5264 as amended), in accordance with the following terms: (1) if applicable regulations allow the repayment of the debt corresponding to such interest payment and if all general regulatory requirements related to principal repayment are met; (2) if the settlement of the currency is made within 5 calendar days of the maturity date of each interest payment; (3) the interest payment is for the unpaid amounts accrued from the date of settlement of the foreign currency originating the foreign indebtedness or within 48 hours from the date of disbursement of the funds abroad and until settlement thereof through the MULC (within 48 hours from disbursement).

In addition, access to the MULC is permitted for remittances abroad to pay earnings and dividends insofar as they arise from closed and audited financial statements (Communication “A” 5264).

In order to proceed with remittances abroad for payment of interest on debt of all types, earnings and dividends, the entities involved must first verify that the debtor has complied with the reporting of (1) outstanding foreign indebtedness imposed under Communication “A” 3602 dated May 7, 2002 and (2) direct investments pursuant to Communication “A” 4237 dated November 10, 2004, if applicable.

Financial Debts

Payment of principal under foreign financial indebtedness incurred by Argentine residents in the financial sector and in the private, non-financial sector (except in the case of payment of primary issuances of publicly traded and listed debt securities) may only proceed after the expiration of a 365 calendar-day term as from the date of settlement of the loan proceeds or any other applicable minimum term imposed that may apply.

Access to the MULC for the prepayment of principal under foreign indebtedness incurred by Argentine residents of the private, non-financial sector, is allowed, at any time within 10 business days prior to maturity, to the extent the applicable minimum stay-period has been complied with.

In addition, access to the MULC before such 10-business-days term is allowed if:

- a) the payment is entirely financed with external funds destined to capital contributions, or
- b) the payment is entirely financed with new foreign loans granted by international financial institutions and agencies, official foreign credit agencies and foreign banks, and to the extent that: (i) such payment were expressly established as a condition to grant the new credits, and (ii) such payment does not imply an increase in the current value of the foreign indebtedness of the debtor.

Finally, regarding access to the MULC for the payment of interest accrued on unpaid debts or debts canceled simultaneously with the payment of interest, the purchase of foreign currency in the MULC may be completed in a period not in excess of 5 business days prior to the due date of each installment of interest computed in arrears, excluding the possibility of calculating the amount on accrued interests.

Other Regulations

Sales of Foreign Currency to Non-residents

Communication “A” 4662 as subsequently amended, published a restatement of, as well as newly-issued, regulations applicable to access to the MULC by non-residents (as per the definitions contained in the IMF’s Balance of Payments Manual, fifth edition, chapter IV).

In this respect, no prior Central Bank approval is required for any of the following transactions conducted by non-residents in so far as all the requirements imposed in each case have been met:

- 1. Purchase of foreign currencies for remittances abroad provided that the documentation prescribed by the previously mentioned regulations has been furnished, in the examples stated below, when transactions relate to, or pertain to collections in Argentina, of:

- 1.1. financial indebtedness originating in external loans of non-residents;
- 1.2. recovery of claims in local bankruptcy proceedings and collection of debts under reorganization proceedings to the extent that the non-resident client has been recognized as a creditor by a final non-appealable decision of the court of such proceedings;
- 1.3. repatriations of direct investments in companies in the private, non-financial sector, which are not the controlling companies of local financial entities, provided that the investor has maintained such direct investment for at least 365 calendar days, for the following purposes:
 - 1.3.1. sale of the direct investment;
 - 1.3.2. final liquidation of the direct investment;
 - 1.3.3. capital reduction decided by the local company; and
 - 1.3.4. reimbursement of irrevocable contributions by the local company;

Pursuant to Communication “A” 5237 direct investments disbursed from October 28, 2011, need to be previously transferred into Argentina through the MULC to gain access to the MULC for repatriation. This requirement is made extensible to direct investments related to purchases of local assets by non-residents from other non-residents directly or indirectly controlled by residents, if such local asset was acquired by the non-resident seller after October 27, 2011. In case of transfers of direct investments among non-residents, the inflow requirement shall be met if the non-resident seller transferred the funds into Argentina when the original investment was made, or if such transfer was not mandatory at that time (i.e. the investment was disbursed prior to October 28, 2011).

- 1.4. collections of interest payments or sales proceeds of other portfolio investments (and their profits) provided that, in the aggregate, they do not exceed the equivalent of US\$500,000 per calendar month per individual or legal entity, in all of the entities authorized for dealing in foreign exchange, provided the funds were transferred into Argentina through the MULC at least 365 days prior to the repatriation date. These portfolio investment repatriations include, but are not limited to, portfolio investments in shares and ownership interests in local companies, investments in mutual funds and local trusts, purchases of portfolios of loans granted to residents by local banks, purchases of invoices and promissory notes for local business transactions, investments in local bonds issued in Pesos and in foreign currency payable locally, as well as purchases of other internal receivables.

Repatriations of direct and portfolio investments are subject to prior Central Bank approval when the beneficiary is located in a tax haven jurisdiction (Communication “A” 4940).

1.5. indemnifications awarded by local courts in favor of non-residents; and

1.6. payments of Argentine imports; and

2. purchases of foreign currency by international organizations and institutions acting as official export credit agencies, as listed in Communication “A” 4662 (as amended and supplemented).

Any transactions not covered by Communication “A” 4662, as amended, are subject to prior Central Bank approval.

Formation of Off-shore Assets by Residents

Communication “A” 5526, has rearranged and set forth new regulations, effective as from January 27, 2014, concerning access to the MULC for the formation of off-shore assets, with and without specific allocation by resident individuals and legal entities not authorized to deal in foreign exchange, certain trusts and other estates domiciled in Argentina, as well as by local governments.

Such regulations allow access to the MULC to Argentine residents for the formation of off-shore assets when the regulatory requirements are met for each particular situation and the rest of the transactions are subject to the previous authorization from the Central Bank.

Access to the MULC is allowed for the purchase of off-shore assets with a specific application to local assets for the following transactions:

1. purchases of foreign currency bills by local governments for their deposits in local accounts held in financial institutions in accordance with the conditions imposed on disbursements of loans granted by International Agencies;
2. purchases of foreign currency bills for their deposit in local bank accounts with the concept code “Purchase of foreign currency for its application to investment projects” immediately upon receiving the proceeds from the financings contemplated in Communication “A” 5265 (7.1 and 7.3) and subject to the compliance of the conditions set forth therein;
3. purchases of foreign currency bills by state-owned companies and companies under the control of the government and trusts set up with Argentine public sector funds acquired for their deposit in local accounts used as collateral, in order to guarantee letters of credit or other bank guarantees to secure imports of goods into Argentina and in so far as the funds used for the purchase have been contributed by the Argentine Treasury and the remaining conditions set forth in paragraph 2.3 of the annex of Communication “A” 5526, as have been met;
4. purchases of foreign currency bills for deposit in local accounts by companies in the non-financial private sector, which carry overdue unpaid debts to foreign creditors and that as of the date of access to the MULC have submitted a debt refinancing proposal to their foreign creditors (the acquired amounts must not exceed the amount of the debt principal and interest payments overdue according to the original repayment schedule or 75% of any cash payments included in the refinancing proposal and the remaining conditions set forth in paragraph 2.4 of the annex of Communication “A” 5526, must have been met as well);
5. purchases of foreign currency bills by mutual funds to pay, in Argentina, for the redemption of shares held by clients outside the scope of paragraph 1.b. of Communication “A” 4377 (public sector) and to the extent that foreign currency for the same amount has been received to that end;
6. purchases of foreign currency bills by stock exchange agents in Argentina who comply with the conditions set forth in paragraph 2.6. of the annex of Communication “A” 5526, as amended, and that are applied -within the next 24 business hours following the settlement of the currency- to the payment of securities issued by non-residents and listed in Argentina and abroad purchased from clients outside the scope of paragraph 1.b. of Communication “A” 4377; and

With regard to the formation of off-shore assets by residents without a mandatory specific subsequent application, resident individuals have access to the MULC for the purchase of foreign currency according to their incomes declared to the Argentine tax authority and other relevant parameters. The amount that resident individuals can purchase under this concept code will be determined by the “Foreign Exchange Transactions Consult Program” available on the website of the Argentine tax authority.

Pursuant to Communication “A” 5245, dated November 10, 2011 (as amended and supplemented), all entities authorized to operate in foreign exchange must obtain prior approval by the Argentine tax authorities to execute any foreign exchange transactions on behalf of their clients, as set forth by the “Foreign Exchange Transactions Consult Program.” Transactions by local governments, international organizations and institutional export credit agencies listed in communication “A” 4662 (as amended and supplemented), diplomatic and consular offices and personnel, and local offices of certain foreign governments and international organizations, are exempted from the program. The prior approval is not applicable to the sale of foreign currency for purposes different to formation of off-shore assets by residents without a specific subsequent application and for travelling and tourism purposes.

Direct Investments Report

Communication “A” 4237 dated November 10, 2004 established reporting requirements in connection with direct investments made by local residents abroad and by non-residents in Argentina. Direct investments are defined as those that reflect the long-standing interest of a resident in one economy (direct investor) in another economy’s resident entity, such as an ownership interest representing at least 10% of a company’s capital stock or voting rights. The reporting requirements prescribed by this Communication “A” 4237 are to be met on a bi-annual basis.

Capital Markets

Securities-related transactions carried out through stock exchanges and authorized securities markets must be paid using one of the following mechanisms: (a) in Pesos, (b) in foreign currency through electronic fund transfers from and to sight accounts in local financial institutions and (c) through wire transfers against foreign accounts. Under no circumstance shall the settlement of these capital markets transactions be made in foreign currency bills or through deposits in escrow accounts or in third-party accounts (Communication “A” 4308). Additionally, Communication “A” 4864, in force as of November 3, 2008, further rules that the purchase and subsequent sale of securities in stock exchanges and authorized markets require previous authorization from the Central Bank, unless the securities have been kept in the seller’s portfolio for a minimum period of 72 business hours following the settlement of their purchase.

Report of Issuances of Securities and Other Foreign Indebtedness of the Private Financial and Non-financial Sector

Pursuant to Communication “A” 3602 dated May 7, 2002, as amended, all individuals and legal entities in the private financial and non-financial sector must report their outstanding foreign indebtedness (whether Peso or foreign currency-denominated) at the end of each quarter. The debts incurred and repaid within the same calendar quarter need not be reported.

E. Taxation

Material U.S. federal income tax considerations relating to our Class B shares and ADSs

The following discussion is a summary of the material U.S. federal income tax considerations relating to the purchase, ownership and disposition of our Class B shares or ADSs. This discussion applies only to beneficial owners of Class B shares or ADSs that are “U.S. holders” (as defined below) that hold Class B shares or ADSs as “capital assets” (generally, property held for investment). This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), final, temporary and proposed Treasury regulations, administrative pronouncements of the IRS and judicial decisions, all as currently in effect and all of which are subject to change (possibly on a retroactive basis) and to different interpretations. This discussion does not purport to address all U.S. federal income tax considerations that may be relevant to a particular U.S. holder, and you are urged to consult your own tax advisor regarding your specific tax situation. The discussion does not address the tax considerations that may be relevant to U.S. holders in special tax situations, such as:

- dealers in securities or currencies;
- insurance companies;
- holders liable for the Medicare tax on net investment income;
- individual retirement accounts and other tax deferred accounts;
- tax-exempt organizations;
- traders in securities that elect to mark to market;
- certain financial institutions;
- partnerships or other pass-through entities;
- holders whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- U.S. expatriates;
- holders that hold Class B shares or ADSs as part of a hedge, straddle, conversion transaction, constructive sale transaction or other integrated transaction;
- holders that own, directly, indirectly, or constructively, 10% or more of the total combined voting power of our shares;
- real estate investment trusts; or
- regulated investment companies.

This discussion does not address the estate, gift, or alternative minimum tax consequences of holding Class B shares or ADSs or the indirect consequences to holders of equity interests in partnerships or other entities that own our Class B shares or ADSs. Moreover, this discussion does not address the state, local, or non-U.S. income or other tax consequences of an investment in our Class B shares or ADSs, or any aspect of U.S. federal taxation other than income taxation.

While we do not believe that we are currently a passive foreign investment company (a “PFIC”), it is not entirely clear whether we were a PFIC in the past and we cannot preclude with certainty that we may be a PFIC in any future periods. As discussed below under “Passive Foreign Investment Companies”, the application of the PFIC rules to banks is unclear under present U.S. federal income tax law. If we were treated as a PFIC in the past or if we are treated as a PFIC in any future periods, a U.S. holder that held our Class B Shares or ADSs while we were or are a PFIC could be subject to unfavorable U.S. tax consequences. You should carefully consider the discussion under “Passive Foreign Investment Companies” and consult your own tax advisor regarding the consequences of investing in a PFIC. Unless otherwise noted, the following discussion assumes that we are not a PFIC.

You should also consult your own tax advisor regarding the U.S. federal, state, local, and foreign income and other tax consequences of purchasing, owning and disposing of our Class B shares or ADSs in your particular circumstances.

For the purposes of this discussion, you are a “U.S. holder” if you are a beneficial owner of Class B shares or ADSs and you are for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or any other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (i) 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 (ii) the trust has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

If a partnership holds our Class B shares or ADSs, the tax treatment of a partner in such partnership will generally depend upon the status of the partner and upon the activities of the partnership. A prospective investor who is a partner of a partnership holding our Class B shares or ADSs should consult its own tax advisor.

In general, for U.S. federal income tax purposes, U.S. holders that are beneficial owners of ADSs will be treated as the beneficial owners of the Class B shares represented by those ADSs.

Taxation of Dividends. Distributions of cash with respect to the Class B shares or ADSs (other than distributions in redemption of the Class B shares that are treated as sales or exchanges under Section 302(b) of the Code or upon our liquidation) will, to the extent made from our current or accumulated earnings and profits as determined under U.S. federal income tax principles, constitute dividends for U.S. federal income tax purposes. Whether such current or accumulated earnings and profits will be sufficient for all such distributions on the Class B shares or ADSs to qualify as dividends for U.S. federal income tax purposes depends on our future profitability and other factors, many of which are beyond our control.

We do not currently maintain calculations of our earnings and profits under U.S. federal income tax principles. Unless and until these calculations are made, distributions should be presumed to be taxable dividends for U.S. federal income tax purposes. As used below, the term “dividend” means a distribution that constitutes a dividend for U.S. federal income tax purposes. In general, cash dividends (including amounts withheld in respect of Argentine taxes) paid with respect to:

- the Class B shares generally will be includible in the gross income of a U.S. holder as ordinary income on the day on which the dividends are received by the U.S. holder; or
- the Class B shares represented by ADSs generally will be includible in the gross income of a U.S. holder as ordinary income on the day on which the dividends are received by the depositary;

and, in either case, these dividends will not be eligible for the dividends received deduction allowed to corporations. To the extent that a distribution by us exceeds the amount of our earnings and profits, it will be treated as a non-taxable return of capital to the extent of the U.S. holder’s adjusted tax basis in the Class B shares or ADSs, and thereafter as capital gain.

Subject to certain exceptions for short-term and hedged positions, the amount of dividends received by certain U.S. holders (including individuals) with respect to the ADSs will be subject to taxation at a maximum rate of 20% under current law if the dividends represent “qualified dividend income”. Dividends paid on the ADSs will be treated as qualified dividend income if (i) the ADSs are readily tradable on an established securities market in the United States and (ii) we were not in the year prior to the year in which the dividend was paid, and are not in the year in which the dividend is paid, a PFIC. Under current guidance issued by the IRS, the ADSs should qualify as readily tradable on an established securities market in the United States so long as they are listed on the NYSE, but no assurances can be given that the ADSs will be or remain readily tradable under future guidance. While we do not believe that we are currently a PFIC, see below for a discussion of our potential PFIC classification.

Based on existing IRS guidance, it is not entirely clear whether dividends received with respect to the Class B shares will be treated as qualified dividend income, because the Class B shares are not themselves listed on an established securities market in the United States. In addition, the U.S. Treasury Department has indicated that it continues to consider whether detailed information reporting guidance is necessary pursuant to which holders of ADSs or Class B stock and intermediaries through whom such securities are held will be permitted to rely on certifications from issuers to establish that dividends are treated as qualified dividend income. However, no such detailed procedures have yet been issued and therefore we are not certain that we will be able to comply with them. You should consult your own tax advisors regarding the availability of the preferential dividend tax rate in light of your own particular circumstances.

Dividends paid in Pesos will be includible in the gross income of a U.S. holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day they are received by the U.S. holder, in the case of Class B shares, or the depositary, in the case of

Class B shares represented by ADSs, regardless of whether the payment is in fact converted to U.S. dollars. If dividends paid in Pesos are converted into U.S. dollars on the day they are received by the U.S. holder or the depositary, as the case may be, U.S. holders should not be required to recognize foreign currency gain or loss in respect of the dividend income. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is included in the gross income of a U.S. holder through the date such payment is converted into U.S. dollars (or otherwise disposed of) will be treated as U.S. source ordinary income or loss. However, U.S. holders should consult their own tax advisors regarding the treatment of any foreign currency gain or loss if any Pesos received by the U.S. holder or the depositary are not converted into U.S. dollars on the date of receipt.

A U.S. holder will be entitled, subject to a number of complex limitations and conditions, to claim a U.S. foreign tax credit in respect of any Argentine income taxes withheld on dividends received on shares. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, the dividends should generally constitute “passive category income,” or in the case of certain U.S. holders, “general category income”. U.S. holders who do not elect to claim a credit for any foreign taxes paid during the taxable year may instead claim a deduction of such Argentine income taxes, provided that the U.S. holder elects to deduct (rather than credit) all foreign income taxes paid or accrued for the taxable year. Dividends received with respect to the Class B shares or ADSs will be treated as foreign source income, which may be relevant in calculating a U.S. holder’s foreign tax credit limitation. The rules relating to computing foreign tax credits or deducting foreign taxes are extremely complex, and U.S. holders are urged to consult their independent tax advisors regarding the availability of foreign tax credits with respect to any Argentine income taxes withheld from a dividend on the Class B shares or ADSs. The IRS has expressed concern that intermediaries in connection with depositary arrangements may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. persons who are holders of depositary shares. Accordingly, investors should be aware that the discussion above regarding the availability of foreign tax credits for Argentine withholding tax on dividends paid with respect to Class B shares represented by ADSs could be affected by future action taken by the IRS.

Taxation of Capital Gains. Deposits and withdrawals of Class B shares by U.S. holders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

In general, gain or loss realized by a U.S. holder on the sale, redemption or other taxable disposition of Class B shares or ADSs will be subject to U.S. federal income taxation as capital gain or loss in an amount equal to the difference between the amount realized (including the gross amount of the proceeds of the sale or other taxable disposition before the deduction of any Argentine tax) on the taxable disposition and such U.S. holder’s adjusted basis in the Class B shares or the ADSs. Capital gains of certain non-corporate U.S. holders, including individuals, derived with respect to capital assets held for more than one year may be eligible for various reduced rates of taxation. For example, for capital assets held for over one year, the maximum rate of tax under current law generally will be 20% (rather than the higher rates of tax generally applicable to items of ordinary income). The deductibility of capital losses is subject to limitations. Any gain or loss realized by a U.S. holder will generally be treated as a U.S. source gain or loss for U.S. foreign tax credit purposes.

If Argentine withholding tax is imposed on the sale or disposition of Class B shares or ADSs, the amount realized by a U.S. holder will include the gross amount of the proceeds of such sale or disposition before deduction of the Argentine withholding tax. The availability of U.S. foreign tax credits for these Argentine taxes and any Argentine taxes imposed on distributions that do not constitute dividends for U.S. tax purposes is subject to various limitations and involves the application of rules that depend on a U.S. holder’s particular circumstances. In particular, because any gain from the sale or other disposition of Class B shares or ADSs generally will be treated as U.S. source income, a U.S. holder may not be able to fully utilize its U.S. foreign tax credits in respect of such Argentine withholding taxes unless such U.S. holder has other income from foreign sources. U.S. holders are urged to consult their own tax advisors regarding the application of the U.S. foreign tax credit rules to their investment in, and disposition of, Class B shares or ADSs.

Passive Foreign Investment Companies. U.S. holders should carefully consider the discussion below regarding our potential treatment as a PFIC for U.S. federal income tax purposes.

In general, if during any taxable year of a non-U.S. corporation, 75% or more of the corporation’s gross income consists of certain types of “passive” income, or the average value of the “passive assets” of the corporation (generally assets that generate passive income) is 50% or more of the average value of all the corporation’s assets, the corporation will be treated as a PFIC under U.S. federal income tax law. Passive income for this purpose generally includes interest, dividends, royalties, rents and gains from commodities and securities transactions. Certain exceptions are provided, however, for passive income derived in the conduct of an active business.

We do not believe that we are currently a PFIC. However, we have been unable to determine with certainty whether we were a PFIC in the past because the application of the PFIC rules to banks is unclear under present U.S. federal income tax law. Banks generally derive a substantial part of their income from assets that are interest bearing or that otherwise could be considered passive under the PFIC rules. The IRS has issued a notice and has proposed regulations that exclude from passive income any income derived in the active conduct of a banking business by a qualifying foreign bank (the “active bank exception”). The IRS notice and proposed regulations have different requirements for qualifying as a foreign bank, and for determining the banking income that may be excluded from passive income under the active bank exception. Moreover, the proposed regulations have been outstanding since 1995 and will not be effective unless finalized.

Because final regulations have not been issued and because the definition of banking income for purposes of the active bank exception is unclear under both the notice and the proposed regulations, our status under the PFIC rules is subject to uncertainty. We conduct, and intend to continue to conduct, a significant banking business, and therefore we believe we should qualify as an active

foreign bank. However, there can be no assurance that a sufficient amount of our assets will be treated as generating qualifying banking income to avoid our characterization as a PFIC. In particular, we have in the past held a significant amount of cash and securities that may have been considered passive assets, even if we are treated as an active foreign bank. Accordingly, U.S. holders that held our Class B shares or ADSs in certain periods in the past (with respect to which it is not entirely clear whether we were a PFIC) or persons that are U.S. holders of our Class B shares or ADSs in any future periods in which we are a PFIC (with respect to which we cannot preclude with certainty) could be subject to U.S. federal income tax under the rules described below. U.S. holders should consult their tax advisors regarding this issue.

If we are treated as a PFIC for any taxable year, a U.S. holder would be subject to special rules (and may be subject to increased tax liability and form filing requirements) with respect to (a) any gain realized on the sale or other disposition of Class B shares or ADSs, and (b) any “excess distribution” made by us to the U.S. holder (generally, any distribution during a taxable year in which distributions to the U.S. holder on the Class B shares or ADSs exceed 125% of the average annual distributions the U.S. holder received on the Class B shares

or ADSs during the preceding three taxable years or, if shorter, the U.S. holder's holding period for the Class B shares or ADSs). Under those rules, (a) the gain or excess distribution would be allocated ratably over the U.S. holder's holding period for the Class B shares or ADSs, (b) the amount allocated to the taxable year in which the gain or excess distribution is realized and to taxable years before the first day on which we became a PFIC would be taxable as ordinary income, (c) the amount allocated to each prior year in which we were a PFIC would be subject to U.S. federal income tax at the highest tax rate in effect for that year and (d) the interest charge generally applicable to underpayments of U.S. federal income tax would be imposed in respect of the tax attributable to each prior year in which we were a PFIC. In addition, as discussed above, a U.S. holder would not be entitled to (if otherwise eligible for) the preferential reduced rate of tax payable on certain dividend income.

A U.S. holder may mitigate these effects by electing mark-to-market treatment for its ADSs or Class B shares, provided the relevant shares constitute "marketable stock" as defined in Treasury regulations. Our ADSs and our Class B shares will be "marketable stock" if they are "regularly traded" on a "qualified exchange or other market". The term "qualified exchange or other market" includes the NYSE. Our ADSs will be "regularly traded" if they are traded on at least 15 days during each calendar quarter, other than in de minimis quantities. No assurance can be provided that our ADSs will be characterized as regularly traded on a qualified exchange or other market for this purpose. Our Class B shares will be treated as listed on a "qualified exchange or other market" for purposes of the relevant Treasury regulations if the exchange on which they are listed has sufficient trading volume, listing, financial disclosure and surveillance, is regulated or supervised by a governmental authority of the country in which the market is located, and meets certain other characteristics. It is unclear whether the BCBA would meet these requirements and whether there would be sufficient trading of the Class B shares for the Class B shares to be characterized as "regularly traded". It is therefore unclear whether a U.S. holder would be able to elect mark-to-market treatment for the Class B shares.

A U.S. holder electing the mark-to-market regime generally would compute gain or loss at the end of each taxable year as if the Class B shares or ADSs had been sold at fair market value. Any gain recognized by the U.S. holder under mark-to-market treatment, or on an actual sale, would be treated as ordinary income, and the U.S. holder would be allowed an ordinary deduction for any decrease in the value of Class B shares or ADSs as of the end of any taxable year, and for any loss recognized on an actual sale, but only to the extent, in each case, of previously included mark-to-market income not offset by previously deducted decreases in value. Any loss on an actual sale of Class B shares or ADSs would be a capital loss to the extent in excess of previously included mark-to-market income not offset by previously deducted decreases in value. A U.S. holder's tax basis in Class B shares or ADSs would increase or decrease by gain or loss taken into account under the mark-to-market regime.

A mark-to-market election under the PFIC rules applies to all future years of an electing U.S. holder during which the Class B shares or ADSs are regularly traded on a qualifying exchange, unless revoked with the IRS's consent.

If we are characterized as a PFIC and, at any time, we have non-U.S. subsidiaries that are classified as PFICs, U.S. holders generally will be deemed to own, and also would be subject to the PFIC rules with respect to, their indirect ownership interests in that lower-tier PFIC. If we are characterized as a PFIC, the U.S. holder could incur liability for the deferred tax and interest charge described above if either:

- (1) we receive a distribution from, or dispose of all or part of our interest in, the lower-tier PFIC or
- (2) the U.S. holder disposes of all or part of its Class B shares or ADSs.

A mark-to-market election under the PFIC rules with respect to shares would not apply to a lower-tier PFIC, and a U.S. holder would not be able to make such a mark-to-market election in respect of its indirect ownership interest in that lower-tier PFIC. Consequently, U.S. holders of shares could be subject to the PFIC rules with respect to income of the lower-tier PFIC the value of which already had been taken into account indirectly via mark-to-market adjustments.

Furthermore, if we are characterized as a PFIC, a U.S. holder will be required to annually file an IRS Form 8621. Under recent legislation, the statute of limitations on assessment and collections will remain open with respect to unreported PFIC interests.

Information Reporting and Backup Withholding. Information reporting requirements will apply to dividends in respect of the Class B shares or ADSs or the proceeds from the sale, exchange, or redemption of the Class B shares or ADSs paid within the United States (and, in some cases, outside of the United States) to U.S. holders, unless, in either case, the U.S. holder is an exempt recipient (such as a corporation). A 28% backup withholding tax may apply to such amounts if the U.S. holder fails to provide an accurate taxpayer identification number or to report interest and dividends required to be shown on its U.S. federal income tax returns. The amount of any backup withholding from a payment to a U.S. holder will be allowed as a credit against the U.S. holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS.

FATCA. Beginning on January 1, 2017 (or, if later, the date on which final regulations are published defining the term "foreign passthru payment"), we may be required, pursuant to Sections 1471 through 1474 of the Code, and the regulations promulgated thereunder (often referred to as the "Foreign Account Tax Compliance Act" or "FATCA") to withhold U.S. tax at a 30% rate on all or

a portion of any distributions on Class B shares or ADSs which is treated as “foreign passthru payments.”

Assuming that we enter into an agreement with the IRS to report the information required by FATCA, an investor considered to have a “U.S. account” maintained by us may be required to provide certain information regarding such investor (or relevant beneficial owner of the Class B shares or ADSs) or be subject to U.S. withholding tax on any distribution on Class B shares or ADSs that is treated as “foreign passthru payments.” Investors in Class B shares or ADSs that are financial institutions, or financial institutions that receive payments on behalf of other persons, and that have not entered into an agreement with the IRS (or otherwise established an exemption from FATCA) would also be subject to this U.S. withholding tax.

Generally, under FATCA, a U.S. account is a financial account maintained by a foreign financial institution that is held by one or more specified U.S. persons or U.S.-owned foreign entities. However, an equity instrument in a financial institution that is regularly traded on an established securities market is not a financial account. Further, a “financial account” does not include an equity instrument in a financial institution, such as us, that is not engaged (or holding itself out as engaged) primarily in certain investment activities, unless the value of the equity instrument is determined, directly or indirectly, primarily by reference to assets giving rise to withholdable payments and certain other requirements are met.

FATCA is particularly complex and its application to us is uncertain at this time. Each holder of Class B shares or ADRs should consult its own tax adviser to obtain a more detailed explanation of FATCA and to learn how FATCA might affect each holder in its particular circumstances.

Material Argentine tax considerations relating to our Class B shares and ADSs

The following discussion is a summary of the material Argentine tax considerations relating to the purchase, ownership and disposition of our Class B shares or ADSs.

Recent amendments to the Argentine Income Tax Law. On September 23, 2013, Law No. 26,893 was published in the Official Gazette, incorporating amendments to the Argentine Income Tax Law in connection with, among others, the taxation of dividend distributions and gains derived from transfers of shares and other securities. Law No. 26,893 became effective on September 23, 2013, and applies to taxable events taking place on or after that date. On February 7, 2014, the Executive Branch issued Decree No. 2,334/13, which regulates Law 26,893.

Taxation on Dividends. Prior to September 23, 2013, dividends distributed on Class B shares or ADSs were, in general, exempt from Argentine income tax withholding except for the application of the “Equalization Tax” described below.

Dividends paid in excess of taxable accumulated income at the previous fiscal period will be subject to an additional withholding tax (the “Equalization Tax”) at the rate of 35% applicable on such excess and regarding both Argentine and non-Argentine resident shareholders. Equalization Tax is applicable when dividends distributed are higher than the “net accumulated taxable income” of the immediate previous fiscal year from when the distribution is made. In order to assess the “net accumulated taxable income” from the income calculated by the Income Tax Law, the income tax paid in the same fiscal period should be subtracted and the local dividends received in the previous fiscal year should be added to such income.

As of Law N° 26,893’s entry into force, dividends distributed, whether in cash, property or any other kind -except in fully paid shares (“*acciones liberadas*”)- are subject to an income tax withholding (the “Dividend Tax”) at a 10% rate on the amount of such dividends, in respect of both Argentine and non-Argentine resident shareholders. However, if dividends are distributed to local companies, no dividend tax should apply on such transactions.

The Dividend Tax and the Equalization Tax will be imposed as a withholding tax on the shareholder receiving the dividend. Dividend distributions made in property (other than cash) will be subject to the same tax rules as cash dividends. Stock dividends on fully paid shares (“*acciones liberadas*”) are neither subject to Dividend Tax nor to Equalization Tax.

In case both the Dividend Tax and the Equalization Tax apply, the latter should be applied first and then the 10% rate of the Dividend Tax should be applied on the remaining amount of dividends (*i.e.* the effective rate of both taxes on dividends would be 41.5%). Certain tax treaties contemplate the application of a ceiling tax rate on dividends (for example, 10% on gross dividends).

Holders are encouraged to consult a tax advisor as to the particular Argentine income tax consequences derived from profit distributions made on Class B shares and ADSs.

Capital gains tax. Prior to September 23, 2013, gains derived by non-resident individuals or foreign companies from the sale, exchange or other disposition of ADSs or Class B shares were exempt from income tax in Argentina. As of September 23, 2013, the results derived from the transfer of shares, quotas and other equity interests, titles, bonds and other securities, are subject to Argentine income tax, regardless of the type of beneficiary who realizes the gain.

Capital gains obtained by Argentine corporate entities (in general, entities organized or incorporated under Argentine law, certain traders and intermediaries, local branches of non-Argentine entities, sole proprietorships and individuals carrying on certain commercial activities in Argentina) derived from the sale, exchange or other disposition of shares are subject to income tax at the rate of 35% on net income. Losses arising from the sale of shares can only be offset against income derived from the same type of operations, for a five-year carryover period.

Due to the recent amendments made to the Argentine Income Tax Law by Law 26,893, income derived by Argentine resident individuals from the sale of shares and other securities are subject to income tax at a 15% rate on net income, unless such securities were traded in stock markets and/or have public offering authorization, in which case an exemption applies. The amendments introduced by the implementing decree 2334/2013 state that the exemption includes income derived from the sale of shares and other securities made through a stock exchange market duly authorized by the CNV. It is not clear whether the exemption *also* includes securities traded through a stock exchange market duly authorized by the CNV (i.e. in addition to publicly offered securities), or whether the exemption *only* includes securities made through a stock exchange market duly authorized by the CNV. Certain qualified tax authorities publicly held the latter opinion in tax conferences.

Capital gains obtained by non-Argentine resident individuals or non-Argentine entities from the sale, exchange or other disposition of shares would be subject to income tax, as the abovementioned exemption for shares is not applicable to non-Argentine beneficiaries. Therefore, the gain derived from the disposition of shares would be subject to Argentine income tax at a 15% rate on the net capital gain or at a 13,5% rate on the gross price. The purchaser of the shares, whether Argentine resident or not, will be under the obligation to withhold the tax due by the seller and pay it to the Argentine tax authorities, although the Argentine tax authorities have not implemented any mechanism to make such withholding and payment yet.

Holders are encouraged to consult a tax advisor as to the particular Argentine income tax consequences derived from holding and disposing of Class B shares and ADSs.

Personal assets tax. Argentine entities, such as us, have to pay the personal assets tax corresponding to Argentine and foreign domiciled individuals and foreign domiciled entities for the holding of our Class B shares at December 31 of each year. The applicable tax rate is 0.5% and is levied on the proportional net worth value (“valor patrimonial proporcional”), or the book value, of the shares arising from the last balance sheet. Pursuant to the Personal Assets Tax Law, the Argentine company is entitled to seek reimbursement of such paid tax from the applicable Argentine domiciled individuals and/or foreign domiciled shareholders. The Argentine company may seek this reimbursement of Personal Assets Tax by setting off the applicable tax against any amount due to its shareholders or in any other way or, under certain circumstances, waive its right under Argentine law to seek reimbursement from the shareholders.

Value added tax. The sale, exchange or other disposition of our Class B shares or ADSs and the distribution of dividends are exempted from the value added tax.

Tax on debits and credits on Argentine bank accounts. All credits to and debits from bank accounts held at Argentine financial institutions, as well as certain cash payments, are subject to this tax, which is assessed at a general rate of 0.6%. There are also increased rates of 1.2% and reduced rates of 0.075%. Owners of bank accounts subject to the general 0.6% rate may consider 34% of the tax paid upon credits to such bank accounts as a tax credit. The taxpayers that are subject to the 1.2% rate may consider 17% of all tax paid upon credits to such bank accounts as a credit. Such amounts can be utilized as a credit for income tax or tax on presumed minimum income. Whenever financial institutions governed by Law No. 21.526 make payments acting in their own name and behalf, the application of this tax is restricted to certain specific transactions. Such specific transactions include, among others, dividends or profits distributions.

Tax on minimum presumed income. Entities domiciled in Argentina are subject to this tax at the rate of 1% applicable over the total value of their assets, above an aggregate amount of AR\$ 200,000. Specifically, the Law establishes that banks, other financial institutions and insurance companies will consider a taxable base equal to 20% of the value of taxable assets. This tax shall be payable only to the extent the income tax determined for any fiscal year does not equal or exceed the amount owed under the tax on minimum presumed income. In such case, only the difference between the tax on minimum presumed income determined for such fiscal year and the income tax determined for that fiscal year shall be paid. Any tax on minimum presumed income paid will be applied as a credit toward income tax owed in the immediately-following ten fiscal years. Please note that shares and other equity participations in entities subject to tax on minimum presumed income are exempt from this tax.

Gross turnover tax. In addition, gross turnover tax could be applicable to Argentine residents on the transfer of Class B shares or ADSs and on the perception of dividends to the extent such activity is conducted on a regular basis within an Argentine province or within the City of Buenos Aires. However, under the Tax Code of the City of Buenos Aires, any transaction with shares as well as the perception of dividends are exempt from gross turnover tax. Holders of Class B shares and ADSs are encouraged to consult a tax advisor as to the particular gross turnover tax consequences of holding and disposing of Class B shares and ADSs.

Stamp taxes. Argentine residents may be subject to stamp tax in certain Argentine provinces in case transfer of our Class B shares or ADSs is performed or executed in such jurisdiction by means of written agreements. In the City of Buenos Aires, acts or instruments related to the negotiation of shares and other securities duly authorized for its public offering by the CNV are exempt from stamp tax.

Other taxes. There are no Argentine inheritance or succession taxes applicable to the ownership, transfer or disposition of our Class B shares or ADSs, except for the province of Buenos Aires and Entre Ríos. In such jurisdictions, there is a tax on free transmission of assets, including inheritance, legacies, donations, etc. Since January 2011, the tax rates have been set between 4% and 21.925% according to the taxable base and the degree of kinship involved. Free transmission of Class B shares or ADSs could be subject to this tax.

Tax treaties. Argentina has signed tax treaties for the avoidance of double taxation with Australia, Belgium, Bolivia, Brazil, Canada, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Russia, Spain, Sweden, Uruguay and the United Kingdom. A new treaty with Switzerland has been recently signed but it is still undergoing its ratification procedures. There is currently no tax treaty or convention in effect between Argentina and the United States.

Deposit and Withdrawal of Class B Shares in Exchange for ADSs. No Argentine tax is imposed on the deposit or withdrawal of class B shares in exchange for ADSs.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are required to file annual reports, including exhibits, and other information with the SEC and to furnish interim information on Form 6-K. You may read and copy any documents filed by the Company at the SEC's public reference room at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC also maintains a website at <http://www.sec.gov> which contains reports and other information regarding registrants that file electronically with the SEC.

We are subject to the reporting requirements of the Exchange Act of 1934, as applied to foreign private issuers. Because we are a foreign private issuer, the SEC's rules do not require us to deliver proxy statements or to file quarterly reports. In addition, our "insiders" are not subject to the SEC's rules that prohibit short-swing trading. We prepare quarterly and annual reports containing consolidated financial statements in accordance with Central Bank Rules and which are translated into English and filed with the SEC. Our annual consolidated financial statements are certified by an independent accounting firm.

We have appointed The Bank of New York Mellon to act as depositary for our ADSs. During the time the deposit agreement remains in force, we will furnish the depositary with:

- our annual reports; and
- summaries of all notices of general meetings of shareholders and other reports and communications that are made generally available to our shareholders.

The depositary will, as provided in the deposit agreement, if we so request, arrange for the mailing of summaries in English of the reports and communications to all record holders of our ADSs. Any record holder of ADSs may read the reports, notices, or summaries thereof, and communications at the depositary's office located at 101 Barclay Street, 22W, New York, New York 10286.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosure About Market Risk

Market Risk

Market risk is the risk of loss arising from fluctuations in financial markets variables such as interest rates, foreign exchange rates and other rates or prices. This risk is a consequence of our lending, trading and investments businesses and mainly consists of interest rate risk, foreign exchange risk and financial asset quotes.

We evaluate, upgrade and improve market risks measurements and controls on a daily basis. In order to measure significant market risks (whether they arise in trading or non-trading portfolios) we use the VaR methodology.

This methodology is based on statistical methods that take into account many variables that may cause a change in the value of our portfolios, including interest rates, foreign exchange rates, securities prices, volatility and any correlation among them.

VaR is an estimation of potential losses that could arise from reasonably likely adverse changes in market conditions. It expresses the maximum amount of loss expected (given confidence interval) over a specified time period, or "time horizon," if that portfolio were held unchanged over that time period.

All VaR models, while forward-looking, are based on past events and are dependent upon the quality of available market data. The quality of our VaR's models is therefore continuously monitored. As calculated by the Bank, VaR is an estimate of the expected maximum loss in the market value of a given portfolio over a five-day horizon at a one-tailed 99% confidence interval. We assume a five day holding period and adverse market movements of 2.32 standard deviations as the standard for risk measurement and comparison.

The following table shows the 5-day 99% confidence VaR for the Bank combined trading portfolios (securities and foreign exchange position) for the last two years (in millions of Pesos):

	2012	2013	Change
Minimum	23.3	33.7	10.4
Maximum	52.6	81.8	29.2
Average	36.7	54.3	17.6
December 31	36.1	35.5	(0.6)

In order to take advantage of good trading opportunities we have sometimes increased risk, however during periods of uncertainty have also reduced it. During 2013, the main source of our VaR was the securities portfolio.

