

OFFERING MEMORANDUM



## The Republic of Argentina

**U.S.\$3,250,000,000 5.625% Bonds Due 2022**

**U.S.\$3,750,000,000 6.875% Bonds Due 2027**

The Republic of Argentina (the “Republic” or “Argentina”) is offering U.S.\$3,250,000,000 5.625% Bonds due 2022 (the “Series I”) and U.S.\$3,750,000,000 6.875% Bonds due 2027 (the “Series II”) (together with the Series I, the “Bonds”). The Bonds are being offered as debt securities under an indenture dated as of April 22, 2016 (the “Indenture”). Interest on the Bonds will accrue from January 26, 2017 and will be payable semi-annually on January 26 and July 26 of each year. The first interest payment on the Bonds will be made on July 26, 2017. The Series I will mature on January 26, 2022 and the Series II will mature on January 26, 2027. The net proceeds from the Bonds in this offering will be used for general purposes of the Government, including refinancing. See “Use of Proceeds.”

The Bonds will be direct, general, unconditional and unsubordinated obligations of the Republic for which the full faith and credit of the Republic is pledged. The Bonds rank and will rank without any preference among themselves and equally with all other unsubordinated public external indebtedness (as defined below) of the Republic. It is understood that this provision shall not be construed so as to require the Republic to make payments under any series of the Bonds ratably with payments being made under any other public external indebtedness of the Republic.

Application will be made to list the Bonds on the Official List of the Luxembourg Stock Exchange and the Mercado de Valores de Buenos Aires S.A. (“MERVAL”) and to have the Bonds admitted for trading on the Euro MTF Market and Mercado Abierto Electrónico S.A. (“MAE”).

**Investing in the Bonds involves risks that are described in the “Risk Factors” section beginning on page 6 of this offering memorandum. You should consider these risks before investing in the Bonds.**

The Bonds will contain provisions, commonly known as “collective action clauses.” Under these provisions, which differ from the terms of the Republic’s public external indebtedness issued prior to April 22, 2016, the Republic may amend the payment provisions of any series of debt securities issued under the Indenture (including any series of the Bonds) and other reserved matters listed in the Indenture with the consent of the holders of: (1) with respect to a single series of debt securities, more than 75% of the aggregate principal amount of the outstanding debt securities of such series; (2) with respect to two or more series of debt securities, if certain “uniformly applicable” requirements are met, more than 75% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of debt securities, more than 66 2/3% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the outstanding debt securities of each series affected by the proposed modification, taken individually. See “Description of the Bonds—Meetings, Amendments and Waivers—Collective Action.”

The Republic has agreed to file an exchange offer registration statement or, under specified circumstances, a shelf registration statement, pursuant to the Registration Rights Agreement (as defined below) with respect to its offer to exchange (the “Exchange Offer”) the Bonds for Exchange Bonds (as defined below). If the Republic fails to comply with specified obligations under the Registration Rights Agreement, it will pay additional interest to the holders of each series of Bonds. See “Registration Rights; Exchange Offer.”

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**Price to investors for the Series I: 100.000%, plus accrued interest, if any, from January 26, 2017.**

**Price to investors for the Series II: 99.112%, plus accrued interest, if any, from January 26, 2017.**

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**The Bonds have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) or the securities laws of any other jurisdiction. Unless they are registered, the Bonds may be offered only in transactions that are exempt from registration under the Securities Act or the securities law of any other jurisdiction. Accordingly, the Bonds are being offered only to Qualified Institutional Buyers (“QIBs”) pursuant to Rule 144A under the Securities Act and persons outside the United States in reliance on Regulation S of the Securities Act. For further details about eligible offerees and resale restrictions, see “Notice to Investors.”**

The Bonds are expected to be delivered to investors in book-entry form through the facilities of The Depository Trust Company (“DTC”), for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V. (“Euroclear”), as operator of the Euroclear System and Clearstream Banking, *société anonyme* on or about January 26, 2017.

**ANY OFFER OR SALE OF BONDS IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA WHICH HAS IMPLEMENTED DIRECTIVE 2003/71/EC AND AMENDMENTS THERETO INCLUDING DIRECTIVE 2010/73/EU (THE “PROSPECTUS DIRECTIVE”) MUST BE ADDRESSED TO QUALIFIED INVESTORS (AS DEFINED IN THE PROSPECTUS DIRECTIVE).**

**This offering memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectus securities dated July 10, 2005, as amended.**

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*Joint Book-Running Managers*

**BBVA  
HSBC**

**Citigroup  
J.P. Morgan**

**Deutsche Bank Securities  
Santander**

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The date of this offering memorandum is January 26, 2017.

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This offering memorandum contains important information that should be read carefully before any investment decision is made with respect to the Bonds.

The Republic is relying on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. By purchasing Bonds, you will be deemed to have made the acknowledgments, representations, warranties and agreements described under the section “Notice to Investors” in this offering memorandum. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time.

This offering memorandum has been prepared on the basis that any offer of Bonds in any Member State of the European Economic Area will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Bonds. Accordingly any person making or intending to make an offer in that Member State of Bonds which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for the Issuer or any of the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Bonds in circumstances in which an obligation arises for the Issuer or the Initial Purchasers to publish a prospectus for such offer. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Bonds through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Bonds contemplated in this offering memorandum. The expression “Prospectus Directive” means Directive 2003/71/EC (as amended), and includes any relevant implementing measure in the Member State concerned.

Each person in a Member State of the European Economic Area who receives any communication in respect of, or who acquires any Bonds under, the offers to the public contemplated in this offering memorandum will be deemed to have represented, warranted and agreed to and with each Initial Purchaser that:

(a) it is a qualified investor within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(b) in the case of any Bonds acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Bonds acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Member State other than

qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Initial Purchasers has been given to the offer or resale; or (ii) where Bonds have been acquired by it on behalf of persons in any Member State other than qualified investors, the offer of those Bonds to it is not treated under the Prospectus Directive as having been made to such persons.

This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

Each Initial Purchaser has represented and agreed that: (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of FSMA does not apply to the Issuer; and (b) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

The Republic is responsible for the information contained in this offering memorandum and represents that, to the best of its knowledge, the information stated in this offering memorandum as of the date hereof is in accordance with the facts and contains no omissions likely to affect the import of this offering memorandum. The Republic has not authorized anyone to provide you with any other information and takes no responsibility for any other information that others may give you. This offering memorandum does not constitute an offer of, or an invitation to purchase any of the Bonds in any jurisdiction in which such offer or sale would be unlawful.

**Neither the delivery of this offering memorandum nor any sale made hereunder will under any circumstances imply that the information included herein is correct as of any date subsequent to the date of the cover of this offering memorandum. You should not assume that since the date of this offering memorandum there has been no material change in the information set forth herein or in the affairs of the Republic or any of its agencies or public subdivisions. Any decision to invest in the Bonds must be based solely on the information contained herein.**

BBVA Securities Inc., Citigroup Global Markets Inc., Deutsche Bank Securities Inc., HSBC Securities (USA) Inc., J.P. Morgan Securities LLC and Santander Investment Securities Inc. (the “Initial Purchasers”) make no representation or warranty, express or implied, as to the accuracy or the completeness of the information contained in this offering memorandum. Nothing in this offering memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers as to the past or future. The Republic has furnished the information contained in this offering memorandum.

Neither the Republic or any of the Initial Purchasers has expressed any opinion as to whether the terms of this offering are fair. None of the Republic or any of the Initial Purchasers makes any recommendation that you purchase the Bonds and no one has been authorized by the Republic or any of the Initial Purchasers to make such recommendation. In making an investment decision, prospective investors must rely on their own examination of the Republic and the terms of the offering, including the merits and risks involved. The Republic and the Initial Purchasers are not making any representation to any investor of Bonds regarding the legality of an investment in the Bonds under any legal investment or similar laws or regulations. Prospective investors should not construe anything in this offering memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the Bonds under applicable legal investment or similar laws or regulations.

This offering memorandum summarizes certain documents and other information, and the Republic refers you to them for a more complete understanding of what the Republic discusses in this offering memorandum. In making an investment decision, you must rely on your own examination of the Republic and the terms of the offering and the Bonds, including, without limitation, the merits and risks involved.

None of the U.S. Securities and Exchange Commission (the “SEC”), any state securities commission or any other regulatory authority has approved or disapproved of the Bonds or passed upon or endorsed the merits of this offering or the adequacy or accuracy of this offering memorandum. Any representation to the contrary is a criminal offense.

In connection with the issue of the Bonds, the Initial Purchasers (or persons acting on behalf of the Initial Purchasers) may over-allot Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, stabilization action may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than 30 days after the date on which the Republic received the proceeds of the issue, or no later than 60 days after the date of allotment of the Bonds, whichever is the earlier. Any stabilization action or over-allotment must be conducted by the relevant Initial Purchasers (or persons acting on their behalf) in accordance with all applicable laws and regulations.

## ENFORCEMENT OF CIVIL LIABILITIES

The Republic is a sovereign state. Consequently, it may be difficult for investors or a trustee to obtain, or realize in the United States or elsewhere upon, judgments against the Republic. In addition, as described below, pursuant to Argentine law, many assets of the Republic are entitled to immunity from attachment or foreclosure, including all funds dedicated to the payment of expenditures approved as part of the national budget.

To the fullest extent permitted by applicable law, the Republic will irrevocably submit to the exclusive jurisdiction of any New York state or U.S. federal court sitting in the Borough of Manhattan, City of New York, and the courts of the Republic and, in each case, any appellate court thereof (each, a “Specified Court”) in any suit, action or proceeding arising out of or relating to the Bonds or the Republic’s failure or alleged failure to perform any obligations under the Bonds against it or its properties, assets or revenues (a “Related Proceeding”), subject to its Reserved Right (as defined below). The Republic will irrevocably and unconditionally waive, to the fullest extent permitted by law, any objection that it may have to Related Proceedings brought in a Specified Court whether on the grounds of venue, residence or domicile or on the ground that the Related Proceedings have been brought in an inconvenient forum (except for any Related Proceedings relating to the securities laws of the United States or any state thereof).

Subject to its Reserved Right, to the extent that the Republic or any of its revenues, assets or properties are entitled, in any jurisdiction in which any Specified Court is located, in which any Related Proceeding may at any time be brought against it or any of its revenues, assets or properties, or in any jurisdiction in which any Specified Court is located in which any suit, action or proceeding may at any time be brought for the purpose of enforcing or executing any judgment issued in any Related Proceeding (the “Related Judgment”), to any immunity from suit, from the jurisdiction of any such court, from set-off, from attachment prior to judgment, from attachment in aid of execution of judgment, from execution of a judgment or from any other legal or judicial process or remedy, and to the extent that in any such jurisdiction there shall be attributed such an immunity, the Republic irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction, including the United States Foreign Sovereign Immunities Act of 1976 (the “FSIA”) (and consents to the giving of any relief or the issue of any process in connection with any Related Proceeding or Related Judgment as permitted by applicable law, including the FSIA), provided, however, that such waiver shall not extend to and the Republic shall be immune in respect of and in relation to any suit, action or proceeding or enforcement of any Related Judgment against:

- (i) any reserves of the *Banco Central de la República Argentina* (the Central Bank of Argentina, or the “Central Bank”);
- (ii) any property in the public domain located in the territory of the Republic, including property that falls within the purview of Sections 234 and 235 of the Civil and Commercial Code of the Republic;
- (iii) any property located in or outside the territory of the Republic that provides an essential public service;
- (iv) any property (whether in the form of cash, bank deposits, securities, third party obligations or any other methods of payment) of the Republic, its governmental agencies and other governmental entities relating to the performance of the budget, within the purview of Sections 165 through 170 of Law No. 11,672, *Ley Complementaria Permanente de Presupuesto* (t.o. 2014);
- (v) any property entitled to the privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963, including, but not limited to, property, premises and bank accounts used by the missions of the Republic;
- (vi) any property used by a diplomatic, governmental or consular mission of the Republic;

- (vii) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by the Republic, including the right of the Republic to collect any such charges;
- (viii) any property of a military character or under the control of a military authority or defense agency of the Republic;
- (ix) property forming part of the cultural heritage of the Republic; or
- (x) property entitled to immunity under any applicable sovereign immunity laws.