The following tables show the VaR for trading portfolio by categories for the last two years (in millions of Pesos):

<u>Currency risk for foreign exchange position</u>	2012	2013	Change
Minimum	4.9	5.5	0.6
Maximum	11.5	14.6	3.1
Average	6.8	8.0	1.2
December 31	5.7	10.5	4.8

<u>Market risk for securities position</u>	2012	2013	Change
Minimum	12.7	24.2	11.5
Maximum	47.0	72.8	25.8
Average	29.9	46.3	16.4
December 31	30.4	25.0	(5.4)

The following tables show the main reasons for changes in VaR between the last two years (in million of Pesos):

Change in currency risk (VaR) for foreign exchange position (YoY):

Change in VaR due to change in position	2.1
Change in VaR due to change in volatility	—
Change in VaR due to change in price	2.7
Total Change in VaR	4.8

Change in market risk (VaR) for securities position (YoY):

Change in VaR due to change in position	(3.9)
Change in VaR due to change in volatility	(1.8)
Change in VaR due to change in price	0.3
Total Change in VaR	(5.4)

Equity and Commodity Price Risk

Equity and commodity risks are the risks associated with adverse movements in the value of equity securities and commodities or related indexes. We do not have any material exposure to either of them.

Interest Rate Risk

Interest-rate risk is the effect on our net interest income of the fluctuations of market interest rates. Sensitivity to interest rate arises in our normal course of business as the repricing characteristics of its interest-earning assets do not necessarily match those of its interest-bearing deposits and other borrowings. The repricing structure of assets and liabilities is matched when an equal amount of assets and liabilities re-price for any given period. Any excess of assets or liabilities over these matched items results in a gap or mismatch.

Our interest rate sensitivity analysis measures the risk arising from the different sensitivity of assets and liabilities when interest rate changes occur (“duration” approach). It covers all the assets and liabilities excluding tradable portfolios.

In this case our VaR model or maximum potential loss in the net economic value of the portfolio of assets and liabilities due to interest rate risk increases, considers a 3-month horizon and with a confidence level of 99%.

Our methodology also captures the real interest rate risk, which is the risk arising from the mismatch produced as a consequence of an imperfect correlation between inflation rate movements and financing interest rate variations.

The following table shows the 3-month 99% confidence VaR for the Bank combined interest rate position for last two years (in millions of Pesos):

	2012	2013
Minimum	632.3	833.0
Maximum	838.2	1,200.8
Average	712.4	997.0
December 31	838.2	1,200.8

For additional information regarding market and interest rate risk management see note 17 “Risk Management Policies” to our audited consolidated financial statements for the year ended December 31, 2013.

Item 12. Description of Securities Other Than Equity Securities

A- Not applicable

B- Not applicable

C- Not applicable

D – American Depositary Shares

Fees and Charges Applicable to ADS Holders

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary also collects fees for making distributions to investors, by deducting those fees from amounts being distributed or by selling a portion of the distributable property to pay the fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

Persons depositing or withdrawing shares may be request to pay:
US\$5.00 (or less) per 100 ADSs (or portion thereof)

A fee equivalent to the fee that would be payable if securities distributed had been shares and the shares had been deposited for issuance of ADSs

US\$02 (or less) per ADS (or portion thereof)

Registration fees

Expenses of the depositary

Taxes and other governmental charges the depositary or the custodian, have to pay on any ADS or share underlying an ADS

Any charges incurred by the depositary or its agents, including the custodian, for servicing the deposited securities

For:

- Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
- Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
- Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS registered holders
- Any cash distribution to ADS registered holders
- Registration of transfer of shares on our stock registry to or from the name of the depositary or its nominee or the custodian, or its nominee when making deposits or withdrawals
- Cable, telex and facsimile transmissions
- Conversion of foreign currencies into U.S. dollars
- As necessary
- As necessary

Fees and Direct and Indirect Payments Made by the Depositary to us

Past Fees and Payments

During 2013, we received from the depositary, after withholding income tax deduction, a net reimbursement of US\$ 145,460 for (i) investor relation expenses, (ii) annual NYSE listing fees, and (iii) standard out-of-pocket administrative, maintenance and shareholder service expenses for providing services to the registered American depositary receipts holders, consisting, without limitation, of expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls, incurred by us during the year ended December 31, 2012. In addition, the depositary waived the cost of various support services that it provided to us.

Future Fees and Payments

The depositary has agreed to reimburse us for expenses incurred by us in connection with the administration and maintenance of the ADSs program, including, but not limited to, investor relation expenses, annual NYSE listing fees or other program related expenses. The depositary has also agreed to pay its standard out-of-pocket administrative, maintenance and shareholder services expenses for providing services to the registered American depositary receipts holders, which consist, without limitation, of expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls. There are limits and conditions on the amount of expenses for which the depositary will reimburse us, but the amount of such reimbursements is not necessarily tied to the amount of fees the depositary collects from investors. In addition, the depositary has waived the cost of various support services that it provides to us.

We are expecting to receive from the depositary reimbursements for expenses incurred by us during the year ended December 31, 2013 by an amount similar to the one we received for the year ended December 31, 2012.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

Disclosure Controls and Procedures

We carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as of December 31, 2013. There are, as described below, inherent limitations to the effectiveness of any system of disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based upon and as of the date of our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the Securities Exchange Act is recorded, processed, summarized and reported as and when required.

Management's Annual Report on Internal Control over Financial Reporting

The management of the Bank is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Bank's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The Bank's internal control over financial reporting includes those policies and procedures that:

- a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank;
- b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of management and directors of the Bank; and
- c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Bank's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Bank's management assessed the effectiveness of the Bank's internal control over financial reporting as of December 31, 2013. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (1992). Based on its assessment and those criteria, the Bank's management concluded that, as of December 31, 2013 the Bank's internal control over financial reporting was effective.

The effectiveness of the Bank's internal control over financial reporting as of December 31, 2013, has been audited by Pistrelli, Henry Martin y Asociados S.R.L. (Member of Ernst & Young Global), an independent registered public accounting firm, as stated in their report which appears herein.

Attestation Report of the Independent Registered Public Accounting Firm

The Bank's independent registered public accounting firm, Pistrelli, Henry Martin y Asociados S.R.L. (Member of Ernst & Young Global), has issued an attestation report on the effectiveness of the Bank's internal control over financial reporting. The report follows below:

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
BANCO MACRO S.A. and subsidiaries
Sarmiento 447
City of Buenos Aires

We have audited the internal control over financial reporting of BANCO MACRO S.A. (a bank organized under Argentine legislation) and its subsidiaries (the Bank) as of December 31, 2013, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO

criteria). The Bank's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Bank's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, BANCO MACRO S.A. and its subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States of America), the consolidated balance sheets of BANCO MACRO S.A. and its subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2013 of BANCO MACRO S.A. and its subsidiaries, and our report dated April 29, 2014 expressed an unqualified opinion thereon.

City of Buenos Aires,
April 29, 2014

PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.
Member of Ernst & Young Global
/S/ CLAUDIO N. NOGUEIRAS
Partner

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

The Board of Directors has determined that Guillermo Eduardo Stanley, independent member of the audit committee, meets the attributes defined in Item 16A of Form 20-F for "audit committee financial experts".

Item 16B. Code of Ethics

The Bank adheres to the best practices and requires that all its employees act according to the highest standards of personal and professional integrity in all aspects of their activities.

In addition to the general code of conduct that applies to all of our employees, we have adopted a code of ethics that applies to directors and senior management, including specifically to our chief executive officer, chief financial officer, chief accounting officer, as well as persons performing similar functions. The text of our code of ethics for our chief executive officer, chief financial officer and chief accounting officer is posted on our web site at:

https://www.macro.com.ar/PortalMacro/faces/pages_legales/codigo_de_etica . There has been no change in our code of ethics during the period covered by this annual report.

Item 16C. Principal Accountant Fees and Services

Fees Paid to the Bank's Principal Accountant

Since 2006 Pistrelli, Henry Martin y Asociados S.R.L. (Member of Ernst & Young Global) has served as our principal external auditor. Fees payable to Pistrelli, Henry Martin y Asociados S.R.L. (Member of Ernst & Young Global) in 2012 and 2013 are detailed below.

Thousands of Pesos	2012	2013
Audit Fees	12,887	16,551
Audit Related Fees	56	36
Tax Fees	—	—
All Other Fees	140	11
Total	13,083	16,598

Audit Fees

Audit fees were paid for professional services rendered by the auditors for the audit of our consolidated financial statements.

Audit-Related Fees

Audit-related fees are typically services that are reasonably related to the performance of the audit or review of the consolidated financial statements and are not reported under the audit fees item above. This item includes fees for attestation services on our financial information.

Tax Fees

The auditors do not provide any tax advice.

All Other Fees

Fees disclosed in the table above under “All Other Fees” consisted of other fees paid for professional services.

Audit Committee’s Pre-approval Policies and Procedures

Our audit committee is responsible for, among other things, the oversight of our independent auditors. During the year, the audit committee reviews together with management and the independent auditor, the audit plan, audit related services and other non-audit services and approves, at least on a yearly basis, the related fees.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 16F. Change in Registrant’s Certifying Accountant

None.

Item 16G. Corporate Governance

Companies listed on the NYSE must comply with certain standards regarding corporate governance as codified in Section 303A of NYSE’s Listed Company Manual, as amended. Nevertheless, the Bank, while a listed company, qualifies also as a foreign private issuer and, as such, is permitted to follow its home country corporate governance practices, governed by the Argentine Corporate Law, the Capital Markets Law and the standards of the CNV and the Central Bank, in lieu of the provisions of Section 303A, except that it is required to comply with Sections 303A.06, 303A.11 and 303A.12(b) and (c).

Accordingly:

- (i) we must satisfy the audit committee requirements of Rule 10A-3 under the Securities Exchange Act of 1934 (the “Exchange Act”) (Section 303A.06);
- (ii) we must provide a brief description of any significant differences between our corporate governance practices and those followed by U.S. companies under NYSE listing standards (Section 303A.11); and
- (iii) (y) our Chief Executive Officer (as of the date hereof, Mr. Jorge Horacio Brito) must promptly notify the NYSE in writing after any executive officer of the Bank becomes aware of any non-compliance with the applicable NYSE corporate governance rules (Section 303A.12(b)); and (z) we must submit an executed written affirmation (in relation to the members of our audit committee) annually or interim written affirmations, if required to the NYSE (Section 303A.12(c)).

As required by Section 303A.11 of NYSE’s Listed Company Manual, the table below discloses any significant differences between the NYSE rules and the Bank’s corporate governance practices pursuant to Argentine corporate governance rules.

303A.01-Independent Directors- Listed companies must have a majority of independent directors on their Boards of Directors.

303A.02-Independence Tests- This section establishes general standards to determine directors' independence.

- (a) (i) No director qualifies as "independent" unless the Board of Directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an

Neither Argentine law nor our by-laws require us to have a majority of independent directors.

Pursuant to General Resolution No. 622/13 of the CNV, a director is not independent if such director is:

- (a) a member of management or an employee of shareholders who hold material holdings in the listed company or of other entities in which these shareholders have material holdings or over which these shareholders exercise a material influence;

NYSE Corporate Governance Standards - Section 303.A

organization that has a relationship with the company). The Board of Directors is required to identify its independent directors indicating the criteria on which such determination was made.

(ii) In addition, in affirmatively determining the independence of any director who will serve on the compensation committee of the listed company's Board of Directors, the Board of Directors must consider all factors specifically relevant to determining whether a director has a relationship to the listed company which is material to that director's ability to be independent from management in connection with the duties of a compensation committee member, including, but not limited to:

- (A) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the listed company to such director; and
 - (B) whether such director is affiliated with the listed company, a subsidiary of the listed company or an affiliate of a subsidiary of the listed company.
- (b) In addition, a director is not independent if:
 - A. the director is or has been within the last three years, an employee, or an immediate family member is, or has been within the last three years, an executive officer, of the listed company, its parent or a consolidated subsidiary. Employment as interim chairman or CEO or other executive officer shall not disqualify a director from being considered independent.;
 - B. the director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than U.S.\$120,000 in direct compensation from the listed company, its parent or a consolidated subsidiary, other than director and committee fees and pension or other forms of deferred compensation for prior services (provided such compensation is not contingent in any way on continued service);
 - C. (i) the director is a current partner or employee of a firm that is the listed company's internal or external auditor; (ii) the director has an immediate family member who is a current partner of such firm; (iii) the director has an immediate family member who is a current employee of such firm and personally works on the company's audit; or (iv) the director or an immediate family member was within the last three years a partner or employee of such firm and personally worked on the company's audit within that time;
 - D. the director, or an immediate family member is, or has been with the last three years, employed as an executive officer of another company where any of the listed company's present executive officers at the same time serves or served on that company's compensation committee;
 - E. the director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from the listed company its parent or a consolidated subsidiary for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of U.S.\$1 million, or 2% of such

Banco Macro Corporate Practices

- (b) is currently an employee or has, in the last three years, been an employee of the listed company;
- (c) a person who has a professional relationship or is part of a company or professional association that maintains professional relations with, or that receives remunerations or fees (other than directors' fees) from, the listed company or from shareholders that have material holdings in the listed company, or with a company in which such shareholders have material holdings or exercise a material influence;
- (d) a person who has material holdings in the listed company or in an entity that has material holdings in, or exercises a material influence over, the listed company;
- (e) a person who provides goods or services to the listed company or to shareholders that have material holdings in or exercise a material influence over the listed company and receives compensation for such services that is substantially higher than that received as director of the listed company; or
- (f) the member is married to or is the legally acknowledged partner or a family member, up to the second degree of consanguinity or affinity, of an individual who would not qualify as independent according to the CNV Rules.

"Material holdings" are shareholdings, either directly or indirectly, that represent at least 15% of the capital stock of the relevant entity, or a smaller percentage when the person has the right to elect one or more directors per class of shares or by having entered into agreements with other shareholders relating to the governance and the management of the relevant entity or of its parent company. Likewise, the definition of "material influence" should consider the criteria established in the generally accepted accounting standards.

Pursuant to Central Bank Communication "A" 5201 "Corporate Governance Guidelines for Financial Institutions", a director is not independent if such director:

- (a) has control over the Bank pursuant to the guidelines set forth under Section 2, subsection 2.2.1 of the "Credit Risk Fractioning" regulations;
- (b) is carrying out executive functions or has carried out executive functions for the Bank during the last three years as of the day following the last day in office. In the case of public financial institutions, this term shall be one year;
- (c) is married to or a family member up to the second degree of consanguinity or first degree of affinity of an individual meeting the above criteria.

The above mentioned Credit Risk Fractioning regulations establish general standards to determine the existence of control and a relationship:

In this regard, the following individuals and entities shall be considered "related" to the Bank:

other company's consolidated gross revenues.

A non independent director will only be deemed independent upon the elapse of a three-year look-back period.

"Immediate family member" includes a person's spouse, parents, children, siblings, parents, siblings-in-law and anyone (other than domestic employees) who share such person's home.

i) any entity or person other than from the non financial public sector of the country, having direct or indirect control over the Bank.

ii) any entity or person, other than from the non financial public sector of the country, directly or indirectly controlled by an entity or person having direct or indirect control over the Bank.

iii) any entity or person directly or indirectly controlled by the Bank, pursuant to the provisions of section 28, subsection a) of the Law on Banks and the regulations on "Services supplementary to the financial activity and permitted activities" and "Credit Grading".

iv) any Bank or entity engaged in the provision of supplementary services to the financial activity other than those contemplated in the preceding items, subject to consolidated supervision with the Bank.

v) any entity other than those contemplated in the preceding items, having directors in common with the institution or entity, other than from the non financial public sector of the country, having direct or indirect control over of with the Bank, to the extent such directors represent a simple majority of the members of the boards of each such entities or the Bank.

Likewise, control by one person or entity over another is defined as:

i) holding or controlling, directly or indirectly, 25% or more of the total voting stock in the other entity.

ii) having held, directly or indirectly, 50% or more of the total voting stock in the other entity, at the last election of directors or managers.

iii) holding a direct or indirect interest in the other entity, even if its voting rights do not amount to 25%, sufficient to adopt resolutions in shareholders' meetings or meetings of the board or a similar corporate body.

iv) having direct or indirect controlling influence over the management and/or policies of the other entity, as of the effective date of the relevant resolution of the Board of Directors of the Central Bank of the Republic of Argentina, based on the recommendation of the Head of the Supervisory Board of Financial and Exchange Institutions (*Superintendencia de Entidades Financieras y Cambiarias*).

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303A.03-Executive Sessions- Non-management directors of each listed company must meet at regularly scheduled executive sessions without management.

303A.04-Nominating/Corporate Governance Committee- Listed companies must have a nominating/corporate governance committee composed entirely of independent directors, with a written charter that covers certain minimum specified duties.

303A.05-Compensation Committee- Listed companies must have a compensation committee composed entirely of independent directors, with a written charter that covers certain minimum specified duties.

303A.06/07- Audit Committee/Requirements- Listed companies must have an audit committee that satisfies the requirements of Rule 10A-3 under the Exchange Act.

- (a) The audit committee must have a minimum of three members. All of its members shall be financially literate or must acquire such financial knowledge within a reasonable period of time after the appointment and at least one of its members shall have experience in accounting or financial administration. In addition to meeting any requirement of Rule 10A-3(b)(1), all audit committee members must satisfy the independence requirements set out in Section 303A.02.
- (b) The audit committee must have a written charter that establishes the duties and responsibilities of its members, including, at a minimum, some of the duties and responsibilities required by Rule 10A-3 of the Exchange Act and the following responsibilities set forth in NYSE Sections 303A.07(b)(iii)(A)-H) of the NYSE Manual.

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Neither Argentine law nor our by-laws require the holding of such meetings and we do not hold non-management directors meetings.

Our by-laws provide, however, that the board shall meet as often as required in the best interest of the Bank and at least once a month.

Neither Argentine law nor our by-laws require a nominating/corporate governance committee, however, our by-laws provide for the possibility to create a nominating/corporate governance committee. As a result of a general recommendation issued by the Central Bank of the Republic of Argentina to all financial institutions, we have created a Nominating and Corporate Governance Committee composed of three members from the Board of Directors, one of which is independent. This Committee has an approved charter establishing its functions and responsibilities.

Directors are nominated and appointed by the shareholders, with no involvement of the Nominating/Corporate Governance Committee.

Neither Argentine law nor our by-laws require the establishment of a compensation committee. The compensation of our directors is determined at the annual ordinary shareholders' meeting. Additionally, the audit committee must issue an opinion regarding the reasonableness of such compensation.

However, as a result of a general recommendation issued by the Central Bank to all financial institutions, we have created an Incentives Committee composed of three members from the Board of Directors, one of which is an independent director. The Committee's main function is to control that the fixed and variable staff incentives -excluding directors- are consistent with the business culture, long term business plan, goals and business strategy of the Bank as well as with the applicable regulations governing the Bank.

- (a) Argentine law requires that the audit committee be composed of three or more members from the Board of Directors (with a majority of independent directors), all of whom must be well-versed in business, financial or accounting matters. All the members of our Audit Committee, as appointed on April 29, 2014, satisfy the independence requirements of Rule 10A-3.
- (b) Neither Argentine law nor the CNV standards contain provisions relating to an audit committee member's simultaneous service on the audit committee of other public companies.
- (c) The responsibilities of the audit committee, as provided for in the Capital Markets Law No. 26,831, as regulated by Decree No. 1023 and General Resolution No. 622/13 establishing the CNV standards regarding the functions of the Committee, are essentially the same as those provided for under Rule 10A-3 of the Exchange Act, including, without limitation, the following:

- A. at least annually, obtain and review a report by the independent auditor describing: the firm's internal quality-control procedures; any material issues raised in the most recent internal quality-control review, or peer review, of the firm, or in any inquiry or investigation by governmental or professional authorities, within the preceding five years, with respect to one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the listed company;
 - B. meet with management and the independent auditor to review and discuss the listed company's audited annual financial statements and quarterly financial statements, including a review of the company's specific disclosures under "Management's Discussion and Analysis of the Financial Condition and Results of Operations";
 - C. discuss the listed company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;
 - D. discuss risk assessment and risk management policies;
 - E. hold separate regular meetings with management, the internal auditors (or other personnel responsible for the internal audit function) and the independent auditors;
 - F. review any issue or difficulty arising from the audit or management's response with the independent auditor;
- i. issuing an opinion about the Board of Directors' proposal for the appointment of the external auditors to be retained by the Bank, and ensuring that auditors are independent;
 - ii. overseeing the performance of the internal control systems and the administrative-accounting system as well as the reliability of the latter and of all financial information or other facts which could be submitted to the CNV and self-regulated entities in compliance with the applicable reporting regime;
 - iii. supervising the enforcement of the Bank's risk management information policies;
 - iv. providing the market with full disclosure with respect to transactions that give rise to conflict of interests with the members of the Bank's corporate bodies or controlling shareholders;
 - v. issuing an opinion on the reasonableness of any proposal regarding the Directors' and management fees and stock option plans proposed by the Board of Directors;
 - vi. issuing an opinion on the compliance with applicable legal requirements and on the reasonableness of the terms of any issuance of stock or convertible securities in case of capital increase excluding or limiting preemptive rights;
 - vii. assessing compliance with relevant rules of conduct;
 - viii. issuing a well founded opinion on transactions with related parties as established in this Decree. Issue a well founded opinion and inform the same to the self-regulated entities as determined by the CNV in the event of a conflict or interest or a potential conflict of interest.

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- G. set clear policies for the recruitment of employees or former employees of the independent auditors; and
 - H. report regularly to the Board of Directors.
- (c) Rule 303A.07(c) establishes that each listed company must have an internal audit function to provide management and the audit committee with ongoing advice on the company's risk management processes and internal control systems.

If a member of the audit committee is simultaneously a member of the audit committee of more than three public companies the Board of Directors shall determine whether such simultaneous service would prevent such members from effectively serving on the listed company's audit committee, and disclose such determination in the order of business of the annual shareholders' meeting of the listed company or in the company's annual report on Form 10-K filed with the SEC.

303A.08-Shareholder Approval of Equity Compensation Plans-

Shareholders must be given the opportunity to vote on all equity compensation plans and material amendments thereto, except for employment inducement awards, certain grants, plans and amendments in the context of mergers and acquisitions, and certain specific types of plans.

303A.09-Corporate Governance Guidelines- Listed companies must adopt and disclose corporate governance guidelines.

303A.10-Code of Business Conduct and Ethics- Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for the benefit of directors or executive officers.

303A.12-Certification Requirements-

- (a) The CEO of each listed company must certify to the NYSE, on an annual basis, that he or she is not aware of any breach by the company of NYSE corporate governance standards, qualifying the certification to the extent necessary.
- (b) The CEO of each listed company must promptly notify the NYSE in writing upon any executive officer of the listed company becoming aware of any non-compliance with any applicable provisions of this Section 303A.

Banco Macro Corporate Practices

In addition, pursuant to the provisions of the CNV Rules, the Audit Committee is responsible for:

- reviewing external and internal auditors' plans, evaluating their performance, and issuing an opinion on such regard upon the publication of the annual financial statements;
- analyzing the various services provided by the external auditors and their independence, as established in the Professional Technical Resolutions of the *Federación Argentina De Consejos Profesionales De Ciencias Económicas* and any other regulations of the applicable supervisory authorities;
- reporting on invoiced fees, broken down as follows: 1) external audit and other related services aiming to ensure reliability (e.g. special analyses on the verification and assessment of internal controls, taxes, involvement in offering memorandums, certifications and special reports required by supervisory authorities, etc); 2) special services other than those mentioned in item 1) above (e.g. design and implementation of information systems, legal, financial aspects, etc). Said assessment shall be made by the Audit Committee including a verification of their respective independence policies to ensure compliance therewith.

We do not currently offer equity-based compensation to our directors, executive officers or employees; therefore, we have no policy on this matter.

Neither Argentine law nor our by-laws require the adoption or disclosure of corporate governance guidelines. However, due to our size and the importance of our business we have implemented a Corporate Governance Code based on the recommended Code of Corporate Governance for listed companies issued by the CNV and the recommended corporate governance guidelines for financial institutions issued by the Central Bank.

Neither Argentine law nor our by-laws require the adoption or disclosure of a code of business conduct and ethics. However, we have adopted a code of conduct applicable to all our employees. In addition, we have adopted a specific Code of Ethics applicable to our Directors and Senior Officers.

No comparable provisions exist under Argentine law.

However, the Bank is in compliance with the certification requirements of Section 303A.12 of the NYSE rules.

- (c) Each listed company must submit an annual executed Written Affirmation to the NYSE. In addition, each listed company must submit an interim written affirmation when required and using the interim written affirmation form specified by the NYSE.

PART III

Item 17. Financial Statements

We have responded to Item 18 in lieu of responding to this Item.

Item 18. Financial Statements

See pages F-1 through F-101 of this annual report.

Item 19. Exhibits

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
1.1	Amended and Restated Bylaws of the Bank, an amended on April 21, 2009 and April 16, 2012, incorporated by reference to the annual report on form 20-F filed by the Bank on April 26, 2012 (File No. 001-32827).
2.1	Deposit Agreement among the registrant, The Bank of New York, as depositary, and the holders from time to time of American depositary shares issued thereunder, including the form of American depositary receipts, incorporated by reference to the Registration Statement on Form F-1, as amended, filed by the Bank on March 20, 2006 (File No. 333-130901).
8	See Note 4.1 to our audited consolidated financial statements for information regarding our subsidiaries.

- 12.1* Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 12.2* Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 13.1* Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 13.2* Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herein

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

BANCO MACRO S.A.

By: /s/ Jorge Horacio Brito

Name: **Jorge Horacio Brito**

Title: **Chief Executive Officer**

Date: April 29, 2014



**CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE THREE YEARS ENDED DECEMBER 31, 2013
TOGETHER WITH THE REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

F - 1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
BANCO MACRO S.A. and subsidiaries
Sarmiento 447
City of Buenos Aires

We have audited the accompanying consolidated balance sheets of BANCO MACRO S.A. (a bank organized under Argentine legislation) and its subsidiaries (the Bank) as of December 31, 2013 and 2012, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Bank's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of BANCO MACRO S.A. and its subsidiaries as of December 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in accordance with Central Bank of Argentine Republic rules applicable to the consolidated financial statements, which differ in certain respects from the accounting principles generally accepted in the United States of America (see note 33 to the consolidated financial statements).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States of America), the internal control over financial reporting of BANCO MACRO S.A. and its subsidiaries as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated April 29, 2014 expressed an unqualified opinion thereon.

City of Buenos Aires,
April 29, 2014

PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.
Member of Ernst & Young Global

/S/ CLAUDIO N. NOGUEIRAS
Partner

BANCO MACRO S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2013 AND 2012

(Figures stated in thousands of pesos)

	2013	2012
ASSETS		
CASH		
Cash on hand	3,232,931	2,794,916
Due from banks and correspondents		
Central Bank of Argentina	8,937,649	6,543,996
Local Others	26,423	13,628
Foreign	663,118	694,200
Other	408	308
	<u>12,860,529</u>	<u>10,047,048</u>
GOVERNMENT AND PRIVATE SECURITIES		
Holdings booked at market value	1,928,841	1,357,022
Government securities under repo transactions with Central Bank of Argentina	88,928	—
Holdings booked at amortized cost	250,513	353,174
Instruments issued by the Central Bank of Argentina	173,031	612,889
Investments in listed private securities	3	19,993
	<u>2,441,316</u>	<u>2,343,078</u>
LOANS		
To the non-financial government sector	640,158	586,557
To the financial sector		
Interbank financing	308,023	166,546
Other financing to Argentine financial institutions	55,711	130,612
Accrued interest, adjustments, foreign exchange and quoted price differences receivable	1,163	2,092
To the non-financial private sector and foreign residents		
Overdrafts	4,449,988	4,280,640
Documents	4,320,772	3,651,390
Mortgage loans	2,308,916	1,508,463
Pledged loans	1,429,414	928,693
Personal loans	13,873,830	10,826,601
Credit cards	6,841,356	4,725,177
Other	5,206,630	4,808,641
Accrued interest, adjustments, foreign exchange and quoted price differences receivable	779,436	570,281
Less: Unearned discount	(186,547)	(95,940)
Less: Allowances	<u>(1,006,495)</u>	<u>(887,156)</u>
	<u>39,022,355</u>	<u>31,202,597</u>

BANCO MACRO S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2013 AND 2012

(Figures stated in thousands of pesos)

	2013	2012
OTHER RECEIVABLES FROM FINANCIAL INTERMEDIATION		
Central Bank of Argentina	648,015	517,360
Amounts receivable from spot and forward sales pending settlement	774,525	697,854
Securities and foreign currency receivables from spot and forward purchases pending settlement	208,774	216,144
Unlisted corporate bonds	270,690	141,560
Receivables from forward transactions without delivery of underlying asset	167	12
Other receivables not covered by debtors classification standards	763,238	863,436
Other receivables covered by debtors classification standards	246,284	176,483
Accrued interest receivables covered by debtors classification standards	846	515
Less: Allowances	(232,290)	(233,123)
	<u>2,680,249</u>	<u>2,380,241</u>
RECEIVABLES FROM FINANCIAL LEASES		
Receivables from financial leases	385,717	323,077
Accrued interest and adjustments	5,158	5,069
Less: Allowances	(5,015)	(6,599)
	<u>385,860</u>	<u>321,547</u>
INVESTMENTS IN OTHER COMPANIES		
In financial institutions	893	676
Other	13,883	12,267
Less: Allowances	(1,330)	(1,379)
	<u>13,446</u>	<u>11,564</u>
OTHER RECEIVABLES		
Receivables from sale of assets	6,116	6,195
Minimum presumed income tax-credit	3,460	
Other	432,289	372,966
Accrued interest and adjustments on receivable from sale of assets	235	332
Other accrued interest and adjustments receivable	172	35
Less: Allowances	(6,929)	(9,282)
	<u>435,343</u>	<u>370,246</u>
BANK PREMISES AND EQUIPMENT, NET	<u>735,663</u>	<u>654,002</u>
OTHER ASSETS	<u>364,670</u>	<u>268,445</u>
INTANGIBLE ASSETS		
Goodwill	58,788	72,841
Organization and development costs, including differences due to court orders	285,191	215,690
	<u>343,979</u>	<u>288,531</u>
ITEMS PENDING ALLOCATION	<u>11,624</u>	<u>6,766</u>
TOTAL ASSETS	<u>59,295,034</u>	<u>47,894,065</u>

(Contd.)

BANCO MACRO S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2013 AND 2012

(Figures stated in thousands of pesos)

	2013	2012
LIABILITIES		
DEPOSITS		
From the non-financial government sector	6,580,041	8,318,383
From the financial sector	26,874	24,222
From the non-financial private sector and foreign residents		
Checking accounts	8,602,700	6,716,911
Savings accounts	8,440,709	6,467,624
Time deposits	18,416,520	13,596,225
Investment accounts	199,003	149,325
Other	878,032	737,414
Accrued interest, adjustments, foreign exchange and quoted price differences payable	283,139	178,568
	<u>43,427,018</u>	<u>36,188,672</u>
OTHER LIABILITIES FROM FINANCIAL INTERMEDIATION		
Central Bank of Argentina – Other	21,994	21,725
Banks and international institutions	325,664	273,968
Non-subordinated Corporate Bonds	693,483	523,176
Amounts payable for spot and forward purchases pending settlement	241,942	202,313
Securities and foreign currency to be delivered under spot and forward sales pending settlement	863,570	739,730
Financing received from Argentine financial institutions		
Interbank financing	—	40,000
Other financing received from Argentine financial institutions	25,159	13,724
Accrued interest payable	96	52
Receivables from forward transactions without delivery of underlying asset	27,867	—
Other	2,440,877	1,917,712
Accrued interest, adjustments, foreign exchange and quoted price differences payable	57,079	52,724
	<u>4,697,731</u>	<u>3,785,124</u>
OTHER LIABILITIES		
Fees	11,224	7,470
Other (see Note 5)	1,314,477	783,066
	<u>1,325,701</u>	<u>790,536</u>
PROVISIONS	<u>159,381</u>	<u>131,683</u>
SUBORDINATED CORPORATE BONDS	<u>981,142</u>	<u>740,192</u>
ITEMS PENDING ALLOCATION	<u>7,128</u>	<u>7,408</u>
MINORITY INTEREST IN SUBSIDIARIES	<u>69,502</u>	<u>51,355</u>
TOTAL LIABILITIES	<u>50,667,603</u>	<u>41,694,970</u>
SHAREHOLDERS' EQUITY	<u>8,627,431</u>	<u>6,199,095</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>59,295,034</u>	<u>47,894,065</u>

The accompanying Notes 1 through 33 to the consolidated financial statements are an integral part of these consolidated statements.

BANCO MACRO S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2013 AND 2012

MEMORANDUM ACCOUNTS
(Figures stated in thousands of pesos)

	<u>2013</u>	<u>2012</u>
DEBIT-BALANCE ACCOUNTS	61,359,882	37,863,919
Contingent	11,983,952	9,176,324
Guarantees received	11,593,922	8,776,152
Other not covered by debtors classification standards	167	165
Contingent debit-balance contra accounts	389,863	400,007
Control	43,775,080	27,487,838
Receivables classified as irrecoverable	1,256,611	995,622
Other	41,803,691	25,994,575
Control debit-balance contra accounts	714,778	497,641
Derivatives	5,083,287	386,341
Notional value of put options taken	6,676	56,045
Notional value of forward transactions without delivery of underlying asset	2,916,785	127,918
Interest rate swaps	50,000	85,000
Derivatives debit-balance contra accounts	2,109,826	117,378
Trust activity	517,563	813,416
Trust funds	517,563	813,416

(Contd.)

BANCO MACRO S.A. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS****AS OF DECEMBER 31, 2013 AND 2012****MEMORANDUM ACCOUNTS**

(Figures stated in thousands of pesos)

	<u>2013</u>	<u>2012</u>
CREDIT-BALANCE ACCOUNTS	61,359,882	37,863,919
Contingent	11,983,952	9,176,324
Credit lines granted (unused portion) covered by debtors classification standards	—	19,669
Other guarantees provided covered by debtors classification standards	129,681	129,140
Other guarantees provided not covered by debtors classification standards	151,489	153,762
Other covered by debtors classification standards	108,693	97,436
Contingent credit-balance contra accounts	11,594,089	8,776,317
Control	43,775,080	27,487,838
Checks to be credited	714,778	497,641
Control credit-balance contra accounts	43,060,302	26,990,197
Derivatives	5,083,287	386,341
Notional value of put options sold	—	14,713
Notional value of forward transactions without delivery of underlying asset	2,109,826	102,665
Derivatives credit-balance contra accounts	2,973,461	268,963
Trust activity	517,563	813,416
Trust activity credit-balance contra accounts	517,563	813,416

The accompanying Notes 1 through 33 to the consolidated financial statements
are an integral part of these consolidated statements.

BANCO MACRO S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(Figures stated in thousands of pesos)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
FINANCIAL INCOME			
Interest on cash and due from banks	241	185	179
Interest on loans to the financial sector	51,468	46,084	29,137
Interest on overdrafts	1,074,900	721,000	456,904
Interest on documents	654,111	414,815	234,928
Interest on mortgage loans	333,854	198,809	158,449
Interest on pledge loans	197,135	126,822	91,550
Interest on credit card loans	1,022,177	740,670	371,352
Interest on financial leases	68,435	60,037	56,712
Interest on other loans	4,782,671	3,537,074	2,398,336
Net income from government and private securities	409,054	361,538	493,920
Net income from options	—	—	1,077
Interest on other receivables from financial intermediation	3,101	1,040	684
Income from guaranteed loans - Presidential Decree No. 1,387/01	26,026	17,017	4,918
CER (Benchmark Stabilization Coefficient) adjustment	35,155	22,947	4,428
CVS (Salary Variation Coefficient) adjustment	606	512	362
Difference in quoted prices of gold and foreign currency	808,143	386,989	283,189
Other	286,454	268,831	112,523
	<u>9,753,531</u>	<u>6,904,370</u>	<u>4,698,648</u>
FINANCIAL EXPENSE			
Interest on checking accounts	497	317	203
Interest on savings accounts	41,060	33,972	25,184
Interest on time deposits	3,065,823	2,167,614	1,225,052
Interest on interfinancing received loans (received calls)	2,883	4,283	4,903
Interest on other financing from financial institutions	7	12	8
Interest on other liabilities from financial intermediation	61,674	62,529	64,752
Interest on subordinated corporate bonds	80,953	66,897	60,592
Other interest	3,369	3,033	2,679
CER adjustment	4,295	4,405	4,107
Contribution to Deposit Guarantee Fund	67,808	55,937	44,248
Other	693,171	428,591	286,993
	<u>4,021,540</u>	<u>2,827,590</u>	<u>1,718,721</u>
GROSS INTERMEDIATION MARGIN – GAIN	<u>5,731,991</u>	<u>4,076,780</u>	<u>2,979,927</u>
PROVISION FOR LOAN LOSSES	<u>540,032</u>	<u>600,424</u>	<u>273,224</u>
SERVICE-CHARGE INCOME			
Related to lending transactions	164,097	141,048	124,059
Related to deposits	2,022,656	1,571,838	1,169,977
Other commissions	50,236	42,078	39,884
Other	1,189,335	889,767	635,253
	<u>3,426,324</u>	<u>2,644,731</u>	<u>1,969,173</u>

(Contd.)

BANCO MACRO S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(Figures stated in thousands of pesos)

	2013	2012	2011
SERVICE-CHARGE EXPENSE			
Commissions	205,176	153,194	114,597
Other	<u>712,631</u>	<u>532,198</u>	<u>313,357</u>
	<u>917,807</u>	<u>685,392</u>	<u>427,954</u>
ADMINISTRATIVE EXPENSES			
Personnel expenses	2,351,921	1,844,336	1,485,554
Directors' and statutory auditors' fees	117,077	75,005	59,773
Other professional fees	138,212	109,906	90,425
Advertising and publicity	103,437	92,526	75,925
Taxes	218,491	169,306	131,883
Depreciation of equipment	98,666	85,037	72,972
Amortization of organization costs	89,019	72,721	59,213
Other operating expenses	598,402	429,752	323,990
Other	<u>300,131</u>	<u>236,796</u>	<u>188,842</u>
	<u>4,015,356</u>	<u>3,115,385</u>	<u>2,488,577</u>
NET INCOME FROM FINANCIAL INTERMEDIATION - GAIN	<u>3,685,120</u>	<u>2,320,310</u>	<u>1,759,345</u>
OTHER INCOME			
Income from long-term investments	25,132	13,299	8,358
Penalty interest	40,972	39,592	31,743
Recovered loans and allowances reversed	109,449	78,901	77,780
CER adjustment	63	76	78
Other	<u>77,598</u>	<u>64,794</u>	<u>72,601</u>
	<u>253,214</u>	<u>196,662</u>	<u>190,560</u>
OTHER EXPENSE			
Penalty interest and charges payable to the Central Bank of Argentina	30	22	50
Charge for other receivables uncollectibility and other allowances	50,624	43,046	44,345
Amortization of differences from deposit dollarization	—	59,828	18,870
Depreciation and loss of other assets	3,051	2,065	2,152
Goodwill amortization	14,052	14,052	14,052
Other	<u>75,931</u>	<u>37,076</u>	<u>26,370</u>
	<u>143,688</u>	<u>156,089</u>	<u>105,839</u>
MINORITY INTEREST IN SUBSIDIARIES	<u>(18,173)</u>	<u>(13,790)</u>	<u>(10,111)</u>
INCOME BEFORE INCOME TAX	<u>3,776,473</u>	<u>2,347,093</u>	<u>1,833,955</u>
INCOME TAX	<u>1,332,909</u>	<u>853,475</u>	<u>657,858</u>
NET INCOME FOR THE FISCAL YEAR	<u>2,443,564</u>	<u>1,493,618</u>	<u>1,176,097</u>
NET INCOME PER SHARE (1) – stated in pesos	<u>4.18</u>	<u>2.56</u>	<u>1.98</u>

(1) See Note 9. to the accompanying consolidated financial statements.

The accompanying Notes 1 through 33 to the consolidated financial statements are an integral part of these consolidated statements.

(Contd.)