This waiver of sovereign immunity constitutes only a limited and specific waiver for the purpose of the Bonds and under no circumstances shall it be interpreted as a general waiver by the Republic or a waiver with respect to proceedings unrelated to the Bonds. The Republic reserves the right to plead sovereign immunity under the FSIA with respect to actions brought against it under the U.S. federal securities laws and the appointment of an authorized agent does not extend to such actions or any state securities laws (the “Reserved Right”). See “Description of the Bonds—Governing Law” and “—Submission to Jurisdiction.”

A judgment obtained against the Republic in a foreign court may be enforced in the courts of Argentina. Based on existing law, the courts of Argentina will enforce such a judgment in accordance with the terms and conditions of the treaties entered into between Argentina and the country in which the judgment was issued. In the event there are no such treaties, the courts of Argentina will enforce the judgment if it:

- complies with all formalities required for the enforceability thereof under the laws of the country in which it was issued;
- has been translated into Spanish, together with all related documents, and it satisfies the authentication requirements of the laws of Argentina;
- was issued by a competent court, according to Argentine principles of international law, as a consequence of a personal action (action *in personam*) or a real action (action *in rem*) over a movable property if it has been moved to Argentina during or after the time the trial was held before a foreign court;
- was issued after serving due notice and giving an opportunity to the defendant to present its case;
- is not subject to further appeal;
- is not against Argentine public policy; and
- is not incompatible with another judgment previously or simultaneously issued by an Argentine Court.

In a March 2014 decision, the Supreme Court of Argentina held that the enforcement of a foreign judgment granted to a holder of Untendered Debt (as defined below) for payment of all amount due thereunder did not satisfy one of the requirements set forth in the Code of Civil and Commercial Procedure of the Republic (i.e., that a foreign judgment cannot contravene Argentine law principles of public policy). This ruling was based on the fact that enforcement as requested by the plaintiff would imply that such plaintiff, through an individual action filed before a foreign court, could circumvent the public debt restructuring process set forth by the Government through emergency legislation enacted in accordance with the Argentine Constitution after the debt securities subject to the foreign judgment were issued. In addition, the Supreme Court of Argentina held that such norms were part of Argentine public policy and, therefore, that the enforcement of a foreign judgment, as the one sought by the plaintiff, could not be granted as it would be clearly contrary to such legislation. See “Risk Factors—Risks Relating to the Bonds—It may be difficult for you to obtain or enforce judgments against the Republic.”

## DEFINED TERMS AND CERTAIN CONVENTIONS

### Certain Defined Terms

All references in this offering memorandum to the “Government” are to the non-financial sector of the federal government of Argentina, excluding the Central Bank, Banco de la Nación Argentina and *Banco de Inversión y Comercio Exterior* (Foreign Investment and Trade Bank, or “BICE”).

The terms set forth below have the following meanings for purposes of this offering memorandum:

- *April 2016 Transaction*, refers to the April 22, 2016, U.S.\$16.5 billion issuance of new debt securities in the international capital markets by the Republic, of which U.S.\$9.3 billion were applied to satisfy settlement payments in connection with agreements with holders of Untendered Debt.
- *BADLAR* rate is an average rate published by the Central Bank based on a survey of financial institutions in Argentina regarding the nominal annual interest rate in peso-denominated time deposits of more than Ps. 1.0 million from 30 to 35 days.
- *Defaulted debt* or *debt in default* as of any given date refers to all of Argentina’s public indebtedness on which Argentina is not paying principal or interest as of such date, plus any past due principal and interest payments calculated at contractual rates.
- *Gross domestic product, or GDP*, means the total value of final products and services produced in Argentina during the relevant period.
- *Ley de Normalización de la Deuda Pública y Acceso al Crédito (the “Debt Authorization Law”)* means Law No. 27,249 passed by Congress on March 31, 2016 repealing, among other laws and legislation, Laws Nos. 26,017, 26,547 and 26,886 which prohibited the Republic from making any payment or settlement on Untendered Debt (the “Lock Laws”), and Law No. 26,984 (the “Sovereign Payment Law”), and authorizing the Republic to settle with certain holders of its Untendered Debt, continue negotiating and issue debt securities to raise the funding required to effect the settlements with holders of its Untendered Debt.
- *Non-performing debt* refers to public indebtedness of Argentina that was formally subject to the moratorium declared by the Government in December 2001, other than “Untendered Debt.” Argentina’s non-performing debt encompasses all the public debt in which Argentina is in default as of any given date (other than Untendered Debt), including past due principal and interest payments calculated at contractual rates. Non-performing debt also includes the following:
  - (i) certain debt obligations on which the Government has continued to make payments on a case-by-case basis (such as in cases of extreme necessity (e.g., for senior citizens 75 years of age or older) or when the provision of essential services is threatened), despite being formally subject to the suspension of debt payments; and
  - (ii) certain obligations that resulted from the advance payment of tax obligations by certain companies. These advance tax payments gave rise to claims against the Government for the amount of the payment. The Government considers these claims additional public indebtedness of Argentina and they are treated as such in the Government’s accounts. These claims, however, are discharged when the tax obligation that gave rise to the advanced payment actually becomes payable, at which time the tax obligation is cancelled. Accordingly, although formally subject to the suspension of payments, the Government’s obligations in respect of these claims are not in default.
- *Settlement Proposal* refers to the proposal, published by the Republic on February 5, 2016 in the Ministry of Finance website, to settle all claims on Untendered Debt, including bonds in litigation

in the United States, subject to two conditions: first, obtaining approval by the Argentine Congress, and second, lifting the *pari passu* injunctions. The Settlement Proposal contemplated two frameworks for settlement. The “*pari passu* option,” which was extended as an option to plaintiffs holding *pari passu* injunctions granted by courts of the United States, provided for payment equal to the full amount of money judgment or an accrued claim value less a specified discount. The “standard option,” which remains open to all holders of Untendered Debt, whether or not they had *pari passu* injunctions, provides for payment equal to 100% of the outstanding principal amount of the relevant debt securities plus up to 50% of that original principal as interest. Any eligible holder of Untendered Debt may agree to the terms of the standard option, in accordance with the procedures set forth and published by the Ministry of the Treasury and, in accordance with such terms, becomes party to a binding agreement in principle with the Republic once the amounts to be paid are reconciled and the agreement is countersigned by the Republic.

- *Untendered Debt* means, with respect to data included herein through 2015, defaulted debt in respect of securities that were eligible for, but not tendered in, the 2005 Debt Exchange and the 2010 Debt Exchange. References to Untendered Debt in this offering memorandum do not constitute, and shall not be read or construed to constitute a waiver of any defenses available to the Republic with respect to the enforcement of any claim thereunder. See “Preservation of Defenses.” Any amounts of Untendered Debt set forth in this offering memorandum have been defined in this offering memorandum to include unpaid principal plus accrued and unpaid interest at contractual rates through December 31, 2015, including penalty or default interest. In settling outstanding disputes with holdout creditors pursuant to the Settlement Proposal, the Republic took into consideration interest accrued after the originally scheduled maturity of each defaulted series of securities (other than interest subject to statute of limitations), as well as default interest. For information regarding the Republic’s Settlement Proposal to settle all claims on the Untendered Debt, see “Annex I—Republic of Argentina—Public Sector Debt—Legal Proceedings.”
- *2005 Debt Exchange* refers to the restructuring and exchange of public debt that had been in default since the end of 2001 undertaken by the Government between January and May of 2005.
- *2010 Debt Exchange* refers to the restructuring and exchange of public debt that had been in default since the end of 2001 undertaken by the Government between April and December 2010.

For purposes of this offering memorandum, the following terms, which refer to various public debt instruments, have the meanings set forth below:

- *BAADE*. “Argentine Saving Bond for Economic Development” and the “Saving Promissory Note for Economic Development” are both to be issued by the Ministry of the Treasury and to be denominated in U.S. dollars, maturing in 2016 and accruing interest at a 4% rate. Funds obtained from the issuance of these bonds will be used to finance public investment projects in strategic sectors like infrastructure and hydrocarbons.
- *Bocones*. Bonds that the Government began issuing in 1991 to restructure its obligations to pensioners and suppliers and to settle reparations of members of family of victims of the military dictatorship.
- *Bogar*. Bonds issued by the Provincial Development Fund to restructure debt obligations of the provinces. These bonds are guaranteed by the Government and secured by a pledge of certain provincial tax revenues.
  - *Bogar 2018*. *Bogar* with maturity date in 2018.
  - *Bogar 2020*. *Bogar* with maturity date in 2020.



- *Bonacs*. Bonds that the Government began issuing in 2015 for general purposes of the Government, with a floating interest rate (LEBACs and others) and maturity in 2016.
- *Bonads*. Dollar denominated bonds payable in pesos (dollar linked) that the Government began issuing in 2014 for general purposes of the Government.
- *Bonares*. Bonds that the Government began issuing in 2006 for general purposes of the Government and in exchange for CER-index linked bonds.
- *Global Bond*. Government bonds issued in the international capital markets under the Government's shelf registration statements filed with the SEC.
- *LEBACs*. Short-term notes issued by the Central Bank. They are denominated principally in pesos.
- *National Guaranteed Loans*. Tax-secured loans that the Government exchanged for previously outstanding Government bonds as part of a voluntary debt offers that took place in 2001. Holders of National Guaranteed Loans retained the right to recover their original bonds upon default.
- *NOBACs*. Medium-term notes issued by the Central Bank denominated only in pesos.
- *Promissory Notes Pesos 2019*. Promissory notes issued in pesos at an annual floating interest rate equal to the BADLAR rate plus 250 basis points with an amount equal to the BADLAR rate to be capitalized during the first two years and paying 250 basis points interest rate during such period, and paying the full floating interest rate thereafter, maturing in 2019.
- *2033 Discount Bonds*. Discount bonds due December 2033 denominated in U.S. dollars, euros, Japanese yen and pesos issued by Argentina in its 2005 Debt Exchange and the discount bonds due December 2033 denominated in U.S. dollars issued by Argentina for cash subsequent to the 2005 Debt Exchange.
- *2033 Discount Bonds (2010)*. Discount bonds due December 2033 denominated in U.S. dollars, euros, Japanese yen and pesos issued by Argentina in its 2010 Debt Exchange.
- *2017 Globals*. U.S. dollar-denominated Global Bonds due 2017 issued in the international capital markets pursuant to the 2010 Debt Exchange.
- *2035 GDP-Linked Securities*. Long-term Government Treasury securities denominated in U.S. dollars, euros, Japanese yen and pesos issued in the international capital markets pursuant to the 2005 Debt Exchange and expiring no later than December 2035.
- *2035 GDP-Linked Securities (2010)*. Long-term Government Treasury securities denominated in U.S. dollars, euros, Japanese yen and pesos issued in the international capital markets pursuant to the 2010 Debt Exchange and expiring no later than December 2035.
- *2038 Par Bonds*. Long-term Government Treasury bonds denominated in U.S. dollars, euros, Japanese yen and pesos issued in the international capital markets pursuant to the 2005 Debt Exchange.
- *2038 Par Bonds (2010)*. Long-term Government Treasury bonds denominated in U.S. dollars, euros, Japanese yen and pesos issued in the international capital markets pursuant to the 2010 Debt Exchange.