BANCO MACRO S.A. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(Figures stated in thousands of pesos)

Changes	Capital stock	Stock issuance premium	Adjustments to Shareholders' equity	Earnings reserved			Unappropriated earnings	Total
				Legal	Subordinated Corporate Bonds	Voluntary		
Balances as of December 31, 2010	594,485	398,750	4,511	764,140	—	211	2,390,745	4,152,842
Own shares reacquired (1)							(92,919)	(92,919)
Distribution of unappropriated earnings, as approved by the Shareholders' Meeting held on April 26, 2011:								
- Legal reserve				202,086			(202,086)	
- Cash dividends (2)							(505,312)	(505,312)
- Special Reserve for Subordinated Corporate Bonds (3)					58,146		(58,146)	
- Tax on Personal Assets							(11,156)	(11,156)
Reversal of Special Reserve for Subordinated Corporate Bonds (3)					(58,146)		58,146	
Net income for the fiscal year							1,176,097	1,176,097
Balances as of December 31, 2011	594,485	398,750	4,511	966,226	—	211	2,755,369	4,719,552
Distribution of unappropriated earnings, as approved by the Shareholders' Meeting held on April 16, 2012:								
- Legal reserve				235,219			(235,219)	
- Special Reserve for Subordinated Corporate Bonds (3)					62,934		(62,934)	
- Voluntary reserve for future distributions of earnings						2,443,141	(2,443,141)	
- Tax on Personal Assets							(14,075)	(14,075)
Reversal of Special Reserve for Subordinated Corporate Bonds (3)					(62,934)		62,934	
Net income for the fiscal year							1,493,618	1,493,618
Balances as of December 31, 2012	594,485	398,750	4,511	1,201,445	—	2,443,352	1,556,552	6,199,095

(Contd.)

BANCO MACRO S.A. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(Figures stated in thousands of pesos)

Changes	Capital Stock	Stock issuance premium	Adjustments to shareholders' equity	Earnings reserved			Unappropriated earnings (1)	Total
				Legal	Subordinated Corporate Bonds	Voluntary		
Balances as of December 31, 2012	594,485	398,750	4,511	1,201,445	—	2,443,352	1,556,552	6,199,095
Legal merger of Banco Privado de Inversiones S.A.								
- Balances of Banco Privado de Inversiones S.A.	86,659	—	—	409	—	135	10,402	97,605
- Merger effects (4)	(86,581)	5	—	(409)	—	(135)	(10,479)	(97,599)
Merger Balances	594,563	398,755	4,511	1,201,445	—	2,443,352	1,556,475	6,199,101
Distribution of unappropriated earnings, as approved by the Shareholders' Meeting held on April 11, 2013:								
- Legal reserve				298,724			(298,724)	
- Special Reserve for Subordinated Corporate Bonds (3)					71,916		(71,916)	
- Voluntary reserve for future distributions of earnings						1,170,681	(1,170,681)	
- Tax on Personal Assets							(15,234)	(15,234)
Reversal of Special Reserve for Subordinated Corporate Bonds (3)					(71,916)		71,916	
Net income for the fiscal year							2,443,564	2,443,564
Balances as of December 31, 2013	594,563	398,755	4,511	1,500,169	—	3,614,033	2,515,400	8,627,431

- (1) See Notes 4.5.p.2) and 9. to the accompanying consolidated financial statements.
- (2) Through resolution of March 18, 2011, the Central Bank authorized the abovementioned cash dividends distribution.
- (3) See Notes 4.5.p.3) and 10. to the accompanying consolidated financial statements.
- (4) Includes the retroactive accounting effects of legal merger of Banco Privado de Inversiones S.A. as of January 1, 2013. See Note 3.6 to the accompanying consolidated financial statements.

The accompanying Notes 1 through 33 to the consolidated financial statements
are an integral part of these statements.

BANCO MACRO S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(Figures stated in thousands of pesos)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Changes in cash and cash equivalents (Note 4.5.r))			
Cash and cash equivalents at beginning of the fiscal year	10,526,353	6,172,446	5,990,480
Cash and cash equivalents at end of the fiscal year	<u>13,512,271</u>	<u>10,526,353</u>	<u>6,172,446</u>
Net increase in cash and cash equivalents	<u>2,985,918</u>	<u>4,353,907</u>	<u>181,966</u>
Causes of changes in cash and cash equivalents			
Operating activities			
Net collections / (payments):			
- Government and private securities	451,488	(48,420)	3,131,541
- Loans			
- To the financial sector	(152,924)	291,597	(358,161)
- To the non-financial government sector	6,051	(211,154)	7,590
- To the non-financial private sector and foreign residents	(256,172)	(1,547,040)	(4,747,693)
- Other receivables from financial intermediation	20,890	2,546,616	(353,689)
- Receivables from financial leases	1,836	63,862	(22,403)
- Deposits			
- From the financial sector	2,652	6,490	1,965
- From the non-financial government sector	(2,246,827)	2,186,276	484,690
- From the non-financial private sector and foreign residents	6,305,546	2,837,330	3,750,341
- Other liabilities from financial intermediation			
- Financing facilities from the financial sector (received calls)	95,906	(165,661)	164,735
- Others (except liabilities included under financing activities)	724,159	513,117	(31,866)
Collections related to service-charge income	3,400,939	2,626,865	1,952,285
Payments related to service-charge expenses	(889,886)	(668,688)	(417,852)
Administrative expenses paid	(3,748,636)	(2,947,585)	(2,314,629)
Payments of organization and development cost	(158,508)	(106,956)	(99,004)
Net collections from penalty interest	40,945	39,312	31,701
Differences from payments related to court orders	(7,687)	(8,644)	(15,377)
Collections of dividends from other companies	100	300	9,293
Other collections related to other income and losses	81,950	59,346	66,996
Net payments from other operating activities	(735,780)	(404,327)	(68,403)
Payment of income tax / minimum presumed income tax	(906,557)	(851,953)	(257,945)
Net cash flows generated in operating activities	<u>2,029,485</u>	<u>4,210,683</u>	<u>914,115</u>
Investing activities			
Net payments for bank premises and equipment	(174,960)	(136,649)	(101,036)
Net payments for other assets	(100,661)	(67,766)	(134,391)
Other collections / (payments) for investing activities	39	(2,050)	(498)
Net cash flows used in investing activities	<u>(275,582)</u>	<u>(206,465)</u>	<u>(235,925)</u>
Financing activities			
Net (payments) / collections:			
- Non-subordinated corporate bonds	(47,455)	(248,003)	(58,059)
- Central Bank of Argentina			
- Other	(1,334)	11,381	7,240
- Banks and International Institutions	46,396	111,656	107,788
- Subordinated corporate bonds	(85,368)	(68,650)	(61,315)
- Financing received from Argentine financial institutions	11,428	(2,246)	(1,785)
Payment of dividends	(19)	(19)	(505,339)
Other payments for financing activities			
- Own shares reacquired	—	—	(92,919)
Net cash flows used in financing activities	<u>(76,352)</u>	<u>(195,881)</u>	<u>(604,389)</u>

Financial income and holding gains on cash and cash equivalents	<u>1,308,367</u>	<u>545,570</u>	<u>108,165</u>
Net increase in cash and cash equivalents	<u>2,985,918</u>	<u>4,353,907</u>	<u>181,966</u>

The accompanying Notes 1 through 33 to the consolidated financial statements
are an integral part of these consolidated statements

BANCO MACRO S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2012 AND 2011

(Figures stated in thousands of pesos, except otherwise indicated)

1. OVERVIEW OF THE BANK

Macro Compañía Financiera S.A. was created in 1977 as a non-banking financial institution. In May 1988, it received the authorization to operate as a commercial bank and it was incorporated as Banco Macro S.A. Subsequently, as a result of the merger process with other entities, it adopted other names (among them, Banco Macro Bansud S.A.) and since August 2006, Banco Macro S.A. (hereinafter, the Bank).

The Bank's shares have been publicly listed on the BCBA (Buenos Aires Stock Exchange) since November 1994, and as from March 24, 2006, they are listed on the New York Stock Exchange (NYSE).

Since 1994, Banco Macro S.A.'s market strategy was mainly focused on the regional areas outside the City of Buenos Aires. Following this strategy, in 1996, Banco Macro S.A. started the process to acquire entities and assets and liabilities during the privatization of provincial and other banks.

In 2001, 2004, 2006 and 2010, the Bank acquired the control of Banco Bansud S.A., Nuevo Banco Suquía S.A., Nuevo Banco Bisel S.A. and Banco Privado de Inversiones S.A., respectively. Such entities were merged with and into Banco Macro S.A. in December 2003, October 2007, August 2009 and December 2013, respectively. In addition, during fiscal year 2006, Banco Macro S.A. acquired control over Banco del Tucumán S.A.

The Bank currently offers traditional bank products and services to companies, including those operating in regional economies, as well as to individuals, thus reinforcing the Bank's objective to be a multi-services bank.

In addition, the Bank performs certain transactions through its subsidiaries Banco del Tucumán S.A., Macro Bank Limited (an entity organized under the laws of Bahamas), Macro Securities S.A. (former Macro Securities S.A. Sociedad de Bolsa), Macro Fiducia S.A. and Macro Fondos SGFCI S.A.

The chart showing the organizational structure as of December 31, 2013, is disclosed in Note 4.1 with the percentages indicating the ownership in each subsidiary.

2. CHANGES IN THE ARGENTINE MACROECONOMIC ENVIRONMENT, AND THE SITUATIONS OF THE FINANCIAL AND CAPITAL SYSTEM AND THE BANK

The financial and capital markets

The international and local macroeconomic context generates a certain degree of uncertainty regarding its future progress as a result of the contractions in growth levels, the volatility of financial assets and the foreign exchange market, among other issues, which has been observed with various degrees of intensity over the last few years. In addition, at a local level, there was an increase in the volatility of government and private securities and in interest rates, as well as somewhat significant increase in the prices for other relevant economic variables, such as salary costs, the prices of the main raw materials and the exchange rate.

Specifically in connection with the Argentine foreign exchange market, as from October 2011, the Federal Government imposed certain restrictions to access to the MUyLC (single and free foreign exchange market).

Moreover, there was a strong appreciation of foreign currency, from Ps 6.52 at the end of the fiscal year 2013 to Ps 8.01 at March 31, 2014, remaining at a market price closer to such day until now and a rise in interest rates, both deposit and lending rates. Note 19 "Balances in foreign currency" to the accompanying consolidated financial statements discloses a breakdown of the assets and liabilities in foreign currency.

As a result of the abovementioned situation, the estimated impact of the devaluation amounted to 696,144.

BANCO MACRO S.A. AND SUBSIDIARIES

Lastly, on December 27, 2012, a new Capital Markets Law was enforced, as enacted by Presidential Decree No. 1023/2013 dated July 29, 2013, and CNV General Resolution No. 622 dated September 5, 2013. At present, although the regulations provide for a transition period, the law is undergoing a process of gradual implementation and analysis by the various market agents. In addition, several filings and requests for clarification have been filed with the agency, which has issued various interpretations and extensions.

Therefore, the Bank's Management permanently monitors the change of the abovementioned situations in international and local markets, to determine the possible actions to adopt and to identify the possible impacts on its financial situation that may need to be reflected in the financial statements for future periods.

Legal actions

The Argentine economic and financial situation worsened in late 2001, when the Argentine government suspended payments on the sovereign debt and imposed severe restrictions on cash withdrawals from financial institutions.

The measures adopted by the Federal Executive Government with respect to the public emergency in political, economic, financial and foreign exchange matters triggered a number of legal actions (known as *recursos de amparo* – constitutional rights protection actions), brought by individuals and companies against the Federal Government, the Central Bank and the financial institutions for considering that Public Emergency Law and its supplementary regulations are unconstitutional.

In the specific case of deposits denominated in foreign currency, in some cases, the courts ordered the reimbursement of such deposits, either in foreign currency or at free foreign exchange rate at the time of reimbursement until a final judgment is issued with respect to the constitutionality of the conversion into pesos.

Some of these claims were treated by the Argentine Supreme Court, which issued resolutions on lower-court decisions for each particular case and in different manners.

On December 27, 2006, the Argentine Supreme Court revoked prior instance judgments that ordered the reimbursement of deposits in US dollars and decided that depositors are entitled to reimbursement of their deposits switched to pesos at the Ps, 1.40-to-USD 1 exchange rate, adjusted by the CER (benchmark stabilization coefficient) through the payment date, and interest should be applied to such amount at a rate of 4%, which may not be compounded through the payment date.

As regards courts deposit in US dollars, on March 20, 2007, the Argentine Supreme Court ruled that principal should be reimbursed with no deterioration in value whatsoever, and that the sums should be kept in their original currency.

Additionally, as of December 31, 2013 and 2012, the Bank recorded the additional payables (representing the difference between the original deposit and the amount capitalized as an intangible asset) related to such regulation under the "Provisions" account in the amount of 23,301 and 17,112, respectively. Considering what has been mentioned in Note 6.f), the Bank's Management believes that there would be no additional significant effects, other than those recognized in accounts that could derive from the final outcome of such actions.

BANCO MACRO S.A. AND SUBSIDIARIES

3. BANK OPERATIONS

3.1. Agreement with the Misiones Provincial Government

The Bank and the Misiones Provincial Government entered into a special-relationship agreement whereby the Bank was appointed, for a term of five years since January 1, 1996, as the Provincial Government's exclusive financial agent, as well as revenue collection and obligation payment agent.

On November 25, 1999, and December 28, 2006, extensions to such agreement were agreed upon, making it currently effective through December 31, 2019.

As of December 31, 2013 and 2012, the deposits of the Misiones Provincial Government amounted to 1,178,587 and 1,472,825 (including 62,915 and 39,518 related to court deposits), respectively.

3.2. Agreement with the Salta Provincial Government

The Bank and the Salta Provincial Government entered into a special-relationship agreement whereby the Bank was appointed, for a term of ten years since March 1, 1996, as the Provincial Government's exclusive financial agent, as well as revenue collection and obligation payment agent.

On February 22, 2005, such agreement was extended through March 1, 2016.

As of December 31, 2013 and 2012, the deposits held by the Salta Provincial Government amounted to 1,508,357 and 1,694,001 (including 200,346 and 177,611 related to court deposits), respectively.

3.3. Agreement with the Jujuy Provincial Government

The Bank and the Jujuy Provincial Government entered into a special-relationship agreement whereby the Bank was appointed, for a ten-year term since January 12, 1998, as the Provincial Government's exclusive financial agent, as well as revenue collection and obligation payment agent.

On April 29, 2005, such agreement was extended through November 4, 2014.

As of December 31, 2013 and 2012, the deposits held by the Jujuy Provincial Government amounted to 758,639 and 717,115 (including 103,063 and 88,244 related to court deposits), respectively.

3.4. Agreements with Tucumán Provincial and Municipal Governments

Banco del Tucumán S.A. entered into special-relationship agreements with the Tucumán Provincial Government and with the Municipality of San Miguel de Tucumán, appointing it their exclusive financial agent, as well as revenue collection and obligation payment agent, through 2011 and 2013, respectively.

On June 30, 2010, the service agreement with the Tucumán Provincial Government was extended through July 8, 2021, while the agreement executed with the Municipality of San Miguel de Tucumán was automatically extended through July 8, 2018, as set forth in the original agreement.

As of December 31, 2013 and 2012, the deposits held by the Tucumán Provincial Government and the Municipality of San Miguel de Tucumán in Banco del Tucumán S.A. amounted to 1,720,895 and 1,296,416 (including 502,803 and 399,832 related to court deposits), respectively.

BANCO MACRO S.A. AND SUBSIDIARIES

3.5. Uniones Transitorias de Empresas (joint ventures)

a) Banco Macro S.A. - Siemens Itron Business Services S.A.

On April 7, 1998, the Bank entered into a joint venture agreement with Siemens Itron Business Services S.A. in which each holds a 50% equity interest, whereby a provincial data processing center would be provided to manage tax-related issues, to modernize tax collection systems and procedures in the province of Salta, and to manage and perform the recovery of taxes and municipal assessments payable.

b) Banco Macro Bansud S.A. - Montamat & Asociados S.R.L.

On October 22, 2004, the Bank entered into a UTE (joint venture) agreement with Montamat & Asociados S.R.L. under the name "BMB M&A – Unión Transitoria de Empresas", in which each holds a 50% equity interest. The purpose of such agreement is to render audit services related to oil and gas royalties and fiscal easements in the province of Salta to optimize tax collection in such province.

Since the purpose for which the joint venture was established no longer exists, the Executive Committee of the UTE resolved to dissolve and liquidate the UTE.

c) Banco Macro S.A. – Gestiva S.A.

On May 4, 2010, and August 15, 2012, the Bank and Gestiva S.A. entered into a joint venture under the name "Banco Macro S.A. – Gestiva S.A. – Unión Transitoria de Empresas" which is jointly controlled and is engaged in providing a comprehensive tax processing and management system for the Province of Misiones, its administration and collection of taxes thereof. The Bank has a 5% interest in its capital stock.

As of December 31, 2013, and 2012, the net assets of such joint ventures recorded in the Bank's consolidated financial statements through proportionate consolidation method amounted to 12,688 and 10,686, respectively.

Also, as of December 31, 2013, 2012 and 2011 the net income recorded through the method mentioned in the previous paragraph, amounted to 24,497, 32,542 and 34,824, respectively.

3.6. Legal merger of Banco Privado de Inversiones S.A.

On March 7, 2013, the Boards of Directors of Banco Macro S.A. and Banco Privado de Inversiones S.A entered into a "Preliminary merger agreement", which established the merger of the latter with and into Banco Macro S.A. retroactively effective since January 1, 2013, based on the financial statements of the banks as of December 31, 2012.

On June 10, 2013, the special general shareholders' meetings of Banco Macro S.A. and Banco Privado de Inversiones S.A., approved the preliminary merger agreement, the special purpose consolidated merger balance sheet as of December 31, 2012, the shares exchange relationship and the corresponding increase in capital of the absorbing entity.

Consequently, Banco Macro S.A. will issue 77,860 Class B shares of common stock with a face value of Ps 1, to be delivered to the minority shareholders of the absorbed Bank (Macro Fiducia S.A. and Macro Securities S.A.)

Finally, on December 23, 2013, the Board of Directors of the Central Bank authorized Banco Privado de Inversiones S.A. to merge with and into Banco Macro S.A. and on January 23, 2014, the CNV (Argentine Securities Commission) gave its approval. Additionally, the CNV authorized the public offering of shares to be delivered to the minority shareholders of former Banco Privado de Inversiones S.A.

In consequence, on December 27, 2013, Banco Macro S.A. carried out the merger of Banco Privado de Inversiones S.A. with and into the former.

Under Central Bank rules, the accounting of the merger did not have a significant impact on the consolidated financial statements of the bank.

BANCO MACRO S.A. AND SUBSIDIARIES

4. SIGNIFICANT ACCOUNTING POLICIES

4.1. Consolidation and basis of presentation

The Consolidated Financial Statements have been prepared in accordance with accounting principles issued by the Central Bank of Argentine Republic (Central Bank rules).

For the purpose of these consolidated financial statements, certain disclosures related to formal legal requirements for reporting in Argentina have been omitted since they are not required for SEC (Securities and Exchange Commission) reporting purposes.

Under Central Bank rules and FACPCE (Federación Argentina de Consejos Profesionales de Ciencias Económicas - Argentine Federation of Professional Council in Economic Sciences) Technical Resolutions, Banco Macro S.A. has consolidated the following subsidiaries:

Company	Shares		Percentage held of		Equity Investment amounts as of	
	Class	Number	Capital Stock	Votes	December 31, 2013	December 31, 2012
Banco del Tucumán S.A.	Common	395,341	89.932%	89.932%	688,171	456,898
Macro Bank Limited (a)	Common	9,816,899	99.999%	100.00%	279,299	219,002
Macro Securities S.A. (former Macro Securities Sociedad de Bolsa) (b) y (c)	Common	12,776,680	99.921%	99.932%	55,144	39,367
Macro Fiducia S.A.	Common	6,475,143	98.605%	98.605%	12,895	12,555
Macro Fondos SGFCI S.A.	Common	327,183	99.936%	100.00%	4,362	4,321

(a) Consolidated with Sud Asesores (ROU) S.A. (voting rights: 100%, equity interest: 857).

(b) Consolidated with Macro Fondos SGFCI S.A.

(c) The indirect equity interest of Banco Macro S.A comes from Macro Fiducia S.A.

Intercompany transactions were eliminated in the consolidation process.

Furthermore, the financial statements of Macro Bank Limited (consolidated with Sud Asesores (ROU) S.A.) were adapted to the Central Bank rules. Also, as they are originally stated in US dollars, they were translated into pesos following the procedures indicated below:

- (a) Assets and liabilities were translated at the reference exchange rate at the closing of transactions on the last business day of the years ended December 31, 2013 and 2012.
- (b) Figures related to the owners' contributions (capital stock, additional paid-in capital and irrevocable capital contributions) were translated by applying the effective exchange rates as of the date on which such contributions were paid in.
- (c) Retained earnings were estimated by the difference between assets, liabilities and owners' contributions, translated into pesos, as indicated above.
- (d) The amounts of income were translated into pesos, as described in (a) above. The difference between retained earnings at beginning of year and retained earnings at year-end was recorded in "Other income – Income from long-term investments" and "Financial income – Difference in quoted prices of gold and foreign currency" or "Financial expense – Difference in quoted prices of gold and foreign currency" accounts, as the case may be.

BANCO MACRO S.A. AND SUBSIDIARIES

4.2. Comparative information

The consolidated financial statements as of December 31, 2013, are presented comparatively with those as of December 31, 2012 and 2011.

Due to the modification of certain disclosure methods defined for certain items in the consolidated balance sheets and consolidated statements of income, which did not affect the shareholders' equity of the Bank, the consolidated financial statements as of December 31, 2012 and 2011, were modified for the sole purpose of comparing them with the consolidated financial statements as of December 31, 2013.

4.3. Unit of measurement

Argentine professional accounting standards effective in the City of Buenos Aires establish that the financial statements should be stated in constant pesos. The adjustment methodology and the need to make those adjustments are required by TR (Technical Resolution) No. 6 and TR No. 17, which were amended by TR No. 39 dated October 4, 2013 (pending approval by the Professional Council in Economic Sciences of the City of Buenos Aires), all of them issued by the FACPCE. This regulation introduces, among other modifications, the obligation to adjust the financial statements so that they are stated in constant currency as of the related date when the inflation rate accumulated over a three-year period reaches or exceeds 100%, considering the domestic wholesale price index of the INDEC (Argentine Institute of Statistics and Censuses). As of December 31, 2013, 2012 and 2011, the domestic wholesale price index increase by 14.8%, 13.1% and 12.7%, respectively.

The Bank's consolidated financial statements recognize the changes in the peso purchasing power until February 28, 2003, when the adjustments to reflect those changes were discontinued, as provided by the professional accounting standards effective in the City of Buenos Aires and as required by Presidential Decree 664/2003, IGJ General Resolution No. 4/2003, Central Bank Communiqué "A" 3,921 and CNV General Resolution No. 441. However, the interpretation of the financial statements should consider the fact that, in recent fiscal years, there have been significant changes in the prices for relevant economic variables, such as salary cost, the loan rate and the exchange rate, which do not require such adjustments according to the abovementioned regulations.

4.4. Significant accounting judgments, estimates and assumptions

The preparation of Consolidated Financial Statements requires the Bank to make, in certain cases, estimates and assumptions to determine the book values of assets and liabilities, income, expenses and contingencies, as well as the disclosures thereof, as of each balance sheet date. The Bank's records are based on the best estimate regarding the probability of occurrence of different future events and, therefore, the final amount may differ from such estimates, which may have a positive or negative impact on future fiscal years.

In the process of applying the Bank's accounting policies, management has exercised judgment and estimates in determining the amounts recognized in the consolidated financial statements.

4.5. Valuation methods

The main valuation methods used to prepare these consolidated financial statements as of December 31, 2013, and 2012, were as follows:

a) Assets and liabilities denominated in foreign currency:

The assets and liabilities denominated in US dollars were valued at Central Bank benchmark US dollar exchange rate effective as of the closing date of transactions on the last respective business day. Additionally, assets and liabilities denominated in other foreign currencies were translated at the exchange rate communicated by the Central Bank's dealing room. Foreign exchange differences were recorded in the related statements of income.

BANCO MACRO S.A. AND SUBSIDIARIES

- b) Government and private securities and under repurchase agreements.
- b.1) Government securities - Holdings booked at market value:
- They were valued at the quoted prices or present values reported by the Central Bank, as the case may be. Differences in quoted prices and present values were recorded in the related consolidated statements of income.
- b.2) Government securities - Holdings booked at amortized cost:
- As set forth in Central Bank Communiqué “A” 5180, as supplemented, they were valued at acquisition cost increased by the accrued internal rate of return, net of the related offset account, also compared with the present values calculated by the Bank. The acquisition value previously mentioned is related to the present value of each security at acquisition date.
- As of December 31, 2013 and 2012, the present value calculated by the Bank for these securities amounted to 260,645 and 360,583, respectively.
- b.3) Listed Instruments issued by the Central Bank – Holdings booked at market value:
- They were valued at the quoted price as of the last respective business day. Differences in quoted prices were recorded in the related consolidated statements of income.
- b.4) Instruments issued by the Central Bank – Holdings booked at amortized cost:
- Holdings with no volatility (active market in accordance with Central Bank rules) published by the Central Bank were valued at acquisition cost plus accrued interest, exponentially applying the internal rate of return as per their issuance terms and conditions. The accruals of the internal rate of return mentioned above were recorded in the related consolidated statements of income.
- c) Guaranteed loans – Presidential Decree No. 1387/01:
- As set forth in Central Bank Communiqués “A” 4898, “A” 5180, as supplemented, the guaranteed loans issued by the Argentine Government under Presidential Decree No. 1387/2001 were valued at the specific acquisition value of each security, increased by accrued income including the benchmark stabilization coefficient (CER), net of the related offset account, compared in turn with the present values reported by the Central Bank.
- As of December 31, 2013 and 2012, the present value reported by the Central Bank for these securities amounted to 300,386 and 272,594, respectively.
- d) Interest accrual:
- Interest has been accrued according to a compound interest formula in the period in which it was generated, except interest on transactions in foreign currency and those whose maturity does not exceed 92 days, on which interest has been accrued according to a simple interest formula.
- The Bank suspends the interest accrual whenever loan payments are not settled (generally, after 90 days) or when the recoverability of the collection of principal or interest accrued is doubtful. Accrued interest is considered part of the loan balance when determining the allowances for loan losses. Afterwards, interest is only recognized on a cash basis.
- e) CER accrual:
- Receivables and payables have been indexed by the CER, wherever applicable, as follows:
- e.1) Guaranteed loans: as explained in Note 4.5.c).
- e.2) Deposits and other assets and liabilities: the CER as of the last respective day was applied.
- f) Allowance for loan losses and provision for granted guarantees:
- These provisions have been calculated based on the estimated uncollectibility risk of the Bank’s credit portfolio, which, among other factors, results from the evaluation of the degree of debtor’s compliance and the guarantee/security supporting the respective transactions, under Central Bank Communiqué “A” 2,950, as supplemented, and the Bank’s provisioning policies.

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When loans covered by specific allowances are settled or generate a reversal of the allowances recorded in the current fiscal year, and in cases where the allowances set in prior years exceed what is considered necessary, the excess allowance is reversed with effects on income for the current fiscal year.

The recovery of receivables previously classified under “Debit-balance control memorandum accounts - Receivables classified as irrecoverable” are charged directly to income.

The Bank assesses the credit risk related to possible commitments and determines the appropriate amount of allowances to be recorded. The allowances related to amounts recorded in memorandum accounts granted guarantees are included under “Provisions”.

g) Loans and deposits of government securities:

They were valued at the quoted price as of the last respective business day, plus the related accrued interest. Differences in quoted prices and accrued interest were recorded in the related statements of income.

h) Other receivables from financial intermediation and Other liabilities from financial intermediation:

h.1) Amounts receivable from spot and forward sales pending settlement and amounts payable for spot and forward purchases pending settlement:

They were valued based on the prices agreed upon for each transaction, plus related premiums accrued.

h.2) Securities and foreign currency to be received for spot and forward purchases pending settlement and to be delivered for spot and forward sales pending settlement:

i. With volatility (active market): they were valued at the effective quoted prices for each of them at the last respective business day. Differences in quoted prices were recorded in the related statements of income.

ii. Without volatility (without active market): they were valued at their cost value increased exponentially by their internal rate of return. Such accruals were recorded in the related statements of income.

h.3) Debt securities and certificates of participation in financial trusts:

i) Debt securities: they were valued as provided by Central Bank Communiqué “A” 4414, at their cost value, increased exponentially by their internal rate of return, translated into pesos pursuant to the method described in Note 4.5.a), as the case may be.

ii) Certificates of participation in TST & AF Trust: as of December 31, 2012, they were valued by the equity method, considering the residual value of the goodwill arising from the excess of the investment cost over its book value.

iii) Other certificates of participation: they were stated at cost or face value increased as the case may be, by interest accrued until the last respective business day, translated into Argentine pesos according to the method described in Note 4.5.a), as appropriate.

The values recorded, net of allowances, do not exceed the recoverable values from the respective trusts.

h.4) Unlisted corporate bonds purchased:

They were valued by the accrual method based on their internal rate of return, as provided by Central Bank Communiqué “A” 4414 and supplementary regulations. Such accruals were recorded in the related consolidated statements of income.

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h.5) Non subordinated corporate bonds issued:

They were valued at the amount due for principal and interest accrued, translated into pesos pursuant to the method described in Note 4.5.a). Such accruals were recorded in the related consolidated statements of income.

i) Receivables from financial leases:

They were valued at the net investment in the lease less unearned income and calculated in accordance with the conditions agreed upon in the respective agreements, by applying the interest rate imputed therein.

j) Investments in other companies:

j.1) In non-controlled financial institutions (less than 50% ownership interest), supplementary and authorized activities:

- i. In pesos: they were valued at acquisition cost, plus the nominal value of share-dividends received, restated as explained in Note 4.3, as the case may be.
- ii. In foreign currency: they were valued at the acquisition cost in foreign currency, plus the nominal value of share-dividends received, translated into pesos in accordance with the criterion stated in Note 4.5.a).

Such net values do not exceed the values calculated by the equity method on the basis of the latest financial statements published by the companies.

j.2) In other non-controlled companies: they were valued at acquisition cost, plus the nominal value of share-dividends received, restated as described in Note 4.3., net of allowances for impairment in value. Such net values do not exceed the values calculated by the equity method on the basis of the latest financial statements published by the companies.

k) Bank premises and equipment, other assets and intangible assets:

They were valued at their acquisition cost, restated as explained in Note 4.3., less the related accumulated depreciation and amortization calculated based on their estimated useful life using the straight line method.

For differences due to court orders (amparos), – Nondeductible for the determination of the computable equity (including in Intangible Assets): as of December 31, 2011, the amount represented the difference between the amount of the original foreign currency translated at the exchange rate applied upon payment of the recursos de amparos (constitutional rights protection actions) and the amount recorded under Central Bank rules (converted into Argentine pesos at the Ps. 1.4 to USD 1 exchange rate, or its equivalent in other currencies, plus CER). Additionally, and as disclosed in Central Bank Communiqué “A” 3916, since April 2003 the sums related to the amounts paid were amortized by the straight line method over 60 months. As of September 2012, the Bank decided to amortize in full the residual value as of such date and, from then on, the new disbursements pertaining to these differences were recorded in the related statements of income.

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l) Valuation of derivatives:

- l.1) Put options sold on BODEN 2013 coupons: as of December 31, 2012, such options were valued at the exchange value of the bonds plus interest and the CER adjustment accrued on the last respective business day.
- l.2) Interest rate swap: this included the equivalent in pesos of the notional value in relation to which the Bank agreed to charge or pay a spread between fixed and variable rates.
- l.3) Forward transactions without delivery of underlying asset: they were valued at the quoted price of the underlying assets upon maturity, as of the last respective business day. Differences in quoted prices were recorded in the related consolidated statements of income.
- l.4) Put options taken: valued at the agreed-upon exercise price.

In all cases, see also Note 31.

m) Severance payments:

The Bank charges these payments directly to expenses.

n) Provisions included in liabilities:

The Bank carries certain contingent liabilities related to current or future claims, lawsuits and other proceedings, including those related to labor and other obligations. Liabilities are recorded when it is probable that future costs will be incurred and whenever such costs may be reasonably estimated.

o) Subordinated corporate bonds:

They were valued at the amount due for principal and interest accrued, translated into pesos pursuant to the method described in Note 4.5.a). Such accruals were recorded in the related statements of income.

p) Shareholders' equity accounts:

- p.1) They are restated as explained in Note 4.3., except for the "Capital stock" account which has been kept at its original value. The adjustment resulting from its restatement as explained in such note was included in the "Adjustments to shareholders' equity" account.
- p.2) Treasury stock: the purchase cost of treasury stock was debited from the "Unappropriated earnings" account. Furthermore, the face value of such shares was reclassified from "Outstanding shares" to "Treasury stock" (see also Note 9).
- p.3) Special reserve for subordinated corporate bonds: related to the reserve created for paying the financial services of subordinated corporate bonds issued by the Bank (see Note 10.a.1)). This reserve is reversed on a monthly basis as the related interest is recorded in the statements of income.

q) Consolidated Statements of income accounts:

- q.1) The accounts comprising monetary transactions (financial income (expense), service-charge income (expense), provision for loan losses, administrative expenses, among others) were computed at their historical amounts on a monthly accrual basis.
- q.2) The accounts reflecting the effects on income from the sale, retirement or consumption of non monetary assets were computed on the basis of the amounts of such assets, which were restated as mentioned in Note 4.3.

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r) Statements of cash flows and cash equivalents:

The Bank considers “Cash and cash equivalents” to include the following accounts: Cash and Government and private securities which mature less than 90 days from their date of acquisition. Below is a breakdown of the reconciliation of the “Cash and cash equivalents” item on the consolidated statement of cash flows with the related consolidated balance sheet accounts as of December 31, 2013, 2012 and 2011:

	2013	2012	2011
Cash	12,860,529	10,047,048	6,172,446
Government and private securities			
Holdings for trading or financial intermediation	638,762	388,462	—
Instruments issued by Central Bank of Argentina	12,980	90,843	—
Cash and cash equivalents	13,512,271	10,526,353	6,172,446

5. INCOME TAX AND MINIMUM PRESUMED INCOME TAX (TOMPI)

As required by Central Bank’s rules, the Bank calculates income tax by applying the effective 35% rate to the estimated taxable income for each fiscal year, without considering the effect of temporary differences between book and taxable income.

In 1998, Law No. 25,063 established minimum presumed income tax for a ten-year term. At present, after subsequent extensions, such tax is effective through December 30, 2019. This tax is supplementary to income tax, while the latter is levied on the taxable income for the year, minimum presumed income tax is a minimum levy assessment by applying 1% over 20% of certain assets as provided by the law for financial institutions. Therefore, the Bank’s tax obligation for each year will be equal to the higher of these taxes. However, if minimum presumed income tax exceeds income tax in a given tax year, such excess may be computed as a payment on account of any income tax in excess of minimum presumed income tax that may occur in any of the following ten years, once accumulated net operating losses (NOLs) have been used.

As of December 31, 2013, 2012 and 2011, the Bank estimated an income tax expense of 1,332,909, 853,475 and 657,858, respectively, included in Other Liabilities – Other.

Additionally, as of December 31, 2013, the Bank made income tax prepayments for 623,941 for the 2013 fiscal year, which will be applied to the tax amount assessed in the 2013 tax return.

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6. DIFFERENCES BETWEEN CENTRAL BANK RULES AND PROFESSIONAL ACCOUNTING STANDARDS EFFECTIVE IN THE CITY OF BUENOS AIRES

Argentine professional accounting standards effective in the City of Buenos Aires differ, in certain valuation and disclosure aspects, from Central Bank accounting standards. The differences between those valuation standards, which the Bank identified and deemed material to these consolidated financial statements, are as follows:

Item	Adjustments under professional accounting standards to equity		
	2013	2012	2011
Government securities and assistance to the government sector (a)			
Holdings of government securities booked at amortized cost	35,162	6,583	72
Instruments issued by the Central Bank booked at amortized cost	41	63	767
Guaranteed loans – Presidential Decree No. 1,387/01	(13,614)	(16,350)	(30,092)
Business combinations (b)			
Acquisition of Nuevo Banco Bisel S.A.	(92,636)	(102,276)	(110,496)
Other	(58,060)	(62,762)	(69,393)
Intangible assets – Organization and development expenses (c)	—	—	(50,410)
Deferred assets - Income tax (d)	116,694	84,386	46,564
Other assets (e)	1,717	(477)	7,679
Liabilities – Provisions (f)	(67,994)	(59,351)	(54,866)
Total	(78,690)	(150,184)	(260,175)

In addition, income would have increased by around 71,494, 109,991 and 9,492 for the years ended December 31, 2013, 2012 and 2011, respectively.

- a) Holdings of government securities, instruments issued by the Central Bank and credit assistance to the nonfinancial government sector: these holdings and financing are valued based on the specific regulations and standards issued by the Argentine government and the Central Bank, which set forth, among other issues, the use of present values, technical values and offset accounts, as explained in Notes 4.5.b.2), 4.5.b.4) and 4.5.c). Pursuant to the Argentine professional accounting standards effective in the City of Buenos Aires, the securities, instruments and assistance mentioned in those notes should be stated at their market and/or present values, as the case may be. In addition, current Central Bank regulations establish that financing to the nonfinancial government sector is not subject to loan-loss provisioning, whereas the Argentine professional accounting standards effective in the City of Buenos Aires require that assets in general to be compared with their recoverable value every time financial statements are prepared.
- b) Business combinations: under the standards set forth by Central Bank, business acquisitions are recorded according to the book values of the acquired company and, if the purchase price exceeds the book value, the excess amount is recorded in the acquiring company's books as a positive goodwill. On the other hand, if the purchase price is lower than book value, the difference is recorded in the acquiring company's books as a negative goodwill. If the goodwill is positive, Central Bank standards establish that such goodwill should be amortized under the straight-line method based on an estimated useful life of ten years. If the goodwill is negative, Central Bank Communiqué "A" 3984 establishes specific amortization methods; the maximum amortization allowed per year is 20%.

According to the Argentine professional accounting standards effective in the City of Buenos Aires, business combinations are recorded based on the market values of the acquired company's identifiable net assets and the difference between the purchase price and the identifiable net asset measurement value is recorded as either a positive or a negative goodwill, as the case may be. If a positive goodwill is recognized, this goodwill will be amortized systematically over the estimated useful life, unless it has an indefinite useful life considering the estimates made by the Bank's Management, in which case it shall not be amortized, but compared with its recoverable value as of each year-end. If a negative goodwill is recognized due to expected losses or future expenses of the acquired entity and which should not have been recorded as liabilities as of the acquisition date, it will either be charged to the consolidated statement of income according to the change in specific circumstances that gave rise to it or systematically, taking into account an average weighted useful life of the acquired entity's assets subject to depreciation and amortization.

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- c) Intangible assets: as of December 31, 2011, the Bank and its subsidiaries included under “Intangible Assets”, net of the related amortization amounts, the foreign exchange differences related to the compliance with the precautionary measures that required the Bank and its subsidiaries to reimburse certain deposits in foreign currency converted to pesos and the effect of court deposits dollarization. These exchange differences do not constitute a recoverable asset and, according to current professional accounting standards, should have been charged to income (see Note 4.5.k)).
- d) Income tax: the Bank and its subsidiaries determine income tax applying the effective rate to the estimated taxable income, without considering the effect of the temporary differences between book and taxable income. According to the Argentine professional accounting standards effective in the City of Buenos Aires, income tax should be booked following the deferred tax method, according to which (i) in addition to the current tax payable, either an asset (if certain conditions are met) or a liability is recognized for deferred taxes related to the tax effect of the temporary differences between the book and tax valuation of assets and liabilities, and (ii) a tax expense (income) is recognized in relation to the portion involving the current tax expense (income) as well as the one involving the deferred tax expense (income), resulting from the creation and reversal of the abovementioned temporary differences in the year. Under Argentine professional accounting standards effective in the City of Buenos Aires, a deferred tax asset is recognized when there are unused NOLs or tax credits that can be deducted from future taxable income, provided they are likely.
- e) Other assets: the Bank recorded interest rate swap agreements under memorandum accounts in conformity with Central Bank accounting standards under memorandum accounts. According to the Argentine professional accounting standards effective in the City of Buenos Aires, the measurement of derivative financial instruments should be made at their net realizable value if they have quoted prices, or lacking this, using mathematical models that are appropriate in relation to the instrument’s characteristics and using variables that can be verified.
- f) Liabilities: the Bank books the effects of the Argentine Supreme Court rulings dated December 27, 2006, and August 28, 2007, upon payment of such precautionary measures, in conformity with Central Bank indications in the notice dated August 4, 2008. According to the Argentine professional accounting standards effective in the City of Buenos Aires, the Bank should have recorded a liability related to this item.