- *2045 Quasi-Par Bonds.* Long-term Government Treasury bonds denominated in pesos issued in the international capital markets pursuant to the 2005 Debt Exchange.

## **The Republic**

The Bonds were authorized and issued under Law No. 27,341, Decree No. 29/2017 dated January 11, 2017, of the Executive Power of the Republic, and a resolution of the Ministry of Finance to be issued on or before the issue date of the Bonds.

## **Preservation of Defenses**

Nothing in this offering memorandum, or in any communication from the Republic relating to the offering or otherwise, constitutes an acknowledgment or admission of the existence of any claim or any liability of the Republic to pay that claim or an acknowledgment that any ability to bring proceedings in any jurisdiction in respect of such claim or any limitation period relating thereto has been revived or reinstated, or an express or implied promise to pay any such claim (or part thereof). Whether or not a claim exists, the Republic may in its sole discretion and only if written notice to that effect is received from a duly authorized officer of the Republic, attribute a value to such claim for purposes of the Republic's Settlement Proposal, or for any other purpose. All defenses available to the Republic relating to any applicable statute of limitations or otherwise are expressly preserved for all purposes. This offering memorandum may not be relied upon as evidence of the Republic's agreement that a claim exists, or of the Republic's willingness, ability or obligation to pay any claim. Any attribution of any value to any claim for purposes of the Republic's Settlement Proposal, or for any other purpose, will not be considered an acknowledgment of the existence or validity of that claim and any consideration given by or on behalf of the Republic to the proponent of that claim will be consideration only for the agreement by the proponent of that claim to cease all actions or proceedings in respect of that claim and to irrevocably assign and transfer to the Republic all rights, if any, with respect to such claim and to undertake to complete any and all formalities or requirements necessary to ensure that if such claim existed neither the proponent nor any successor or assignee of the proponent (other than the Republic) is able to evidence or allege such claim to remain in existence or to be a liability of the Republic.

## **Currency of Presentation**

Unless otherwise specified, references in this offering memorandum to "pesos" and "Ps." are to Argentine pesos, references to "U.S. dollars" and "U.S.\$" are to the currency of the United States of America, references to "euros," "€" and "EUR" are to the currency of the European Union, references to "CHF" are to Swiss francs and references to "Japanese yen" or "JPY" are to Japanese yens.

## **Exchange Rates and Exchange Controls**

The Republic publishes most of its economic indicators and other statistics in pesos. Beginning in February 2002, the peso was allowed to float against other currencies. After several years of fluctuations in the nominal exchange rate, the peso lost approximately 14% of its value against the U.S. dollar in 2012. Despite increased Central Bank intervention and measures to limit Argentine residents' access to foreign currency, the peso devalued by 32.6% and 31.3% against the U.S. dollar in 2013 and 2014, respectively. In December 2015, the Macri administration eliminated a significant portion of the foreign exchange restrictions and the Central Bank returned to a free-float policy with interventions designed to enhance the operation of the foreign exchange market. Immediately after a significant portion of the foreign exchange controls were lifted on December 16, 2015, the peso devalued by approximately 40%, as the peso-U.S. dollar exchange rate reached Ps. 13.76 to U.S.\$1.00 on December 17, 2015. The peso has since floated freely with limited intervention by the Central Bank, and the nominal exchange rate experienced moderate variations.

### ***Exchange Rates***

The following table sets forth the annual high, low, average and period-end "reference" 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 or appreciate in the future. The Federal Reserve Bank of New York does not report a noon buying rate for pesos.

	Exchange rates <sup>(1)</sup>			
	High	Low	Average <sup>(2)</sup>	Period end
<b>Year ended December 31,</b>				
2011.....	4.304	3.972	4.130	4.303
2012.....	4.917	4.305	4.552	4.917
2013.....	6.518	4.923	5.479	6.518
2014.....	8.556	6.543	8.119	8.552
2015.....	13.763	8.554	9.269	13.005
2016.....	16.039	13.069	14.779	15.850

(1) Central Bank reference exchange rates (Communication A 3500 of Central Bank).

(2) Average of daily closing quotes.

Source: Central Bank.

Currency conversions, including conversions of pesos into U.S. dollars, are included for the convenience of the reader only and should not be construed as a representation that the amounts in question have been, could have been or could be converted into any particular denomination, at any particular rate or at all.

As of January 18, 2017, the peso-dollar reference exchange rate was Ps. 15.9517 to U.S.\$1.00

### ***Exchange Controls***

In response to the deterioration of the Argentine economy and financial system in 2001, the inability of the Republic to service its public external indebtedness and the decreased level of deposits in the financial system, the Government issued Decree No. 1,570/2001 on December 3, 2001, which established certain monetary and currency exchange control measures, including restrictions on the free disposition of funds deposited in banks and restrictions on the transfer of funds abroad, subject to certain exceptions.

In addition to the above measures, on February 8, 2002, the Government and the Central Bank made certain transfers of funds abroad to service principal and/or interest payments on foreign indebtedness subject to prior authorization. From 2011 until the Macri administration took office in December 2015, the Government increased controls on the sale of foreign currency and the acquisition of foreign assets by local residents, limiting the possibility of transferring funds abroad. In 2012, the Government adopted an import procedure under which any import of products required the pre-approval of local authorities in the form of a *Declaración Jurada Anticipada de Importación* (Advance Sworn Import Declaration, or “DJAI”). The DJAI was a precondition for the importer to gain access to the foreign exchange market to pay for imported products, which was, in effect, a material barrier to the import of goods into Argentina, as any alternative method of payment significantly increased the costs of such transactions.

Together with the regulations established in 2012 that subjected certain foreign exchange transactions to prior approval by the Argentine tax authorities or the Central Bank, the measures taken by the Fernández de Kirchner administration significantly curtailed access to the *Mercado Único y Libre de Cambio* (the “MULC”). In response, an unofficial U.S. dollar trading market developed in which the peso-U.S. dollar exchange rate differed substantially from the official peso-U.S. dollar exchange rate.

### ***Current Regulations***

As of December 2016, in line with the economic reforms implemented by the newly elected Macri administration, the Ministry of Finance and the Central Bank issued regulations that eliminated substantially all of the foreign exchange restrictions imposed since 2011. Following an initial set of measures, adopted in December 2015, with the aim of increasing capital inflows, the Government and the Central Bank introduced a set of new measures to eliminate a significant portion of the restrictions affecting the trade balance. In this regard, on August 8, 2016 the Central Bank introduced further material changes to the foreign exchange regime and established, as of August 9, 2016, a new foreign exchange regime by means of Communication “A” 6037 (as amended) that significantly eases access to the MULC. On December 30, 2016, the Central Bank further eased foreign exchange controls by eliminating the mandatory repatriation of proceeds from the export of

services. On January 4, 2017, the Ministry of the Treasury reduced to zero days the mandatory minimum stay period applicable to (i) the inflow of funds to the local foreign exchange market arising from certain foreign indebtedness and (ii) any entry of funds to the foreign exchange market by non-residents.

## PRESENTATION OF STATISTICAL AND OTHER INFORMATION

All annual information presented in this offering memorandum is based upon January 1 to December 31 periods, unless otherwise indicated. Totals in some tables in this offering memorandum may differ from the sum of the individual items in those tables due to rounding.

Unless otherwise stated, prices and figures are stated in current values of the currency presented and references in this offering memorandum to “pesos” and “Ps.” are to Argentine pesos, references to “U.S. dollars” and “U.S.\$” are to the currency of the United States of America, references to “euros,” “€” and “EUR” are to the currency of the European Union, references to “CHF” are to Swiss francs and references to “Japanese yen” or “JPY” are to Japanese yens.

Information in this offering memorandum that is identified as being derived from a publication of the Republic or one of its respective agencies or instrumentalities is included as public official statements made on the authority of the Republic. Certain statistical information included in this offering memorandum is preliminary and is subject to change, completion or amendment.

### INDEC

Statistical information reported in this offering memorandum has been derived from official publications of, and information supplied by, a number of agencies, including the INDEC and the *Dirección General de Estadística y Censos de la Ciudad de Buenos Aires* (General Directorate of Statistics and Census of the City of Buenos Aires). The Republic cannot make assurances that such statistical and other information included in this offering memorandum that has been provided by agencies of the Republic is accurate or complete.

During the Fernández de Kirchner administration, the *Instituto Nacional de Estadística y Censos* (the National Statistics and Census Institute, or “INDEC”)—the only institution in Argentina with the statutory authority to produce official nationwide statistics—underwent institutional and methodological reforms that gave rise to controversy regarding the reliability of the information that it produced, including CPI, GDP, unemployment and poverty data. Reports published by the International Monetary Fund (“IMF”) have stated that their staff uses alternative measures of inflation for macroeconomic surveillance, including data produced by private sources, which have shown inflation rates considerably higher than those published by the INDEC between 2007 and 2015. The IMF also censured Argentina for failing to make sufficient progress, as required under the Articles of Agreement of the IMF, in adopting remedial measures to address the quality of official data, including CPI and GDP data. In February 2014, the INDEC released a new inflation index, known as the *Índice de Precios al Consumidor Nacional Urbano* (National Urban Consumer Price Index, or “CPI Nu”), which was intended to measure prices on goods across the country and replaced the previous index that only measured inflation in the City of Buenos Aires and its surrounding areas. Although this new methodology was expected to bring inflation statistics closer to those estimated by private sources, differences between official inflation data and private estimates remained.

On January 8, 2016, based on its determination that the INDEC had failed to produce reliable statistical information, particularly with respect to CPI, GDP and foreign trade data, as well as poverty and unemployment rates, President Macri declared a state of administrative emergency for the national statistical system and the INDEC until December 31, 2016. The INDEC suspended publication of certain statistical data pending reorganization of its technical and administrative structure to recover its ability to produce reliable statistical information. The INDEC published official CPI figures published by the City of Buenos Aires and the Province of San Luis for reference for the first four months of 2016. In June 2016, the INDEC began publishing an official inflation rate using its new methodology for calculating the CPI.

On June 29, 2016, the INDEC published (the “INDEC Report”) a revised calculation of the 2004 gross domestic product (“GDP”), which forms the basis of Argentina’s real GDP calculation for every year thereafter. Among other adjustments, in calculating GDP for 2004 the INDEC made changes to the composition of GDP

that resulted in a downward adjustment of approximately 10% for that year. In calculating real GDP for subsequent years based on the revised 2004 GDP, the INDEC used deflators that are consistent with its revised methodology to calculate inflation. By understating inflation in the past, the INDEC had overstated growth in real terms. For more information, see “—Certain Methodologies.”