7. RESTRICTED AND PLEDGED ASSETS

As of December 31, 2013, and 2012, the following Bank’s assets are restricted:

<u>Item</u>	<u>2013</u>	<u>2012</u>
Government and private securities		
• Argentine Government bond in Argentine pesos at private Badlar + 275 basis points, maturing in 2014, used as security in favor of SEDESA. (1)	89,333	88,984
• Argentine Government bond in Argentine pesos at private Badlar + 275 basis points, maturing in 2014, securing the role of custodian of FGS (sustainability guarantee fund) investments	80,513	35,768
• Argentine Government bond in Argentine pesos at private Badlar + 275 basis points, maturing in 2014, for the performance of forward foreign currency trading transactions.	55,136	5,322
• Secured Bonds under Presidential Decree No. 1579/02 as security for a loan received from Banco de Inversión y Comercio Exterior S.A. (BICE).	33,775	35,906

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Item (contd.)	2013	2012
• Other government and private securities	8,967	13,830
Subtotal government and private securities	267,724	179,810
Loans		
• Guaranteed Loans under Presidential Decree No. 1387/01 – Global 17 at a variable rate provided as guarantee in favor of the Central Bank in relation to the auctions of advances intended for the production sector under the Bicentennial Production Financing Program.	43,263	37,664
Subtotal Loans	43,263	37,664
Other receivables from financial intermediation		
• Special guarantee checking accounts opened in Central Bank for transactions related to the electronic clearing houses and similar entities.	582,314	517,360
• Interests resulting in contributions made in the Bank's capacity by contributory partner of the following venture funds: (2)		
- Risk Fund of Garantizar SGR (mutual guarantee association), with an original contribution of 20,000 made on December 13, 2012.	21,268	20,000
- Risk Fund of Los Grobo SGR, with an original contribution of 20,000 made on December 12, 2012.	21,241	20,000
- Risk Fund of Intergarantías SGR, with an original contribution of 3,000 made on December 30, 2013	3,000	—
- Risk Fund of Compañía General de Avales SGR, formerly Macroaval SGR with an original contribution of 5,000 made on December 28, 2011	—	5,460
Subtotal Other receivables from financial intermediation	627,823	562,820
Other receivables		
• Security deposits related to credit card transactions	137,269	53,348
• Other guarantee security.	4,985	5,873
• Sundry receivables includes an item related to the attachment ordered in the context of a claim initiated by Buenos Aires City tax authorities on turnover tax differences.	827	827
Subtotal Other receivables	143,081	60,048
Investments in other companies		
• Other.	1,453	1,453
Subtotal Investments in other companies	1,453	1,453
Total	1,083,344	841,795

- (1) As replacement for the preferred shares of former Nuevo Banco Bisel S.A. to secure to SEDESA the price payment and the fulfillment of all the obligations assumed in the purchase and sale agreement dated May 28, 2007, maturing on August 11, 2021.
- (2) In order to keep tax benefits related to these contributions, they must be maintained between two and three years from the date they were made.

BANCO MACRO S.A. AND SUBSIDIARIES

8. TRANSACTIONS WITH RELATED PARTIES

Banco Macro S.A.'s receivables / payables and income (loss) from transactions performed with subsidiaries and related parties are as follows. As mentioned in Note 4.1., transactions with subsidiaries were eliminated in the consolidation process:

	Banco del Tucumán S.A.	Macro Bank Limited	Macro Securities S.A.	Other subsidiaries and related parties (1)	Total 2013	Total 2012
ASSETS						
Cash	—	4,762	—	—	4,762	3,692
Loans	—	—	—	207,530	207,530	137,809
Other receivables from financial intermediation	—	—	40,029	172,807	212,836	111,173
Receivables from financial leases	—	—	7,982	2,073	10,055	8,479
Other receivables	—	—	—	—	—	—
Items pending allocation	44	—	—	—	44	39
Total assets	<u>44</u>	<u>4,762</u>	<u>48,011</u>	<u>382,410</u>	<u>435,227</u>	<u>261,192</u>
LIABILITIES						
Deposits	—	1,040	20,201	591,125	612,366	497,405
Other liabilities from financial intermediation	<u>70,000</u>	<u>—</u>	<u>26,878</u>	<u>—</u>	<u>96,878</u>	<u>2,034</u>
Total liabilities	<u>70,000</u>	<u>1,040</u>	<u>47,079</u>	<u>591,125</u>	<u>709,244</u>	<u>499,439</u>
MEMORANDUM ACCOUNTS						
Debit balance accounts - Contingent	—	—	—	—	—	64,596
Debit balance accounts - Control	—	—	—	537,998	537,998	289,997
Credit balance accounts - Contingent	923	—	—	1,030	1,953	3,136
Credit balance accounts - Derivatives (2)	—	—	—	—	—	2,060

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	Banco del Tucumán S.A.	Macro Bank Limited	Macro Securities S.A.	Other subsidiaries and related parties (1)	Total 2013	Total 2012	Total 2011
INCOME (LOSS)							
Financial income	—	—	710	32,805	33,517	23,558	1,868
Financial expense	(7,282)	—	—	(9,410)	(16,692)	(12,946)	(16,641)
Service-charge income	30	2	1,654	3,847	5,533	5,631	1,429
Service-charge expense	—	—	(6)	—	(6)	—	(1,162)
Administrative expenses	(11)	—	—	—	(11)	(1,101)	(835)
Other income	9,765	—	—	—	9,765	9,729	8,076
Other expense	—	—	—	—	—	—	(208)
Total income / (loss)	2,502	2	2,358	27,242	32,106	24,871	(7,473)

- (1) Related to receivables from and payables to other related parties to the Bank for transactions performed in the normal course of business, under normal market conditions, in terms of interest rates and prices, as well as guarantees required.
- (2) The Bank has recorded foreign currency trading transactions without delivery of the underlying asset and involving related parties, in its memorandum accounts. According to the Bank's policy, they are matched in terms of amounts and maturity with transactions carried out with third parties who are not related parties. As of December 31, 2013, 2012 and 2011, although there is no position for these transactions, the net intermediation income from such transaction generated (loss) / earnings for the year of around (350), 2 and 98, respectively.

Additionally, the ANSES -National Social Security Administration (as manager of the “Fondo de Garantía de Sustentabilidad” or Sustainability Guarantee Fund), held (i) 30.97% of the capital stock of the Bank, and (ii) since the issuance of Emergency Decree N°. 441 (April, 2011), 28.79% of votes. In accordance with FASB ASC 850, from April 2011, the Sustainability Guarantee Fund is considered other related party.

Thus, as of December 31, 2013 and 2012, the Bank recorded time deposits made by ANSES (as manager of the Sustainability Guarantee Fund), for an amount of 466,867 and 2,289,734, respectively. In addition, the Bank recorded interest for such time deposits in “Financial Expense” for an amount of 108,442, 196,288 and 200,998 for the years ended December 31, 2013, 2012 and 2011, respectively. Additionally, as of December 31, 2013 and 2012, the Bank recorded an amount of 29,197,830 and 15,843,687, respectively, in “Checks and securities in custody” under Memorandum accounts.

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9. CAPITAL STOCK

As of December 31, 2013, 2012 and 2011, the legal capital structure is as follows:

SHARES			CAPITAL STOCK			
Class	Stock number	Votes per share	Issued and outstanding	In treasury	Pending issuance	Paid-in
Registered Class A shares of common stock	11,235,670	5	11,236	—	—	11,236
Registered Class B shares of common stock (1)	583,249,498	1	583,249	—	—	583,249
Acquired Registered Class B shares of common stock (1)	—	1	(10,000)	10,000	—	—
Total 2011	594,485,168		584,485	10,000	—	594,485
Total 2012	594,485,168		584,485	10,000	—	594,485
Capital Increase - Registered Class B Shares (2)	77,860	1	—	—	78	78
Total 2013	594,563,028		584,485	10,000	78	594,563
As of December 31, 2013:						
Registered Class A shares of common stock	11,235,670	5	11,236	—	—	11,236
Registered Class B shares of common stock (1)	583,327,358	1	573,249	10,000	78	583,327
Total 2013	594,563,028		584,485	10,000	78	594,563

- (1) As mentioned in Note 2, as a result of the international macroeconomic context and of the fluctuation of the capital markets, the prices of local shares, including the Bank's, were affected. On September 15, 2011, the Board of Directors decided to repurchase its own common registered Class B shares. In consequence, during fiscal year 2011, the Bank acquired a total of 10,000,000 Class B shares of common stock, with a face value of Ps 1 and entitled to one vote for a total amount of 92,919. The Bank's General Shareholder's Meeting could decide to sell those shares during a three-year term from the acquisition thereof. After such term, capital stock shall be reduced by operation of law for an amount equal to the nominal value of shares held in portfolio, which will be canceled. The three-year term will be effective on September, 2014.
- (2) Related to the capital increase in the amount of 77,860 Class B shares of common stock with a face value of Ps 1, each one entitled to one vote, to be issued and delivered to the minority shareholders of former Banco Privado de Inversiones S.A., in the merger process with Banco Macro S.A. (see also Note 3.6.).

In addition, net income per common share for the fiscal years ended December 31, 2013, 2012 and 2011, was computed by dividing net income by the weighted average number of outstanding common shares for each year.

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10. CORPORATE BONDS ISSUANCE

The amounts recorded in the consolidated financial statements related to corporate bonds are as follows:

<u>Class</u>	<u>Original face value</u>	<u>Residual face value as of 12/31/2013</u>	<u>As of December, 31</u>	
			<u>2013</u>	<u>2012</u>
Subordinated - Class 1	USD150,000,000 a.1)	USD150,000,000	981,142	740,192
Non-subordinated - Class 2	USD150,000,000 a.2)	USD106,395,000	718,044	541,705
Total			<u>1,699,186</u>	<u>1,281,897</u>

Maturities of the corporate bonds as of December 31, 2013, are as follows:

<u>Fiscal Year</u>	<u>Amounts</u>
2014	28,003
2017	693,483
2036	977,700
Total	<u>1,699,186</u>

On September 1, 2006, June 4, 2007 and April 26, 2011, the general regular shareholders' meeting approved the creation, and subsequent extension, of a Global Program for the Issuance of Simple Corporate Bonds in a short, medium or long term, either subordinated or non subordinated, with or without guarantee, in accordance with the provisions of Law No. 23,576, as amended by Law No. 23,962, and further applicable regulations, up to a maximum amount outstanding at any time during the term of the program of USD 1,000,000,000 (one billion US dollars), or an equal amount in other currencies, under which it will be possible to issue different classes and/or series of corporate bonds denominated in US dollars or other currencies and reissue the successive classes or series to be amortized.

- a.1) On December 18, 2006, under the abovementioned Global Program, Banco Macro S.A. issued the 1st series of Class 1 subordinated Notes for a face value of USD 150,000,000 (US dollars one hundred and fifty million). The main characteristics of this issuance are:
- Computable to the Bank's required minimum capital (computable equity), as established by Communiqué "A" 4576.
 - The Notes fall due within a 30-year term, with full amortization upon maturity (December 18, 2036), with full redemption option in 10 years since the issuance date.
 - Interest payments will be made with a semiannual frequency (June 18 and December 18, every year).
 - During the first 10 years, the interest rate will be a fixed one (9.75%), and a variable one for the remaining years (six-month LIBOR, plus 7.11%). As established by Communiqué "A" 4576, the interest rate payable can be increased only once over the life of the instrument and subsequent to the 10-year term since their issuance.
 - They do not include covenants that change the subordination order.
 - No interest on the Notes will neither fall due and payable if: (i) payments of such interest is the distributable amount, as defined in the pricing supplement dated November 23, 2006; (ii) there is a general prohibition by the Central Bank; (iii) the Bank is subject to the provisions of sections 34 or 35 bis, Financial Institutions Law; (iv) the Bank is receiving financial assistance from Central Bank for illiquidity under Article 17 of Central Bank Charter; (v) the Bank is not in compliance with or has failed to comply in a timely basis with reporting obligations to the Central Bank; and/or (vi) the Bank is not in compliance with minimum capital requirements (both on an individual and consolidated basis levels) or with minimum cash reserves (on average).

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- Unpaid interest is not cumulative.
- They have authorizations both for their public offering and their listing on domestic or foreign stock exchanges or markets.
- In no case, the payment of financial services may exceed net unappropriated retained earnings as per the consolidated financial statements for the last fiscal year, with an external auditor's report, which should be appropriated to a reserve created to such end, as established by Comunicado "A" 4576 (see Notes 4.5.p.3) and 15 b)).

The Bank used the funds derived from such issuance to grant loans.

- a.2) On January 29, 2007, the Bank issued the 1st series of Class 2 nonsubordinated simple corporate bonds at a fixed rate of 8.5% p.a., not convertible into shares, fully amortizable upon maturity (February 1, 2017) for a face value of USD 150,000,000 (one hundred and fifty million US dollars), under the terms and conditions set forth in the price supplement dated January 10, 2007. Interest will be paid semiannually on February 1 and August 1 of every year.

Additionally, the Bank has the option to redeem such issuance, either fully or partially, at any time and from time to time. The Bank used the funds derived from such issuance to grant loans.

On August 16, 2007, the SEC authorized the abovementioned exchange offers mentioned in a.1) and a.2).

11. ITEMS IN CUSTODY

11.1. Portfolio Management

Item	Managed portfolio as of	
	12/31/2013	12/31/2012
• On March 1, 1996, former Banco de Salta S.A. (which was absorbed by the Bank) and the Salta Provincial Government entered into an Agreement to Manage the Loan Portfolio of Banco Provincial de Salta (in liquidation) related to the nonfinancial private sector,	14,039	14,053
• On August 11, 1998, former Banco de Jujuy S.A. (which was absorbed by the Bank) and the Jujuy Provincial Government entered into an agreement to manage the loan portfolio of the former Banco de la Provincia de Jujuy and to provide a monthly report on the tasks performed,	42,082	42,274
• On April 6, 2001, through Provincial Decree No. 806, the Ministry of the Treasury of the Province of Salta approved an extension to the "Contract for the service of collecting, processing and arranging information, managing the loan portfolio and performing collection procedures related to the receivables of the IPDUV (Provincial Institute of Urban and Housing Development)" entered into on March 27, 2001, between such Agency and the former Banco Macro S.A.,	107,875	89,477
• On August 19, 2002, ABN AMRO Bank N.V. Sucursal Argentina, as trustee, the former Scotiabank Quilmes S.A., as trustor, Banco Comafi S.A., as collecting agent and manager and the former Banco Bansud S.A. (currently Banco Macro S.A.), entered into an "Agreement for the LAVERC financial trust's collection administration and management",	74,069	77,767
• On June 30, 2006, the Bank and Macro Fiducia S.A. entered into a management and custody agreement regarding the "RETUC 1" trust loan portfolio,	58,169	58,085
• On November 22, 2012 and 2013 the Bank (trustor) and Macro Fiducia SA (trustee), created the financial trusts Fideicomiso Financiero Privado "SECANE I" and "SECANE II", respectively; in the trusts agreement the trustor assumes the role of collection agent, administration and custodian,	183,845	93,566
• On December 31, 2008, the Bank and Macro Fiducia S.A. entered into a management and custody agreement regarding the "BATUC 1" trust loan portfolio,	16,031	16,163

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Item (contd.)	Managed portfolio as of	
	12/31/2013	12/31/2012
• On October 30, 2012, the Bank, Banco de Valores S.A. and Banco del Tucumán S.A. entered into a management and custody agreement regarding the “Fideicomiso Financiero Tucumán Personal I” financial trust loan portfolio.	19,454	86,332
• Other manager portfolios.	139,966	96,086
Total	655,530	573,803

11.2. Mutual Funds

As of December 31, 2013, the Bank, in its capacity as Depository Company, held in custody the shares of interest subscribed by third parties and securities from the following mutual funds:

<u>Fund</u>	<u>Shares of interest</u>	<u>Shareholders' equity</u>	<u>Assets (a)</u>
Pionero Pesos	325,239,111	596,082	394,664
Pionero Renta Ahorro	55,852,029	137,610	135,079
Pionero FF	150,008,757	324,632	251,165
Pionero Renta	45,501,617	240,446	236,487
Pionero Acciones	1,109,351	5,419	5,244
Pionero Renta Dólares	6,027	17	—
Pionero Empresas FCI Abierto PYMES	100,000	116	115
Pionero Consumo	100,000	112	110
Argenfunds Ahorro Pesos	141,397,744	184,347	184,739
Argenfunds Renta Privada	192,786,558	251,993	256,148
Argenfunds AB PYMES	5,966,486	6,207	6,207
Total		1,746,981	1,469,958

- (a) “Memorandum accounts – Debit-balance accounts – Control – Other” includes mainly items in custody. Consequently, this account includes the above mentioned amounts related to the mutual funds’ investment portfolios.

12. BANK DEPOSITS GUARANTEE INSURANCE SYSTEM

Law No. 24,485, and Presidential Decree No. 540/95, provided for the organization of a Bank Deposit Guarantee Insurance System, characterized as being limited, mandatory and for valuable consideration, designed to provide coverage for risks inherent in bank deposits, supplementary to the bank deposit privileges and protection offered by the system created by Financial Institutions Law. Such law also provided for the organization of SEDESA to manage the Deposit Guarantee Fund. Such company was organized in August 1995. The Bank holds a 9.2428% equity interest therein, according to the percentages set forth in Central Bank Communiqué “B” 10,752 of February 18, 2014.

This system shall cover the deposits (up to the amount of 120) in Argentine pesos and foreign currency with the participating institutions as checking accounts, savings accounts, certificates of deposit or any other modes determined by Central Bank, as long as the requirements under Presidential Decree No. 540/1995 and any others established by the enforcement agency are fulfilled. On the other hand, Central Bank established that the deposits made by other financial institutions, those made by persons related to the Bank, deposits of securities, among others, must be excluded from the deposit guarantee system.

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13. TRUST AGREEMENTS

The Bank is related to different types of trusts. The different trust agreements are disclosed below, according to the Bank's business purpose:

13.1. Interest in trusts for investment purposes.

As of December 31, 2013 and 2012, the amounts recorded in the Bank's consolidated financial statements for certificates of participation (net of allowances for 223,832 as of both dates) and debt securities held in financial trusts under "Other receivables from financial intermediation - Other receivables not covered by debtors classification regulations", amounted to:

<u>Financial trust</u>	<u>2013</u>	<u>2012</u>
Certificates of participation:		
Frávega Créditos I, II and XII (a)	44,717	50,977
TST & AF (b)	—	110,576
Other	29,189	28,152
Subtotal certificates of participation	<u>73,906</u>	<u>189,705</u>
Debt securities:		
Underwriting agreements (c)	281,187	238,182
Loma Blanca (d)	98,412	76,350
Other (e)	44,800	111,740
Subtotal debt securities	<u>424,399</u>	<u>426,272</u>
Total interest in trusts (1)	<u>498,305</u>	<u>615,977</u>

(1) See also Note 23.

(a) Frávega Créditos I, II and XII Trust

On June 28, December 20, 2012, and November 29, 2013, Frávega SACI e I, as trustor, collection agent and beneficiary, Macro Fiducia S.A. as trustee and Banco Sáenz S.A. as the loan portfolio manager, entered into three trust agreements called Fideicomiso Financiero Privado Frávega Créditos I, Fideicomiso Financiero Privado Frávega Créditos II and Fideicomiso Financiero Privado Frávega Créditos XII, respectively, whereby each trust issued Class "A" and Class "B" certificates of participation.

The purpose of the trusts is to pay the certificates of participation in full once the loans transferred by the trustor (unrelated party) have been collected (securitization transaction).

The Class "A" certificates are considered debt instruments without significant risk associated. The Class "B" certificates are considered equity instruments with exposure to the credit risk of the loans portfolio. Upon expiration of the trusts, the holders of Class "B" certificates of participation will receive the remaining receivables.

On August 15, 2013, Fideicomiso Financiero Privado Frávega Créditos I settled 100% of the Class "A" certificates of participation held by the Bank.

As of December 31, 2013, the Bank is the direct beneficiary of 100% of the Class "A" certificates of participation issued by Fideicomiso Financiero Privado Frávega Créditos II and Fideicomiso Financiero Privado Frávega Créditos XII.

On March 17, 2014, Fideicomiso Financiero Privado Frávega II, will settled 100% of the Class "A" certificates of participation hold by the Bank.

According to the latest accounting information available, the corpus assets amounted to 72,369.

(b) TST & AF Trust.

On July 14, 1999, Austral Financial LLC, in its capacity as trustor, and First Trust of New York National Association, in its capacity as trustee, entered into a trust agreement known as TST & AF Financial Trust. On November 29, 2005, the trustor, the trustee and the beneficiaries (Austral Financial LLC, Proa del Puerto S.A. and Macro Bank Limited) agreed to replace the trustee by Macro Fiducia S.A.

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The purpose of the trust is to develop a real estate project in Puerto Madero and subsequently sell it to settle the certificates of participation. Therefore, it will terminate 30 years after its execution date and/or the date on which the project is paid in full, sold or otherwise fully disposed of.

The Trust issued certificates of participation with economic rights proportional to the capital invested by each Beneficiary. However, the trust is controlled jointly by all certificate-of-participation holders.

As of December 31, 2012, Banco Macro S.A. was the beneficiary of 100% of the certificates of participation issued by the trust.

On May 15, 2013, the Trust settled the certificates of participation held by the Bank, which received property and cash as payment. Under Central Bank rules this transaction did not materially impact in the consolidated income statement.

(c) Underwriting agreements

It relates to prepayments towards the placement price of trust securities of the financial trusts under public offerings, made by the Bank through underwriting agreements (Consubond, Accicom, Pvcred and Credial). The assets managed for these trusts are mainly related to securitizations of consumer loans. Trust securities are placed once the public offering is authorized by the CNV. Upon expiry of the placement period, once all trust securities have been placed on the market, the Bank recovers the disbursements made, plus an agreed-upon compensation ("underwriting Price"). If after making the best efforts, such trust securities cannot be placed, the Bank ("Underwriter") will retain the securities subject to underwriting.

(d) Loma Blanca Trust

On December 6, 2011, Isolux Ingeniería S.A. and Isolux Corsán Argentina S.A. (trustors) and Nación Fideicomisos S.A. (trustee), entered into a trust agreement called "Fideicomiso Financiero Loma Blanca Serie I".

The purpose of the trust consists in the set-up, start-up, operation and maintenance of all four awarded wind farms, located in the Municipality of Trelew, province of Chubut. The trust revenues arise mainly from collecting cash flows from Corporate Bonds (corpus assets).

The Class "A" and "B" certificates are considered debt instruments without any significant risk associated.

As of the date of issuance of these consolidated financial statements, the Class "A" debt securities acquired by the Bank account for 14% of the total trust issues. The final amortization of such debt securities will operate on March 16, 2016.

According to the latest accounting information available, the corpus assets amounted to 804,031.

(e) Other

It includes, among others, the following trusts:

- i) Trust created by Presidential Decree 976/2001: as of December 31, 2012, the trust managed the collection of certain taxes for the purpose of developing infrastructure projects.
- ii) Chubut oil & gas royalties Trust: the trust manages assigned receivables and rights on oil & gas royalties for the purpose of financing production projects, infrastructure works in the Province of Chubut and financial investments aimed at increasing the state's interest in the energy sector.

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- iii) TATSA (formerly SAETA): It manages the credit transferred by the trustor, resulting from the sale agreement of passenger transport units with the purpose of financing their manufacturing. As of December 31, 2013 and 2012, the Bank is a direct beneficiary of 100% of the debt securities and certificates of participation, issued by the trust.
- iv) Galtrust I financial Trust: as of December 31, 2012 it managed investments in federal government securities for the purpose of settling the securities issued by the trust.
- v) San Isidro Trust: the trust managed investments in real property for the purpose of developing a project. The Trust issued debt and equity instruments to finance the project. In 2012, the Trust cancelled the debt instruments. As of December 31, 2012, the Bank hold the 100% of the instruments issued by the Trust (directly or through TST&AF).

13.2. Trusts created using financial assets transferred by the Bank

The Bank transferred financial assets (loans) to trusts for the purpose of issuing and selling securities for which collection is guaranteed by the cash flow resulting from such assets or group of assets. This way, the funds originally used to finance loans are recovered earlier.

The Class "A" and "B" certificates are considered debt instrument without any significant risk associated. Those certificates of participation are considered equity instruments with exposure to the credit risk of the loans portfolio. Upon expiration of the trusts, the holders of the certificates of participation will receive the remaining receivables. The Bank holds 100% of the certificates of participation issued by Tucuman Personal I trust amounted to 1,611.

As of December 31, 2013, and 2012, considering to the latest accounting information available the managed assets through trustees amounted to 30,340 and 93,723, respectively.

13.3. Trusts as collateral for the loans granted by the Bank

As it is common in the Argentine banking market, the Bank requires, in some cases, that the debtors present certain assets or entitlements to receive assets in a trust as a guarantee for the loans granted. This way, the risk of losses is minimized and access to the security is guaranteed in case of the debtor's noncompliance.

Trusts usually act as conduits to collect cash from the debtor's flow of operations and send it to the bank for the payment of the debtor's loans and thus ensure compliance with the obligations assumed by the trustor and guaranteed through the trust.

Additionally, other guarantee trusts manage specific assets, mainly real property.

Provided there is no noncompliance or delays by debtor in the obligations assumed with the beneficiary, the Trustee shall not execute the guaranty and all excess amounts as to the value of the obligations are reimbursed by the Trustee to the debtor.

As of December 31, 2013, and 2012, the managed assets amounted to 750,214 and 667,866, respectively.

13.4. Normal trust activities (The Bank acts as trustee)

The Bank performs management duties in relation to the corpus assets directly according to the agreements, performing only trustee duties and has no other interests in the trust.

In no case shall the Trustee be liable with its own assets or for any obligation deriving from the performance as trustee. Such obligations do not imply any type of indebtedness or commitment for the trustee and they will be fulfilled only through trust assets. In addition, the trustee will not encumber the corpus assets or dispose of them beyond the limits established in the related trust agreements. The fees earned by the Bank from its role as trustee are calculated according to the terms and conditions of the agreements.

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Trusts usually manage funds derived from the activities performed by trustors for the following main purposes:

- (a) Guaranteeing, in favor of the beneficiary, the existence of the resources required to finance and/or pay certain obligations, such as the payment of installments regarding work or service certificates, and the payment of invoices and fees stipulated in the related agreements.
- (b) Promoting the production development of the private economic sector at a provincial level.
- (c) Being a party to public work concession agreements granting road exploitation, management, keeping and maintenance.

Additionally, other trusts manage specific assets, mainly real property.

As of December 31, 2013, and 2012, the managed assets amounted to 903,501 and 1,127,622, respectively.

14. COMPLIANCE WITH REQUIREMENTS TO ACT IN THE CAPACITY OF AGENTS BELONGING TO DIFFERENT CATEGORIES OF AGENTS DEFINED BY THE CNV

On September 5, 2013, the CNV issued General Resolution No. 622, as mentioned in Note 2. Considering Banco Macro S.A.'s current operations, and according to the different categories of agents established by the abovementioned Resolution, the Bank is in the process of registering with this agency for the following agent categories: custody of collective investment products (AC PIC FCI), placement and distribution of mutual funds (Acyd FCI), financial trustees (FF) and nonfinancial trustees (FNOF) and clearing and settlement (ALyC).

The Bank's shareholder's equity exceeds the minimum amount required by this regulation, amounting to 24,125, while the required minimum of liquid assets is 14,000, which are made up of available assets in accounts with the Central Bank.

15. RESTRICTION ON EARNINGS DISTRIBUTION

- a) According to Central Bank provisions, 20% of income for the year plus/minus prior-year adjustments and less accumulated losses as of the prior year-end, if any, should be appropriated to Legal Reserve. Consequently, the Shareholders' Meeting held on April 29, 2014, decided to apply 488,713 out of unappropriated retained earnings to increase such legal reserve.
- b) As established in the issuance conditions for the 1st series of Class 1 Corporate Bonds mentioned in Note 10.a.1), the Shareholders' Meeting held on April 29, decided to appropriate 95,326 out of unappropriated retained earnings to set a special reserve for interest to be paid upon the maturities taking place in June and December 2014.
- c) Under Law No. 25,063, dividends to be distributed in cash or in kind in excess of taxable income accumulated as of the end of the fiscal year immediately preceding the payment or distribution date shall be subject to a 35% income tax withholding as a single and definitive payment. For this purpose, income to be considered in each year will result from adding dividends or earnings from other corporations not computed in the calculation of those earnings in the same tax period(s) to the earnings determined under application of Income Tax Law, and deducting the tax paid for the tax period(s) in which the earnings, or the related proportional amount, being distributed were generated.

Additionally, from the amendments introduced by Law No. 26,893, with effect from September 23, 2013, distributions of dividends (except for shares) to individuals resident of Argentina or foreign individuals or legal entities shall be subject to a 10% income tax.

- d) As established by CNV General Resolution No. 593, the Shareholders' Meeting considering financial statements with retained earnings should specifically decide as to how they will be used.

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- e) Through Communiqué “A” 5485 as supplemented, the Central Bank established the general procedure for distributing earnings. According to that procedure, earnings may only be distributed upon express authorization by the Central Bank, provided there are no records of the Bank having received financial aid from the Central Bank due to illiquidity or shortages in payments of minimum capital, and there are no penalties imposed by UIF (Financial Information Unit), weighted to be significant, among other previous conditions listed in the abovementioned communiqué.

Therefore, earnings may only be distributed as long as the Bank has income after deducting, on a nonaccounting basis, from unappropriated retained earnings and the voluntary reserve for future distribution of earnings, the amounts of the legal and statutory reserves which are mandatory, the positive net difference between the book value and market value or present value reported by the Central Bank, as the case may be, of government debt securities and/or instruments issued by the Central Bank not valued at market price, among other items.

Lastly, the maximum amount to be distributed cannot exceed the excess payments of the required capital minimum considering, for this purpose only, an increasing adjustment of 75% of the required amount and deducting the abovementioned adjustments.

In addition, on April 29, 2014, the Regular and Special General Shareholders’ Meeting of Banco Macro S.A. approved, among other issues, (i) the distribution of cash dividends for an amount up to 596,254, subject to prior express authorization of the Central Bank, (ii) the compensation paid to the Directors amounting to 102,474 and (iii) the write off of payments made on behalf of shareholders for their personal assets tax for an amount of 19,712.

16. TAX CLAIMS AND OTHER CLAIMS

- 20.1. The AFIP (Federal Public Revenue Agency) and provincial tax authorities have reviewed the tax returns filed by the Bank related to income tax, minimum presumed income tax and other taxes (mainly turnover tax) for the fiscal years prior to 2005.

The most significant ongoing claims arising from the previous paragraph are detailed below:

- a) AFIP challenged the income tax returns filed by the former Banco Bansud S.A. (for the fiscal years since June 30, 1995, through June 30, 1999, and of the irregular six-month period ended December 31, 1999) and by the former Banco Macro S.A. (for the fiscal years ended since December 31, 1998, through December 31, 2000).

The matter under discussion that has not been resolved as yet and on which the regulatory agency bases its position is the impossibility of deducting credits that have collateral security, an issue that has been addressed by the Federal Administrative Tax Court and the Argentine Supreme Court in similar cases, which have issued resolutions that are favorable to the Bank’s position.

- b) City of Buenos Aires tax authorities attributed a turnover tax difference to Banco Macro S.A. for fiscal period 2002, in relation to the treatment of the compensation bond, over which a precautionary measure was issued in 2009 in favor of the Bank.
- c) City of Buenos Aires tax authorities attributed a turnover tax difference to former Banco Privado de Inversiones for fiscal periods 2002 and 2003. In February 2009, a complaint was filed to challenge the assessment with the Federal Administrative Tax Court, which is pending proceedings. City of Buenos Aires government filed an action for payment and secured a provisional attachment in the amount of 827.

Additionally, there are other appeals filed with Tax Court, which are not relevant.

- 20.2. Moreover, as a result of a lawsuit filed in 2007 by consumers’ association “ADECUA” claiming about various aspects related to the collection of the “life insurance” charge for products marketed by former Banco Privado de Inversiones S.A., on November 29, 2010, the parties reached a settlement agreement, approved by the Federal Commercial Court in and for the City of Buenos Aires No. 3, clerk’s office No. 5, and complied with by the Bank.

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However, on March 22, 2013, the judge hearing the case ordered to adjust the performance of the agreement, as regards the reimbursement of the funds to the customers from whom the charge had been collected, a resolution which was appealed by the Bank.

Additionally, there are other claims initiated by consumers' associations.

- 20.3 Finally, the Bank and its directors were notified about the opening of financial and exchange proceedings by the Central Bank and other proceeding filed by the UIF. According to the abovementioned agencies position, they are mainly related to regulatory breaches over transactions conducted by Bank customers. These proceedings were or will be challenged or appealed in the administrative field and / or in court, as the case may be.

The Bank's Management and its legal and tax advisors believe there are no additional significant effects to those already recognized in the books that may result from the final outcome of such claims.

17. RISK MANAGEMENT POLICIES

Within the framework of the Corporate Governance policy, the Board of Directors of the Bank approved the creation of a Risk Management Committee, the duties of which include ensuring that an independent risk management be established, coordinating the management of the various types of risks and the respective persons in charge.

In this regard, the coordination of the Committee involves the heads of financial risk, credit risk and operational risk, who are in charge of implementing the guidelines contained in the Risk Management framework policy.

The Risk Management framework policy establishes the environment for the risk management process under the notions of risk identification, measurement, monitoring and mitigation. In addition, it lays out the duties of each organizational level in the process.

The risk management process includes the establishment of the exposure limits for each risk by the Board of Directors, a follow-up on the exposure to each limit by the persons in charge, the preparation of regular reports for the Risk Management Committee, a follow-up on the alerts and the implementation of action plans regarding the alerts. The process also includes the guidelines for developing stress tests, which began to be performed in the current fiscal year based on an Action Plan approved by the Risk Management Committee.

Additionally, the system is supplemented with policies and procedures specific to each risk (financial, credit, operational, counterparty credit, country risk, securitization, reputational, compliance, strategic risks, among others).

Stress tests

The development of the Stress Test Program was established and planned. The process includes documenting and formalizing the program, including the persons in charge of carrying it out, the frequency of testing and the validation of the system. It also contemplates the Contingency Plan based on the test results. The Risk Management Committee leads and coordinates this application.

Economic capital estimate

In 2013, the Bank started the capital self-assessment process.

Economic capital is the estimated amount of unexpected losses identified for each one of the individual risks (market, liquidity, interest rate, credit, counterparty credit, concentration, operational, securitization, strategic and reputational) determined for the Bank on a consolidated basis. The methods used for subsidiaries are exactly the same.

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Economic capital was first quantified based on the amounts as of December 31, 2013, in compliance with the provisions of Central Bank Communiqués “A” 5394 and “A” 5398. Starting January 2014, it was implemented as a formal procedure to be calculated on a monthly basis, both currently and prospectively, and is a tool used in the day-to-day management of risks, in preparing the Business Plan and the Stress Tests.

The methods used to measure the economic capital of each risk were documented and approved by Management, pursuant to the internal rules on Corporate Governance and Risk Management.

The most significant risks managed by the Bank are disclosed as follows:

Financial risk

Financial risk is understood to be the group comprising Liquidity, Market and Interest Rate risks, which, independently or in an interrelated manner, can affect the Bank’s liquidity and solvency.

Definitions

Liquidity Risk is mainly understood to be the funding liquidity risk, defined as that in which Grupo Macro is unable to efficiently meet cash flows that are both expected and unexpected, current and noncurrent and with guarantees, without hindering daily operations or the financial situation. Market Liquidity Risk is understood to be the risk that the Bank may not be able to offset or unwind a position at market price.

Market Risk is defined as the possibility of incurring losses in on-and off-balance sheet positions as a result of adverse fluctuations in the market price for various assets.

Interest Rate Risk is defined as the possibility that there may be changes in the Bank’s financial situation as a result of fluctuations in the interest rates, which may have adverse effects on the Bank’s net financial income and financial value.

Process

The Bank has strategies, policies and limits defined for each exposure which have been approved by the Board of Directors within the framework of Market, Liquidity and Interest Rate Risk management. These are also applicable to the subsidiaries in a consolidated framework. This process is reviewed periodically by the Risk Management Committee in accordance with the guidelines set forth by Central Bank Communiqué “A” 5203 and the adjustments or amendments approved by the Board of Directors.

The purpose of the Financial Risk Policy is to ensure that the Risk Management Committee and Senior Management have the proper procedures, tools and information enabling them to measure, manage and control the applicable risks.

The Risk heads will report to the Assets and Liabilities Committee (CAP) and the Risk Management Committee on a monthly basis on the financial risk exposure and the effects that may be caused in the Bank’s financial margin. A set of predetermined reports is prepared enabling a clear comparison between the existing exposure and the policy on limits.

The CAP is in charge of setting out the Bank’s financial strategy, analyzing the markets and establishing the policies on assets and liabilities, management of market, liquidity, interest rate and currency risks.

The Financial Risk area uses the following instruments in preparing its reports: sensitivity analysis, stress tests, index curves and other simulations. The adoption of measures regarding the detected departures based on the information provided is left to Senior Management’s discretion, for which it must take into consideration several factors such as the market conditions or the complexity and variety of transactions, considering the defined action plans. The Risk Management Committee learns about these situations and the plans implemented, analyzing the impact on risk exposure. As a result, it may require an explanation about the case from Senior Management or, based on its survey, recommend adjustments to the policies, procedures and limits to the Board of Directors.

The goal set by the Board of Directors is to maintain an adequate degree of liquidity through the prudent management of assets and liabilities, in regard to both the cash flow as well as the concentration thereof.

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The administration of liquidity is supported by an adequate planning process that considers the current and future cash needs, as well as possible changes in economic, political, regulatory and other conditions.

This makes it necessary to identify forecast and possible cash outflows, as well as alternative strategies to handle assets and liabilities in critical situations.

The reports prepared contemplate the following aspects: changes in yield curves; a mismatch of assets and liabilities in relation to currency, rates, terms and based on their volatility and speed of realization; changes, rates and volatility of term deposits, and the participation of institutional investors; liquidity and interest rate risk; established limits and issuance of warnings.

The Bank evaluates the Liquidity Risk situation through different tools, some of which include:

- liquidity test: this is used to define the amount of funding required in a predetermined series of future dates assuming normal market circumstances and without there being any significant changes in the business;
- stress tests: used to quantify the impact of individual or systemic illiquidity scenarios;
- mismatch control: the Risk Management Committee defines the amount of the accumulated mismatch that is acceptable for each one of the tranches or gaps in the liquidity test, both in the normal and stress scenarios;
- assets and liabilities assumptions: in the process of constructing the liquidity mismatches, whether in normal market or stress situations, assumptions are to be included for the assets and liabilities of the balance sheet, taking into account the stability, diversification, and historical renovation percentages.

Market Risk is measured by computing the VAR (value at risk), which consists in the maximum expected loss for a trading portfolio over a certain period of time and with a 99% confidence level.

The tool used for the interest rate risk is the computation of income at risk, which is used for measuring the risk of portfolios that accrue interest, measuring the impact of an adverse change in interest rates on income.

There are Contingency Plans which are assessed and reviewed on a regular basis by the Risk Management Committee.

Credit risk

Credit risk results from the possibility of loss derived from customers or counter-parties from fully or partially breaching financial obligations they have undertaken with the Bank.

The Bank has counter-party and credit risk policies and strategies, the purpose of which is to ensure that risks fall within a risk tolerance level decided by the Board of Directors and Central Bank and other oversight agency regulations.

The Credit Risk Department is in charge of managing credit risk, which involves identifying, evaluating, monitoring, controlling and mitigating it in all the stages of the credit cycle, from the analysis prior to granting credit through maturity or even during the credit recovery phase.

It has the proper structure, procedures and different tools (information systems, rating and monitoring systems, measurement models, recovery policies) which enable it to handle risk effectively.

Specialized risk analysts in the Business Risk and Credit Risk Departments evaluate the risk of the different customer segments, providing technical support for the credit decisions made at all levels of the organization.

The Retail Banking area has assessment policies in place to evaluate the customer depending on the segment he belongs to (Payroll services – Public or Private and Retired Pensioner or Open Market). In order to streamline the processes, the requested assistance is entered into the related evaluation system, which produces an approval or a rejection and, if applicable, determines the maximum financing amount. There is also a widespread use of scores (imposing a minimum limit of admission related to an acceptable arrears level), credit prequalification models to evaluate potential clients (which reduce processing times and standardize analyses) and the permanent rating for consumer customers (which allows branches to provide assistance within the margins set out on a centralized basis).

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In Corporate Banking, approval by Credit Committees is required, and specific risk reports are prepared by customer or group of companies. To streamline this process of approving pre-defined products and smaller amounts, there are decentralized assessment methods in place for Agro businesses and MSMEs. There is an individual and joint powers system in place for managers and business officers which is applied exclusively to short term transactions involving small amounts or which have self-liquidating collateral.

Once the credit limits have been approved, the Credit Administration and Transactions Department controls the formalities and settlement of the transactions and every month it reviews the classification of debtors and the debtors' guarantees, assessing the sufficiency of the provisions according to the standards established by the Central Bank.

During 2013, the Credit Risk Management Department was created, which is in charge of designing the company rating and individuals scoring models, the calculation of expected losses and economic capital and stress tests. It is also involved in designing the decision engines to approve the credit ratings on a mass scale and/or in a decentralized manner, and in generating the credit risk monitoring indicators.

The Bank bases its management information system on an automated tool calculating key performance indicators, defined by the Board of Directors according to the desired risk appetite. Limits and alerts are set forth for each one. The results produced by this tool are included in a report on the credit risk tolerance limits, which is submitted to the Risk Management Committee for its consideration and to adopt corrective measures where necessary.

One of the credit risk management tools used includes the evaluation or score models (for admission, behavior and collections), which are used at different stages of the credit cycle, attributing an internal risk rating to customers, according to which the assigned credit limits are managed and according to which the portfolio is monitored. The Bank is also developing models to use in relation to expected losses, forecasts and capital adequacy assessments, which are currently at different stages of progress and form part of the Action Plan to adjust to local regulations (Communiqués "A" 5394 and "A" 5398), the Basel principles and best practices for risk management.

Recovery efforts involving nonperforming loans are included with the other risk instances, which increases the efficiency of collection processes (both in the pre-legal and litigation stages), at the same time providing information of the recovery action outcomes, which allows the Bank to adjust the origination and expected loss models.

Securitization risk

The Bank and its subsidiaries do not assume any significant risks involving securitization activities. This operation consists mainly in financing, such as prepayments of prices and underwriting in the placement of debt securities of Corporate Banking customers, loans to trusts which are given the same treatment as legal entities and potentially securitizing the proprietary portfolio.

Holding debt securities or certificates of participation in trust generally creates exposure related mainly to credit risk and interest rate risk, just as in a traditional credit transaction. Therefore, they are included in the assessment and administration of each one of the risks involved.

Operational risk

The Bank adopted the definition of Operational risk under the Basel II Accord and the definition established by the Central Bank through its Communiqué "A" 5398, which consists in the risk of suffering losses due to the lack of adjustment or defects in the internal processes, systems or persons, or due to external events.

This definition includes legal risk but excludes strategic and reputation risk.

The Bank has policies, procedures and structures, appointing a Head of Operational Risk. The Operational Risk Committee's main mission is to secure an Operational Risk Management plan which includes policies, programs, measurements and competencies for identifying, assessing and managing risks, with the purpose of assisting Area Managers and the Bank's Board of Directors, in an environment of rapidly changing and significant risks.

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In this context, the Evolutionary Comprehensive Operational Risk Management Model was developed, which involves the identification, measurement, management and monitoring of operational risks. A training plan was designed to begin conveying the concepts inherent to Operational Risk and the cultural change that this generates, and an implementation plan of the model was put into practice to achieve full implementation of all of its stages.

A quantitative approach is used to measure operational risk and technological risk, which includes the following:

- assessing all relevant processes;
- integrating the operational and technological risk assessment models;
- applying risk impact and frequency evaluation matrices for the assessment of processes and subprocesses;
- the quantitative assessment of the risks, identifying action plans and proposals for improving the critical processes, all in full compliance with the objectives set forth;
- the procedure to gather information on events and losses, the purpose of which is to reduce incidents and loss amounts, thus incorporating a quantitative assessment into the risk management model, by registering risk events and losses in a centralized database;
- the IT tool put into practice to manage operational risk, used to manage identified risks and calculate the different indicators so as to have an information system providing an overall view of the results of the different practices and tools involved in operational risk management; and
- the methodology through which the IT areas identify, assess and control the risks related to the Bank's information assets and to specific events, creating information that is later taken into account in decision-making processes.

As regards Risk Management related to the IT and information systems, the Bank has contingency and business continuity plans in place to minimize the risks that could affect the Bank's continuity of operations.

The Bank has an incentives system to manage operational risk in such a way that it would encourage involvement and risk assessment. The risk assessment policy has also been reinforced for new products and in modifications to existing products.

In addition, the implementation of improvements on the different functions of the risk management system also continued.

18. CORPORATE GOVERNANCE TRANSPARENCY POLICY

As a financial institution, Banco Macro S.A.'s business activity is governed by Financial Institutions Law No. 21.526, as supplemented, and the regulations issued by the Central Bank. Moreover, the Bank adheres to the good banking practices laid out in Central Bank Communiqué "A" 5201 (Guidelines for Corporate Governance in Financial Institutions), as supplemented.

The Bank publicly trades its shares on the BCBA and, thus, it is subject to the regulations issued by the CNV.

Through Resolution No. 606/12, the CNV approved the minimum contents of the Corporate Governance Code, adding notions of good corporate governance to corporate management as guidelines or recommendations that seek to provide transparency thereto. The CNV does not require that the recommendations be implemented, although it does require that the Bank explain the reasons why it decided not to adopt the good practices described in such resolution by publishing a document called Information Report on Corporate Governance together with the letter to the shareholders for the fiscal year; the report is available on the Bank's and the CNV's websites.

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This regulation reinforces the notions contained in Capital Markets Law establishing principles such as “full disclosure”, “transparency”, “efficiency”, “public investor protection”, “equal footing between investors” and “protection of the stability of financial institutions and financial intermediaries”.

Moreover, as the Bank lists its shares on the NYSE, qualifying as a foreign private issuer, it is required to comply with certain corporate governance standards as established in section 303A of the NYSE’s Listed Company Manual, as amended.

The main guidelines under Communiqué “A” 5293, as supplemented, are as follows:

- Board of Directors, Senior Management and Committees

The Bank’s Board of Directors is made up of thirteen members. Members are renewed by thirds and the appointed Directors remain in office for three fiscal years. Directors are appointed by the Shareholders’ Meeting.

Five directors are independent, according to the guidelines set by CNV and Central Bank regulations.

Directors should be morally suitable, experienced, knowledgeable in the banking business and meet the requirements established in the effective regulations.

Compliance with these requirements is assessed when the Shareholders’ Meeting appoints the directors and on a regular basis during their term of office.

In this regard, through its CREFI (Creation, Operation and Expansion of Financial Institutions) circulars, the Central Bank establishes the assessment criteria used for granting authorization of the directors appointed by the Shareholders’ Meeting.

The Board of Directors delegates the usual affairs related to management and corporate activities to an Executive Committee with the assignment of specific duties as defined in the Bank’s bylaws.

In relation to Senior Management and Committees, see the next paragraph, Organizational structure.

- Ownership structure

As of December 31, 2013, the Bank’s shareholders are:

<u>Full name / Corporate name</u>	<u>Percentage of capital stock</u>	<u>Percentage of votes</u>
Brito Jorge Horacio	19.87	21.82
Carballo Delfín Jorge Ezequiel	18.79	20.53
ANSES FGS (Sustainability Guarantee Fund) under Law No. 26,425	30.97	28.79
Grouped shareholders (Argentine stock exchanges)	8.74	8.75
Grouped shareholders (foreign stock exchanges)	21.63	20.11

- Organizational structure

Senior management

Two deputy general managers report to the Executive Committee; one is in charge of the commercial areas and the other is in charge of the operating areas. Fourteen first-line managers report to them. Additionally, the Bank has 10 staff areas reporting directly to the Executive Committee.

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Committees

The bylaws establish that the Board of Directors may create the committees it deems convenient for the Bank's activities and appoint its members. The following committees currently operate in the Bank:

<u>Committee</u>	<u>Roles</u>
Audit Committee	They are established in Capital Markets Law as supplemented.
Internal Audit Committee	Overseeing the proper operation of the internal control systems defined at the Bank through a periodic assessment thereof and contributing to improving the effectiveness of internal controls.
Risk Management Committee	The Risk Management Committee is in charge of monitoring Senior Management's activities involving the management of credit, market, liquidity, operational, compliance and reputation risks, among others. It advises the Board of Directors on the Bank's risks.
Assets and Liabilities Committee	Setting out the Bank's financial strategy, analyzing the markets and establishing the policies on assets and liabilities, management of market, liquidity, interest rate and currency risks.
IT Committee	Overseeing the proper operation of the information technology environment and contributing to improving the effectiveness thereof.
Receivables Committee	Approving credit transactions based on credit capacity.
Legal Recovery department	Incumbent in defining payment arrangements exceeding the predetermined parameters, as well as reclassifying portfolio to be subject to legal proceedings or accounting derecognitions.
Personnel Incentives Committee	Ensuring that the financial incentives for personnel system is consistent with the culture, the objectives, the business in the long term, the strategy and the control environment of the Bank.
Ethics and Compliance Committee	Ensuring the Bank has the proper means with which to promote correct decision-making and compliance with internal and external regulations.
Corporate Governance and Appointments Committee	The Committee's duties include those related to the process of renewing and replacing Senior Management members and the succession plans. It is also in charge of applying the Corporate Governance Code at the Bank and at its subsidiaries.
Anti-money Laundering Committee	Planning and coordinating compliance with the policies established by the Board of Directors on the matter.

Branches

The Bank has a broad network of branches (430) throughout Argentina.

Subsidiaries

The Bank carries out certain transactions through its subsidiaries, which are identified in Note 4.1. to the Bank's consolidated financial statements.

Business lines

The Bank's business lines and transactions with trusts are mentioned in Notes 1 and 13, respectively.

- Incentive practices

The Bank has a personnel incentives system based on the identification of officers' "outstanding performance", which is understood to be their contribution in connection with the results obtained and their manner of conducting management.

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The Incentives Committee is in charge of ensuring that the financial incentives for personnel system to be consistent with the culture, the objectives, the business in the long term, the strategy and the control environment of the Bank, and the prudent assumption of risks. The Incentives Committee is the body responsible for approving the Compensation Policy (salary and variable incentives), as well as any reviews it may require.

The Incentives System in place is based on assessing personal competence and performance associated with the compliance of non-related organizational objectives to be compensated based on extraordinary profit targets or direct financial achievement. The system is also adjusted according to the objective premise of generating sustained revenues (on a sustainable basis), thus, when establishing the total amount of compensation with regard to income (loss) for the year, extraordinary income is not taken into account. The system only provides cash compensation.

The Compensation Policy also includes a specific chapter regarding how remuneration is set and adjusted. In this case, the idea is to compensate personnel by ensuring performance recognition, internal equity, external competitiveness, productivity, efficiency and added value, finding an appropriate point of equilibrium with the business's economic capacity and consistency in the long term.

The following aspects are taken into consideration:

- the complexity of the positions, their contribution to the organization's strategy and the professional development attained by the employee;
 - employees with enhanced performance in achieving their objectives and assuming greater responsibilities; and
 - levels of remuneration that are competitive in comparison to market levels.
- Codes of ethics and conduct

The Bank adheres to the best practices and requires that all its employees act according to the highest standards of personal and professional integrity in all aspects of their activities.

In addition, compliance with its Code of Conduct and other policies and procedures governing employee conduct is considered to be essential. Moreover, the Code of Ethics for directors and officers is supplemental to the Bank's Code of Conduct.

- Role of financial agent

The Bank is a financial agent for the Provinces of Misiones, Salta and Jujuy. In addition, the subsidiary Banco del Tucumán S.A. is a financial agent for the Province of Tucumán and the Municipality of San Miguel de Tucumán. See also Notes 3.1. through 3.4.

- Transactions with related parties – Policy on conflict of interest

As an authorized financial institution, Banco Macro S.A. complies with the provisions and reporting requirements established in Financial and Foreign Exchange Institutions Law No. 21,526 and the regulations issued by the regulatory agency (Central Bank).

As established by legislation (Argentine Business Associations Law No. 19,550), specific applicable regulations (Capital Markets Law as supplemented), professional accounting standards (TR No. 21) and best practice recommendations, the Bank reports on the transactions with related parties in the notes to the financial statements. Such transactions are carried out under usual market conditions. See also Note 8.

Under current Argentine legislation, directors are required to perform their duties with the loyalty and diligence of a prudent business man. Directors are jointly and severally liable before the Bank, the shareholders and third parties for poor performance of duties and infringements to the law, bylaws and regulations, as the case may be, and they are responsible for repairing the damages caused by fraud, abuse of authority or negligence.

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The loyal duties of a director are considered to include: (i) the ban from using corporate assets and the confidential information to which he/she may have access for personal purposes; (ii) the ban from taking advantage or, due to errors or omissions, allowing a third party to take advantage of the Bank's business opportunities, (iii) the obligation of acting as director only for the purposes established in the law, the Bank's bylaws or the intention of the shareholders or the Board of Directors; and (iv) the obligation of taking extreme care so that the acts conducted by the Board of Directors have no direct or indirect effects against the Bank's interest.

A director should notify the Board of Directors and the Audit Committee about any conflict of interest there may be in a transaction proposal and should refrain from voting on the matter.

- **Public information**

The information related to corporate governance at the Bank is included within the transparency policy contained in such precepts and, hence, is available to interested members of the public on the website www.macro.com.ar ("Información institucional" - Institutional information - and "Inversores" - Investors) and, additionally, some guidelines are disclosed in other notes and exhibits to these financial statements. Moreover, the Bank's public information is disclosed on the websites of the Central Bank (www.bcra.gob.ar) and the CNV (www.cnv.gob.ar).

19. BALANCES IN FOREIGN CURRENCY

The balances of assets and liabilities denominated in foreign currency are as follows:

	As of December 31,	
	2013	2012
ASSETS		
Cash	5,977,591	3,618,443
Government and private securities	1,059,264	617,835
Loans	1,917,124	2,518,003
Other receivables from financial intermediation	833,242	483,814
Receivables from financial leases	—	31,487
Investments in other companies	928	700
Other receivables	80,897	123,673
Items pending allocation	1,015	1,098
Total	<u>9,870,061</u>	<u>7,395,053</u>
LIABILITIES		
Deposits	3,759,062	3,324,701
Other liabilities from financial intermediation	2,150,826	1,210,590
Other liabilities	17,489	8,364
Subordinated Corporate Bonds	981,142	740,192
Items pending allocation	963	47
Total	<u>6,909,482</u>	<u>5,283,894</u>

20. INTEREST-BEARING DEPOSITS WITH OTHER BANKS

"Cash" includes interest-bearing deposits in foreign banks totaling 594,271 and 616,509 as of December 31, 2013 and 2012, respectively.

Those interest-bearing deposits in foreign banks yielded a nominal annual interest rate of approximately 0.29% and 0.42% as of December 31, 2013 and 2012, respectively.

In 2013 and 2012 the deposits with the Central Bank and other Banks did not bear any interest.

BANCO MACRO S.A. AND SUBSIDIARIES

21. GOVERNMENT AND PRIVATE SECURITIES

	<u>As of December 31,</u>	
	<u>2013</u>	<u>2012</u>
GOVERNMENT SECURITIES		
Government securities at market value		
In pesos:		
Federal Government bonds at Badlar Private + 3.00% – Maturity: 2015	423,606	115,708
Federal Government bonds at Badlar Private + 2.75% – Maturity: 2014	215,685	545,833
Secured bonds under Presidential Decree 1579/02 at 2% – Maturity: 02-04-2018	214,105	59,140
Consolidation bonds – 6° Series – Maturity: 2024 at 2%	8,163	161
Consolidation bonds – 7° Series – Maturity: 2016	3,427	—
Consolidation bonds – 8° Series – Maturity: 2022	1,921	49
Consolidation bonds of social security payables – 4° Series – Maturity: 2014	1,807	5,328
Federal Government bonds at 2% – Maturity: 2014	1,563	3,044
Consolidation bonds - Maturity: 2016 at 2%	662	217
Consolidation bond of social security payable – 5° Serie – Maturity: 2014	536	2
Federal government bonds at Badlar Private + 3.50 % – Maturity: 2013	—	47,130
Other	541	9,764
Subtotal Government securities at market value - In pesos	872,016	786,376
In foreign currency:		
Treasury Bill – Maturity: 01-16-2014	560,546	—
Treasury Bill – Maturity: 01-09-2014	78,216	—
Debt Securities of Province of Neuquén Series I Class I in US dollars – Maturity: 06-12-2016	50,566	—
Par bonds denominated in US dollars – Maturity: 2038 (Reg. by NY law)	13,020	—
Federal Government bonds in US dollars at 7% – Maturity: 2015	8,433	7,407
Debt Securities of the province of Córdoba at 12% – Maturity: 2017	4,316	18,000
Federal Government bonds at 7% – Maturity: 2017	3,399	113
Discount Bonds in US dollars at 8.28% – Maturity: 2033 (Reg. by Arg Law)	248	30
Treasury Bill – Maturity: 01-10-2013	—	314,705
Treasury Bill – Maturity: 01-24-2013	—	49,172
Treasury Bill – Maturity: 03-14-2013	—	24,585
Other	3	10,274
Subtotal Government securities at market value – In foreign currency	718,747	424,286
Subtotal Government securities at market value	1,590,763	1,210,662
Government securities at amortized cost		
In pesos:		
Province of Buenos Aires Treasury bill – Maturity: 05-29-2014	98,759	—
Province of Tucumán bonds – 1° Series – Maturity: 2018	4,225	2,775
Province of Buenos Aires Treasury Bills – Maturity: 01-31-2013	—	51,819
Province of Buenos Aires Treasury Bills – Maturity: 06-06-2013	—	51,525
Debt Securities of the Province of Entre Ríos Series II Class A – Maturity: 03-26-2013	—	25,757
Province of Chubut Treasury Bills Serie III – Maturity: 05-24-2013	—	20,396
Other	—	24,579
Subtotal Government securities at amortized cost – In pesos	102,984	176,851
In foreign currency:		
Argentine saving bond for the economy development in US dollars at 4% – Maturity: 07-27-2016	98,437	—
Secured Province of Neuquén Treasury Bills Class 1 in US dollars – Maturity 05-23-2014	37,435	146,341

Debt Securities Class 1 – Chubut development and infrastructure bond in US dollars at 4% – Maturity: 10-21-2019	10,376	—
Province of Tucumán bonds – 2° Series at 9.45% – Maturity: 2015	1,281	4,972
Debt Securities Series II Fixed rate for 360-day term secured in US dollars– Maturity 11-14-2013	—	25,010
Subtotal Government securities at amortized cost – In foreign currency	147,529	176,323
Subtotal Government securities at amortized cost	250,513	353,174

BANCO MACRO S.A. AND SUBSIDIARIES

	As of December 31,	
	2013	2012
GOVERNMENT SECURITIES (contd.)		
Instruments issued by the Central Bank of Argentina (1)		
In pesos:		
Listed Central Bank of Argentina bills and notes (Lebacs/Nobacs)	12,980	35,040
Unlisted Central Bank of Argentina bills and notes (Lebacs/Nobacs)	35,647	90,843
Subtotal instruments issued by Central Bank of Argentina	48,627	125,883
Securities under reverse repurchase agreements (1)		
In pesos:		
Unlisted Central Bank of Argentina bills and notes (Lebacs/Nobacs)	124,404	270,659
Secured bonds under Presidential Decree 1579/02 at 2% - Maturity: 02-04-2018	94,130	12,509
Federal Government bonds at Badlar Private + 3.00% – Maturity: 2015	47,460	8,336
Federal Government bonds at Badlar Private + 2.75% – Maturity: 2014	40,620	21,040
Discount bonds at 5.83% – Maturity: 2033	26,176	59,815
GDP - Related Securities – Maturity: 2035	14,672	—
Consolidation bonds – 6° Series – Maturity: 2024 at 2%	9,500	38,628
Consolidation bonds – 8° Series – Maturity: 2022	1,460	—
Listed Central Bank of Argentina bills and notes (Lebacs/Nobacs)	—	216,347
Subtotal securities under reverse repurchase agreements – In pesos	358,422	627,334
In foreign currency:		
Federal Government bonds in US dollars at 7% - Maturity: 2017	156,418	2,885
Federal Government bonds in US dollars at 7% - Maturity: 2015	35,760	3,077
GDP – Related Securities – Maturity: 2035	810	—
Federal Government bonds at Libor - Maturity: 2013	—	70
Subtotal securities under reverse repurchase agreement – In foreign currency	192,988	6,032
Subtotal securities under reverse repurchase agreement	551,410	633,366
Total government securities	2,441,313	2,323,085
PRIVATE SECURITIES		
Investments in listed private securities – Shares (1)		
In pesos:		
Tenaris S.A.	2	1
Siderar S.A.	1	—
Grupo Financiero Galicia S.A.	—	8,414
IRSA Inversiones y Representaciones S.A.	—	384
Subtotal listed private securities – Shares - In pesos	3	8,799
In foreign currency:		
Petroleo Brasileiro S.A. Petrobras	—	11,194
Subtotal listed private securities – Shares - In foreign currency	—	11,194
Total private securities	3	19,993
Total government and private securities	2,441,316	2,343,078

(1) They were valued at market value, except for “Unlisted Central Bank bills and notes (Lebacs/Nobacs)” which were value at amortized cost.

BANCO MACRO S.A. AND SUBSIDIARIES

	Maturing					
	Within 1 year	After 1 year but within 5 years	After 5 years but within 10 years	After 10 years	Without due date	Total
	Book value					
GOVERNMENT SECURITIES						
Government securities at market value						
In pesos:	480,939	384,416	5,986	675	—	872,016
Federal Government bonds at Badlar Private + 3.00% – Maturity: 2015	211,676	211,930	—	—	—	423,606
Federal Government bonds at Badlar Private + 2.75% – Maturity: 2014	215,685	—	—	—	—	215,685
Secured bonds under Presidential Decree 1579/02 at 2% – Maturity: 02-04-2018	48,660	165,445	—	—	—	214,105
Consolidation bonds – 6° Series – Maturity: 2024 at 2%	610	3,252	4,065	236	—	8,163
Consolidation bonds – 7° Series – Maturity: 2016	—	3,427	—	—	—	3,427
Consolidation bonds – 8° Series – Maturity: 2022	—	—	1,921	—	—	1,921
Consolidation bonds of social security payables – 4° Series – Maturity: 2014	1,807	—	—	—	—	1,807
Federal Government bonds at 2% – Maturity: 2014	1,563	—	—	—	—	1,563
Consolidation bonds – Maturity: 2016 at 2%	330	332	—	—	—	662
Consolidation bond of social security payable – 5° Serie – maturity: 2014	536	—	—	—	—	536
Other	72	30	—	439	—	541
In foreign currency:	639,841	65,638	—	13,268	—	718,747
Treasury Bill – Maturity: 01-16-2014	560,546	—	—	—	—	560,546
Treasury Bill – Maturity: 01-09-2014	78,216	—	—	—	—	78,216
Debt Securities of Province of Neuquén Series I Class I in US dollars – Maturity: 06-12-2016	—	50,566	—	—	—	50,566
Par bonds denominated in US dollars – Maturity: 2038 (Reg. by NY law)	—	—	—	13,020	—	13,020
Federal Government bonds in US dollars at 7% – Maturity: 2015	—	8,433	—	—	—	8,433
Debt Securities of the province of Córdoba at 12% – Maturity: 2017	1,079	3,237	—	—	—	4,316
Federal Government bonds at 7% – Maturity: 2017	—	3,399	—	—	—	3,399
Discount Bonds in US dollars at 8.28% – Maturity: 2033 (Reg. by Arg Law)	—	—	—	248	—	248
Other	—	3	—	—	—	3
Government securities at amortized cost						
In pesos:	99,719	3,265	—	—	—	102,984
Province of Buenos Aires Treasury bill – Maturity: 05-29-2014	98,759	—	—	—	—	98,759
Province of Tucumán bonds – 1° Series – Maturity: 2018	960	3,265	—	—	—	4,225
In foreign currency:	38,076	106,859	2,594	—	—	147,529
Argentine saving bond for the economy development in US dollars at 4% – Maturity: 07-27-2016	—	98,437	—	—	—	98,437
Secured Province of Neuquén Treasury Bills Class 1 in US dollars – Maturity: 05-23-2014	37,435	—	—	—	—	37,435
Debt Securities Class 1 – Chubut development and infrastructure bond in US dollars at 4% – Maturity: 10-21-2019	—	7,782	2,594	—	—	10,376
Province of Tucumán bonds – 2° Series at 9.45% – Maturity: 2015	641	640	—	—	—	1,281
Instruments issued by the Central Bank of Argentina	48,627	—	—	—	—	48,627
In pesos:						
Listed Central Bank of Argentina bills and notes (Lebacks/Nobacs)	12,980	—	—	—	—	12,980
Unlisted Central Bank of Argentina bills and notes (Lebacks/Nobacs)	35,647	—	—	—	—	35,647

BANCO MACRO S.A. AND SUBSIDIARIES

	Maturing					
	Within 1 year	After 1 year but within 5 years	After 5 years but within 10 years	After 10 years	Without due date	Total
Book value						
GOVERNMENT SECURITIES (contd.)						
Securities under reverse repurchase agreements (1)						
In pesos:	358,422	—	—	—	—	358,422
Unlisted Central Bank of Argentina bills and notes (Lebacs/ Nobacs)	124,404	—	—	—	—	124,404
Secured bonds under Presidential Decree 1579/02 at 2% - Maturity: 02-04- 2018	94,130	—	—	—	—	94,130
Federal Government bonds at Badlar Private+ 3.00% – Maturity: 2015	47,460	—	—	—	—	47,460
Federal Government bonds at Badlar Private + 2.75% – Maturity: 2014	40,620	—	—	—	—	40,620
Discount bonds at 5.83% – Maturity: 2033	26,176	—	—	—	—	26,176
GDP - Related Securities – Maturity: 2035	14,672	—	—	—	—	14,672
Consolidation bonds – 6° Series – Maturity: 2024 at 2%	9,500	—	—	—	—	9,500
Consolidation bonds – 8° Series – Maturity: 2022	1,460	—	—	—	—	1,460
In foreign currency:	192,988	—	—	—	—	192,988
Federal Government bonds in US dollars at 7% - Maturity: 2017	156,418	—	—	—	—	156,418
Federal Government bonds in US dollars at 7% - Maturity: 2015	35,760	—	—	—	—	35,760
GDP – Related Securities – Maturity: 2035	810	—	—	—	—	810
Total government securities	1,858,612	560,178	8,580	13,943	—	2,441,313
PRIVATE SECURITIES						
Investments in listed private securities						
In pesos:	—	—	—	—	3	3
Tenaris S.A.	—	—	—	—	2	2
Siderar S.A.	—	—	—	—	1	1
Total private securities	—	—	—	—	3	3
Total government and private securities	1,858,612	560,178	8,580	13,943	3	2,441,316

22. LOANS

Description of certain categories of loans in the accompanying Balance Sheets include:

- a. Non-financial government sector: loans to the government sector, excluding government owned financial institutions.
- b. Financial sector: mainly, refers to short-term loans to financial institutions.
- c. Non-financial private sector and foreign residents: loans given to the private sector (excluding financial institutions) and residents outside Argentina.

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The classification of the loan portfolio in this regard was as follows:

Description	As of December 31,	
	2013	2012
Non-financial government sector	640,158	586,557
Financial sector	364,897	299,250
Non-financial private sector and foreign residents		
Commercial		
- With Senior "A" guarantees	1,054,255	598,045
- With Senior "B" guarantees	2,874,422	1,874,233
- Without Senior guarantees	10,595,442	9,854,811
Consumer		
- With Senior "A" guarantees	318,771	50,366
- With Senior "B" guarantees	1,618,707	1,205,096
- Without Senior guarantees	22,562,198	17,621,395
Less: Allowance	(1,006,495)	(887,156)
Total loans, net of allowance	39,022,355	31,202,597

Senior "A" guarantees consist mainly of cash guarantees, gold guarantees, warrants over primary products and other forms of self-liquidating collateral.

Senior "B" guarantees generally consist of mortgages and other forms of collateral pledged to secure the loan amount.

"Without senior guarantees" consist, in general, of unsecured third-party guarantees.

A breakdown of total loans by geographical location of borrowers is as follows:

Geographical location	2013	2012
Argentina	39,946,041	32,003,233
British Virgin Islands	78,001	66,683
Uruguay	4,413	18,989
Spain	173	22
United States of America	101	60
Germany	35	—
Brazil	27	—
United Kingdom	16	—
India	16	—
France	13	57
Italy	14	—
Bolivia	—	409
Hong Kong	—	287
Algeria	—	9
Peru	—	4
Less: Allowance	(1,006,495)	(887,156)
Total loans, net of allowances	39,022,355	31,202,597

A breakdown of total loans by sector activity classified according to the principal business of the borrowers is as follows:

Economic Activity	2013	2012
Retail loans	17,762,834	13,432,743
Agricultural livestock- Forestry-Fishing- Mining - Hunting	4,155,033	4,191,012
Foodstuff and beverages	2,894,059	2,393,940
Retail and consumer products	3,484,567	2,260,041
Construction	1,767,016	1,594,771
Other services	1,682,547	1,920,122
Transportation, storage and communications	1,299,210	871,237

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<u>Economic Activity (Contd.)</u>	<u>2013</u>	<u>2012</u>
Manufacturing and wholesale	1,247,855	754,009
Chemicals	1,097,191	883,970
Governmental services	870,545	764,150
Financial Services	828,678	760,903
Real estate, business and leases	739,238	527,821
Hotels and restaurants	184,876	93,902
Electricity, oil, water	164,620	210,974
Other	1,850,581	1,430,158
Total loans	40,028,850	32,089,753
Less: Allowance	(1,006,495)	(887,156)
Total loans, net of Allowance	<u>39,022,355</u>	<u>31,202,597</u>

23. OTHER RECEIVABLES AND PAYABLES FROM FINANCIAL INTERMEDIATION

The breakdown of Other receivables from financial intermediation by guarantee type is as follows:

<u>Description</u>	<u>As of December 31,</u>	
	<u>2013</u>	<u>2012</u>
Without preferred guarantees	2,823,611	2,430,619
With preferred guarantees	88,928	182,745
Allowances	(232,290)	(233,123)
	<u>2,680,249</u>	<u>2,380,241</u>

The breakdown of private securities recorded in Other receivables from financial intermediation is as follows:

<u>Description</u>	<u>As of December 31,</u>	
	<u>2013</u>	<u>2012</u>
Corporate bonds — Unlisted (1)	270,690	141,560
Certificates of participation in financial trusts — Unlisted (1)	297,738	413,537
Debt securities in financial trusts — Unlisted	424,399	426,272
Total investments in unlisted private securities	<u>992,827</u>	<u>981,369</u>

- (1) As of December 31, 2013 and 2012, the Bank booked allowances for impairment in value amounting to 229,354 and 229,866, respectively (see also Note 26).

As of December 31, 2013, maturities for the private securities disclosed above are as follows:

	<u>Within 1 year</u>	<u>After 1 year but within 5 years</u>	<u>After 5 years but within 10 years</u>	<u>After 10 years</u>	<u>Without due date</u>	<u>Total</u>
Corporate bonds —Unlisted	40,597	225,473	4,620	—	—	270,690
Certificates of participation in financial trusts —Unlisted	50,569	19,984	—	3,353	223,832 (1)	297,738
Debt securities in financial trusts —Unlisted	324,850	91,631	7,918	—	—	424,399
Total investments in unlisted private securities	<u>416,016</u>	<u>337,088</u>	<u>12,538</u>	<u>3,353</u>	<u>223,832</u>	<u>992,827</u>

- (1) As of December 31, 2013 the Bank booked allowances for impairment in value amounting to 223,832.

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The Bank enters into forward transactions related to government securities and foreign currencies. The Bank recognizes cash, security or currency amount to be exchanged in the future as a receivable and payable at the original transaction date. The assets and liabilities related to such transactions are as follows:

<u>Description</u>	<u>As of December 31,</u>	
	<u>2013</u>	<u>2012</u>
Amounts receivable from spot and forward sales pending settlement		
Receivables from repurchase agreements of government securities	576,408	642,462
Receivable from spot sales of government and private securities pending settlement	130,384	55,392
Receivables from forward sales of government securities pending settlement	65,933	—
Receivables from spot sales of foreign currency settlement	1,800	—
	<u>774,525</u>	<u>697,854</u>
Securities and foreign currency receivable from spot and forward purchases pending settlement		
Forward purchases of securities under repurchase agreements	162,950	187,731
Spot purchases of government and private securities pending settlement	44,025	2,227
Spot purchases of foreign currency pending settlement	1,799	—
Other spot purchases pending settlement	—	26,186
	<u>208,774</u>	<u>216,144</u>
Amounts payable for spot and forward purchases pending settlement		
Payables for forward purchases of securities under repurchase agreements	185,838	156,722
Payables for spot purchases of government securities pending settlement	16,593	132
Payables for spot purchases of foreign currency pending settlement	1,800	—
Other payables for spot purchase pending settlement	37,710	45,459
	<u>241,942</u>	<u>202,313</u>
Securities and foreign currency to be delivered under spot and forward sales pending settlement		
Forward sales of government securities under repurchase agreements	678,949	695,137
Spot sales of government and private securities pending settlement	128,506	44,593
Forward sales of government securities pending settlement	1,798	—
Other forward sales pending settlement	54,317	—
	<u>863,570</u>	<u>739,730</u>

These instruments consist of foreign currency and securities contracts (spot and forward purchases and sales), whose valuation method is disclosed in Note 4.5.h). The fair value of these instruments were:

<u>Description</u>	<u>End-of-year fair value</u>	
	<u>2013</u>	<u>2012</u>
Assets	208,743	216,116
Liabilities	863,573	739,702

Premiums on these instruments have been included in the “Financial income” and “Financial expense” captions of the consolidated statements of income of each year.

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24. BANK PREMISES AND EQUIPMENT AND OTHER ASSETS

24.1 Premises and Equipment

The major categories of the Bank's premises and equipment, and related accumulated depreciation are presented in the following table:

<u>Description</u>	<u>Estimated useful life (years)</u>	<u>As of December, 31</u>	
		<u>2013</u>	<u>2012</u>
Buildings	50	565,543	524,977
Furniture and facilities	10	194,085	172,609
Machinery and equipment	5	655,412	552,913
Vehicles	5	68,353	60,089
Other	—	25	1,265
Accumulated depreciation		(747,755)	(657,851)
Total		<u>735,663</u>	<u>654,002</u>

Depreciation expense was 98,666, 85,037 and 72,972 as of December 31, 2013, 2012 and 2011, respectively.

24.2 Other assets

Other assets consisted of the following as of December 31, 2013 and 2012:

<u>Description</u>	<u>Estimated useful life (years)</u>	<u>As of December, 31</u>	
		<u>2013</u>	<u>2012</u>
Works in progress (1)	—	119,603	55,557
Works of art	—	1,187	1,196
Prepayments for the purchase of assets	—	20,195	13,256
Foreclosed assets	50	9,761	6,064
Leased buildings	50	605	605
Stationery and office supplies	—	12,128	10,712
Other assets (2)	50	215,383	194,602
Accumulated depreciation		(14,192)	(13,547)
Total		<u>364,670</u>	<u>268,445</u>

- (1) Includes 87,309 related to a new corporate building tower that is being constructed by the Bank. See also Note 33.16.
 (2) Mainly includes improvement to properties leased by the Bank to be used in the normal course of business.

Depreciation expense was 3,051, 2,065 and 2,152 as of December 31, 2013, 2012 and 2011, respectively.

24.3 Operating Leases

As of December 31, 2013, the Bank's branch network includes certain branches that were located in properties leased to the Bank (some of which are renewable for periods between 2 and 10 years).

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The estimated future lease payments in connection with these properties are as follows:

<u>Fiscal year end</u>	<u>Amounts</u>
2014	50,300
2015	32,517
2016	15,931
2017	5,578
2018	3,011
2019 and after	4,738
Total	<u>112,075</u>

As of December 31, 2013, 2012 and 2011, rental expenses amounted to 77,713, 58,894 and 51,364, respectively. As of such dates, there are no contractual obligations with separate amounts of minimum rentals, contingent rentals, and sublease rental income.

25. INTANGIBLE ASSETS

25.1 Goodwill:

As of December 31, 2013 and 2012 goodwill breakdown is as follows:

<u>Description</u>	<u>Estimated useful life (years)</u>	<u>As of December 31,</u>	
		<u>2013</u>	<u>2012</u>
Goodwill for the purchase of Banco del Tucumán S.A., net of accumulated amortization of 13,986 as of December 31, 2013 (a)	10	4,257	6,086
Goodwill for the purchase of Nuevo Banco Bisel S.A., net of accumulated amortization of 48,981 as of December 31, 2013 (b)	10	17,061	23,665
Goodwill for the purchase of Banco Privado de Inversiones S.A., net of accumulated amortization of 18,735 as of December 31, 2013 (c)	10	<u>37,470</u>	<u>43,090</u>
Total		<u>58,788</u>	<u>72,841</u>

- (a) On May 5, 2006, Banco Macro acquired 75% of the capital stock of Banco del Tucumán in the amount of 45,961. The assets transferred amounted to 700,612 and the liabilities assumed amounted to 660,547.

Additionally, from September through December 2006, Banco Macro S.A. acquired 4.84% of the capital stock of Banco del Tucumán S.A.

Finally, on November 28, 2006, the General Regular and Special Shareholder's Meeting of Banco del Tucumán S.A. approved a capital increase of 21,980, establishing an additional paid-in capital of 26,171. During January 2007, Banco Macro S.A. subscribed the total increase, thus increasing its overall interest in Banco del Tucumán S.A. to 89.93%.

Under Central Bank rules, this transaction resulted in Banco Macro's positive goodwill amounting to 18,242, which is amortized over ten years and no impairment is required.

- (b) On August 11, 2006, the Bank acquired 92.73% of the capital stock of Nuevo Banco Bisel in the amount of 19,509. The assets transferred amounted to 1,824,644 and the liabilities assumed amounted to 1,804,534.

Under Central Bank rules, as a result of the acquisition, the Bank booked a positive goodwill amounting to 66,042, which is amortized over ten years and no impairment is required.

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- (c) On September 22, 2010, the Bank acquired 100% of the capital stock of Banco Privado de Inversiones S.A. in the amount of USD 23.3 million, out of which, USD 10.4 million was related to an escrowed amount, as provided in the purchase agreement. The assets transferred amounted to 403,686 and the liabilities assumed amounted to 368,034.

Under Central Bank rules, as a result of the acquisition, the Bank booked a positive goodwill amounting to 56,205, which is amortized over ten years and no impairment is required.

Amortization expense on goodwill was 14,052, 14,052 and 14,052 as of December 31, 2013, 2012 and 2011, respectively.

25.2. Organization and development costs:

As of December 31, 2013 and 2012, the organization and development costs breakdown is as follows:

<u>Description</u>	<u>Estimated useful life (years)</u>	<u>As of December 31,</u>	
		<u>2013</u>	<u>2012</u>
Cost from information technology projects (a)	5	224,572	156,360
Organizational cost (b)	5	2,566	1,676
Other capitalized cost (c)	5	58,053	57,654
Total		<u>285,191</u>	<u>215,690</u>

- (a) Under Central Bank rules, the Bank records as expense software cost relating to preliminary application development and post-implementation stages of software development.
 (b) Under Central Bank rules, the Bank records cost inherent to the set up and organization of the Bank.
 (c) Under Central Bank rules, the Bank records cost inherent to the improvement in building leased.

Amortization expense was 89,019, 132,549 and 78,083 as of December 31, 2013, 2012 and 2011, respectively, which was recorded in Administrative expenses and Other expenses.

Intangible assets changed as follows during fiscal years ended December 31, 2013, 2012 and 2011:

	<u>Fiscal year ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Balance at the beginning of the fiscal year	288,531	319,518	297,297
Additions	158,519	117,978	114,389
Decreases	—	(2,364)	(33)
Amortization expense (1)	(103,071)	(146,601)	(92,135)
Balance at the end of the fiscal year	<u>343,979</u>	<u>288,531</u>	<u>319,518</u>

- (1) See Note 29.

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26. ALLOWANCES AND PROVISIONS

The Bank had recorded allowances and provisions for:

Government and private securities: recorded to cover possible impairment risk arising out of government securities.

Loans: recorded in compliance with the provision of Communiqué “A” 2,950, as supplemented, of the Central Bank, taking into account Note 4.5.f).

Other receivables from financial intermediation: recorded in compliance with the provision of Communication “A” 2,950, as supplemented, of the Central Bank, taking into account Notes 4.5.f) and 4.5.h.3).

Receivables from financial leases: recorded in compliance with the provision of Communiqué “A” 2,950, as supplemented, of the Central Bank, taking into account Note 4.5.f).

Investment in other companies: recorded to cover possible impairment risk arising from investments in other companies.

Other receivables: recorded to cover collectibility risks of other receivables.