On November 9, 2016, the IMF Executive Board lifted its censure on the Republic, noting that the Republic has resumed the publication of data in a manner consistent with its obligations under the Articles of Agreement of the IMF.

As of the date of this offering memorandum, the INDEC has published the INDEC Report (which includes GDP data), the CPI for May, June, July, August, September, October and November 2016, and certain revised foreign trade and balance of payment statistics for the years 2011 through 2015 since the state of administrative emergency was declared on January 8, 2016, which are included in this offering memorandum.

The INDEC is currently implementing a number of measures to produce reliable statistical information that include, among others, investments in basic statistical collection procedures, the expansion of social statistics and the strengthening of economic development statistics. In this context, the INDEC is planning a series of initiatives that are expected to improve the reliability of basic statistics, including conducting a national household expenditure survey for the period 2017-2018, extending the basket of goods and prices covered to include locations across Argentina (previously limited to the greater Buenos Aires area) for purposes of calculating CPI, a mining census in 2017, an economic activity census and an agricultural census in 2018, in all cases to be carried out prior to next national census scheduled for 2020.

In relation to the revision and production of historical statistical information, in particular related to poverty, the INDEC, in its September 2016 Incidence Report on Poverty and Indigence, states that it continues to have reservations with respect to statistical series between January 2007 and December 2015, except for any information that has been restated in the relevant 2016 reports.

The INDEC’s reservations result from the inability to obtain adequate historical data that would allow for the completion of series left incomplete prior to the declaration of statistical emergency. Accordingly, reports on poverty and indigence levels for the missing periods and dates cannot be reconstructed primarily to the lack of reliable data for the relevant periods and as of the relevant dates.

In furtherance of the authority delegated to the INDEC by Decrees No. 181/15 and 55/16, the INDEC has commissioned studies to determine the adequacy of the process for obtaining data, the process for the analysis of such data, the elaboration of indicators and its publication procedures.

### ***National Public Accounts***

Historically, transfers from the Central Bank and the *Fondo de Garantía de Sustentabilidad* (the “FGS”) to the Government were recorded as current fiscal revenue under “other non-tax revenue.” Starting in 2016 (and on a pro forma basis for 2015), the Government now classifies income generated by the Central Bank and the FGS as financial revenue that does not form part of the calculation of the primary fiscal balance. See “Annex I—Republic of Argentina—Public Sector Finances—Introduction.”

### ***Certain Methodologies***

*CER* and *CVS*. Certain data included in this offering memorandum has been adjusted for inflation based on the *Coeficiente de Estabilización de Referencia* (Stabilization Coefficient, or “CER”), or the *Coeficiente de Variación Salarial* (“CVS”). CERs are units of account whose value in pesos is indexed to consumer price inflation. Following the declaration of a state of administrative emergency for the national statistical system and the INDEC in January 2016, the INDEC suspended its publication of the CPI index that had been used to determine the value of CERs in pesos since February 2014. Accordingly, between January 12 and June 2, 2016, the Government issued a series of resolutions designating either the CPI calculated by the government of the City of Buenos Aires or the CPI calculated by the Province of San Luis as the index to be used by the Central Bank to calculate the CER. On June 15, July 13, August 12, September 13, October 13, November 10 and December 13, 2016 and January 11, 2017, the INDEC published the inflation rates for May,

June, July, August, September, October, November and December 2016, respectively, using its new methodology for calculating the CPI. On June 16, 2016, the Government announced that beginning on June 26, 2016 it would resume using the INDEC CPI to calculate the CER. The nominal amount of a CER-based financial instrument is converted to a CER-adjusted amount and interest on the financial instrument is calculated on the CER-adjusted balance. CVSs are units of account whose value in pesos is determined based on changes in an index of public and private sector wages. The nominal amount of a CVS-based financial instrument is converted to a CVS-adjusted amount and interest on the financial instrument is calculated on the CVS-adjusted balance. Adjustments and payments on the Republic's debt indexed to the CER and CVS are not subject to restatement or revision.

*Exports.* Exports are calculated based upon (i) for purposes of foreign trade, statistics reported to Argentine customs upon departure of goods from Argentina on a FOB basis and (ii) for purposes of the balance of payments accounts, statistics collected on a FOB basis.

*Imports.* Imports are calculated based upon (i) for purposes of foreign trade, statistics reported to Argentine customs upon entry of goods into Argentina on a cost, insurance and freight included basis ("CIF basis") and (ii) for purposes of the balance of payments accounts, statistics collected on a free on board ("FOB basis") at a given departure location.

*Inflation.* The rate of inflation or inflation rate provides an aggregate measure of the rate of change in the prices of goods and services in the economy. The inflation rate is generally measured by the rate of change in the CPI between two periods unless otherwise specified. The annual percentage rate of change in the CPI as of a particular date is calculated by comparing the index as of that date against the index as of the date twelve months prior. The CPI in Argentina is calculated by the INDEC. However, as a result of widespread concerns regarding the credibility of the INDEC's calculations that resulted in the declaration of a state of administrative emergency in January 2016, alternative measures of CPI inflation are presented in this offering memorandum for certain periods using the CPI calculated by the government of the City of Buenos Aires (the "City of Buenos Aires CPI") and by the government of the Province of San Luis (the "Province of San Luis CPI") for certain periods. The CPI for May, June, July, August, September, October, November and December 2016 were published by the INDEC on June 15, July 13, August 12, September 13, October 13, November 10, December 15, 2016 and January 11, 2017, respectively, based on the INDEC's new methodology for calculating the CPI. The City of Buenos Aires CPI and Province of San Luis CPI are based on a weighted basket of consumer goods and services that reflects the pattern of consumption of households that reside in the City of Buenos Aires and the Province of San Luis, respectively. All references in this offering memorandum to "CPI" are to the "INDEC CPI," the "City of Buenos Aires CPI" or "the Province of San Luis CPI," as indicated herein. References to "constant 2004 prices" in this offering memorandum relate to data that was revised by the INDEC and included in the INDEC Report.

*Underemployment rate.* Underemployment rate represents the percentage of Argentina's labor force that has worked fewer than 35 hours during the week preceding the date of measurement and seeks to work more.

*Unemployment rate.* Unemployment rate represents the percentage of Argentina's labor force that has not worked a minimum of one hour with remuneration or 15 hours without remuneration during the week preceding the date of measurement. The "labor force" refers to the sum of the population in major urban centers across Argentina that has worked a minimum of one hour with remuneration or 15 hours without remuneration during the week preceding the date of measurement plus the population that is unemployed but actively seeking employment.

## FORWARD-LOOKING STATEMENTS

This offering memorandum may contain forward-looking statements within the meaning of Section 27A of the Securities Act and section 21E of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements are statements that are not historical facts, including statements about the Republic’s beliefs and expectations. These statements are based on the Republic’s current plans, estimates and projections. Therefore, undue reliance should not be placed on such statements. Forward-looking statements speak only as of the date they are made. The Republic undertakes no obligation to update any of them in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties, including, but not limited to those set forth in “Risk Factors” in this offering memorandum. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. The information contained in this offering memorandum identifies important factors that could cause such differences. Such factors include, but are not limited to:

- adverse domestic factors, such as:
  - increases in inflation;
  - increases in domestic interest rates; and
  - exchange rate volatility, any of which could lead to lower economic growth or a decrease in Argentina’s international reserves;
- adverse external factors, such as:
  - declines in foreign investment, which could deprive the Argentine economy of capital needed for economic growth;
  - changes in international prices (including commodity prices) and high international interest rates, either of which could increase Argentina’s current account deficit and budgetary expenditures; and
  - recession or low economic growth in Argentina’s trading partners, which could decrease exports from Argentina and the country’s international competitiveness, induce a contraction of the Argentine economy and, indirectly, reduce tax revenues and other public sector revenues and adversely affect the country’s fiscal accounts;
- other adverse factors, such as:
  - climatic events; and
  - international or domestic hostilities and political uncertainty, including the effects of the mid-term legislative elections to be held in October 2017;
- adverse outcomes in ongoing litigation and arbitration proceedings in several jurisdictions that may lead to new judgments and awards against Argentina, which could have a material adverse effect on Argentina’s economy and financial resources. See “Annex I—Republic of Argentina—Public Sector Debt—Legal Proceedings.”



## **DATA DISSEMINATION**

Argentina subscribes to the Special Data Dissemination Standard (“SDDS”) of the IMF, which is designed to improve the timeliness and quality of information of subscribing member countries. The SDDS requires subscribing member countries to provide schedules indicating, in advance, the date on which data will be released (the so-called “Advance Release Calendar”). For Argentina, precise dates or “no-later-than-dates” for the release of data under the SDDS are disseminated in advance through the Advance Release Calendar, which is published on the Internet under the International Monetary Fund’s Dissemination Standards Bulletin Board. Summary methodologies of all metadata to enhance transparency of statistical compilation are also provided on the Internet under the International Monetary Fund’s Dissemination Standards Bulletin Board. The Internet website is located at <http://dsbb.imf.org>. Neither the Government or any agents or Initial Purchasers acting on behalf of the Government in connection with this offering memorandum accepts any responsibility for information included on that website, and its contents are not intended to be incorporated by reference into this offering memorandum.

## SUMMARY

*This summary highlights selected economic and financial information about the Republic. It is not complete and may not contain all of the information you should consider before purchasing the Bonds. You should carefully read the entire offering memorandum, including “Risk Factors,” “Presentation of Statistical and Other Information” and “Annex I—Republic of Argentina” before purchasing the Bonds.*

### Selected Economic Information (in billions of pesos unless otherwise indicated)

	For the year ended and as of December 31,									
	2011		2012		2013		2014		2015	
<b>THE ECONOMY:</b>										
Real GDP (in billions of 2004 pesos).....	Ps.	713.7	Ps.	706.2	Ps.	722.4	Ps.	703.9	Ps.	720.6
Rate of change from prior year .....		6.1%		(1.1)%		2.3%		(2.6)%		2.4%
Nominal GDP.....		2,191.5		2,652.2		3,361.2		4,608.7		5,838.5
Nominal GDP per capita (in thousands of U.S. dollars).....	U.S.\$	12.9	U.S.\$	14.0	U.S.\$	14.5	U.S.\$	13.3	U.S.\$	14.6
Inflation (as measured by INDEC CPI).....		9.5%		10.8%		10.9%		24.0%		n.a.
Inflation (as measured by the City of Buenos Aires CPI) .....		n.a.		n.a.		26.6%		38.0%		26.9%
Inflation (as measured by the Province of San Luis CPI) .....		23.3%		23.0%		31.9%		39.0%		31.6%
Unemployment rate .....		6.7%		6.9%		6.4%		6.9%		5.9% <sup>(1)</sup>
Population <sup>(2)</sup> .....		40.1		40.1		40.1		40.1		40.1
<b>BALANCE OF PAYMENTS (in billions of U.S. dollars):</b>										
Current account.....	U.S.\$	(4.5)	U.S.\$	(1.4)	U.S.\$	(12.1)	U.S.\$	(8.0)	U.S.\$	(15.9)
<i>Of which:</i>										
Imports of goods .....		70.8		65.0		71.3		62.4		57.2
Exports of goods .....		83.0		80.0		76.0		68.4		56.8
Capital and financial account.....		(2.0)		(1.3)		3.5		9.5		12.4
Errors and omissions .....		0.3		(0.5)		(3.2)		(0.2)		(1.3)
Change in gross international reserves deposited in the Central Bank .....		(6.1)		(3.3)		(11.8)		1.2		(4.9)
Gross international reserves deposited in the Central Bank.....		46.4		43.3		30.6		31.4		25.6
<b>PUBLIC FINANCE:</b>										
Revenues .....	Ps.	432.0	Ps.	543.8	Ps.	707.9	Ps.	997.2	Ps.	1,298.6
As a % of GDP .....		19.7%		20.5%		21.1%		21.6%		22.2%
Expenditures.....		427.1		548.2		730.4		1,035.8		1,403.4
As a % of GDP .....		19.5%		20.7%		21.7%		22.5%		24.0%
Primary fiscal balance .....		4.9		(4.4)		(22.5)		(38.6)		(104.8)
As a % of GDP .....		0.2%		(0.2)%		(0.7)%		(0.8)%		(1.8)%
Overall fiscal balance .....		(30.7)		(55.6)		(64.5)		(109.7)		(225.6)
As a % of GDP .....		(1.4)%		(2.1)%		(1.9)%		(2.4)%		(3.9)%
<b>PUBLIC DEBT (including arrears) (in billions of U.S. dollars):</b>										
Peso-denominated debt.....	U.S.\$	71.6	U.S.\$	81.2	U.S.\$	77.3	U.S.\$	78.0	U.S.\$	73.9
Foreign-currency denominated debt .....		125.6		135.7		146.2		161.3		166.8
Total gross public debt.....	U.S.\$	197.2	U.S.\$	216.9	U.S.\$	223.4	U.S.\$	239.3	U.S.\$	240.7
Total gross debt (including arrears) as a % of GDP .....		38.7%		40.2%		43.3%		44.4%		53.6%
Total gross debt (including arrears) as a % of Government revenues .....		196.4%		196.2%		205.8%		205.2%		241.0%

(1) As of September 30, 2015.

(2) In millions. Based on the census conducted in 2010. As of 2014, the World Bank estimates a total population of 43.0 million.

n.a. = not available.

Source: INDEC and Ministry of the Treasury.

## The Offering

*The following is a brief summary of some of the terms of this offering. For a more complete description of the terms of the Bonds, see "Description of the Bonds" in this offering memorandum.*

<b>Issuer</b> .....	The Republic of Argentina.
<b>Bonds Offered</b> .....	Series I: U.S.\$3,250,000,000 aggregate principal amount 5.625% Bonds due 2022.  Series II: U.S.\$3,750,000,000 aggregate principal amount 6.875% Bonds due 2027.
<b>Maturity</b> .....	Series I: January 26, 2022.  Series II: January 26, 2027.
<b>Issue Price</b> .....	Series I: 100.000%.  Series II: 99.112%.
<b>Interest</b> .....	Interest on the Series I will accrue at a rate of 5.625% per annum, from January 26, 2017 (or from the most recent payment date on which interest has been paid); be payable semi-annually in arrears on January 26 and July 26 of each year, beginning on July 26, 2017, to persons in whose names the Bonds are registered at the close of business on the business day preceding the corresponding payment date; and be computed on the basis of a 360-day year comprised of twelve 30-day months, and in the case of an incomplete month, the number of days elapsed.  Interest on the Series II will accrue at a rate of 6.875% per annum, from January 26, 2017 (or from the most recent payment date on which interest has been paid); be payable semi-annually in arrears on January 26 and July 26 of each year, beginning on July 26, 2017, to persons in whose names the Bonds are registered at the close of business on the business day preceding the corresponding payment date; and be computed on the basis of a 360-day year comprised of twelve 30-day months, and in the case of an incomplete month, the number of days elapsed.
<b>Status</b> .....	The Bonds will constitute direct, general, unconditional and unsubordinated obligations of the Republic for which the full faith and credit of the Republic is pledged. The Bonds rank and will rank without any preference among themselves and equally with all other unsubordinated public external indebtedness (as defined below) of the Republic. It is understood that this provision will not be construed so as to require the Republic to make payments under any series of the Bonds ratably with payments being made under any other public external indebtedness. See "Description of the Bonds—Status."
<b>Additional Amounts</b> .....	The Republic will make all principal, premium (if any) and interest payments on the Bonds without deducting or withholding on account of any present or future taxes, duties, assessments or other governmental charges withheld or assessed by the Republic or any political subdivision or authority thereof or therein having power to tax, unless the deduction or withholding is required by law. If the Republic is required to make any deduction or withholding, it will pay the holders, subject to specified exceptions, the additional amounts

required to ensure that the net amount they receive after such withholding or deduction shall equal the amount they would have received without this withholding or deduction. See “Description of the Bonds—Additional Amounts.”

**Covenants** ..... The Indenture governing the Bonds contains covenants that, among other things, limit the Republic’s ability to create liens on its assets.

These covenants are subject to important exceptions and qualifications, which are described under the heading “Description of the Bonds” in this offering memorandum.

**Events of Default** ..... For a discussion of certain events of default that will permit acceleration of the principal of the Bonds plus accrued interest, and any other amounts due with respect to the Bonds, see “Description of the Bonds—Events of Default” and “Description of the Bonds—Suits for Enforcement and Limitations on Suits by Holders.”

**Collective Actions** ..... The Bonds will contain provisions, commonly known as “collective action clauses.” Under these provisions, which differ from the terms of the Republic’s public external indebtedness issued prior to April 22, 2016, the Republic may amend the payment provisions of any series of debt securities issued under the Indenture (including the Bonds) and other reserved matters listed in the Indenture with the consent of the holders of: (1) with respect to a single series of debt securities, more than 75% of the aggregate principal amount of the outstanding debt securities of such series; (2) with respect to two or more series of debt securities, if certain “uniformly applicable” requirements are met, more than 75% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of debt securities, more than 66 2/3% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the outstanding debt securities of each series affected by the proposed modification, taken individually. See “Description of the Bonds—Meetings, Amendments and Waivers—Collective Action.”

**Further Issues** ..... The Republic may, from time to time, without the consent of holders, create and issue additional debt securities having the same terms and conditions as any series of the Bonds in all respects, except for issue date, issue price, original interest accrual date and the first interest payment on the debt securities; *provided, however*, that any additional debt securities subsequently issued shall be issued, for U.S. federal income tax purposes, (a) as part of the “same issue” as such Bonds, (b) in a “qualified reopening” of such Bonds or (c) with no more than a *de minimis* amount of original issue discount, unless such additional debt securities have a separate CUSIP, ISIN or other identifying number from such Bonds. Such additional debt securities will be consolidated with and will form a single series with such Bonds.

**Use of Proceeds** ..... The gross proceeds from the sale of the Series I Bonds will be U.S.\$3,250,000,000 and for the Series II Bonds will be U.S.\$3,716,700,000 before deducting commissions and offering expenses payable by the Republic. The Republic intends to use the net proceeds of the sale of the Bonds, U.S.\$6,958,300,000, for general purposes of the Government, including refinancing.

**Settlement; Form and Denomination** ..... The Bonds to be delivered to investors will be issued in global form and registered in the name of the clearing system or its nominee or custodian. Clearing systems include DTC in the United States and Euroclear and Clearstream, Luxembourg in Europe. See “Description of the Bonds.”

The Bonds will be issued in two series and each in minimum denominations of U.S.\$1,000 and integral multiples of U.S.\$1,000 in excess thereof.

**Transfer Restrictions** ..... The Bonds have not been registered under the Securities Act. As a result, the Bonds will be subject to limitations on transferability and resale. See “Notice to Investors.”

**Registration Rights** ..... Pursuant to the Registration Rights Agreement (as defined below), the Republic will agree, for the benefit of the holders of the Bonds, to (i) use its reasonable best efforts to file with the SEC a registration statement relating to an offer to exchange the Bonds for the Exchange Bonds (as defined below) (except that the Exchange Bonds will not be subject to restrictions on transfer or to any increase in annual interest rate as described below), or (ii) in the event that the Republic determines that a registered exchange offer is not available, or may not be completed because it would violate any applicable law or applicable interpretations of the staff of the SEC, or, if for any reason, an exchange offer is not for any other reason completed within 365 days after the closing date, or any initial purchaser shall so request following the consummation of the registered exchange offer with respect to any Bonds held by it that were not eligible for exchange, to cause to become effective a shelf registration statement relating to resales of the Bonds and to keep that shelf registration statement effective for one year after its original effective date.

If the exchange offer is not for any reason completed within 365 days after the closing date of this offering (or, if required, the shelf registration statement is not declared effective by the SEC by the later of the date that is 365 days after the closing date of this offering and 90 days after delivery of a shelf request in accordance with the terms of the Registration Rights Agreement), or if a shelf registration statement has been declared effective and thereafter either ceases to be effective or the related prospectus ceases to be usable at any time during the required effectiveness period (subject to certain exceptions), and such failure to remain effective or be usable occurs on more than two occasions or exists for more than 45 days (whether or not consecutive), in either case, in any 12-month period. Beginning on the day immediately following any registration default, the annual interest rate borne by the Bonds will be increased by 0.25% per annum for the first 90-day period (which rate will be increased by an additional 0.25% per annum for each subsequent 90-day period that such additional interest continues to accrue, provided that the rate at which such additional interest accrues may in no event exceed 0.75% per annum) until the exchange offer is completed, the shelf registration statement is declared effective or the shelf registration and related prospectus become effective or usable again.

See “Registration Rights; Exchange Offer.”

**Prescription** ..... Claims against the Republic for the payment of principal and interest, premium, if any, or other amounts due on the Bonds will be

prescribed unless made within five years, with respect to principal, and two years, with respect to interest, premium, if any, or other amounts due on the Bonds, in each case from the date on which such payment first became due, or a shorter period if provided by law.

- Governing Law** ..... The Bonds will be, and the Indenture is, governed by and construed in accordance with the laws of the State of New York, except with respect to the authorization and execution of the Bonds and the Indenture by and on behalf of Argentina, which shall be governed by the laws of Argentina.
- Listing** ..... Application is expected to be made to list the Bonds on the Luxembourg Stock Exchange and the MERVAL and to have them admitted for trading on the Euro MTF Market and the MAE.
- Trustee, Registrar, Paying Agent and Transfer Agent** ..... The Bank of New York Mellon.
- Luxembourg Listing Agent, Paying Agent and Transfer Agent** ..... The Bank of New York Mellon (Luxembourg) S.A.
- Risk Factors** ..... See “Risk Factors” and the other information in this offering memorandum for a discussion of factors you should carefully consider before deciding to invest in the Bonds.
- Identifier Numbers** ..... The Bonds offered hereby and sold pursuant to Rule 144A and Regulation S under the Securities Act will have the relevant identifier numbers set forth in the following table:

<u>Series I</u>	<u>CUSIP Number</u>	<u>ISIN Number</u>	<u>Common Code</u>
Regulation S	P04808 AL8	USP04808AL87	155648724
Rule 144A	040114 HH6	US040114HH60	155645938
<u>Series II</u>	<u>CUSIP Number</u>	<u>ISIN Number</u>	<u>Common Code</u>
Regulation S	P04808 AM6	USP04808AM60	155650923
Rule 144A	040114 HJ2	US040114HJ27	155650940

## **RISK FACTORS**

*An investment in the Bonds involves an important degree of risk. Before deciding to purchase the Bonds, you should read carefully all of the information contained in this offering memorandum, including, in particular, the following risk factors.*

### **Risks Relating to the Republic**

*Investing in a developing country entails certain inherent risks.*

Argentina is a developing economy and investing in developing economies generally involves risks. These risks include political, social and economic events that may affect Argentina's economic results. In the past, instability in Argentina and other Latin American and emerging market countries has been caused by many different factors, including the following:

- adverse external economic factors;
- inconsistent fiscal and monetary policies;
- dependence on external financing;
- changes in governmental economic or tax policies;
- high levels of inflation;
- abrupt changes in currency values;
- high interest rates;
- wage increases and price controls;
- volatility of exchange rates and capital controls;
- political and social tensions;
- fluctuations in central bank reserves; and
- trade barriers.