Granted guarantees: recorded under Central Bank’s rules to cover contingent losses related to loan commitments. These amounts have been accrued in accordance with Central Bank’s rules, which are similar to FASB ASC 450 “Contingencies”.

Negative goodwill: recorded to cover the difference between the purchase price and the book value of the net equity acquired of Banco Bansud S.A. and Nuevo Banco Suquía S.A.

Other loss contingencies: mainly includes labor litigation and customer and other third-party claims. The amounts have been accrued in accordance with Central Bank’s rules, which are similar to FASB ASC 450 “Contingencies”.

Difference from court deposit dollarization: recorded under Central Bank’s rules to cover the difference from court deposit dollarization (see Note 2.).

The followings are the changes in the Bank’s allowances and provisions:

As of December 31, 2013					
	Balance at the beginning of the fiscal year	Provision	Reversals	Charge off	Balance at the end of the fiscal year
Allowances					
- Loans	887,156	707,370	(24,606)	(563,425)	1,006,495
- Other receivables from financial intermediation	233,123	5,236	(2,831)	(3,238)	232,290
- Receivables from financial leases	6,599	912	(10)	(2,486)	5,015
- Investment in other companies	1,379	76	(125)	—	1,330
- Other receivables	9,282	1,722	(894)	(3,181)	6,929
Total of allowances	<u>1,137,539</u>	<u>715,316</u>	<u>(28,466)</u>	<u>(572,330)</u>	<u>1,252,059</u>
Provisions					
- Granted guarantees	5	4,804	(3)	—	4,806
- Other loss contingencies	114,566	38,364	(556)	(21,100)	131,274
- Difference from court deposit dollarization	17,112	6,632	—	(443)	23,301
Total of provisions	<u>131,683</u>	<u>49,800</u>	<u>(559)</u>	<u>(21,543)</u>	<u>159,381</u>

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As of December 31, 2012					
	Balance at the beginning of the fiscal year	Provision	Reversals	Charge off	Balance at the end of the fiscal year
Allowances					
- Loans	599,224	688,966	(24,495)	(376,539)	887,156
- Other receivables from financial intermediation	238,712	7,044	(7,529)	(5,104)	233,123
- Receivables from financial leases	5,620	1,147	(98)	(70)	6,599
- Investment in other companies	2,129	84	(834)	—	1,379
- Other receivables	12,908	1,512	(729)	(4,409)	9,282
Total of allowances	858,593	698,753	(33,685)	(386,122)	1,137,539
Provisions					
- Granted guarantees	24	—	(19)	—	5
- Other loss contingencies	98,038	39,468	(390)	(22,550)	114,566
- Difference from court deposit dollarization	14,754	2,433	—	(75)	17,112
Total of provisions	112,816	41,901	(409)	(22,625)	131,683

As of December 31, 2011					
	Balance at the beginning of the fiscal year	Provision	Reversals	Charge off	Balance at the end of the fiscal year
Allowances					
- Government and private securities	3	—	—	(3)	—
- Loans	514,910	290,651	(26,877)	(179,460)	599,224
- Other receivables from financial intermediation	237,513	5,792	(3,097)	(1,496)	238,712
- Receivables from financial leases	6,021	590	(991)	—	5,620
- Investment in other companies	1,676	963	(510)	—	2,129
- Other receivables	12,961	6,849	(343)	(6,559)	12,908
Total of allowances	773,084	304,845	(31,818)	(187,518)	858,593
Provisions					
- Granted guarantees	784	—	(758)	(2)	24
- Other loss contingencies	90,573	38,015	(4,958)	(25,592)	98,038
- Difference from court deposit dollarization	14,473	1,403	—	(1,122)	14,754
Total of provisions	105,830	39,418	(5,716)	(26,716)	112,816

Under Central Bank rules provision for loan losses includes provision for “loans”, “other receivables for financial intermediation” and “receivables from financial leases”.

27. DEPOSITS AND OTHER LIABILITIES FROM FINANCIAL INTERMEDIATION

27.1 Deposits

The aggregate amount of time deposits and investment accounts exceeding Ps.100 (thousands) or more as of December 31, 2013 and 2012 is 17,029,978 and 14,073,974, respectively.

27.2 Central Bank of Argentina

The Bank borrowed funds under various credit facilities from the Central Bank for specific purposes, as follows:

	As of December 31, 2013			As of December 31, 2012		
	Principal	Interest and CER adjustments	Rate	Principal	Interest and CER adjustments	Rate
Short-term liabilities	9,543	133	5.11%	3,856	136	1.00%
Long-term liabilities	12,312	6	8.82%	17,727	6	8.88%
Total	21,855	139		21,583	142	

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Accrued interest is included in the “Central Bank of Argentina” under the “Other Liabilities from Financial Intermediation” in the accompanying Consolidated Balance Sheets. Amounts are unsecured.

27.3 Banks and international institutions

The Bank borrowed funds under various credit facilities from Banks and international institutions for specific purposes, as follows:

	As of December 31, 2013			As of December 31, 2012		
	Principal	Interest	Rate	Principal	Interest	Rate
Short-term liabilities	325,664	831	2.79%	273,968	2,832	3.89%
Total	325,664	831		273,968	2,832	

Accrued interest is included in the “Accrued interest, adjustments, foreign exchange and quoted price differences payable” under the “Other Liabilities from Financial Intermediation” in the accompanying Consolidated Balance Sheets. Amounts are unsecured.

27.4 Financing received from Argentine financial institutions

The Bank borrowed funds under various credit facilities from the Argentine financial institutions for specific purposes, as follows:

	As of December 31, 2013			As of December 31, 2012		
	Principal	Interest	Rate	Principal	Interest	Rate
Short-term liabilities	4,786	7,168	5.25%	41,777	4,002	8.57%
Long-term liabilities	20,373	23,230	6.66%	11,947	26,057	2.00%
Total	25,159	30,398		53,724	30,059	

Interest includes accrued interest rate and CER adjustments. These amounts are recorded in “Accrued interest payables” under the Financing received from Argentine financial institutions and “Accrued interest, adjustments, foreign exchange and quoted price differences payables” under the “Other liabilities from financial intermediation” in the accompanying consolidated balance sheets. Except for the liability assumed with BICE (see Note 7), amounts are unsecured.

Maturities of the long-term liabilities in the table above for each of the following periods are as follows:

Periods	As of December 31, 2013
2015	12,731
2016	13,283
2017	13,956
2018	3,633
	43,603

27.5 Other

The rest of liabilities included in “Others liabilities from financial intermediation” are liabilities assumed for the Bank, mainly related to operating banking activities.

	As of December 31, 2013			As of December 31, 2012		
	Principal	Interest	Rate	Principal	Interest	Rate
Short-term liabilities (1)	2,352,716	19	0.01%	1,830,615	38	0.01%
Long-term liabilities (2)	88,161	1,366	4.05%	87,097	1,314	4.13%
Total	2,440,877	1,385		1,917,712	1,352	

(1) Includes mainly pending settlement transactions and payment accounts.

(2) Includes the liability assumed with SEDESA related to the acquisition of preferred shares of former Nuevo Banco Bisel S.A. in the amount of 87,186 and 83,832 as of December 31, 2013 and 2012, respectively (see Note 7).

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Additionally, the Bank has other liabilities related to corporate bonds and forward transactions (see Notes 10 and 23, respectively).

Accrued interest is included in the “Accrued interest, adjustments, foreign exchange and quoted price differences payable” under the “Other Liabilities from Financial Intermediation” in the accompanying Consolidated Balance Sheets. Amounts are unsecured.

28. EMPLOYEE BENEFIT PLANS

The Bank does not maintain pension plans for its personnel. The Bank is required to pay employer contributions, determined on the basis of total monthly payroll.

These expenses aggregated 335,821, 302,592 and 240,487 for the fiscal years ended December 31, 2013, 2012 and 2011, respectively, and are included in the “Administrative expenses—Personnel expenses” account.

29. CONSOLIDATED INCOME STATEMENTS AND BALANCE SHEET

The presentation of consolidated financial statements under Central Bank’s rules differs significantly from the format required by the U.S. SEC under Rules 9-03 and 9-04 of Regulation S-X (“Article 9”). The following consolidated financial statements were restated into constant pesos, as explained in Note 4.3. These consolidated financial statements were prepared using the measurement methods provided by Central Bank, but under US SEC requirements:

<u>Consolidated Statements of Income</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Interest and fees on loans	8,464,733	6,082,647	3,955,563
Interest on bearing deposits with other banks	241	185	179
Interest on other receivables from financial intermediation	168,173	60,796	78,726
Interest on securities and foreign exchange purchased under resale agreements	131,467	196,515	46,922
Securities gains, net	344,995	316,053	454,045
Other interest income	61,121	52,730	40,216
Total interest income	<u>9,170,730</u>	<u>6,708,926</u>	<u>4,575,651</u>
Interest on deposits	3,109,168	2,203,766	1,253,098
Interest on securities and foreign exchange purchased under resale agreements	4,612	3,151	8,052
Interest on short-term borrowings	13,391	30,135	36,545
Interest on long-term debt	138,002	109,161	97,838
Total interest expense	<u>3,265,173</u>	<u>2,346,213</u>	<u>1,395,533</u>
Net interest income	<u>5,905,557</u>	<u>4,362,713</u>	<u>3,180,118</u>
Provision for loan losses, net (2)	<u>(435,556)</u>	<u>(525,341)</u>	<u>(204,856)</u>
Net interest income after provision for loan losses	<u>5,470,001</u>	<u>3,837,372</u>	<u>2,975,262</u>
Service charges on deposit accounts and other fees	2,022,656	1,571,838	1,167,667
Credit-card service charges and fees	677,716	477,325	325,988
Other commissions	76,563	68,039	54,240
Foreign currency exchange trading income	44,464	38,660	35,235
Income from equity in other companies	49,634	45,841	43,184
Foreign exchange, net	808,144	386,989	282,698
Other	453,225	339,298	281,282
Total non-interest income	<u>4,132,402</u>	<u>2,927,990</u>	<u>2,190,294</u>
Commissions	205,176	153,194	115,483
Salaries and payroll taxes	2,344,369	1,838,709	1,463,296
Outside consultants and services	134,526	107,476	93,846
Depreciation of bank premises and equipment	99,256	85,870	74,066

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<u>Consolidated Statements of Income (Contd.)</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Rent	77,229	58,601	51,122
Stationery and supplies	19,301	15,263	12,789
Electric power and communications	101,458	84,172	59,595
Advertising and publicity	103,438	92,526	75,928
Taxes	1,143,337	695,313	488,724
Directors' and Statutory Audits' fee	117,077	75,005	59,773
Insurance	18,227	14,626	12,155
Security services	192,874	127,954	89,608
Maintenance, conservation and repair expenses	186,990	127,333	98,824
Amortization of organization and development costs (1)	89,019	132,549	78,083
Amortization of goodwill (1)	14,052	14,052	14,052
Provision for losses on other receivables and other allowances (3)	50,624	43,046	44,345
Other	910,804	738,790	329,167
Total non-interest expense	<u>5,807,757</u>	<u>4,404,479</u>	<u>3,321,727</u>
Income before income tax expense	3,794,646	2,360,883	1,843,829
Income tax expense	<u>1,332,909</u>	<u>853,475</u>	<u>657,621</u>
Income from continuing operations	<u>2,461,737</u>	<u>1,507,408</u>	<u>1,186,208</u>
Net income	<u>2,461,737</u>	<u>1,507,408</u>	<u>1,186,208</u>
Net income attributable to the noncontrolling interest	<u>18,173</u>	<u>13,790</u>	<u>10,111</u>
Net income attributable to the controlling interest	<u>2,443,564</u>	<u>1,493,618</u>	<u>1,176,097</u>
Earnings per common share attributable to controlling interest – stated in pesos	<u>4.18</u>	<u>2.56</u>	<u>1.98</u>

(1) See Notes 25 and 33.5.

(2) Mainly includes allowances for loan losses and allowances for Receivables from financial leases, net of those related to Recovered loans.

(3) Mainly includes provisions for losses, an other receivables and expenses related to contingent liabilities for probable claims, lawsuit and other proceedings, including those related to labor.

Central Bank rules also require certain classifications of assets and liabilities, which are different from those required by Article 9. The following table discloses the Bank's consolidated balance sheets as of December 31, 2013, and 2012, as if the Bank followed the balance sheet disclosure requirements under Article 9:

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	12,004,803	9,146,869
Interest-bearing deposits in other banks	594,271	616,509
Federal Funds sold and securities purchased under resale agreements of similar arrangements	576,408	642,462
Trading account assets	1,458,059	1,094,984
Investment securities available for sale	987,388	1,141,551
Loans	40,720,365	32,742,358
Allowance for loan losses	(1,011,800)	(894,668)
Premises and equipment	1,099,882	921,757
Due from customers on acceptances	260,182	251,198
Other assets	1,931,830	1,539,966
Total assets	<u>58,621,388</u>	<u>47,202,986</u>

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	2013	2012
LIABILITIES AND SHAREHOLDERS' EQUITY		
Interest-bearing deposits	30,649,834	25,098,052
Non interest-bearing deposits	12,517,675	10,772,161
Federal Funds purchased and securities sold under repurchase agreements	186,235	156,928
Other short-term borrowings	2,725,422	2,175,591
Long-term borrowings	838,931	667,324
Contingent liabilities	159,381	131,683
Other liabilities	1,605,653	959,406
Bank acceptances outstanding	260,182	251,198
Subordinated corporate bonds	981,142	740,192
Total liabilities	49,924,455	40,952,535
Common stocks	584,485	584,485
Retained appropriated earnings	5,114,202	3,644,797
Retained unappropriated earnings	2,525,478	1,649,471
Other shareholders' equity	403,266	320,342
Noncontrolling interests	69,502	51,355
Total shareholders' equity	8,696,933	6,250,450
Total liabilities and shareholders' equity	58,621,388	47,202,985

30. OPERATIONS BY GEOGRAPHICAL LOCATION

The principal financial information, classified by country of office where transactions originate, is shown below:

	As of December 31,		
	2013	2012	2011
Total revenues	13,433,069	9,745,763	6,858,381
Argentina	13,353,720	9,696,746	6,830,506
Bahamas	79,349	49,017	27,875
Net income	2,443,564	1,493,618	1,176,097
Argentina	2,383,265	1,467,608	1,167,157
Bahamas	60,299	26,010	8,940
Total assets	59,295,034	47,894,065	41,179,199
Argentina	57,625,024	46,714,532	40,331,554
Bahamas	1,670,010	1,179,533	847,645

31. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Bank enters into various transactions involving off-balance-sheet financial instruments. These instruments could be used to meet the risk management, trading and financing needs of customers or for the Bank's proprietary trading and asset and liability management purposes, and could be subject to varying degrees of credit and market risk. Credit risk and market risk associated with on- and off-balance-sheet financial instruments are monitored on an aggregate basis.

The Bank uses the same credit policies in determining whether to enter or extend call and put option contracts, commitments, conditional obligations and guarantees as it does for granting loans.

31.1. Derivatives

In the normal course of business, the Bank enters into a variety of transactions principally in the foreign exchange and stock markets. Most counterparts in the derivative transactions are banks and other financial institutions.

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These instruments include:

- Options: they confer the right to the buyer, but no obligation, to receive or pay a specific quantity of an asset or financial instrument for a specified price at or before a specified date. Options may be traded on a stock exchange or under OTC (Over-the-Counter) agreements.
- Forwards and Futures: they are agreements to deliver or take delivery at a specified rate, price or index applied against the underlying asset or financial instrument, at a specific date. Futures are exchange traded at standardized amounts of the underlying asset or financial instrument. Forwards contracts are OTC agreements and are principally dealt in by the Bank in securities/foreign exchange as forward agreements.
- Swaps: they are agreements between two parties with the intention to exchange cash flows and risks at a specific date and for a period in the future. Swaps may be exchange traded or OTC agreements.

Pursuant to Central Bank's rules, forward transactions with delivery of underlying assets, must be recorded under "Other receivables from financial intermediations" and "Other liabilities from financial intermediations" in the accompanying balance sheets and they were valued as mentioned in Note 4.5.h) (accrual method).

The notional contractual amount of these instruments represents the volume of outstanding transactions and does not represent the potential gain or loss associated with the market or credit risk of such transactions. The market risk of derivatives arises from the potential for changes in value due to fluctuations in market prices.

The credit risk of derivatives arises from the potential of the counterparty to default on its contractual obligations. The effect of such a default varies as the market value of derivative contracts changes. Credit exposure exists at a particular point in time when a derivative has a positive market value. The Bank attempts to limit its credit risk by dealing with creditworthy counterparts and obtaining collateral, where appropriate. The following table shows, the notional value of options, swaps and outstanding forward contracts recorded in memorandum accounts as of December 31, 2013 and 2012:

	<u>As of December 31,</u>	
	<u>2013</u>	<u>2012</u>
Forward purchases of foreign exchange without delivery of underlying asset (a)	2,916,785	127,918
Forward sales of foreign exchange without delivery of underlying asset (a)	2,109,826	102,665
Interest rate swaps (b)	50,000	85,000
Put options taken (d)	6,676	56,045
Put options sold (c)	—	14,713

- (a) It is related mainly to negotiation transactions of forward foreign currency exchange rates, carried out through ROFEX and MAE. The differences of such trading transactions are settled on a daily basis based on the prices agreed upon and their quoted price upon maturity; the underlying asset is not delivered or received.
- (b) As of December 31, 2013 and 2012, this is related to swap agreements entered into with the Central Bank entitling the Bank to collect, on a monthly basis the positive difference between the Badlar interest rate in Argentine pesos and interest rates ranging from 15% to 16.50% nominal interest rate p.a., applied on a total of notional values of 50,000 and 85,000, respectively. In the event that the difference between the rates is negative, the Bank shall be required to pay the difference. The agreements will expire between April 30, 2014, and October 31, 2014. The purpose of these transactions is to place medium- and long-term loans in accordance with Central Bank Communiqué "A" 4776, as supplemented.

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- (c) Related to put options on BODEN 2013 coupons provided in Presidential Decrees Nos. 905/2002 and 1,836/2002, as supplemented, which were received by the holders of rescheduled deposits through the exchanges implemented by the Argentine Government. Boden 2013 matured in October 2013.
- (d) Related to the following options:
- d.1) As of December 31, 2013, this includes a put option taken with Carpoint S.A. of a property received by the Bank as payment of loans granted by it. The price was set at USD 1,024,250, and the option's exercise period between is September 24, 2015, and September 23, 2016, both dates inclusive.
- d.2) As of December 31, 2012, this was related to a put option taken of trust securities to be issued by the financial trust Best Consumer Finance Series XXVI. As of the date of issuance of these financial statements, the deadline to exercise the option has been passed, without the Bank having exercised that right.

Net income (loss) resulting from these transactions and repo and reverse repo, for the fiscal years ended December 31, 2013, 2012 and 2011, amount to income (loss) and are included in the "Financial Income - Other":

<u>Transactions</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Premiums on reverse repurchase agreements	143,459	196,393	46,912
Premiums on repurchase agreements	16,666	(3,151)	(8,052)
Interest rate swaps	450	(83)	313
Forwards of foreign currency	100,442	14,547	38,031
Total	261,017	207,706	77,204

31.2. Credit-related financial instruments

The Bank's exposure to credit loss in the event of the counterparts' failure to fulfill the commitments to extending credit, guarantees granted and foreign trade acceptances is represented by the contractual notional amount of those investments.

Commitments to extend credit are agreements to lend to a customer at a future date, subject to compliance with contractual terms. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent actual future cash requirements for the Bank. The Bank evaluates each customer's creditworthiness on a case-by-case basis.

Foreign trade acceptances represent Bank customers' liabilities on outstanding drafts or bills of exchange that have been accepted by the Bank and the Bank's liability to remit payment upon the presentation of the accepted drafts or bills of exchange.

The credit risk involved in foreign trade acceptances and guarantees granted is essentially the same as that involved in extending loan facilities to customers. In order to grant guarantees to its customers, the Bank may require counter guarantees.

A summary of credit exposure related to these items is shown below (*):

	<u>As of December 31,</u>	
	<u>2013</u>	<u>2012</u>
Other guarantees provided not covered by debtors classification regulations	151,489	153,762
Other guarantees provided covered by debtors classification regulations	129,681	129,140
Other covered by debtors classification standards	108,693	97,436
Unused portion of loans granted per debtors classification regulations	—	19,669

- (*) Most of this amount as of December 31, 2013 and 2012, have a remaining maturity of less than one year.

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The Bank accounts for checks drawn thereon and on other banks, as well as other items in process of collection, such as notes, bills and miscellaneous items, in memorandum accounts until the related item clears or is accepted. In Management's opinion, no significant risk of loss exists on these clearing transactions. The amounts of clearing items in collection process are as follows:

	As of December 31,	
	2013	2012
Checks drawn on the Bank pending clearing	973,961	806,139
Checks drawn on other Banks	714,778	497,641

31.3 Trust activities

See Note 13.

32. BUSINESS SEGMENT CONSOLIDATED INFORMATION

FASB ASC 280 "Segment reporting" requires that a public business enterprise report financial and descriptive information about its reportable operating segments. Operating segments are components of an enterprise about which separate financial information is available that is regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments. Management has determined that the Bank has one reportable segment related to banking activities.

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33. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN CENTRAL BANK RULES AND UNITED STATES ACCOUNTING PRINCIPLES

The following is a description of the significant differences between Central Bank rules followed in the preparation of the Bank's financial statements and those applicable in the United States under generally accepted accounting principles (US GAAP). "FASB ASC" shall refer to Financial Accounting Standards Board Accounting Standards Codification.

In 2013 the Bank adopted the following Accounting Standards Update (ASU):

- 2011-10 – Property, Plant, and Equipment (Topic 360), Derecognition of in Substance Real State, a Scope Clarification. Under the amendments in this ASU, when a parent (reporting entity) ceases to have a controlling financial interest (as describe in Subtopic 810-10) in a subsidiary that is in substance real state as a result of default on the subsidiary's nonrecourse debt, the reporting entity should apply the guidance in Subtopic 360-20 to determine whether it should derecognize the in substance real estate. There was no effect on the accompanying consolidated financial statements for the adoption of this statement.
- 2011-11 – Balance Sheet (Topic 210), Disclosures about Offsetting Assets and Liabilities. This ASU requires an entity to disclose both gross and net information about financial instruments, such us sales and repurchase agreements and securities borrowing/lending arrangements, and derives instruments that are eligible for offset in the statements of financial position and/or subject to a netting arrangement or similar arrangement. In addition, ASU 2013-01 Clarify the scope of Disclosures about Offsetting Assets and Liabilities. There was no transactions with the same counterparty that could be offset.
- 2012-02 – Intangibles - Goodwill and Other (Topic 350), Testing Indefinite-Lived Intangible Assets for Impairment. This ASU mainly provides the option to make qualitative assessments about the likelihood that an indefinite-lived intangible assets is impaired to determine whether it should perform a quantitative impairment test. There was no effect on the accompanying consolidated financial statements for the adoption of this statement.
- 2012-04 – Technical Corrections and Improvements. The amendments in this ASU cover a wide range of Topics in the Codification. This amendments are mainly related to: (1) Technical Correction and Improvements (Section A) and (2) Conforming Amendments Related to Fair Value (Section B). There was no effect on the accompanying consolidated financial statements for the adoption of this statement.
- 2013-02 – Comprehensive Income (Topic 220), Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The amendments in this update requires an entity to provide information about the amounts reclassified out of Other Comprehensive Income by component. In addition, an entity is required to present significant amounts reclassified out of Other Comprehensive Income by the respective line items of net income but only if the amount reclassified is require under US GAAP to be reclassified to net income in its entirety in the same reporting period. See Note 33.19.
- 2013-10 - Derivates and Hedging (Topic 815), Amendments in this Update permit the Fed Funds Effective Swap Rate (OIS) to be used as U.S. benchmark interest rate for hedge accounting purpose under Topic 815, in addition to UST and LIBOR. The amendments also remove the restriction on using different benchmark rates for similar hedges. There was no effect on the accompanying consolidated financial statements for the adoption of this statement.

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33.1. Income taxes

As explained in Note 5, Central Bank rules do not require the recognition of deferred tax assets and liabilities and, therefore, income tax is recognized on the basis of amounts due in accordance with Argentine tax regulations and no deferred tax and liabilities are recognized.

For purposes of US GAAP reporting, the Bank applies FASB ASC 740 "Income Taxes". Under this method, income tax is recognized based on the liability method whereby deferred tax assets and liabilities are recorded for temporary differences between the financial reporting and tax basis of assets and liabilities at each reporting date. FASB ASC 740 requires that an allowance for deferred tax assets be provided to the extent that it is more likely than not that they will not be realized, based on the weight of available evidence. In order to determine the amount of the valuation allowance required, in accordance with FAS ASC 740-10-30-16 through 30-25, the Bank evaluates for each consolidated entity all available evidence, both positive and negative and the future realization of the tax benefit in a relatively short period of time, considering future reversals of existing taxable temporary differences, future taxable income exclusive of reversing temporary differences and carryforwards and tax-planning strategies.

FASB ASC 740 also prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities.

There were no unrecognized tax benefits as of December 31, 2013, 2012 and 2011.

The Bank and its subsidiaries file income tax returns in Argentina. The Bank is subject to Argentina income tax examination for calendar fiscal years ending 2008 through 2013 (in addition see Note 16).

Deferred tax assets and liabilities (including those related to business combinations mentioned in Note 33.7.a) and b)) are summarized as follows:

<u>Description</u>	<u>As of December 31,</u>	
	<u>2013</u>	<u>2012</u>
Deferred tax assets:		
Loans (mainly allowances for loan losses)	282,656	219,791
Allowance for loss contingencies	91,717	80,435
Property, equipment and other assets	1,664	—
Net operating loss carry forwards	1,596	8,380
Other	49,379	47,805
Total deferred tax assets	<u>427,012</u>	<u>356,411</u>
Deferred tax liabilities:		
Government and private securities	(2,621)	(11,753)
Property, equipment and other assets	—	(3,952)
Intangible assets	(109,465)	(77,844)
Foreign exchange difference	(16,802)	(17,239)
Total deferred tax liabilities	<u>(128,888)</u>	<u>(110,788)</u>
Deferred tax asset	<u>298,124</u>	<u>245,623</u>
Allowance for deferred tax assets	<u>(68,553)</u>	<u>(77,498)</u>
Net deferred tax assets under US GAAP	<u>229,571</u>	<u>168,125</u>

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As of December 31, 2013, the consolidated net operating loss carry forwards of 4,560 are as follows:

<u>Expiration year</u>	<u>Amount</u>
2014	96
2015	1,095
2016	68
2017	3,301
	<u>4,560</u>

The movement of the net deferred tax assets for the fiscal years presented is summarized as follows:

	<u>As of December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net deferred tax assets at the beginning of the year	168,125	128,981	108,024
Net amount recorded in comprehensive income	(5,327)	(14,576)	5,018
Net deferred tax income for the year	66,773	53,720	15,939
Net deferred tax assets at the end of the year	<u>229,571</u>	<u>168,125</u>	<u>128,981</u>

The following table accounts for the difference between the actual tax provision under Central Bank regulations and the total income tax expense in accordance with US GAAP:

	<u>Year ended December 31,</u>		
<u>Description</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Income tax in accordance with Central Bank regulations	1,332,909	853,475	657,858
Net deferred tax income	(66,773)	(53,720)	(15,939)
Total income tax expense in accordance with US GAAP	<u>1,266,136</u>	<u>799,755</u>	<u>641,919</u>

The following table accounts for the difference between the actual tax provision and the amounts obtained by applying the statutory income tax rate in Argentina to income before income tax in accordance with US GAAP:

	<u>Year ended December 31,</u>		
<u>Description</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Pre-tax income in accordance with US GAAP	3,745,816	2,351,749	1,840,330
Statutory income tax rate	35%	35%	35%
Tax on net income at statutory rate	1,311,036	823,112	644,116
Permanent differences at the statutory rate:			
- Variation of allowances	(8,945)	(244)	(2,116)
- Income not subject to income tax	(66,168)	(56,966)	(25,020)
- Other	30,213	33,853	24,939
Income tax in accordance with US GAAP	<u>1,266,136</u>	<u>799,755</u>	<u>641,919</u>

In Note 33.7 the abovementioned adjustments were split considering business combinations or other adjustments.

Had US GAAP been applied, the Bank's assets would increase by 242,591, 183,925 and 147,767 as of December 31, 2013, 2012 and 2011, respectively. In addition, income would increase by 63,993, 50,734 and 10,499 for the years ended December 31, 2013, 2012 and 2011, respectively.

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Besides the adjustment abovementioned, the Bank's assets related to income tax acquired in business combination transactions, would decrease by 13,020, 15,800 and 18,786 as of December 31, 2013, 2012 and 2011, respectively. In addition, income would increase by 2,780, 2,986 and 5,440 for the years ended December 31, 2013, 2012 and 2011, respectively. Such adjustments are included in Note 33.7 a) and b).

33.2. Exposure to the Argentine Public Sector and Private Securities

a) Loans—Non-financial federal government sector

As of December 2013, 2012 and 2011, the Bank has guaranteed loans acquired mainly through business combinations (maturing around 2017) which were valued according to Central Bank Communiqué "A" 4898, amount to 311,757, 272,578 and 270,159, respectively (see Note 4.5.c)).

Under US GAAP, the difference between the cost of each acquired loan and its expected future cash flows is accounted for in accordance with FASB ASC 310-30 "Loans and debts acquired with deteriorated credit quality". In accordance with this rule, the Bank should continue to estimate the cash flows expected to be collected over the life of the loan.

The effects of the adjustments required to state such amounts in accordance with US GAAP would decrease assets by 158,214, 146,845 and 150,789 as of December 31, 2013, 2012 and 2011, respectively.

On the other hand, income would decrease by 11,369 for the year ended December 31, 2013 and would increase 3,944 and 18,144 for the years ended December 31, 2012 and 2011, respectively.

Taking into account the terms of loans to the non-financial federal government sector acquired with deteriorated credit quality and considering that, historically, the government has not prepaid them, the Bank does not expect prepayments to occur and, therefore, has concluded that such prepayments need not be considered in the determination of contractual cash flows and cash flows expected to be collected.

The following table, presents the outstanding balance of loans to the non-financial federal government sector acquired with deteriorated credit quality and related carrying amount at the beginning and end of each year:

	Outstanding balance (*) Year ended December 31,		Carrying amount Year ended December 31,	
	2013	2012	2013	2012
Beginning of the year	325,548	308,966	119,883	112,602
End of year	343,583	325,548	147,868	119,883

(*) It includes the undiscounted sum of all amounts, including principal, interest, fees and CER adjustments under the loans owed at the reporting date.

The following table reconciles the amounts of accretable yield of loans to the non-financial federal government sector acquired with deteriorated credit quality at the beginning and end of each year:

	Year ended December 31,		
	2013	2012	2011
Accretable yield at the beginning	38,506	26,629	35,757
Accretion	(47,236)	(23,677)	(25,502)
Disposals	(610)	(2,010)	—
Reclassification from nonaccretable yield	79,646	37,564	16,374
Accretable yield at the end	70,306	38,506	26,629

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During 2013, 2012 and 2011, the Bank has not acquired loans or debt securities with deteriorated credit quality. In addition, the Bank applies the income recognition model required by FASB ASC 310-30.

In addition, the following table presents the activity in the allowances required in connection with loans to the non-financial federal government sector acquired with deteriorated credit quality:

	Year ended December 31,		
	2013	2012	2011
Beginning balance	4,294	—	20
Provision for loan losses	—	4,294	—
Recoveries	(4,294)	—	(20)
Ending balance	—	4,294	—

b) Government securities

b.1) Available for sale securities

As of December 31, 2013, 2012 and 2011 under Central Bank rules, the Bank had mainly unlisted Government securities which were valued at the present value reported by Central Bank rules or at the cost value increased by their internal rate of return, as mentioned in Note 4.5.b.1) and 4.5.b.2).

Under US GAAP, these Government securities were considered as “available for sale” and carried at fair value with the unrealized gains and losses reported as net of income tax within the shareholders’ equity accounts in accordance with FASB ASC 320 “Investment – Debt and Equity Securities”.

b.2) Trading securities

In addition, under Central Bank rules, the Bank had listed securities maintained for intermediation, which were valued at quoted price as mentioned in Note 4.5.b.1).

Under US GAAP these securities should be classified as trading and carried at fair value considering their active market. In addition, changes in fair value are recorded in the consolidated statement of income.

The effects of the adjustments required to state such amounts (Notes b.1) and b.2)) in accordance with US GAAP would decrease assets by 1,139 and 562 for the years ended December 31, 2013 and 2011, respectively, and would decrease assets by 6,613 as of December 31, 2012.

On the other hand, income would increase by 38,162, 9,654 and 16,971 for the years ended December 31, 2013, 2012 and 2011, respectively.

c) Instruments issued by Central Bank of Argentina

As of December 31, 2013, 2012 and 2011, the Bank had instruments issued by Central Bank of Argentina. Under Central Bank rules, these securities were valued at the quoted price of each security or at the cost value increased by their internal rate of return, as mentioned in Note 4.5.b.3 and b.4).

Under US GAAP, these securities should be considered as “available for sale” and carried at fair value, with unrealized gains and losses reported as net of income tax within the shareholders’ equity accounts in accordance with FASB ASC 320.

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The effects of the adjustments required to state such amounts in accordance with US GAAP would increase assets by 41, 62 and 767 as of December 31, 2013, 2012 and 2011, respectively.

On the other hand, income would increase by 105 and 765 for the years ended December 31, 2013 and 2012, respectively, and would decrease 15,980 for the year ended 2011.

d) Securities in financial trust and other

As of December 31, 2013, 2012 and 2011, the Bank had securities in financial trust and others. Under Central Bank rules, these securities were valued at the quoted price, present values reported by the Central Bank or at the cost value increased by their internal rate of return, as mentioned in Note 4.5.h.3) and 4.5.h.4).

Under US GAAP, these securities should be considered as “available for sale” and carried at fair value, with unrealized gains and losses reported as net of income tax within the shareholders’ equity accounts in accordance with FASB ASC 320.

The effects of the adjustments required to state such amounts in accordance with US GAAP would increase assets by 14,268, 27,691 and 1,458 as of December 31, 2013, 2012 and 2011, respectively.

On the other hand, income would decrease by 5,148 for the year ended December 31, 2013 and would increase by 8,065 and 25,661 for the years ended December 31, 2012 and 2011, respectively.

The carrying amount under Central Bank rules, amortized cost, net unrealized gains and the fair value of securities classified as available for sale (see Note 29) mentioned in items b.1, c) and d) as of December 31, 2013 and 2012, are as follows:

As of December 31, 2013				
	Carrying Amount	Amortized Cost	Net Unrealized Gains/(Loss)	Fair Value
Government securities	468,999	473,463	(5,614)	467,849
Instruments issued by Central Bank of Argentina	48,627	48,771	(103)	48,668
Securities in financial trust and other	469,762	485,313	(1,283)	484,030
Total	987,388	1,007,547	(7,000)	1,000,547

As of December 31, 2012				
	Carrying Amount	Amortized Cost	Net Unrealized Gains/(Loss)	Fair Value
Government securities	641,755	608,068	40,300	648,368
Instruments issued by Central Bank of Argentina	125,883	125,922	23	125,945
Securities in financial trust and other	373,913	394,612	6,992	401,604
Total	1,141,551	1,128,602	47,315	1,175,917

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The proceeds from sales of available for sale securities and the gross realized gains that have been included in earnings as a result of those sales, for the years ended December 31, 2013, 2012 and 2011 are as follows:

<u>Available for sale securities</u>	<u>Proceeds from sales As of December 31,</u>		
	<u>2013 (*)</u>	<u>2012 (*)</u>	<u>2011 (*)</u>
Government securities	230,888	427,006	49,943
Instruments Issued by Central Bank of Argentina	2,569,222	2,168,122	926,969
Securities in financial trust and others	231,889	8,847	93,355
	<u>3,031,999</u>	<u>2,603,975</u>	<u>1,070,267</u>

(*) As of December 31, 2013, 2012 and 2011, realized gains as a result of those sales amounted to 67,546, 34,984 and 13,242, respectively.

The amount of the unrealized gain or loss on available for sale securities, before tax, that have been included in accumulated other comprehensive income (see Note 33.19) is as follows:

<u>Securities</u>	<u>2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>2013</u>
Government securities	40,300	970	(46,884)	(5,614)
Instruments issued by Central Bank of Argentina	23	—	(126)	(103)
Securities in financial trust and other	6,992	15,064	(23,339)	(1,283)
Total	<u>47,315</u>	<u>16,034</u>	<u>(70,349)</u>	<u>(7,000)</u>

<u>Securities</u>	<u>2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>2012</u>
Government securities	42,779	11,833	(14,312)	40,300
Instruments issued by Central Bank of Argentina	1,493	23	(1,493)	23
Securities in financial trust and other	(11,176)	26,755	(8,587)	6,992
Total	<u>33,096</u>	<u>38,611</u>	<u>(24,392)</u>	<u>47,315</u>

<u>Securities</u>	<u>2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>2011</u>
Government securities	60,675	7,369	(25,265)	42,779
Instruments issued by Central Bank of Argentina	(19,240)	21,205	(472)	1,493
Securities in financial trust and other	20,904	2,266	(34,346)	(11,176)
Total	<u>62,339</u>	<u>30,840</u>	<u>(60,083)</u>	<u>33,096</u>

The maturities of available for sale securities as of December 31, 2013 are as follows:

Securities	<u>For the year ended December 31, 2013</u>				
	<u>Within 1 year</u>	<u>After 1 year but within 5 years</u>	<u>After 5 year but within 10 years</u>	<u>After 10 years</u>	<u>Total</u>
Government securities	333,717	131,681	2,451	—	467,849
Instrument issued by Central Bank of Argentina	48,668	—	—	—	48,668
Securities in financial trust and other	130,168	337,553	12,858	3,451	484,030
Total	<u>512,553</u>	<u>469,234</u>	<u>15,309</u>	<u>3,451</u>	<u>1,000,547</u>

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The portion of trading gains and losses for the period that relates to trading securities still held as of December 31, 2013, 2012 and 2011 are as follows:

<u>Trading Securities</u>	<u>Gains/(loss) as of December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Government securities	21,729	23,051	6,300
Other	4,056	(6,311)	(9,549)
	<u>25,785</u>	<u>16,740</u>	<u>(3,249)</u>

The following table, presents the gross unrealized losses and fair value of securities classified as available for sale by length of time for each category of securities that have been in a continuous loss position:

	<u>Less than 12 months</u>		<u>12 months or more</u>		<u>Total</u>	
	<u>Gross Unrealized losses</u>	<u>Fair Value</u>	<u>Gross Unrealized losses</u>	<u>Fair Value</u>	<u>Gross Unrealized losses</u>	<u>Fair Value</u>
December 31, 2013						
Government securities	(11,749)	279,322	(6)	102	(11,755)	279,424
Instrument issued by Central Bank of Argentina	(103)	48,668	—	—	(103)	48,668
Securities in financial trust and other	(12,613)	165,535	(1,584)	23,390	(14,197)	188,925
Total	<u>(24,465)</u>	<u>493,525</u>	<u>(1,590)</u>	<u>23,492</u>	<u>(26,055)</u>	<u>517,017</u>
December 31, 2012						
Government securities	(21)	42,760	(173)	47,233	(194)	89,993
Instrument issued by Central Bank of Argentina	(31)	50,781	—	—	(31)	50,781
Securities in financial trust and other	(3,856)	130,260	(3,734)	60,789	(7,590)	191,049
Total	<u>(3,908)</u>	<u>223,801</u>	<u>(3,907)</u>	<u>108,022</u>	<u>(7,815)</u>	<u>331,823</u>

For purposes of determining whether the decline in fair value for these categories of securities qualifies as “other than temporary impairment,” the Bank has considered the following factors:

- The decline in fair value is not attributable to credit quality. It solely derives from adverse interest rate fluctuations of observable inputs of similar instruments according to their fair value hierarchy.
- Future principal payments will be sufficient to recover the current amortized cost of these investments.
- The Bank has the intention to hold these securities at least until their fair value recovers to a level that exceeds their amortized cost.
- The extent to which the fair value has been less than the amortized cost is not relevant for these categories of securities.

The Bank has concluded that the decline in fair value for these securities does not qualify as “other than temporary impairment.”

The Bank notes that the specific identification method was used in order to determine the cost of securities sold.

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33.3. Loan origination fees

The Bank recognizes fees on consumer loans, such as credit cards, mortgage, pledged and personal loans, stand by letters of credit and guarantees issued, when collected and charges direct origination costs when incurred. In accordance with US GAAP under FASB ASC 310-20 “Nonrefundable Fees and Other Costs”, loan origination fees and certain direct loan origination costs should be recognized over the life of the related loan as an adjustment of yield or by straight-line method, as appropriate.