Any of these factors may adversely affect the liquidity, trading markets and value of Argentina's debt securities and Argentina's ability to service its debt obligations, including the Bonds.

Argentina has experienced political and social economic instability in the past and may experience further instability in the future. In 2001 and 2002, Argentina suffered a major political, economic and social crisis, which resulted in institutional instability and a severe contraction of the economy (GDP contracted 10.9% in 2002 compared to 2001) with significant increases in unemployment and poverty rates. Among other consequences, the crisis caused a large currency devaluation and led to the Government defaulting on its external debt. In response, the Government implemented a series of emergency measures, including strict foreign exchange restrictions and monthly limits on bank withdrawals, which affected public companies and other sectors of the Argentine economy.

The Argentine economy experienced a recovery following the 2001-2002 crisis. Since 2008, however, it has struggled to curb strong inflationary pressures and growth has stagnated, primarily as a result of the monetary and fiscal policies introduced by the Fernández de Kirchner administration, strict foreign exchange controls and overvalued real exchange rates that constrained foreign trade and investments and the decline in commodities prices. See "Annex I—Republic of Argentina—The Argentine Economy—Economic History and Background—Principal Government Policies and their Impact on Argentina's Economy (2011-2015)." The

Fernández de Kirchner administration’s policies increasingly eroded confidence in the Argentine economy, which resulted, among other things, in capital outflows, decreasing investment and a significant decline in the Central Bank’s international reserves.

Since taking office in December 2015, the Macri administration has introduced economic and policy reforms. In addition, the Macri administration restarted negotiations with holders of defaulted bonds in December 2015 with a view to bringing closure to fifteen years of litigation. On April 22, 2016, Argentina closed the April 2016 Transaction, and upon confirmation that the conditions set forth in its March 2, 2016 order had been satisfied, the U.S. District Court for the Southern District of New York (the “District Court”) ordered the vacatur of all *pari passu* injunctions that had been ordered in 2012.

***The Macri administration has implemented significant changes in policy and announced additional measures, but the ability to successfully implement such additional measures, and the eventual outcomes of such changes is unknown.***

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

Since assuming office, the Macri administration has implemented several economic and policy reforms and announced other intended reforms, including reforms to:

- foreign exchange restrictions;
- INDEC methodologies;
- financial policy;
- foreign trade policy;
- fiscal policy;
- monetary imbalances;
- Argentina’s energy generation and consumption regime;
- reparation program for retirees and pensioners; and
- tax amnesty regime.

For a description of these economic and policy reforms, see “Annex I—Republic of Argentina—The Argentine Economy—Macri Administration: 2015-Present.”

Although the Macri administration believes that the national economy has responded largely as expected to the measures implemented to date (e.g., lifting of significant foreign exchange controls, reduction in fiscal expenditures through subsidies and other measures, correction of monetary imbalances, implementing a reparation program for retirees and pensioners), the ultimate long-term impact of each of these measures on the national economy as well as the ability to implement all announced measures as currently contemplated, cannot be assured. The ability of the Macri administration to implement legislative measures will require obtaining support from opposition parties. The opposition parties did support the passage of the Debt Authorization Law submitted by the Macri Administration, suggesting that political compromises can be achieved. If the Macri administration’s agenda cannot be successfully implemented, including as a result of a lack of political support from opposition parties in Congress, the result may weaken confidence in and adversely affect the Argentine economy and financial condition.



***If current levels of inflation do not decrease, the Argentine economy could be adversely affected.***

Historically, inflation has materially undermined the Argentine economy and the Government's ability to create conditions that permit growth. In recent years, Argentina has experienced high inflation rates. See “—The credibility of several Argentine economic indices has been called into question, which has led to a lack of confidence in the Argentine economy and could affect your evaluation of this offering and/or the market value of the Bonds.”

High inflation rates affect Argentina's foreign competitiveness, social and economic inequality, negatively impact employment and the level of economic activity and undermine confidence in Argentina's banking system, which could further limit the availability of domestic and international credit and political stability. A portion of Argentina's debt is adjusted by the CER (a currency index) is strongly related to inflation and was linked to the INDEC CPI until December 2015. Between January 12 and June 2, 2016, the Government issued a series of resolutions designating either the CPI calculated by the government of the City of Buenos Aires or the CPI calculated by the Province of San Luis as the index to be used by the Central Bank to calculate the CER. On June 15, 2016, the INDEC published the inflation rate for May 2016 using its new methodology for calculating the CPI. Beginning as of June 26, 2016, the Government resumed using the INDEC CPI to calculate the CER. Adjustments and payments on Argentina's inflation-indexed debt are not subject to restatement or revision

In September, October, November and December 2016, the monthly inflation rate as measured by the City of Buenos Aires CPI was 1.3%, 2.9%, 2.0% and 1.2%, respectively, while according to the Province of San Luis CPI, the inflation rate in September, October, November 2016 was 1.7%, 2.0%, and 1.3%, respectively. On June 15, 2016, the INDEC resumed publishing inflation rates, reporting an increase of 1.1% for September 2016, 2.4% for October 2016, 1.6% for November 2016 and 1.2% for December 2016 using its new methodology for calculating the CPI. In the past and through the Fernández de Kirchner administration, the Government implemented programs to control inflation and monitor prices for essential goods and services, including attempts to freeze the prices of certain supermarket products, and price support arrangements agreed between the Government and private sector companies in several industries and markets that did not address the structural causes of inflation and failed to reduce inflation. Recently, the Government's adjustments to electricity and gas tariffs, as well as the increase in the price of gasoline have impacted prices, creating additional inflationary pressure. For more information, see “Annex I—Republic of Argentina—The Argentine Economy—Economic History and Background—Macri Administration: 2015-Present—Tariff increases.”

Inflation remains a challenge for Argentina given its persistent nature in recent years. The Macri administration has announced its intention to reduce the primary fiscal deficit as a percentage of GDP over time and also reduce the Government's reliance on Central Bank financing. If, despite the measures adopted by the Macri administration, these measures fail to address Argentina's structural inflationary imbalances, the current levels of inflation may continue and have an adverse effect on Argentina's economy and financial condition. Inflation can also lead to an increase in the Republic's debt and have an adverse effect on the Republic's ability to service its debt, including the Bonds, principally in the medium and long term when most inflation indexed debt matures.

***The credibility of several Argentine economic indices has been called into question, which has led to a lack of confidence in the Argentine economy and could affect your evaluation of this offering and/or the market value of the Bonds.***

During the presidency of Fernández de Kirchner, the INDEC, the Government's principal statistical agency, underwent institutional and methodological reforms that gave rise to controversy regarding the reliability of the information that it produced, including inflation, GDP, unemployment and poverty data. Reports published by the IMF have stated that their staff uses alternative measures of inflation for macroeconomic surveillance, including data produced by private sources, which have shown inflation rates considerably higher than those published by the INDEC between 2007 and 2015. The IMF also censured Argentina for failing to make sufficient progress, as required under the Articles of Agreement of the IMF, in adopting remedial measures to address the quality of official data, including inflation and GDP data.

On January 8, 2016, based on its determination that the INDEC had failed to produce reliable statistical information, particularly with respect to CPI, GDP and foreign trade data, poverty and unemployment rates, the Macri administration declared a state of administrative emergency for the national statistical system and the INDEC until December 31, 2016. The INDEC suspended publication of certain statistical data pending reorganization of its technical and administrative structure to recover its ability to produce sufficient and reliable statistical information. During the first six months of this reorganization period, the INDEC published official CPI figures published by the City of Buenos Aires and the Province of San Luis for reference. Certain revised foreign trade, balance of payment and GDP data for the years 2011 through 2015 and the CPI for May, June and July 2016 were released by the INDEC after the state of administrative emergency was declared on January 8, 2016, and are included in this offering memorandum. See “Presentation of Statistical and Other Information.”

The Government’s announced reforms seek to produce official data that meets international standards. In order to be effective, such reforms require, however, that data be collected on a timely basis and other implementation steps that the Government does not control. If these reforms cannot be successfully implemented, such failure may adversely affect the Argentine economy, in particular by undermining expectations that its performance will improve. The INDEC’s past or future data may be materially revised to reveal a different economic or financial situation in Argentina, which could affect your investment decision with respect to the Bonds and your evaluation of the Bonds’ market value. In addition, uncertainty with respect to the success of the measures taken to implement the expected changes may impair measures taken by the Central Bank to tackle inflation, which, in turn, could have a negative impact on the Republic’s economy and financial condition and adversely affect its ability to service its debt, including the Bonds. See “—If current levels of inflation do not decrease, the Argentine economy could be adversely affected” above, “Presentation of Statistical and Other Information—Certain Methodologies” and “Annex I—Republic of Argentina—Monetary System—Inflation—National Statistical System’s State of Emergency.”

***Increases in the Government’s public expenditures could have a material adverse effect and longstanding negative consequences on Argentina’s economic prospects.***

The Fernández de Kirchner administration significantly increased public expenditures. In 2015, the Government recorded a primary fiscal deficit of Ps. 291.7 billion (calculated using the methodologies adopted by the Macri administration, see “Annex I—Republic of Argentina—Public Sector Finances—National Public Accounts—Evolution of Fiscal Results 2011-2015”). Public expenditures, mainly composed of subsidies to the electricity sector increased by 35.5% as compared to 2014, from Ps. 1.04 trillion in 2014 to Ps. 1.40 trillion in 2015. In 2015, the inflation rate as measured by the City of Buenos Aires CPI and the San Luis Province was 26.9% and 31.6%, respectively. The Fernández de Kirchner administration received financial assistance from the Central Bank and the *Administración Nacional de la Seguridad Social* (the National Social Security Agency, or “ANSES”) to meet its financing needs.

The Macri administration has undertaken important steps to curb the fiscal deficit through a series of tax and other measures aimed at increasing revenues, reducing energy, gas and transport subsidies and controlling public expenditures. However, the Republic cannot assure that such measures will be successful. Certain programs recently announced by the Macri administration may also increase public expenditures, including the bill for the *Programa de Reparación Histórica para Jubilados y Pensionados* (Historical Reparations Program for Retirees and Pensioners) passed on June 29, 2016, which would require retroactive compensation in an aggregate amount of more than Ps. 47.0 billion and an investment of up to Ps. 75.0 billion to cover all potential beneficiaries. The funding is expected to be generated in part through revenues raised under a tax amnesty proposed in the same bill. See “Annex I—Republic of Argentina—The Argentine Economy—Economic History and Background—Macri Administration: 2015-Present—Retiree Programs.” Weaker fiscal results could have a material adverse effect on the Government’s ability to access long term financing, which, in turn, could adversely affect the market value of the Bonds.