The effects of the adjustments required to state such amounts in accordance with US GAAP, would decrease assets by 111,845, 105,384 and 75,783 as of December 31, 2013, 2012 and 2011, respectively. Income would decrease by 6,461, 29,601 and 28,982 for the years ended December 31, 2013, 2012 and 2011, respectively.

33.4. Allowance for loan losses

According to FASB ASC 310 “Receivables”, loans are measured at their amortized cost using effective interest rate, after deduction of any allowance for loan losses.

The loan loss reserve represents the estimate of probable losses in the loan portfolio. Determining the loan loss reserve requires significant management judgments and estimates including, among others, identifying impaired loans, determining customers’ ability to pay and estimating the fair value of underlying collateral or the expected future cash flows to be received. Actual events will likely differ from the estimates and assumptions used in determining the loan loss reserve. Additional loan loss reserve could be required in the future.

The loan loss reserve is maintained in accordance with Central Bank rules. This results from evaluating the degree of debtors’ compliance and the guarantees (see Note 22) and collateral supporting the respective transactions.

Increases in the reserve are based on the deterioration of the quality of existing loans, while decreases in the reserve are based on regulations requiring the charge off of non-performing loans classified as “non-recoverable”. The Bank charges-off non-performing loans on the month following the date on which such loans are classified as “irrecoverable without preferred guarantees” and fully provisioned.

In the case of the consumer portfolio, the charge-off takes place when the loan is approximately 270 days past due. For the commercial portfolio, the situation depends on the individual evaluation of the credit risk. All charged-off loans are registered in off balance accounts while the Bank continues its collection efforts.

In addition, under Central Bank rules, the Bank records recoveries on previously charged-off loans directly to income and records the amount of charged-off loans in excess of amounts specifically allocated as a direct charge to the consolidated statement of income. The Bank does not partially charge off troubled loans until final disposition of the loan, rather, the allowance is maintained on a loan-by-loan basis for its estimated settlement value.

The Bank’s consumer portfolio consists principally of personal loans and credit card loans. Personal loans include mainly financing granted to clients under the “Plan Sueldo” payroll services. Clients enrolled in this type of services receive their wages directly through their accounts at the Bank. Payments on such loans are debited directly from the clients’ wages on the due date. The most significant factors affecting the Bank’s consumer portfolio’s credit risk are employment rates and real wages.

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The Bank's commercial portfolio is currently diversified among clients of different size (small, medium-sized businesses and corporations) and who are active in different economic sectors (mainly the agricultural, food, services and construction sectors - see Note 22 to the consolidated financial statements). The risks associated with this portfolio are principally related to the specific economic performance of each individual client and to economic factors, such as the price and demand of products and services and competitiveness, among others.

The Bank implements monitoring, control and risk-management systems to maintain the credit risk of its loan portfolios at adequate levels.

Under Central Bank rules, a minimum loan loss reserve is calculated primarily based upon the classification of commercial loan borrowers and upon delinquency aging (or the number of days the loan is past due) for consumer and housing loan borrowers. Although, the Bank is required to follow the methodology and guidelines for determining the minimum loan loss reserve, as set forth by the Central Bank, the Bank is allowed to establish additional loan loss reserve.

For commercial loans, the Bank is required to classify all commercial loan borrowers. In order to classify them, the Bank must consider different parameters related to each of those customers.

Pursuant to Central Bank regulations, commercial loans are classified as follows:

<u>Classification</u>	<u>Criteria</u>
In normal situation	Borrowers for whom there is no doubt as to their ability to comply with their payment obligations.
Subject to special monitoring/Under observation	Borrowers that, among other criteria, are up to 90 days past due and, although considered to be able to meet all their financial obligations, are sensitive to changes that could compromise their ability to honor debts absent timely corrective measures.
Subject to special monitoring / Under negotiation or refinancing agreement	Borrowers who are unable to comply with their obligations as agreed with the bank and, therefore, formally state, within 60 calendar days after the maturity date, their intention to refinance such debts. The borrower must enter into a refinancing agreement with the bank within 90 calendar days (if up to two lenders are involved) or 180 calendar days (if more than two lenders are involved) after the payment default date. If no agreement has been reached within the established deadline, the borrower must be reclassified to the next category according to the indicators established for each level.
Troubled	Borrowers with difficulties honoring their financial obligations under the loan on a regular basis, which, if uncorrected, may result in losses to the bank.
With high risk of insolvency	Borrowers who are highly unlikely to honor their financial obligations under the loan.
Irrecoverable	Loans classified as irrecoverable at the time they are reviewed (although the possibility might exist that such loans might be collected in the future). The borrower will not meet its financial obligations with the financial institution.
Irrecoverable according to Central Bank Rules	(a) Borrower has defaulted on its payment obligations under a loan for more than 180 calendar days according to the corresponding report provided by the Central Bank, which report includes (1) financial institutions liquidated by the Central Bank, (2) residual entities created as a result of the privatization of public financial institutions, or in the privatization or dissolution process, (3) financial institutions whose licenses have been revoked by the Central Bank and find themselves subject to judicial liquidation or bankruptcy proceedings and (4) trusts in which <i>Seguro de Depósitos S.A.</i> (SEDESA) is a beneficiary, and/or (b) certain kinds of foreign borrowers (including banks or other financial institutions that are not subject to the supervision of the Central Bank or similar authority of the country in which they are incorporated) that are not classified as "investment grade" by any of the rating agencies approved by the Central Bank.

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For consumer loan portfolio, the Bank classifies loans based upon delinquency aging, consistent with the requirements of the Central Bank. Minimum loss percentages required by the Central Bank are also applied to the totals in each loan classification.

Under the Central Bank regulations, consumer and housing borrowers are classified as follows:

<u>Classification</u>	<u>Criteria</u>
Performing	If all payments on loans are current or less than 31 calendar days overdue and, in the case of checking account overdrafts, less than 61 calendar days overdue.
Low Risk	Loans upon which payment obligations are overdue for a period of more than 31 and up to 90 calendar days.
Medium Risk	Loans upon which payment obligations are overdue for a period of more than 90 and up to 180 calendar days.
High Risk	Loans in respect of which a legal action seeking collection has been filed or loans having payment obligations overdue for more than 180 calendar days, but less than 365 calendar days.
Irrecoverable	Loans in which payment obligations are more than one year overdue or the debtor is insolvent or in bankruptcy or liquidation.
Irrecoverable according to Central Bank Rules	Same criteria as for commercial loans in the Irrecoverable according to Central Bank Rules.

In addition, under Central Bank rules, based on the overall risk of the portfolio, the Bank records additional loan loss reserves in excess of the minimum required and changes the loan classification as the case may be.

Under US GAAP, a portion of the total allowance typically consists of amounts that are used, for example, to cover loans that are analyzed on a “pool” or homogeneous basis and to supplement specific allowances in recognition of the uncertainties inherent in point estimates.

The Bank’s accounting for its loan loss reserve under Central Bank rules differs in some respects with practices of US-based banks, as discussed below.

In addition, all loans reserves from business combinations recorded under Central Bank rules, since the effective date of FASB ASC 310-30 “Loans and Debt Securities Acquired with Deteriorated Credit Quality”, were reversed under US GAAP purposes as of each acquisition date, due to the fact that it is not appropriate to report such acquired impaired loans on a gross basis, since the Bank is not expected to incur those losses.

As of December 31, 2013 and 2012, the bank had foreclosed assets and did not hold any repossessed assets. See Note 33.15.

a) Recoveries and write-offs

Under Central Bank rules, recoveries are recorded in a separate income line item under Other Income. Write-offs are recorded directly in the income statement. Under US GAAP, recoveries and write-offs would be recorded in the allowance for loan losses in the balance sheet; however there would be no net impact on net income or shareholders’ equity.

b) Credit Card Loans

The Bank establishes its reserve for credit card loans based on the past due status of the loan. All loans without preferred guarantees greater than 180 days have been reserved at 50% in accordance with the Central Bank rules.

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Under US GAAP, the Bank adopted a policy to fully provision loans which are 180 days past due.

Had US GAAP been applied, the Bank's assets would decrease by 16,965, 13,448 and 10,828 as of December 31, 2013, 2012 and 2011, respectively. In addition, income would decrease by 3,517 and 2,620 for the years ended December 31, 2013 and 2012, respectively, and would increase by 1,278 for the year ended December 31, 2011.

c.) Impaired loans—Non Financial Private Sector and residents abroad

FASB ASC 310 "Receivables", requires a creditor to measure impairment of a loan based on the present value of expected future cash flows discounted at the loan's effective interest rate, or at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. This Statement is applicable to all loans (including those restructured in a troubled debt restructuring involving amendment of terms), except large groups of smaller-balance homogenous loans, not considered troubled debt restructuring, that are collectively evaluated for impairment. Loans are considered impaired when, based on Management's evaluation, a borrower will not be able to fulfill its obligation under the original loan terms.

The following table discloses the amounts of loans considered impaired in accordance with FASB ASC 310 updated by ASU 2010-20 as of December 31, 2013 and 2012:

	<u>Recorded investment</u>	<u>Unpaid principal balance</u>	<u>Related allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income recognized</u>
2013					
With no related allowance recorded					
Commercial					
Mortgage and pledge loans	5,006	4,819	—	4,947	—
Other loans	212	212	—	221	59
Consumer					
Documents	1,861	1,818	—	1,829	418
Mortgage and pledge loans	2,487	2,439	—	2,222	341
Personal loans	74,030	72,335	—	71,462	17,587
Other loans	5,592	5,464	—	5,463	963
Total	<u>89,188</u>	<u>87,087</u>	<u>—</u>	<u>86,144</u>	<u>19,368</u>
With an allowance recorded					
Commercial					
Overdrafts	55,303	54,251	29,133	52,249	40
Documents	39,606	37,255	16,929	39,503	—
Mortgage and pledge loans	59,883	56,265	13,637	59,512	4,557
Credit card	1,278	1,278	707	1,272	—
Other loans	77,297	75,467	34,141	77,265	16,512
Consumer					
Documents	2,483	2,440	1,219	2,346	399
Mortgage and pledge loans	4,583	4,491	2,231	4,646	565
Personal loans	54,956	54,097	22,856	55,165	10,412
Other loans	8,287	8,140	3,384	8,382	980
Total	<u>303,676</u>	<u>293,684</u>	<u>124,237</u>	<u>300,340</u>	<u>33,465</u>
Total Commercial	238,585	229,547	94,547	234,969	21,168
Total Consumer	154,279	151,224	29,690	151,515	31,665

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	<u>Recorded investment</u>	<u>Unpaid principal balance</u>	<u>Related allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income recognized</u>
2012					
With no related allowance recorded					
Commercial					
Other loans	2,198	2,176	—	2,630	115
Consumer					
Documents	1,286	1,250	—	1,311	354
Mortgage and pledge loans	2,076	2,035	—	2,706	347
Personal loans	53,613	52,463	—	44,227	11,653
Other loans	3,285	3,193	—	3,345	589
Total	<u>62,458</u>	<u>61,117</u>	<u>—</u>	<u>54,219</u>	<u>13,058</u>
With an allowance recorded					
Commercial					
Overdrafts	53,337	52,123	33,463	42,525	507
Documents	3,446	3,349	1,795	6,213	—
Mortgage and pledge loans	25,354	25,137	8,614	20,820	3,927
Credit card	172	172	96	118	—
Other loans	92,300	90,306	80,148	82,885	3,608
Consumer					
Documents	3,690	3,638	1,205	3,184	416
Mortgage and pledge loans	5,152	5,075	1,756	5,753	586
Personal loans	46,101	45,606	17,007	42,133	6,305
Other loans	8,304	8,179	3,192	6,872	826
Total	<u>237,856</u>	<u>233,585</u>	<u>147,276</u>	<u>210,503</u>	<u>16,175</u>
Total Commercial	176,807	173,263	124,116	155,191	8,157
Total Consumer	123,507	121,439	23,160	109,531	21,076

The Bank recognizes interest income on impaired loans on a cash basis method.

In addition, the Bank has performed a migration analysis based on uncollectability following the FASB ASC 450 “Contingencies”.

The collective impairment allowance is calculated on a portfolio basis using statistical models which incorporate various estimates and judgments.

The collective impairment allowance has two components.

The first component is an allowance amount representing the incurred losses on the portfolio of smaller balance homogeneous loans, which are loans to individuals and small business customers of the consumer business portfolio. The loans are grouped according to similar credit risk characteristics and the allowance for each group is determined using statistical models based on historical experience.

The second component represents an estimate of incurred losses inherent in the group of loans that have not yet been individually identified as impaired or measured as part of the smaller-balance homogeneous loans. We use historical loss experience for these estimates. This historical loss experience is adjusted on the basis of actual observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from period to period (e.g., changes in unemployment rates, macroeconomic conditions and other factors that are indicative of incurred losses in the group and their magnitude).

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For consumer loans, upon a TDR modification (see item below c.1) Trouble Debt Restructuring), in accordance with ASC 310-10, the Bank measures impairment of the consumer portfolio based on a present value of expected future cash flows methodology considering all available evidence using the effective interest rate. The amount of the required allowance for loan losses is equal to the excess of the recorded investment over the loan's impaired value.

In general, commercial loans that are subject to a TDR modification will have been identified as impaired prior to the modification and accounted for under a present value of expected future cash flows methodology. Accordingly, upon a TDR modification, the allowance methodology remains unchanged.

When a TDR loan defaults, the methodology that the Company uses in order to determine the allowance for loan losses is similar to the one used for TDR modifications, for both portfolio segments.

Had US GAAP been applied, the Bank's assets would increase by 2,839 and 3,819 as of December 31, 2013 and 2012, respectively, and would decrease by 4,043 as of December 31, 2011. In addition, income would decrease by 980 for the year ended December 31, 2013 and would increase by 7,862 and 4,309 for the years ended December 31, 2012 and 2011, respectively.

c.1) Troubled debt restructuring

A restructured loan is considered a TDR if the debtor is experiencing financial difficulties and the Bank grants a concession to the debtor that would not otherwise be considered. Concessions granted could include but it not necessary limited to: reduction in interest rate to rates that are considered below market, extension of repayment schedules and maturity dates beyond original contractual terms.

Loans considered TDR during 2013, 2012 and 2011 were as follows:

	2013				
	Number of contracts	Pre-modification outstanding recorded investment	Post-modification Outstanding recorded investment	Accruing TDR loans	Non- accruing TDR loans
Commercial					
Mortgage and pledge	4	13,988	17,813	17,813	—
Others	1	3,035	3,087	3,087	—
Consumer					
Documents	158	3,460	3,620	2,948	672
Mortgage and pledge	18	2,215	2,325	2,222	103
Personal loans	4,637	64,582	72,218	48,390	23,828
Others loans	310	10,472	11,074	8,442	2,632
Total	5,128	97,752	110,137	82,902	27,235

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	2012				
	<u>Number of contracts</u>	<u>Pre-modification outstanding recorded investment</u>	<u>Post-modification Outstanding recorded investment</u>	<u>Accruing TDR loans</u>	<u>Non-accruing TDR loans</u>
Commercial					
Mortgage and pledge	11	9,683	9,762	9,762	—
Others	4	3,663	3,619	3,619	—
Consumer					
Documents	221	4,121	4,596	3,915	681
Mortgage and pledge	19	2,555	2,646	2,438	208
Personal loans	4,982	57,349	64,900	49,512	15,388
Others loans	280	7,963	8,824	7,564	1,260
Total	5,517	85,334	94,347	76,810	17,537

	2011				
	<u>Number of contracts</u>	<u>Pre-modification outstanding recorded investment</u>	<u>Post-modification outstanding recorded investment</u>	<u>Accruing TDR loans</u>	<u>Non-accruing TDR loans</u>
Commercial					
Others	4	4,189	3,924	3,924	—
Consumer					
Documents	180	2,468	2,692	2,168	524
Mortgage and pledge	28	2,568	2,847	2,177	670
Personal loans	3,727	26,967	30,910	23,204	7,706
Others loans	241	3,682	4,117	3,238	879
Total	4,180	39,874	44,490	34,711	9,779

We consider that a TDR has subsequently defaulted if the borrower has failed to make payments of either principal, interest or both for a period of 90 days or more. Loans considered TDR that have defaulted during the years ended December 31, 2013, 2012 and 2011 were as follows:

	2013	
	<u>Number of contracts</u>	<u>Recorded investment</u>
Commercial		
Others	1	397
Consumer		
Documents	11	123
Mortgage and pledge	4	390
Personal loans	217	2,638
Others loans	24	328
Total	257	3,876

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	2012	
	Number of contracts	Recorded investment
Consumer		
Documents	8	117
Mortgage and pledge	3	187
Personal loans	160	1,309
Others loans	12	115
Total	183	1,728

	2011	
	Number of contracts	Recorded investment
Commercial		
Others	1	1,710
Consumer		
Documents	15	71
Mortgage and pledge	8	517
Personal loans	242	1,973
Others loans	18	190
Total	284	4,461

c.2) Allowances - Roll forward

Under US GAAP, the activity in the allowance for loan losses for the years ended December 31, 2013 and 2012 respectively, is as follows:

	Commercial	Consumer	Total
2013			
Beginning balance	205,769	705,338	911,107
Provision for possible loan losses	92,576	625,760	718,336
Charge-off	(34,724)	(531,187)	(565,911)
Recoveries	(23,588)	(1,028)	(24,616)
Ending balance	240,033	798,883	1,038,916
Period end allocated to:			
Allowances individually evaluated for impairment	94,547	29,690	124,237
Allowances collectively evaluated for impairment	145,486	769,193	914,679
Ending balance	<u>240,033</u>	<u>798,883</u>	<u>1,038,916</u>
	Commercial	Consumer	Total
2012			
Beginning balance	127,581	497,777	625,358
Provision for possible loan losses	104,477	582,474	686,951
Charge-off	(10,935)	(365,674)	(376,609)
Recoveries	(15,354)	(9,239)	(24,593)
Ending balance	205,769	705,338	911,107
Period end allocated to:			
Allowances individually evaluated for impairment	124,116	23,160	147,276
Allowances collectively evaluated for impairment	81,653	682,178	763,831
Ending balance	<u>205,769</u>	<u>705,338</u>	<u>911,107</u>

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Impaired loans individually evaluated for impairment for commercial portfolio amounts to 238,585 and 176,807 for the years ended December 31, 2013 and 2012. In addition, non impaired loans collectively evaluated for impairment for commercial portfolio amounts to 15,827,019 and 13,488,186, for the years ended December 31, 2013 and 2012.

Loans individually evaluated for impairment for consumer portfolio amounts to 154,279 and 123,507 for the years ended December 31, 2013 and 2012. In addition, loans collectively evaluated for impairment for consumer portfolio amounts to 24,388,915 and 18,849,078 for the years ended December 31, 2013 and 2012.

d) Interest recognition – non-accrual loans

The method applied to recognize income on loans is described in Note 4.5.d). Additionally, the accrual of interest is discontinued generally when the related loan is non-performing and the collection of interest and principal is in doubt generally after 90 days of being past due. Accrued interest remains on the Bank's books and is considered a part of the loan balance when determining the reserve for credit losses.

Under US GAAP the accrual of interest is discontinued when Management has serious doubts about further collectability of principal or interest, usually after 90 days, even though the loan is currently performing. When a loan is placed on non-accrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for credit losses.

Had US GAAP been applied, the Bank's assets would decrease by 12,991, 6,810 and 5,643 as of December 31, 2013, 2012 and 2011, respectively. In addition, income would decrease by 6,181, 1,167 and 2,247 for the years ended December 31, 2013, 2012 and 2011, respectively.

The following table represents the amounts of nonaccruals, segregated by class of loans, including the amount of TDR loans, as of December 31, 2013 and 2012, respectively:

	2013		2012	
	Non-accruing loans	Non-accruing TDR loans	Non-accruing loans	Non-accruing TDR loans
Commercial				
Overdrafts	49,060	—	52,163	—
Documents	19,481	—	939	—
Mortgage and pledge loans	51,920	12,356	23,443	8,090
Credit card	6,935	—	146	—
Other loans	60,504	9,371	93,779	5,408
Consumer				
Overdrafts	20,235	—	20,665	—
Documents	7,024	1,881	5,685	2,597
Mortgage and pledge loans	19,198	4,311	18,185	4,704
Personal loans	263,373	45,665	251,308	36,036
Credit Card	56,925	—	48,393	—
Other loans	19,125	8,231	14,969	6,802
Total	573,780	81,815	529,675	63,637

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An aging analysis of past due loans, segregated by class of loans, as of December 31, 2013 and 2012 were as follows:

	<u>30-59 Days past due</u>	<u>60-89 Days past due</u>	<u>Greater Than 90 days</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Loans</u>
2013						
Commercial						
Overdrafts	15,431	7,588	25,182	48,201	4,032,516	4,080,717
Documents	12,295	27,745	75,200	115,240	3,150,868	3,266,108
Mortgage and pledge loans	82,696	26,365	129,471	238,532	2,052,897	2,291,429
Credit card	162	112	6,935	7,209	295,004	302,213
Other loans	93,072	42,241	24,450	159,763	5,965,374	6,125,137
Consumer						
Overdrafts	17,656	6,386	19,689	43,731	492,511	536,242
Documents	2,029	1,686	5,475	9,190	992,442	1,001,632
Mortgage and pledge loans	14,497	4,457	11,868	30,822	1,463,994	1,494,816
Personal loans	99,692	58,307	141,530	299,529	13,773,531	14,073,060
Credit card	43,943	16,675	62,309	122,927	6,418,652	6,541,579
Other loans	6,899	3,713	10,492	21,104	874,761	895,865
Total	388,372	195,275	512,601	1,096,248	39,512,550	40,608,798
2012						
Commercial						
Overdrafts	15,781	5,768	43,436	64,985	3,947,889	4,012,874
Documents	801	431	4,205	5,437	2,685,182	2,690,619
Mortgage and pledge loans	19,807	10,152	14,419	44,378	1,294,428	1,338,806
Credit card	63	22	150	235	115,585	115,820
Other loans	128,478	5,693	54,833	189,004	5,317,870	5,506,874
Consumer						
Overdrafts	12,455	6,421	19,900	38,776	418,831	457,607
Documents	1,391	564	4,534	6,489	944,454	950,943
Mortgage and pledge loans	9,794	2,678	9,351	21,823	1,109,322	1,131,145
Personal loans	83,993	50,665	135,602	270,260	10,735,946	11,006,206
Credit card	32,374	17,959	60,504	110,837	4,498,004	4,608,841
Other loans	7,312	2,733	9,722	19,767	798,076	817,843
Total	312,249	103,086	356,656	771,991	31,865,587	32,637,578

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The following table shows the loans balances categorized by credit quality indicators for the years ended December 31, 2013 and 2012:

2013						
	In normal situation/ performing	Subject to special monitoring / Under negotiation or refinancing agreement/ Low risk	Troubled / Medium risk	With high risk or insolvency / High Risk	Irrecoverable	Irrecoverable according to Central Bank rules
Commercial						
Overdraft	3,989,944	35,470	—	50,290	5,013	—
Documents	3,222,182	4,320	—	38,980	626	—
Mortgage and pledge	2,186,568	46,421	17,278	40,598	564	—
Credit Card	300,832	104	—	1,141	136	—
Others loans	6,030,140	15,720	5,373	72,191	1,713	—
Consumer						
Overdraft	503,169	11,812	9,165	8,308	3,714	74
Documents	981,485	9,589	5,318	3,840	1,400	—
Mortgage and pledge	1,461,239	15,428	4,749	4,785	8,615	—
Personal loans	13,603,568	198,673	145,347	88,814	36,503	155
Credit Card	6,367,389	80,919	49,941	32,697	10,575	58
Others	866,490	10,958	9,270	4,923	4,224	—
Total	39,513,006	429,414	246,441	346,567	73,083	287
2012						
	In normal situation/ performing	Subject to special monitoring / Under negotiation or refinancing agreement/ Low risk	Troubled / Medium risk	With high risk or insolvency / High Risk	Irrecoverable	Irrecoverable according to Central Bank rules
Commercial						
Overdraft	3,951,346	8,191	4,025	33,177	16,135	—
Documents	2,668,922	18,251	—	3,301	145	—
Mortgage and pledge	1,281,379	33,984	7,858	14,130	1,455	—
Credit Card	115,607	41	2	150	20	—
Others loans	5,327,309	81,966	7,876	16,149	73,574	—
Consumer						
Overdraft	426,818	9,529	6,964	8,581	5,704	11
Documents	935,717	6,870	3,478	3,431	1,447	—
Mortgage and pledge	1,103,772	11,770	4,764	4,133	6,706	—
Personal loans	10,576,177	176,651	124,152	72,453	56,751	22
Credit Card	4,457,004	66,520	40,824	26,668	17,723	102
Others loans	793,231	9,025	3,865	7,227	4,495	—
Total	31,637,282	422,798	203,808	189,400	184,155	135

e) Off balance sheet credit exposures

In the normal course of business, the Bank enters into transactions involving off balance sheet financial instruments to handle risk management and meet trading and financing needs of its customers and for the Bank's proprietary trading and assets and liabilities management purposes.

In determining whether to enter into transactions involving off balance sheet financial instruments, the Bank follows the credit policies it uses to grant loans.

The management of the Bank believes that the outstanding off balance sheet items do not represent an unusual credit risk.

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The Bank's exposure to credit loss in the event of the counterparties' failure to fulfill their commitments to extend credit or their obligations under guarantees granted and foreign trade acceptances is represented by the contractual notional amount of these instruments. See Note 33.12.

The process to determine allowances for off balance sheet credit exposures is similar to the methodology used for loans. The provision charged to expense is determined by management based upon client classification, actual loss experience, current and expected economic conditions, delinquency aging and evaluation of probable losses in the current credit portfolio. Any probable loss amounts are recognized as allowances in the consolidated balance sheet.

33.5. Intangible assets

a) Judgments due to court decisions related to foreign currency- denominated deposits

Under Central Bank Rules as mentioned in Note 4.5.k) it includes exchange differences related to the payments and provisions made by the Bank in relation to the constitutional protection and court judgments resulting from court decisions mentioned in Note 2 to our consolidated financial statements.

Under US GAAP, the right to obtain these compensations is deemed a contingent gain which cannot be recognized until realized, pursuant to FASB ASC 450 "Contingencies".

In addition, under US GAAP, in accordance with FASB ASC 450, the Bank should have recorded a liability to cover the contingent losses related to the application of the Argentine Supreme Court rulings dated December 27, 2006 mentioned in Note 2.

The effects of adjustments required to state such amounts in accordance with US GAAP would decrease net assets by 69,017, 59,968 and 104,378 as December 31, 2013, 2012 and 2011, respectively. In addition, income would decrease by 9,049 and 606 for the years ended December 31, 2013 and 2011, respectively and would increase by 44,410 for the year ended December 31, 2012.

Besides the adjustment above mentioned, the Bank's assets related to judgment due to court decisions acquired in business combination transactions, would decrease by 1,673 as of December 31, 2011. In addition, income would increase by 597 for the year ended December 31, 2011 respectively. Such adjustments are included in Note 33.7 a) and b).

b) Software costs

Under Central Bank Rules, it includes software costs relating to preliminary, application development and post – implementation stages of software development. BCRA GAAP permits the capitalization of certain costs that are not eligible for capitalization under FASB ASC 350-40 "Internal- Use Software".

The effects of adjustments required to state such amounts in accordance with US GAAP, would decrease assets by 12,175, 17,544 and 9,345 as of December 31, 2013, 2012 and 2011, respectively. In addition income would increase by 5,369 and 8,169 for the years ended December 31, 2013 and 2011, respectively and would decrease by 8,199 for the year ended December 31, 2012.

c) Organizational costs

Under Central Bank Rules, it includes inherent cost of set up and organization of the Bank.

Applying US GAAP and in accordance with FASB ASC 720-15 "Start Up Costs" also effected in other adjustments relative to capitalized organizational costs resulting in a decrease to the Bank's assets of 2,586, 1,681 and 1,350 as of December 31, 2013, 2012 and 2011, respectively. In addition income would decrease by 905 and 331 for the years ended December 31, 2013 and 2012, respectively and would increase by 539 for the year ended December 31, 2011.

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Besides to the adjustment above mentioned, the Bank's assets related to Organizational costs acquired in business combination transactions, would decrease by 372 for the year December 31, 2011. In addition, income would increase by 341 for the year ended December 31, 2011. Such adjustment is included in Note 33.7 c).

33.6. Vacation accrual

The cost of vacations earned by employees is generally recorded by the Bank when paid. US GAAP requires that this expense be recorded on an accrual basis as the vacations are earned.

Had US GAAP been applied, the Bank's liabilities would increase by 152,275, 151,376 and 118,813 as of December 31, 2013, 2012 and 2011, respectively. In addition, income would decrease by 899, 32,563 and 23,752 for the years ended December 31, 2013, 2012 and 2011, respectively.

33.7. Business Combinations

The Bank has effected several business combinations in the past few years. The Bank is presenting separately the US GAAP adjustments related to deferred income taxes, loans and securities valuation and the other effects of purchase accounting by business combination related to the banks which have not been legally merged into the Bank (mainly Banco del Tucumán S.A.). The qualitative description of the adjustments related to business combinations were disclosed above, as the case may be. The details of these effects are described in this footnote.

a) Acquisition of controlling interest in Banco del Tucumán S.A.

On May 5, 2006, the Bank acquired 75% of the capital stock of Banco del Tucumán S.A. at a cash purchase price of 45,961. Subsequently, in 2006 and 2007 the Bank acquired the 4.84% and 10.09% additional interest of Banco del Tucumán S.A. for cash payments of 2,907 and 9,709, respectively.

Under Central Bank rules, business combinations and step acquisitions are accounted for the carryover book value of the acquired company. Additionally, at the acquisition date, the Bank recognized the difference between the book value of the net equity acquired and the purchase price as a positive goodwill. Such goodwill is being amortized under the straight line method over 10 years.

Under US GAAP, former FASB ASC 805 "Business Combination" required the acquisition of the controlling interest of Banco del Tucumán S.A. to be accounted for as a business combination applying the purchase method. The additional interest acquired was accounted for as a step acquisition applying the purchase method.

Consequently, Banco Macro S.A. has allocated the purchase price to the assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date, and the excess of the fair value of the acquired net assets over the cost has resulted in a negative goodwill.

The effects of the adjustments required to state such amounts in accordance with US GAAP would decrease assets by 8,515, 10,510 and 13,197 as of December 31, 2013, 2012 and 2011, respectively. In addition income would increase by 1,995 and 2,687 for the years ended December 31, 2013 and 2012, respectively, and would decrease by 2,666 for the year ended December 31, 2011.

b) Merger of Banco Privado de Inversiones S.A.

As mentioned in Note 3.6, Banco Macro S.A. carried out the legal merger of Banco Privado de Inversiones S.A. with an into the former.

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Under Central Bank Rules, business combinations is accounted for by the carryover book value of the acquired company and goodwill is recognized based on the difference of the book value of the net assets acquired and the purchase price (including contingent consideration). The bank recognized a positive goodwill amounting to 56,205.

Under US GAAP FASB ASC 805 requires the acquisition of controlling interest of Banco Privado de Inversiones S.A. to be accounted for as a business combination applying the purchase method. Consequently, Banco Macro has allocated the purchase price (91,857) to the assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date (92,110), and the excess of the fair value of the acquired net asset over the cost has resulted in a gain (253).

In addition, in 2013 Banco Macro S.A. carried out the legal merger of Banco Privado de Inversiones S.A. with and into the Bank. The result of this transaction was a single shareholder group, including the former non controlling interest of former Banco Privado de Inversiones S.A., owning the consolidated net assets.

Banco Macro S.A. issued 77,860 registered Class B shares to be delivered to the non controlling interest of former Banco Privado de Inversiones S.A. That non controlling interest belonged to subsidiaries of Banco Macro S.A. Therefore, it was a transaction between entities under common control.

Under Central Bank rules, the merger was accounted for based on the carryover value of assets and liabilities as of January 1, 2013 since the merger was retroactively recognized to that date.

Under US GAAP, FASB ASC 805 requires this transaction to be accounted for as a transaction between entities under common control. Therefore, the transaction is recorded at carryover value of assets and liabilities and in consequence, no gain or loss shall be recognized in consolidated net income. In addition, the merger effects were recognized from December 27, 2013 (merger date).

The effects on the Bank's net assets, to account under US GAAP had been resulted in a decrease by 12,604, 8,306 and 9,528 as of December 31, 2013, 2012 and 2011, respectively. In addition income would decrease by 4,298 for the year ended December 31, 2013 and would increase by 1,222 and 1,122 for the years ended December 31, 2012 and 2011, respectively.

c) Other

In past years, the Bank consummated other business combinations which also generated similar adjustments. Had US GAAP been applied, other adjustments relative to these other business combination would decrease the Bank's assets by 26,539, 46,437 and 59,097 as of December 31, 2013, 2012 and 2011, respectively. In addition, income would increase by 19,898, 12,660 and 7,947 for the years ended December 31, 2013, 2012 and 2011, respectively.

33.8. Reporting on Comprehensive Income (loss)

FASB ASC 220 "Comprehensive Income" requires entities to report a measure of all changes in equity of an enterprise that result from transactions and other economic events of the period other than transactions with owners. Comprehensive income (loss) is the total of net income (loss) and all other non-owner changes in equity.

This statement requires that comprehensive income (loss) be reported in a financial statement that is displayed with the same prominence as other financial statements with an aggregate amount of comprehensive income (loss) reported in that same financial statement. The adoption of this accounting disclosure is shown in Note 33.19. In the Bank's case, comprehensive income is mainly affected by cumulative translation adjustments related to the foreign subsidiaries and unrealized gains and losses of available for sale securities, net of income taxes.

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33.9. Restatement of financial statements in constant pesos

Pursuant to Central Bank rules, the Bank's financial statements recognize the effects of inflation as described in Note 4.3.

As allowed by the SEC, since the Banking financial statements are restated applying a methodology that comprehensively addresses the accounting for inflation, the effects of general price-level changes recognized in the Bank's financial statements do not need to be eliminated in reconciling with US GAAP.

33.10. Accounting for derivative instruments and hedging activities

Pursuant to Central Bank rules, the Bank's derivatives are recorded as described in Notes 4.5.h) and 4.5.m). See Note 31.

FASB ASC 815 "Derivatives and Hedging" establishes accounting and reporting standards for derivative instruments, including certain ones embedded in other contracts (collectively referred to as derivatives) and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Bank had no embedded derivatives and does not apply hedge accounting in accordance with FASB ASC 815.

Under US GAAP, FASB ASC 815 also requires disclosures with the intent to provide users of the financial statements with more information about Derivative Instruments and Hedging Activities.

In the Bank's case, as mentioned in Note 31.1.b), interest rate contracts are performed in the MAE, as well as private contracts. These derivatives are settled monthly (those performed in the MAE) or quarterly (private contracts).

In the Foreign Exchange contracts the Bank mainly operates as an intermediary between parties. The Bank performs these transactions in MAE and ROFEX, as well as private contracts. These derivatives are settled daily (those performed in MAE and ROFEX) or at maturity (private contracts).

The credit risk of derivatives arises from the potential of a counterparty to default on its contractual obligations. The effect of such a default varies as the market value of derivative contracts changes. Credit exposure exists at a particular point in time when a derivative has a positive market value.

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The tables below disclose the requirement of FASB ASC 815:

Derivatives not designated as hedging instruments under FASB ASC 815	As of December 31,			
	2013		2012	
	Balance sheet location (1)	Fair value	Balance sheet location (1)	Fair value
Assets derivatives				
Interest rate contracts	Other receivables from financial intermediation	1,717	Other receivables from financial intermediation	—
Foreign exchange contracts	Other receivables from financial intermediation	—	Other receivables from financial intermediation	12
Total assets derivatives		<u>1,717</u>		<u>12</u>
Liability derivatives				
Interest rate contracts	Other liabilities from financial intermediation	—	Other liabilities from financial intermediation	477
Foreign exchange contracts	Other liabilities from financial intermediation	27,867	Other liabilities from financial intermediation	—
Total liability derivatives		<u>27,867</u>		<u>477</u>

Derivatives not designated as hedging instruments under FASB ASC 815	Location of gain or (loss) recognized in income on derivatives (1)	As of December 31,		
		2013	2012	2011
		Amount of gain or (loss) recognized in income on derivatives	Amount of gain or (loss) recognized in income on derivatives	Amount of gain or (loss) recognized in income on derivatives
Interest rate contracts	Financial income-Other / (Financial expense-Other)	450	(83)	313
Foreign exchange contracts	Financial income-Other / (Financial expense-Other)	100,442	14,547	38,031
Total		<u>100,892</u>	<u>14,464</u>	<u>38,344</u>

(1) According to Central Bank rules.

Had US GAAP been applied, the Bank's assets would increase by 1,717 and 9,527 as of December 31, 2013 and 2011, respectively, and would decrease by 477 as of December 31, 2012. In addition income would increase by 2,194 and 13,209 for the years ended December 31, 2013 and 2011, respectively, and would decrease 10,004 for the year ended December 31, 2012.

33.11. Foreign currency translation

The financial statements of the subsidiary Macro Bank Limited were translated under Central Bank rules as described in Note 4.1. US GAAP foreign currency translation requirements are covered by FASB ASC 830-20 "Foreign Currency Matters" and differ from Central Bank rules in the translation of the income statement accounts, which under US GAAP should have been translated at the

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average exchange rate other than at the year-end exchange rate, and resulting differences in translation adjustments between assets and liabilities and components of shareholders' equity are recognized as other comprehensive income.

Had US GAAP been applied, the Bank's net income would decrease by 69,536, 27,427 and 14,906 for the years ended December 31, 2013, 2012 and 2011, respectively and these resulting differences recognized as other comprehensive income.

33.12. Accounting for guarantees

The Bank issues financial guarantees, which are obligations to pay to a third party when a customer fails to repay its obligation.

Under Central Bank rules, guarantees issued are recognized as liabilities when it is probable that the obligation undertaken by the guarantor will be performed.

Under US GAAP, FASB ASC 460 "Guarantees" requires that at inception of a guarantee, a guarantor recognize a liability for the fair value of the obligation undertaken in issuing the guarantee. Such liability at inception is deemed to be the fee received by the Bank with an offsetting entry equal to the consideration received. Subsequent reduction of liability is based on an amortization method as the Bank is decreasing its risk.

Had US GAAP been applied, no differences would have existed in the Bank records, besides the adjustment mentioned in Note 33.3.

33.13. Earning Per Share

The Bank holds, and has held, a capital structure with only common stock outstanding.

Central Bank rules do not require the disclosure of earnings per share or dividends per share.

Under US GAAP, FASB ASC 260 "Earning Per Share", it is required to present basic per-share amounts (basic EPS) which is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding during the period.

Diluted earnings per share (diluted EPS) measure the performance if the potential common shares that were dilutive had been issued. Potential common shares are securities that do not have a current right to participate fully in earnings but could do so in the future. No potential common shares exist, and therefore basic and diluted EPS are the same.

The following table sets forth the computation of basic EPS:

	2013	2012	2011
<u>Numerator:</u>			
Net income attributable to the controlling interest under US GAAP	2,461,159	1,537,835	1,190,031
<u>Denominator:</u>			
Common stock outstanding for the fiscal year (1)	584,485,168	584,485,168	584,485,168
Weighted-average common shares outstanding for the year	584,485,168	584,485,168	593,219,629
Basic EPS attributable to controlling interest under US GAAP – stated in pesos	4.21	2.63	2.01

(1) See Note 9.

During 2011, the Bank paid 505,312, in cash dividends. Dividend per share amounted to Ps. 0.85. On April 29, 2014, the Regular and Special General Shareholder's Meeting of Banco Macro S.A. approved, among other issues, the distribution of cash dividends for an amount of up 596,254. In addition see Note 15.

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33.14. Corporate Bonds

As mentioned in Note 10., on December 18, 2006, the Bank issued the 1st series of Class 1 subordinated Corporate Bonds for a face value of USD 150,000,000.

In addition, on January 29, 2007 and on June 7, 2007, the Bank issued the 1st series of Class 2 nonsubordinated Corporate Bonds for a face value of USD 150,000,000 and the 1st series of Class 3 nonsubordinated Corporate Bonds (peso-linked Notes) for a face value of USD 100,000,000, respectively.

In the issuance of these bonds, the Bank incurred direct incremental costs (mainly underwriting and legal fees).

Under Central Bank rules, the Bank has recognized as expenses these costs when they were incurred and the interest has accrued according to the contract terms of the bonds in the period in which it was generated.

Under US GAAP, the Bank recognizes direct incremental costs and interest based on the effective interest method over the life of the loan.