***Growth rates in developing economies tend to be very volatile. A sudden and significant decline in the growth rate of the Argentine economy could have a material adverse effect on the Republic's public finances and its ability to service its debt obligations, including the Bonds.***

The economy of Argentina has experienced significant volatility in recent decades, including numerous periods of low or negative growth and high and variable levels of inflation and devaluation of its currency. Argentina's economy recovered significantly from the economic crisis of 2001-2002, maintaining growth rates ranging from 8.0% and 9.2% between 2004 and 2007. However, by the third quarter of 2008, the economy began to experience a downturn that was aggravated by the escalation of the global financial crisis. A moderate recovery beginning in 2009 was followed by a marked slowdown in Argentina's economic activity in 2012, when real GDP growth decelerated to 0.8%, compared to 8.4% in 2011. Economic growth in 2013 and 2014 showed limited signs of recovery, and GDP per capita decreased. In 2015, real GDP increased by 2.4% compared to 2014. In October 2016, the INDEC reported that real GDP decreased by 2.4% in the first nine months of 2016 compared to the same period in 2015.

Economic growth is dependent on a variety of factors, including (but not limited to) international demand for Argentine exports, the price of particular commodities, the stability and competitiveness of the peso against foreign currencies, levels of consumer consumption and foreign and domestic investment and the rate of inflation.

If the Argentine economy does not recover and growth does not accelerate, the Macri administration's deficit targets may not be met, adversely affecting the Republic's economy and financial conditions, including its long-term ability to service its public debt.

***The Argentine economy remains vulnerable to external shocks that could be caused by significant economic difficulties of Argentina's major regional trading partners, particularly Brazil, or by more general "contagion" effects, including those precipitated by the United Kingdom's impending departure from the European Union. Such external shocks and "contagion" effects could have a material adverse effect on Argentina's economic growth and its ability to service its public debt.***

Weak, flat or negative economic growth of any of Argentina's major trading partners, such as Brazil, could adversely affect the Republic's balance of payments and, consequently, economic growth.

The economy of Brazil, Argentina's largest export market and the principal source of imports, is currently experiencing heightened negative pressure due to the uncertainties stemming from its ongoing political crisis, including the impeachment of Brazil's president, that resulted in the Senate of Brazil removing Ms. Dilma Rousseff from office for the rest of her term. The Brazilian economy contracted by 3.8% during 2015, mainly due to a 8.3% decrease in industrial production. The Brazilian real devalued against the U.S. dollar by approximately 49.1% from January 2015 to February 2016, the steepest depreciation in over a decade, in its attempt to increase exports. Although the Brazilian real appreciated by 17.2% between March 1, 2016 and September 1, 2016, a further deterioration of economic conditions in Brazil may reduce demand for Argentine exports and increase demand for Brazilian imports. While the impact of Brazil's downturn on Argentina cannot be predicted, the Government cannot exclude that the Brazilian political and economic crisis could have further negative impact on the Argentine economy.

The Argentine economy may be affected by "contagion" effects. International investors' reactions to events occurring in one developing country sometimes appear to follow a "contagion" pattern, in which an entire region or investment class is disfavored by international investors. In the past, the Argentine economy has been adversely affected by such contagion effects on a number of occasions, including the 1994 Mexican financial crisis, the 1997 Asian financial crisis, the 1998 Russian financial crisis, the 1999 devaluation of the Brazilian real, the 2001 collapse of Turkey's fixed exchange rate regime and the global financial crisis that began in 2008.

The Argentine economy may also be affected by conditions in developed economies, such as the United States, that are significant trading partners of Argentina or have influence over world economic cycles. For example, if interest rates increase significantly in developed economies, including the United States and Europe (particularly as a result of the United Kingdom's vote in favor of leaving the European Union on June 23, 2016 (the "Brexit")), Argentina and its developing economy trading partners, such as Brazil, could find it more difficult and expensive to borrow capital and refinance existing debt, which could adversely affect economic growth in those countries. In order to effect the Brexit, a process of negotiation will determine the future terms of the United Kingdom's relationship with the European Union. Depending on the terms of Brexit, if any, the United Kingdom could lose access to the single EU market and to the global trade deals negotiated by the European Union on behalf of its members. The perceptions as to the impact of the withdrawal of the United Kingdom from the European Union may adversely affect business activity and economic and market conditions in the United Kingdom, the Eurozone and globally, and could contribute to instability in global financial and foreign exchange markets. In addition, Brexit could lead to additional political, legal and economic instability in the European Union.

***Decreased growth on the part of Argentina's trading partners could have a material adverse effect on the markets for Argentina's exports and, in turn, adversely affect economic growth. A decline in international prices for Argentina's principal commodity exports could have a material adverse effect on Argentina's economy and public finances.***

Historically, the commodities market has been characterized by high volatility. Despite the volatility of prices of most of Argentina's commodities exports, commodities have significantly contributed to the Government's revenues during recent years. Consequently, the Argentine economy has remained relatively dependent on the price of its main agricultural exports, primarily soy. This dependence has, in turn, rendered the Argentine economy more vulnerable to commodity prices fluctuations. International commodities prices decreased during 2015 but have partially recovered during 2016. Declines in commodity prices may adversely affect the Argentine economy, and the Government's fiscal revenues. In addition, as of the date of this offering memorandum, the Macri administration has eliminated export taxes on many agricultural products and reduced the export taxes on soy from 35% to 30%. While the measure was intended to encourage exports, reductions in export taxes in the future, unless replaced with other sources of revenues, may impact negatively on the Republic's public finances.

***A significant depreciation of the currencies of Argentina's trading partners or trade competitors in particular Brazil may adversely affect the competitiveness of exports and cause an increase in imports, thus adversely affecting the Argentine economy.***

The depreciation of the currencies of one or more of Argentina's trading partners, particularly Brazil, or trade competitors relative to the peso may result in exports becoming more expensive and less competitive. It may also cause an increase in relatively cheaper imports. The Brazilian real devalued against the U.S. dollar by approximately 49.1% from January 2015 to February 2016, the steepest depreciation in over a decade, in its attempt to increase exports. Although the Brazilian real appreciated by 17.2% between March 1, 2016 and September 1, 2016, economic dynamics remain weak and the road to recovery is currently expected to be long. Brazil has been beset by a combination of high inflation and borrowing costs, political paralysis and growing government debt and deficits, which have pushed Brazil into its worst economic downturn since at least the great depression. Future devaluations of the Brazilian currency may generate a decrease in Argentine exports and increase in imports, which may have a material adverse effect on the Republic's economic growth, its financial condition and the ability of the Republic to service its debt obligations, including the Bonds.

In addition, the federal government of Brazil reached an agreement with cash-strapped states to provide support for needed structural reforms. Political uncertainty, however, has risen sharply as a variety of scandals have engulfed the government and led to a number of resignations.

***Exchange controls and restrictions on capital inflows and outflows could have a material adverse effect on Argentine public sector activity.***

In 2001 and 2002, following a run on the financial system triggered by the public's lack of confidence in the continuity of the convertibility regime that resulted in massive capital outflows, the Government

introduced exchange controls and restrictions on the transfer of foreign currency in an attempt to prevent capital flight and a further depreciation of the peso. These exchange controls substantially limited the ability of issuers of debt securities, among others, to accumulate or maintain foreign currency in Argentina or make payments abroad. Although several of such exchange controls and transfer restrictions were subsequently suspended or terminated, in June 2005 the Government issued a decree that established new controls on capital flows, which resulted in a decrease in the availability of international credit for Argentine companies.

In addition, from 2011 until the Macri administration took office in December 2015, the Government increased controls on the sale of foreign currency and the acquisition of foreign assets by local residents, limiting the possibility of transferring funds abroad. Together with regulations established in 2012 that subjected certain foreign exchange transactions to prior approval by Argentine tax authorities or the Central Bank, the measures taken by the Fernández de Kirchner administration significantly curtailed access to the MULC. In response, an unofficial U.S. dollar trading market developed in which the peso-U.S. dollar exchange rate differed substantially from the official peso-U.S. dollar exchange rate.

As of the date of this offering memorandum, the Macri administration has eliminated substantially all foreign exchange restrictions that developed under the Fernández de Kirchner regime. See “—The Macri administration has begun to implement significant measures to solve the current energy sector crisis, but the eventual outcome of such measures is unknown” below. Notwithstanding the measures recently adopted by the Macri administration, if in the future the Central Bank and the Government re-introduces exchange controls and imposes restrictions on transfers abroad, such measures may negatively affect Argentina’s international competitiveness, discouraging foreign investments and lending by foreign investors or increasing foreign capital outflows, which could have an adverse effect on economic activity in Argentina.

***The Macri administration has begun to implement significant measures to solve the current energy sector crisis, but the eventual outcome of such measures is unknown.***

Economic policies since the 2001-2002 crisis have had an adverse effect on Argentina’s energy sector. The failure to reverse the freeze on electricity and natural gas tariffs imposed during the 2001-2002 economic crisis created a disincentive for investments in the energy sector. Instead, the Government sought to encourage investment by subsidizing energy consumption. The policy proved ineffective and operated to further discourage investment in the energy sector and caused production of oil and gas and electricity generation, transmission and distribution to stagnate while consumption continued to rise. To address energy shortages starting in 2011, the Government engaged in increasing imports of energy, with adverse implications for the trade balance and the international reserves. See “—Increases in the Government’s public expenditures could have a material adverse effect and longstanding negative consequences on Argentina’s economic prospects.”

In response to the growing energy crisis, the Macri administration declared a state of emergency with respect to the national electricity system, which will be in effect until December 31, 2017. The state of emergency allows the Government to take actions designed to stabilize the supply of electricity to the country, such as instructing the *Ministerio de Energía y Minería de la Nación* (Ministry of Energy and Mining) to design and implement, with the cooperation of all federal public entities, a coordinated program to guarantee the quality and security of the electricity system. In addition, the Macri administration announced the elimination of certain energy subsidies and significant adjustments to electricity rates to reflect generation costs. Additionally, the Macri administration announced the elimination of a portion of subsidies to natural gas and adjustment to natural gas rates. As a result, average electricity and gas prices have already increased and could increase further. However, certain of the Government’s initiatives relating to the energy and gas sectors have been challenged in the Argentine courts and resulted in judicial injunctions or rulings against the Government’s policies. For more information, see “Annex I— Republic of Argentina—The Argentine Economy—Economic History and Background— Macri Administration: 2015-Present—National electricity state of emergency and reforms” and “Annex I— Republic of Argentina—The Argentine Economy—Economic History and Background—Macri Administration: 2015-Present—Tariff increases.”

The Macri administration has taken steps and announced measures to address the energy sector crisis while taking into consideration the implications of these price increases for the poorest segments of society, approving subsidized tariffs for qualifying users. Failing to address the negative effects on energy generation,

transportation and distribution in Argentina with respect to both the residential and industrial supply, resulting in part from the pricing policies of the prior administrations, could weaken confidence in and adversely affect the Argentine economy and financial condition, lead to social unrest and political instability, and adversely affect the Republic's ability to service its debt, including the Bonds. There can be no assurance that the measures adopted by the Macri administration to address the energy crisis will not be challenged in the local courts and/or be sufficient to restore production of energy in Argentina within the short or medium term.