On June 7, 2012 repaid the 1st series of Class 3 nonsubordinated Corporate Bonds.

Had US GAAP been applied, the Bank's assets would increase by 5,373 and 10,848 as of December 31, 2013 and 2012, respectively, and would decrease by 3,642 for the year ended December 31, 2011. In addition income would decrease by 5,475 and 7,049 for the years ended December 31, 2013 and 2011, respectively, and would increase by 14,490 for the year ended December 31, 2012.

33.15. Foreclosed assets

As mentioned in Note 24.2, the Bank has real foreclosed assets and buildings not affected by banking activities. Under Central Bank rules, these assets are carried at cost adjusted by depreciation over the life of the assets (see Note 4.5.k)).

Under US GAAP, in accordance with FASB ASC 360 "Property, Plant and Equipment", such assets classified as held for sale shall be measured at the lower of its carrying amount or fair value less cost to sell. If the asset is newly acquired the carrying amount of the asset shall be established based on its fair value less cost to sell at the acquisition date. A long-lived asset shall not be depreciated while it is classified as held for sale.

As of December 31, 2013 and 2012 the Bank has foreclosed assets amounted to 9,761 and 6,064, respectively.

Had US GAAP been applied, the Bank's assets would increase by 14,157, 13,501 and 13,477 as of December 31, 2013, 2012 and 2011, respectively. In addition income would increase by 656, 24 and 569 for the years ended December 31, 2013, 2012 and 2011, respectively.

33.16. Capitalization of interest cost

The bank is constructing a new corporate building tower located in the City of Buenos Aires. The Bank will centralize its office in this new corporate tower. The construction works are expected to be completed in the following years.

Under Central Bank rules, is not allowed to capitalized interest cost from borrowings. Under US GAAP, in accordance with FASB ASC 835-20 "Capitalization of Interest Cost", if an asset requires a period of time in which to carry out the activities necessary to bring it to the condition and location necessary for its intended use, the interest cost incurred during that period as a result of expenditures for the asset is a part of historical cost of acquiring the asset.

Had US GAAP been applied, the Bank's assets would increase by 9,415 as of December 31, 2013. In addition, income would increase by 9,415 for the year ended December 31, 2013.

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33.17. Noncontrolling Interest in Subsidiaries

Central Bank rules require to record noncontrolling interests as a component of the liabilities. FASB ASC 810 requires to record such interests as shareholders' equity.

Had US GAAP been applied, the Bank's shareholder's equity would increase by 69,502, 51,355 and 37,584 as of December 2013, 2012 and 2011, respectively. In addition income would increase by 18,147, 13,771 and 10,085 for the years ended December 31, 2013, 2012 and 2011.

33.18. Set forth below are the significant adjustments to consolidated net income and shareholders' equity which would be required if US GAAP instead of Central Bank rules had been applied:

	Ref.	Increase / (decrease) Consolidated Net Income Years ended December 31,		
		2013	2012	2011
Net income in accordance with Central Bank rules		2,443,564	1,493,618	1,176,097
Income taxes				
Deferred taxes, net of allowances	33.1.a)	63,993	50,734	10,499
Exposure to the Argentine public sector and private securities				
Loans – Non-financial federal government sector	33.2.a)	(11,369)	3,944	18,144
Government securities	33.2.b)	38,162	9,654	16,971
Instruments issued by Central Bank of Argentina	33.2.c)	105	765	(15,980)
Securities in financial trust and other	33.2.d)	(5,148)	8,065	25,661
Loan origination fees	33.3	(6,461)	(29,601)	(28,982)
Allowance for loan losses				
Credit Card Loans	33.4.b)	(3,517)	(2,620)	1,278
Impaired Loans – Non Financial Private Sector and residents abroad	33.4.c)	(980)	7,862	4,309
Interest recognition – non accrual loans	33.4.d)	(6,181)	(1,167)	(2,247)
Intangible assets				
Judgments due to court decisions related to foreign currency – denominated deposits	33.5.a)	(9,049)	44,410	(606)
Software costs	33.5.b)	5,369	(8,199)	8,169
Organizational costs	33.5.c)	(905)	(331)	539
Vacation accrual	33.6	(899)	(32,563)	(23,752)
Business combination				
Acquisition of Banco de Tucumán S.A.	33.7.a)	1,995	2,687	(2,666)
Merger of Banco Privado de Inversiones S.A.	33.7.b)	(4,298)	1,222	1,122
Other	33.7.c)	19,898	12,660	7,947
Derivative instruments	33.10	2,194	(10,004)	13,209
Foreign currency translation	33.11	(69,536)	(27,427)	(14,906)
Corporate bonds	33.14	(5,475)	14,490	(7,049)
Foreclosed assets	33.15	656	24	569
Capitalization of interest cost	33.16	9,415		
Noncontrolling interest in subsidiaries	33.17	18,147	13,771	10,085
Net income in accordance with US GAAP		2,479,680	1,551,994	1,198,411
Less: Net income attributable to the noncontrolling interest		18,521	14,159	8,380
Net income attributable to the controlling interest in accordance with US GAAP		2,461,159	1,537,835	1,190,031

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	Increase / (decrease) Consolidated Net Income Years ended December 31,		
	2013	2012	2011
Net income in accordance with US GAAP	2,479,680	1,551,994	1,198,411
Other comprehensive income, net of tax:	9,894	27,070	(9,319)
Total comprehensive income, net in accordance with US GAAP	2,489,574	1,579,064	1,189,092
Less: Comprehensive income attributable to noncontrolling interest	18,547	14,232	8,460
Comprehensive income attributable to controlling interest	<u>2,471,027</u>	<u>1,564,832</u>	<u>1,180,632</u>
Total earning per share attributable to controlling interest in accordance with US GAAP – stated in pesos	4.21	2.63	2.01
Weighted average number of shares outstanding (in thousands)	584,485	584,485	593,220

		Increase / (decrease) Consolidated Shareholders' Equity as of December 31,		
	Ref.	2013	2012	2011
Shareholders' equity in accordance with Central Bank rules		8,627,431	6,199,095	4,719,552
Income taxes				
Deferred taxes, net of allowances	33.1.a)	242,591	183,925	147,767
Exposure to the Argentine public sector and private securities				
Loans – Non-financial federal government sector	33.2.a)	(158,214)	(146,845)	(150,789)
Government securities	33.2.b)	(1,139)	6,613	(562)
Instruments issued by Central Bank of Argentina	33.2.c)	41	62	767
Securities in financial trust and others	33.2.d)	14,268	27,691	1,458
Loan origination fees	33.3	(111,845)	(105,384)	(75,783)
Allowance for loan losses				
Credit Card Loans	33.4.b)	(16,965)	(13,448)	(10,828)
Impaired Loans – Non Financial Private Sector and residents abroad	33.4.c)	2,839	3,819	(4,043)
Interest recognition – non accrual loans	33.4.d)	(12,991)	(6,810)	(5,643)
Intangible assets				
Judgments due to court decisions related to foreign currency – denominated deposits	33.5.a)	(69,017)	(59,968)	(104,378)
Software costs	33.5.b)	(12,175)	(17,544)	(9,345)
Organizational costs	33.5.c)	(2,586)	(1,681)	(1,350)
Vacation accrual	33.6	(152,275)	(151,376)	(118,813)
Business combination				
Acquisition of Banco de Tucumán S.A.	33.7.a)	(8,515)	(10,510)	(13,197)
Merger of Banco Privado de Inversiones S.A.	33.7.b)	(12,604)	(8,306)	(9,528)
Other	33.7.c)	(26,539)	(46,437)	(59,097)
Derivative instruments	33.10	1,717	(477)	9,527
Corporate bonds	33.14	5,373	10,848	(3,642)
Foreclosed assets	33.15	14,157	13,501	13,477

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		Increase / (decrease)		
		Consolidated Shareholders' Equity		
		as of December 31,		
	Ref.	2013	2012	2011
Capitalization of interest cost	33.16	9,415	—	—
Noncontrolling interests in subsidiaries	33.17	69,502	51,355	37,584
Banco Macro S.A. Shareholders' equity in accordance with US GAAP (1)		8,402,469	5,928,123	4,363,134
Noncontrolling interests (2)		(70,055)	(51,534)	(37,375)
Shareholders' equity attributable to the controlling interest in accordance with US GAAP		<u>8,332,414</u>	<u>5,876,589</u>	<u>4,325,759</u>

(1) Includes the effects of other comprehensive income.

(2) Includes the amount mentioned in Note 33.17 and the effect of adjustments mentioned above.

33.19. Set forth below are the accumulated other comprehensive income (loss) balances, as of December 31, 2013, 2012 and 2011 – net of related income tax effects:

	Foreign Currency Items (1)	Unrealized Gains/ (losses) on securities (2)	Accumulated Other Comprehensive Income / (Loss) (3)
Balances as of December 31, 2010.	8,706	40,520	49,226
Other comprehensive income before reclassification (4)	14,906	30,840	45,746
Amounts reclassified from accumulated other comprehensive income (5)	—	(60,083)	(60,083)
Tax effects	(5,217)	10,235	5,018
Balances as of December 31, 2011.	18,395	21,512	39,907
Other comprehensive income before reclassification (4)	27,427	38,611	66,038
Amounts reclassified from accumulated other comprehensive income (5)	—	(24,392)	(24,392)
Tax effects	(9,599)	(4,977)	(14,576)
Balances as of December 31, 2012.	36,223	30,754	66,977
Other comprehensive income before reclassification (4)	69,536	16,034	85,570
Amounts reclassified from accumulated other comprehensive income (5)	—	(70,349)	(70,349)
Tax effects	(24,337)	19,010	(5,327)
Balances as of December 31, 2013.	<u>81,422</u>	<u>(4,451)</u>	<u>76,871</u>

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- (1) See Note 33.11.
- (2) See Note 33.2.
- (3) Includes amounts attributable to the non controlling interest for 26, 73 and 80 for the years ended December 31, 2013, 2012 and 2011, respectively.
- (4) Includes the unrealized gains or losses that had been included in Other Comprehensive Income before they were realized.
- (5) Includes gains or losses that were realized and included in net income of the current period. Under US GAAP, those amounts would be included under “security gain, net” on the consolidated statement of income.

33.20. Statement of Cash Flows

According to FASB ASC 230 “Statement of Cash Flow”, a statement of cash flows for a period shall report net cash provided or used by operating, investing, and financing activities and the net effect of those flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents.

The statement of cash flows under Central Bank rules differs from the statement of cash flows under US GAAP (see additionally Note 4.5.s).

In accordance with Central Bank Communiqué “A” 4,667, cash equivalents include all high liquidity investments with original maturities of three months or less.

Under US GAAP rules, in accordance with FASB ASC 230-10, certain securities did not meet the requirements to be classified as cash equivalents, and instead, are classified as available for sale.

The Bank’s transactions that did not provide an actual movement of funds in each year (non cash transactions) were eliminated from the respective cash changes. As of December 31, 2013, 2012 and 2011, the main non cash transactions, based on their book values under Central Bank rules, were generated by transactions with government securities and guaranteed loans exchanging non cash assets or liabilities for other non cash assets or liabilities (among other, redemption in kind of financial trusts, forwards, unsettled spot and repurchase contracts to buy or sell foreign currencies, listed Government and other securities at future dates and exchanged non cash assets or liabilities for other non cash assets or liabilities, and exchange agreements (mentioned in Note 33.2.a)) with a book value of 251,649, 3,242,125 and 1,360,333, respectively.

The statement of cash flows under US GAAP based on Central Bank figures is shown below:

	Year ended December 31,		
	2013	2012	2011
Causes of changes in cash and cash equivalents			
Cash provided by (used in) operating activities			
Interest received on loans, leases and investments	9,957,778	6,901,744	4,260,286
Fees and commissions received	3,400,939	2,626,865	1,952,285
Purchases and sales of trading securities	(405,442)	(722,714)	(386,792)
Other sources of cash	122,995	98,958	107,990
Less:			
Interest paid	(3,902,576)	(2,902,328)	(1,528,330)
Fees and commissions paid	(889,886)	(668,688)	(417,852)
Cash paid to suppliers and employees	(3,748,636)	(2,947,585)	(2,314,629)
Increase in intangible assets	(166,195)	(115,600)	(114,381)
(Increase) / Decrease in other receivables from financial intermediation and other assets	(323,630)	2,227,530	(592,715)
Other uses of cash	(963,884)	(827,584)	(50,236)
Net cash provided by (used in) operating activities	3,081,463	3,670,598	915,626

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	Year ended December 31,		
	2013	2012	2011
Plus:			
Cash provided by (used in) investing activities			
Available for sale			
- Purchases of investment securities	(5,227,892)	(5,538,912)	(5,595,309)
- Proceeds from sales and maturities of investment securities	5,551,102	5,351,108	9,311,907
Increase in loans and leases, net	(8,462,434)	(7,107,315)	(8,777,230)
Proceeds from sales of Bank premises and equipment	1,225	13,322	23,841
Purchases of Bank premises and equipment	(176,185)	(149,971)	(124,877)
Net cash used in investing activities	(8,314,184)	(7,431,768)	(5,161,668)
Cash provided by (used in) financing activities			
Increase in deposits, net	7,194,012	7,078,490	5,374,177
Increase in long term borrowings	403,153	515,104	276,637
Decrease in long term borrowings	(489,411)	(706,851)	(316,138)
Increase in other short term liabilities, net	960,681	465,378	281,277
Own shares reacquired	—	—	(92,919)
Cash dividends paid	(19)	(19)	(505,339)
Net cash provided by financing activities	8,068,416	7,352,102	5,017,695
Increase in cash and cash equivalents	2,835,696	3,590,932	771,652
Cash at the beginning of fiscal year (1)	9,763,378	6,172,446	5,400,794
Cash at the end of fiscal year (1)	<u>12,599,074</u>	<u>9,763,378</u>	<u>6,172,446</u>

(1) Includes interest bearing deposits.

Set forth below is the reconciliation of net income as per Central Bank rules to net cash flows from operating activities, as required by FASB ASC 230:

	Year ended December 31,		
	2013	2012	2011
Net income for the fiscal year	2,443,564	1,493,618	1,176,097
Adjustments to reconcile net income to net cash from operating activities:			
Amortization and depreciation	202,987	232,974	167,263
Provision for loan losses, net of reversals	561,067	615,060	280,288
Net income from government and private securities	(334,885)	(644,404)	(447,983)
Foreign exchange differences	500,224	158,580	(175,024)
Equity gain of unconsolidated subsidiaries	(25,162)	(13,303)	(8,358)
Increase from intangible assets	(166,195)	(115,600)	(114,381)
Non-computable VAT credit	38,078	38,078	34,266
Increase in taxes payable	426,352	1,522	399,913
(Decrease) / Increase in other receivables from financial intermediation and other assets	(323,630)	2,227,530	(592,715)
Net (Increase) / Decrease in interest receivable and payable and other accrued income and expenses	(193,007)	15,478	213,021
Non controlling interest in subsidiaries	13,790	13,790	10,111
Net Decrease in other sources of cash	(61,720)	(352,725)	(26,872)
Net cash provided by (used in) operating activities	<u>3,081,463</u>	<u>3,670,598</u>	<u>915,626</u>

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33.21. Forward transactions pending settlement

The Bank enters into forward transactions pending settlement for trading purposes.

Under Central Bank rules for such forward transactions, the Bank recognizes both a receivable and a payable upon the agreement, which reflect the amount of cash, currency or securities to be exchanged at the closing date. The receivable or payable representing the receipt or delivery of securities or currency is stated at market value.

Under US GAAP, forward contracts are governed by FASB ASC 815 “Derivatives and Hedging”. This standard requires that such derivatives be accounted for at fair value. The instruments outstanding at each balance sheet are short term and recorded at their fair value.

Had US GAAP been applied, the Bank’s assets and liabilities would have decreased by approximately 230,445 and 73,006 as of December 31, 2013 and 2012, respectively.

33.22. Fair value Measurement Disclosures

FASB ASC 820 “Fair Value Measurement” defines fair value, establishes a consistent framework for measuring fair value, and enhances disclosures about fair value measurements. Effective January 1, 2012, the Bank adopted new accounting guidance under FASB ASC 820 that requires additional disclosures including, among other things, (1) the amounts and reasons for certain significant transfers among (2) information about transfers between Level 1 and Level 2 of the fair value hierarchy, (3) information about the sensitivity of a fair value measurement categorized within Level 3 of the fair value hierarchy to changes in unobservable inputs and any interrelationships between those unobservable inputs, (4) the categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial position, but for which the fair value of such items is required to be disclosed. The following information incorporates these new disclosure requirements.

Fair Value Measurements

FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. To measure fair value, FASB ASC 820 has established a hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs. This hierarchy uses three levels of inputs to measure the fair value of assets and liabilities as follows:

Level 1: Unadjusted quoted prices for identical assets or liabilities in an active market that Banco Macro S.A. has the ability to access.

Level 2: Other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include the following:

- a) Quoted prices for similar assets or liabilities in active markets;
- b) Quoted prices for identical or similar assets or liabilities in less-active markets;
- c) Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- d) Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management’s own assumptions about the assumptions a market participant would use in pricing the asset or liability.

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Description of the measurement processes

The Bank uses fair value to measure certain assets and liabilities on a recurring basis when fair value is the primary measure for accounting. This is done primarily for government and private securities (debt instruments issued by National Government and Central Bank, debt securities issued by Trusts, shares, corporate bonds and other) classified as available for sale or trading account, forward transactions pending settlement and derivatives (forward transactions without delivery of underlying assets and interest rate swaps).

As of December 31, 2013, 2012 and 2011, the Bank has no assets measured at fair value on a nonrecurring basis.

The Bank identified and categorized different assets and liabilities measured at fair value in accordance with the requirements of FASB ASC 820.

The Bank has categorized within Level 1, operations that were valued at market price according to trading on its main market, at the fair value at the closing of the fiscal year. According to the Level 1 category, assets and liabilities traded on active markets were analyzed in order to identify and recognize Level 1 type of instruments that are traded on active market.

The Bank has categorized within Level 2, operations that do not meet the requirements of the standard to be considered within Level 1 and whose fair value can be calculated from observable market information, assets and liabilities associated with similar or comparable instruments. Most fair value estimations were made using the “income approach”, converting future amounts (cash flows or income or expenses) to a single current (that is, discounted) amount, considering an effective interest rate developed on the basis of the “yield curve” methodology taking observable inputs of similar instruments. There are also certain assets and liabilities included in this level for which we used the less active market approach to value them identified identical instruments traded that have a “less active market” and took as inputs observable value trade on its main market at the measurement date. In addition, certain assets have projected flows of principal and interest, using the interest rate agreed on the date of issue, and then discounting these cash flows at the market rate for each asset or liability under analysis, obtaining thus the fair value of each investments. When these methods are used, the fair value measurement reflects current market expectations about those future amounts.

The Bank has categorized within Level 3, those assets and liabilities that do not have similar or identical assets traded in the market. In order to measure these instruments at fair value, we used the income approach, estimating the fair values based on their own assumptions, which were developed based on similar assumptions to those used by who would use any market participant. For this approach, we used discounted cash flow methodology.

The Bank has not changed the methods and assumptions used to estimate the fair value of financial instruments at the closing date of the financial statements.

In addition, the Bank’s valuation policies and procedures for Level 3 instruments (in the case of the Bank mainly, debt securities like Securities in financial trust and derivative instruments) are under the direction of the accounting and financial management. The Management of the Bank is in charge of developing, reviewing, approving and monitoring the key model inputs, critical valuation assumptions and proposed discount rates utilized for the valuation of Level 3 instruments. In addition, the Management is also in charge of monitoring the changes in fair values of Level 3 instruments from period to period.

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Assets and liabilities measured at fair value on a recurring basis as of December 31, 2013 and 2012 are as follows:

DESCRIPTION	December 31, 2013			
	Total	Level 1	Level 2	Level 3
ASSETS				
Government and private securities				
Trading				
- Government securities	1,408,094	1,408,094	—	—
- Equity securities	3	3	—	—
Available for sale				
- Government securities	467,849	211,969	255,880	—
- Instruments issued by Central Bank	48,668	12,980	35,688 (*)	—
Other receivables from financial intermediation				
Trading				
- Mutual funds	41,101	41,101	—	—
Available for sale				
- Unlisted Corporate Bonds	274,861	4,618	270,243	—
- Securities in financial trusts	209,169	—	—	209,169
Forward transactions pending settlement	45,793	45,184	609	—
Other receivables in securities	1,161	1,161	—	—
Derivative instruments	1,717	—	—	1,717
Total Asset	2,498,416	1,725,110	562,420	210,886
LIABILITIES				
Other liabilities from financial intermediation				
Forward transactions pending settlement	185,019	184,979	40	—
Derivative instruments	27,867	27,867	—	—
Total liabilities	212,886	212,846	40	—

(*) Mainly includes instruments issued by Central Bank of Argentina with less than one year maturity.

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DESCRIPTION	December 31, 2012			
	Total	Level 1	Level 2	Level 3
ASSETS				
Government and private securities				
Trading				
- Government securities	1,048,248	1,048,248	—	—
- Equity securities	19,993	19,993	—	—
Available for sale				
- Government securities	648,368	220,506	427,862	—
- Instruments issued by Central Bank	125,945	35,040	90,905 (*)	—
Other receivables from financial intermediation				
Trading				
- Mutual funds	23,579	23,579	—	—
Available for sale				
- Unlisted Corporate Bonds	135,193	—	135,193	—
- Securities in financial trusts	266,411	45,222	—	221,189
Forward transactions pending settlement	28,385	26,847	1,538	—
Other receivables in securities	1,714	1,714	—	—
Derivative instruments	12	12	—	—
Total Asset	2,297,848	1,421,161	655,498	221,189
LIABILITIES				
Other liabilities from financial intermediation				
Forward transactions pending settlement	44,771	43,188	1,583	—
Derivative instruments	477	—	—	477
Total liabilities	45,248	43,188	1,583	477

(*) Mainly includes instruments issued by Central Bank of Argentina with less than one year maturity.

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The following is the reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the periods:

<u>Description</u>	Fair value measurements using significant unobservable inputs (Level 3) December 31, 2013		
	<u>Derivatives</u>	Securities in	<u>Total</u>
		financial trusts	
Beginning balance	(477)	221,189	220,712
Transfer into Level 3	—	—	—
Transfer out of Level 3	—	—	—
Total gains or losses			
- Included in earnings (or changes in net assets)	2,134	33,764	35,898
- Included in other comprehensive income	—	(18,695)	(18,695)
Purchases, issuances, sales, and settlements			
- Purchases	—	49,734	49,734
- Issuances	—	—	—
- Sales	—	—	—
- Settlements	60	(76,823)	(76,763)
Ending balance	<u>1,717</u>	<u>209,169</u>	<u>210,886</u>

<u>Description</u>	Fair value measurements using significant unobservable inputs (Level 3) December 31, 2012		
	<u>Derivatives</u>	Securities in	<u>Total</u>
		financial trusts	
Beginning balance	9,527	190,953	200,480
Transfer into Level 3	—	—	—
Transfer out of Level 3	—	—	—
Total gains or losses			
- Included in earnings (or changes in net assets)	(2,723)	1,554	(1,169)
- Included in other comprehensive income	—	14,574	14,574
Purchases, issuances, sales, and settlements			
- Purchases	—	14,108	14,108
- Issuances	—	—	—
- Sales	—	—	—
- Settlements	(7,281)	—	(7,281)
Ending balance	<u>(477)</u>	<u>221,189</u>	<u>220,712</u>

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Quantitative information about Level 3 Fair Value Measurements

The following table provides quantitative information about the valuation techniques and significant unobservable inputs used in the valuation of substantially all of our Level 3 assets and liabilities measured at fair value on a recurring basis for which we use an internal model.

<u>Description</u>	<u>December 31, 2013</u>			
	<u>Fair value</u>	<u>Valuation Technique</u>	<u>Unobservable Input</u>	<u>Range (weighted average)</u>
Derivatives	1,717	Income Approach (discounted cash flow)	Discount rate	15% - 21% (20%)
Securities in financial trusts	209,169	Income Approach (discounted cash flow)	Discount rate	20% - 25% (24%)
<u>Description</u>	<u>December 31, 2012</u>			
	<u>Fair value</u>	<u>Valuation Technique</u>	<u>Unobservable Input</u>	<u>Range (weighted average)</u>
Derivatives	(477)	Income Approach (discounted cash flow)	Discount rate	11% - 14% (14%)
Securities in financial trusts	221,189	Income Approach (discounted cash flow)	Discount rate	10% - 28% (22%)

The decision to classify an instrument within Level 3 is based on the significance of the unobservable inputs to the overall fair value measurement, Level 3 financial instruments typically include observable components (that is, components that are actively quoted and can be validated with external sources) in addition to the unobservable components.

Changes in Fair Value Levels

The Bank monitors the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy and transfer between Level 1, Level 2, and Level 3 accordingly. Observable market data includes but is not limited to quoted prices and market transactions. Changes in economic conditions or market liquidity generally will drive changes in availability of observable market data.

Changes in availability of observable market data, which also may result in changing the valuation technique used, are generally the cause of transfers between Level 1, 2 or 3.

As of December 31, 2013 and 2012, the Bank has not made significant transfers in and out of Level 1, Level 2, and Level 3.

Fair Value Option

FASB ASC 825 "Financial Instruments" allows for the option to report certain financial assets and liabilities at fair value initially and at subsequent measurement dates with changes in fair value included in earnings. The option may be applied instrument by instrument, but is on an irrevocable basis. As of December 31, 2013, 2012 and 2011, the Bank did not elect to apply the fair value option.

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Fair Value Disclosures

FASB ASC 825 requires disclosure of fair value information about financial instruments, whether or not recognized on the balance sheet, for which it is practicable to estimate fair value.

A significant portion of the Bank's assets and liabilities are in short-term financial instruments, with a remaining maturity of less than one year, and/or with variable rates. These short-term and variable-rate financial instruments are considered to have a fair value equivalent to their carrying value at the balance sheet date.

The following methods and assumptions were used to estimate the fair value for financial instruments with remaining maturity over a short term period and with fixed-rates, and financial instruments not included in Fair Value Measurement section:

- Loans and assets subject to financial leases: fair value is estimated, mainly, by discounting future cash flows using the current rates at which loans would be made to borrowers with similar credit ratings and for the same remaining maturities, considering the contractual terms in effect as of December 31, 2013 and 2012. Loans and assets subject to financial leases are not normally purchased and sold by the Bank, and there are no active trading markets for most of this portfolio. Accordingly, the Banks estimates are categorized in Level 3 of the Fair Value Hierarchy.
- Deposits: the Bank's deposits as of December 31, 2013 and 2012, that have a remaining maturity of under a short period were considered to have a fair value equivalent to their carrying value at the balance sheet date while for those that have a remaining maturity over a short period (investments accounts and time deposits), the fair value was taken to be equal to the present value of future cash flows discounted at the average year-end market interest rates for similar deposits. In consequence, Demand Deposits are categorized in Level 1 and Time Deposits are categorized in Level 2 of the Fair Value Hierarchy.
- Other liabilities from financial intermediation (except Nonsubordinated corporate bonds) and Other liabilities: fair value for long-term loans is estimated by discounting future cash flows using current rates at which liabilities were received while fair value for short-term loans was considered to be equivalent to their carrying value at the balance sheet. Other liabilities from financial intermediation and Other liabilities are categorized in Level 2 of the Fair Value Hierarchy.
- Subordinated and Nonsubordinated corporate bonds: as of December 31, 2013 and 2012, fair value was taken to be equal to the present value of future cash flows discounted at the average year end market interest rates for securities of similar interest rate, credit risk and duration. These instruments are categorized in Level 2 of the Fair Value Hierarchy.
- Off-Balance sheet: commitments to extending credit, standby letters of credit, guarantees granted and foreign trade acceptances: it is estimated that the differential, if any, between the fees the Bank charged for these transactions and the fair value would not give rise to a material variance.

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The following is a summary of carrying amounts under Central Bank rules and estimated fair values of financial instruments as of December 31, 2013 and 2012:

	As of December 31,						
	2013					2012	
	Carrying Amount	Level 1	Level 2	Level 3	Estimated Fair Value	Carrying Amount	Estimated Fair Value
FINANCIAL ASSETS							
Cash	12,860,529	12,860,529	—	—	12,860,529	10,047,048	10,047,048
Government and private securities	2,441,316	2,036,996	403,221	—	2,440,217	2,343,078	2,349,753
Loans	39,022,355	—	—	37,508,728	37,508,728	31,202,597	29,890,627
Other receivables from financial intermediation	2,680,249	281,188	2,181,276	224,495	2,686,959	2,380,241	2,307,248
Receivables to financial leases	385,860	—	—	361,736	361,736	321,547	313,655
Other receivables	435,343	435,533	—	—	435,533	370,246	370,350
	<u>57,825,652</u>	<u>15,614,246</u>	<u>2,584,497</u>	<u>38,094,959</u>	<u>56,293,702</u>	<u>46,664,757</u>	<u>45,278,681</u>
FINANCIAL LIABILITIES							
Deposits	43,427,018	21,626,862	21,802,283	—	43,429,145	36,188,672	36,159,516
Other liabilities from financial intermediation	4,697,731	—	4,798,931	—	4,798,931	3,785,124	3,831,604
Other Liabilities	1,325,701	—	1,325,701	—	1,325,701	790,536	790,536
Subordinated Corporate Bonds	981,142	—	1,290,998	—	1,290,998	740,192	880,257
	<u>50,431,592</u>	<u>21,626,862</u>	<u>29,217,913</u>	<u>—</u>	<u>50,844,775</u>	<u>41,504,524</u>	<u>41,661,913</u>

These fair value disclosures represent the Bank's best estimates based on relevant market information and information about the financial instruments. Fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of the various instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in the above methodologies and assumptions could significantly affect the estimates.

Further, because of the characteristics of all nonfinancial instruments there were no disclosure required regarding such assets. Therefore, the fair value amounts shown in the schedule do not, by themselves, represent the underlying value of the Bank as a whole.

33.23. Joint venture

As mentioned in Note 3.5., the Bank participates in certain joint ventures. Under Central Bank rules these interests are consolidated through the proportional consolidation method.

Under US GAAP, that method of consolidation is not appropriate for such investments and they are accounted for using equity method.

Therefore, had US GAAP been applied as of December 31, 2013 and 2012, "Other assets" would have increased by 12,688 and 10,686, respectively, with an offsetting decrease in various assets and liabilities accounts. Additionally, as of December 31, 2013 and 2012, income from equity in other companies would have increased by 24,496 and 32,542, respectively, with an offsetting decrease in various income and expense accounts, with no net effect in net income or equity.

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33.24. Items in process of collection

The Bank does not give accounting recognition to checks drawn against the Bank or other Banks or other items to be collected, until such time as the related item clears or is accepted. Such items are recorded by the Bank in Memorandum accounts. U.S. banks, however, account for such items through balance sheet clearing accounts at the time the items are presented for collection.

Had US GAAP been applied, the Bank's assets and liabilities would decrease by approximately 259,183 and 308,498 as of December 31, 2013 and 2012, respectively.

33.25. Acceptances

Foreign trade acceptances are not recorded on the balance sheet by the Bank. In accordance with Regulation S-X, acceptances and related customer liabilities should be recorded on the balance sheet. Adjustment required to state balance sheets in accordance with Regulation S-X would be to increase assets (due from customers on acceptances) and increase liabilities (bank acceptances outstanding) by 260,182 and 251,198 as of December 31, 2013 and 2012, respectively.

33.26. Repurchase agreements

The Bank entered into Repo and Reverse Repo agreements of financial instruments as disclose in Note 23.

In accordance with Central Bank Rules, the Bank derecognizes the securities transferred under the repurchase agreement and records an asset related to the future repurchase of these securities. Contemporaneously, the Bank records a liability related to the cash received in the transaction. As mentioned in Note 4.5, the asset related to securities to be repurchased is measured as the same criteria as the transferred securities.

Similar treatment applies to reverse repo agreements.

Under US GAAP, FASB ASC 860 "Transfers and Servicing", these transactions have not qualified as sales and therefore these transactions are recorded as secured financings.

Had US GAAP been applied, the Bank's assets and liabilities would have decreased by approximately 678,552 and 694,930 as of December 31, 2013 and 2012, respectively.

In addition, the measurement adjustments of those securities are included in Note 33.2.

33.27. Variable Interest Entities (VIE) and other trusts

As mentioned in Note 13., Banco Macro S.A. is involved in several trust agreements.

Under Central Bank Rules, the Bank is not required to consolidate these trusts (see Note 4.5.h.3).

Under US GAAP, FASB ASC 810 "Consolidation" addresses consolidation of variable interest entities, as defined in the rules, which have certain characteristics.

The methodology for evaluating trust and transactions under the VIE requirements includes the following two steps:

- Determine whether the entity meets the criteria to qualify as a VIE and;
- Determine whether the Bank is the primary beneficiary of a VIE.

In performing the first step the significant factors and judgments that were considered in making the determination as to whether an entity is a VIE includes:

- The design of the entity, including the nature of its risks and the purpose for which the entity was created, to determine the variability that the entity was designed to create and distribute to its interest holders;

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- The nature of the involvement with the entity;
- Whether control of the entity may be achieved through arrangements that do not involve voting equity;
- Whether there is sufficient equity investment at risk to finance the activities of the entity and;
- Whether parties other than the equity holders have the obligation to absorb expected losses or the right to received residual returns.

For each VIE identified, the Bank performs the second step and evaluates whether it is the primary beneficiary of the VIE by considering the following significant factors and criterias:

- Whether the Bank has the power to direct the activities that most significantly impact the VIE's economic performance and;
- Whether the Bank absorb the majority of the VIE's expected losses or the Bank receive a majority of the VIE's expected residual returns.

As of December of 31, 2013 and 2012, under FASB ASC 810, TATSA Trust was considered a variable interest entity. In accordance with FASB ASC 810, the Bank was deemed to be the primary beneficiary of this trust and, therefore, the Bank included them in its consolidated financial statements. However, there were no significant impacts in the US GAAP shareholders' equity or net income reconciliation.

In addition, as of December of 31, 2012, under FASB ASC 810, Tucumán Personal I Trust was considered a variable interest entity and the Bank was deemed to be the primary beneficiary. In consequence, the Bank was required to consolidate it. As a consequence of the settlement of certain securities issued by the trust, as of December 31, 2013 it was not considered a VIE. The Bank maintained the control of the Trust and, in accordance with ASC 810 (under Control Based on Voting Interest model), was required to consolidate it. However, there were no significant impacts in the US GAAP shareholders' equity or net income reconciliation.

As of December 31, 2013 and 2012, the table below presents the carrying amount and classification of the VIE's assets and liabilities which have been consolidated for US GAAP purposes. As mentioned in Note 13., under Central Bank rules, those amounts were recorded principally under "Other receivables from financial intermediation – Other receivables not covered by debtors classification regulations

	As of December 31,	
	2013	2012
Cash (a)	326	19,992
Loans	—	86,277
Allowance for loan losses	—	(913)
Other assets	13,696	21,456
Total Assets	14,022	126,812
Other liabilities	58	95,444
Total Liabilities (b)	58	95,444
Net Assets	13,964	31,368

- (a) Includes intercompany deposits eliminated in the consolidation process amounted to 326 and 461 as of December 31, 2013 and 2012, respectively.
- (b) Creditors (or beneficial interest holders) of these liabilities do not have recourse against the general credit of the primary beneficiary.

The involvements in variable interest entities do not have a material impact on the primary beneficiary's financial position, financial performance and cash flows.

See also Note 13. for additional information of the trusts which have been considered variable interest entities.

BANCO MACRO S.A. AND SUBSIDIARIES

As of December 31, 2012, TST & AF Trust was not considered a VIE. However, in accordance with FASB ASC 810 (under control based on voting interest model) the Bank was deemed to be the primary beneficiary of these trust and was required to consolidate it. There were no significant impacts in the US GAAP shareholders' equity or net income reconciliation. On May 15, 2013, the Trust redeemed the 53.34% of the certificates of participation held directly by the Bank, which received property and cash. On May 17, 2013, the Bank sold the remaining certificates of participation.

As a result of consolidating the trusts mentioned in this Note, total assets and liabilities would increase by 9,816 and 64,492 as of December 31, 2013 and 2012, respectively.

In addition, the others trusts mentioned in Note 13.1 were not considered VIE and were classified as investment securities available for sale under FASB ASC 320. See Note 33.2.d).

33.28 Accounting pronouncements (US GAAP)

- a) Liabilities – ASU 2013-04 (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date (a consensus of the FASB Emerging Issues Task Force).

In February 2013, FASB issued ASU 04 “Liabilities”. This Update requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the following: i) The amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors. ii) Any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance in this Update also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations

Amendments in this Update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Bank does not expect significant impacts from the adoption of this statement.

- b) Foreign Currency Matters – ASU 2013-05 (Topic 830): Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (a consensus of the FASB Emerging Issues Task Force).

In March 2013, FASB issued ASU 05 “Foreign Currency Matters”. This update requires that when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity, the parent is required to apply the guidance in Subtopic 830-30 to release any related cumulative translation adjustment into net income. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. Amendments in this Update clarify that the sale of an investment in a foreign entity includes both (1) events that result in the loss of a controlling financial interest in a foreign entity (that is, irrespective of any retained investment) and (2) events that result in an acquirer obtaining control of an acquiree in which it held an equity interest immediately before the acquisition date (sometimes also referred to as a step acquisition). Accordingly, the cumulative translation adjustment should be released into net income upon the occurrence of those events.

The amendments in this Update are effective prospectively for fiscal years beginning after December 15, 2013. The Bank does not expect significant impacts from the adoption of this statement.

BANCO MACRO S.A. AND SUBSIDIARIES

- c) Income Taxes – ASU 2013-11 (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB EITF).

In July 2013, FASB issued ASU 11 “Income Tax”. This ASU states that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction does not require the Bank to use, and the Bank does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statement as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date.

The amendments in this Update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Bank does not expect significant impacts from the adoption of this statement.

- d) Receivables – Trouble Debt Restructuring by Creditors – ASU 2014-04: Reclassification of Residential Real Estate Collateralized Consumer Mortgage loans upon Foreclosure.

The amendments in this Update are intended to reduce diversity in practice by clarifying when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan should be derecognized and the real estate property recognized. Holding foreclosed real estate property presents different operational and economic risk to creditors compared with holdings and impaired loans. Therefore, consistency in the timing of the loan derecognition and presentation of foreclosed real estate properties is of qualitative significance to users of the creditor’s financial statements.

The amendments in this Update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. The Bank does not expect significant impacts from the adoption of this statement.

- e) Technical Corrections and Improvements Related to Glossary Terms – ASU 2014-06.

The amendments in this Update represent changes to clarify the Mater Glossary of the Codification, consolidates multiple instances of the same term into a single definition, or make minor improvements to the Master Glossary that are not expected to result in substantive changes to the application of existing guidance or create a significant administrative cost to most entities. Additionally, the amendments will make the Mater Glossary easier to understand, as well as reduce the number of terms appearing in the Master Glossary.

The amendments in this Update do not have transition guidance and will be effective upon issuance for both public and nonpublic entities. The Bank does not expect significant impacts from the adoption of this statement.

CERTIFICATE

I, JORGE HORACIO BRITO, CERTIFY THAT:

1. I have reviewed this annual report on Form 20-F of Banco Macro S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 29, 2014

/s/ Jorge Horacio Brito

Name: **Jorge Horacio Brito**

Title: **Chief Executive Officer**

CERTIFICATE

I JORGE PABLO BRITO, CERTIFY THAT:

1. I have reviewed this annual report on Form 20-F of Banco Macro S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 29, 2014

/s/ Jorge Pablo Brito

Name: **Jorge Pablo Brito**

Title: **Chief Financial Officer**

CERTIFICATION

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

(SUBSECTIONS (A) AND (B) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Banco Macro S.A. (the "Company"), does hereby certify that, to the best of such officer's knowledge:

1. The accompanying Report of the Company on Form 20-F (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2014

/s/ Jorge Horacio Brito

Name: **Jorge Horacio Brito**

Title: **Chief Executive Officer**

A signed original of this written statement required by Section 906 has been provided to Banco Macro S.A. and will be retained by Banco Macro S.A. and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

(SUBSECTIONS (A) AND (B) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Banco Macro S.A. (the “Company”), does hereby certify that, to the best of such officer’s knowledge:

1. The accompanying Report of the Company on Form 20-F (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2014

/s/ Jorge Pablo Brito

Name: **Jorge Pablo Brito**

Title: **Chief Financial Officer**

A signed original of this written statement required by Section 906 has been provided to Banco Macro S.A. and will be retained by Banco Macro S.A. and furnished to the Securities and Exchange Commission or its staff upon request.