***Failure to adequately address actual and perceived risks of institutional deterioration and corruption may adversely affect Argentina's economy and financial condition.***

A lack of a solid institutional framework and corruption have been identified as, and continue to be a significant problem for Argentina. In Transparency International's 2015 Corruption Perceptions Index survey of 167 countries, Argentina was ranked 107, the same position that it held in 2014. In the World Bank's Doing Business 2016 report, Argentina ranked 121 out of 189 countries, up from 124 in 2015.

Recognizing that the failure to address these issues could increase the risk of political instability, distort decision-making processes and adversely affect Argentina's international reputation and ability to attract foreign investment, the Macri administration has announced several measures aimed at strengthening Argentina's institutions and reducing corruption. These measures include the reduction of criminal sentences in exchange for cooperation with the Government in corruption investigations, increased access to public information, the seizing of assets from corrupt officials, increasing the powers of the Anticorruption Office (*Oficina Anticorrupción*) and the passing of a new public ethics law, among others. The Government's ability to implement these initiatives is uncertain as it would require the involvement of the judicial branch, which is independent, as well as legislative support from opposition parties.

The Government cannot give assurances that the implementation of these measures will be successful.

***Fluctuations in the value of the peso could adversely affect the Argentine economy and the Republic's ability to service its debt obligations.***

Fluctuations in the value of the peso may also adversely affect the Argentine economy. The devaluation of the peso may have a negative impact on the Government's revenues (measured in U.S. dollars), fuel inflation and significantly reduce real wages. After several years of moderate variations in the nominal exchange rate, the peso lost more than 30% of its value with respect to the U.S. dollar in each of 2014, 2015 and approximately 21% in 2016. Persistent high inflation during this period, with formal and "*de facto*" exchange controls, resulted in an increasingly overvalued real official exchange rate. Compounded by the effects of foreign exchange controls and restrictions on foreign trade, these highly distorted relative prices resulted in a loss of competitiveness of Argentine production, impeded investment and resulted in economic stagnation during this period. For a description of the measures taken by the Macri administration to address these issues, see "—The Macri administration has begun to implement significant measures to solve the current energy sector crisis, but the eventual outcome of such measures is unknown" above.

A significant appreciation of the peso against the U.S. Dollar also presents risks for the Argentine economy, including the possibility of a reduction in exports (as a consequence of the loss of external competitiveness). Any such appreciation could also have a negative effect on economic growth and employment and reduce tax revenues in real terms.

From time to time, the Central Bank may intervene in the foreign exchange market in order to maintain the currency exchange rate. Additional volatility, appreciations or depreciations of the peso or reduction of the Central Bank's reserves as a result of currency intervention could adversely affect the Argentine economy and the Republic's ability to service its debt obligations, including the Bonds.

***There can be no assurances that the Republic will be able to obtain financing on satisfactory terms in the future, which could have a material adverse effect on the Republic's ability to make payments on its outstanding public debt, including the Bonds.***

The Republic's future tax revenue and fiscal results may be insufficient to meet its debt service obligations and the Republic may have to rely in part on additional financing from domestic and international capital markets in order to meet future debt service obligations. In the future, the Republic may not be able or willing to access international or domestic capital markets, and the Republic's ability to service its outstanding public debt, including the Bonds, could be adversely affected.

***There can be no assurances that the Republic's credit rating will improve or that the credit ratings to be granted to the Bonds will not be downgraded, suspended or cancelled by the rating agencies.***

The Republic's current long-term debt credit ratings are sub-investment grade. They indicate that such debt securities are judged to be subject to very high credit risk. The lack of improvement in the Republic's credit rating could continue to adversely affect the trading price of the Republic's debt securities (including the Bonds) and have the potential to affect the Republic's cost of funds in the international capital markets and the liquidity of and demand for the Republic's debt securities.

The Republic has stated its intention to use its best efforts to have the Bonds rated. Any credit rating granted to the Bonds may change following its issuance. Such credit rating is limited in its scope and does not consider all of the risks related to the investment in the Bonds. The credit rating only reflects the considerations that were taken into account at the moment of issuing such credit rating. There can be no assurances that such credit rating will be granted or maintained for a certain period of time or that such credit rating will not be downgraded, suspended or cancelled upon the credit rating's consideration or if circumstances will so require. Any credit rating downgrade, suspension, or cancellation may have an adverse effect on the market price and the negotiation of the Bonds.

### **Risks Relating to Litigation**

***The Republic's ability to obtain financing from international markets is limited, which may impair its ability to implement reforms and foster economic growth.***

In 2005 and 2010, the Republic conducted exchange offers to restructure part of its sovereign debt that had been in default since the end of 2001. As a result of these exchange offers, the Republic restructured over 92% of its eligible defaulted debt. In April 2016, the Government settled U.S.\$4.2 billion outstanding principal amount of Untendered Debt.

As of the date of this offering memorandum, litigation initiated by bondholders that have not responded to Argentina's settlement proposal continues in several jurisdictions, although the size of the claims involved has decreased significantly. See "Annex I—Republic of Argentina—Public Sector Debt—Legal Proceedings."

Although the vacatur of the *pari passu* injunctions removed a material obstacle to access to capital markets by the federal government, future transactions may be affected as litigation with holdout bondholders continues, which in turn could affect the federal government's ability to access international credit markets, and thus could have a material adverse effect on the Argentine economy.

***Foreign shareholders of companies operating in Argentina have initiated investment arbitration proceedings against Argentina that have resulted and could result in arbitral awards and/or injunctions against Argentina and its assets and, in turn, limit its financial resources.***

In response to the emergency measures implemented by the Government during the 2001-2002 economic crisis, a number of claims were filed before the International Centre for Settlement of Investment Disputes ("ICSID") against Argentina. Claimants allege that the emergency measures were inconsistent with

the fair and equitable treatment standards set forth in various bilateral investment treaties by which Argentina was bound at the time.

As of the date of this offering memorandum, there are four final awards issued by ICSID tribunals against Argentina for an aggregate total of U.S.\$467.4 million, and Argentina is seeking the annulment of three additional awards for an aggregate total of U.S.\$805.5 million. There are four ongoing cases against Argentina before ICSID with claims totaling U.S.\$1.65 billion, and in one of these cases (with aggregate claims totaling U.S.\$1.6 billion) the ICSID tribunal has already ruled that it has jurisdiction. There are seven additional cases with claims totaling U.S.\$3.1 billion in which the parties agreed to suspend the proceedings pending settlement discussions. A successful completion of these negotiations could lead additional ICSID claimants to withdraw their claims, although the Republic can offer no assurance to this effect. For a description of the claims settled through a consent award dated December 29, 2016, see “Annex I—Republic of Argentina—Public Sector Debt—Legal Proceedings—ICSID Arbitration.” Two additional awards were recently rendered in an aggregate amount of U.S.\$14.5 million and as of the date of this offering memorandum, the deadline for applications for annulment has not yet passed.

Claimants have also filed claims before arbitral tribunals under the rules of the United Nations Commission on International Trade Law (“UNCITRAL”) and under the rules of the International Chamber of Commerce (“ICC”).

As of the date of this offering memorandum, there was one final outstanding UNCITRAL award against Argentina for a total of U.S.\$7.39 million and Argentina is seeking the annulment of two additional awards for an aggregate amount of U.S.\$21.05 million. As of such date, there were three ongoing cases against Argentina before UNCITRAL and ICC tribunals with claims totaling U.S.\$625.43 million, including one case with a U.S.\$508.70 million claim in which the tribunal had already ruled that it has jurisdiction. There was one additional case with a claim of U.S.\$168.69 million in which the parties agreed to suspend the proceedings pending settlement discussions.

In October 2013 and May 2016, Argentina settled two final awards issued by an UNCITRAL tribunal that awarded a claim against Argentina for U.S.\$104.00 million and U.S.\$189.46 million, respectively.

The Republic cannot give any assurance that it will prevail in having any or all of those cases dismissed, or that if awards in favor of the plaintiffs are granted, that it will succeed in having those awards annulled.

See “Annex I—Republic of Argentina—Public Sector Debt—Legal Proceedings—ICSID Arbitration” and “—Public Sector Debt—Legal Proceedings—Other Arbitration.” Ongoing claims before ICSID and other arbitral tribunals could lead to new awards against Argentina, which could have a material adverse effect on the Republic’s economy and financial resources.

## **Risks Relating to the Bonds**

### ***The Bonds are subject to restrictions on resales and transfers.***

Although the Republic has agreed to file an exchange offer registration statement or, under specified circumstances, a shelf registration statement, pursuant to the Registration Rights Agreement to exchange the Bonds for Exchange Bonds, there can be no assurance that such exchange offer registration statement or shelf registration statement will be filed. The Bonds have not been registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Bonds may be offered and sold only (a) to “Qualified Institutional Buyers” (as defined in Rule 144A under the Securities Act) in compliance with Rule 144A; (b) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act; (c) pursuant to an exemption from registration under the Securities Act; or (d) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. For certain restrictions on resale and transfer, see “Plan of Distribution” and “Notice to Investors.”



***There is no prior market for the Bonds; if one develops, it may not be liquid. In addition, a listing of the Bonds on a securities exchange cannot be guaranteed.***

There currently is no market for the Bonds. The Republic cannot guarantee that such a market will develop or if one does develop, that it will continue to exist. If a market for the Bonds were to develop, prevailing interest rates and general market conditions could affect the price of the Bonds. This could cause the Bonds to trade at prices that may be lower than their principal amount or their initial offering price. In addition, no assurance can be given as to the liquidity of the trading market for the Bonds and the price at which the Bonds will trade on the secondary market is uncertain.

Under the Registration Rights Agreement, the Republic has agreed to use its best reasonable efforts to exchange the Bonds for Exchange Bonds or, in some circumstances, to register resales of the Bonds under the Securities Act. However, the Republic may not be successful in consummating the exchange or having the registration statement declared effective. See “Registration Rights; Exchange Offer.”

Although application will be made to list the Bonds on the Luxembourg Stock Exchange and the MERVAL and to have them admitted for trading on the Euro MTF Market and the MAE, the Bonds issued hereby may not be so listed and traded. Moreover, even if a series of Bonds is so listed and traded at the time of issuance, the Republic may decide to delist the Bonds and/or seek an alternative listing for such Bonds on another stock exchange, although there can be no assurance that such alternative listing will be obtained.

***It may be difficult for you to obtain or enforce judgments against the Republic.***

The Republic is a sovereign entity. Consequently, while the Republic has irrevocably submitted, subject to certain exceptions, to the jurisdiction of any New York state or U.S. federal court sitting in the City of New York, Borough of Manhattan (in addition to the courts of the Republic), over any suit, action or proceeding against it or its properties, assets or revenues arising out of or relating to the Bonds or the Republic’s failure or alleged failure to perform any obligations under the Bonds, which are governed by New York law, it may be difficult for holders of Bonds or the trustee in respect of the Bonds to obtain or enforce judgments of courts in the United States or elsewhere against the Republic. See “Description of the Bonds—Governing Law” and “—Submission to Jurisdiction.”

Following the Republic’s default on its debt at the end of 2001, numerous lawsuits were filed against the Republic in several jurisdictions. For a description of certain plaintiffs’ attempts to execute on their judgments against the Republic, see “Annex I – Republic of Argentina—Public Sector Debt—Legal Proceedings.”

The Republic has not consented to service or waived sovereign immunity with respect to actions brought against it under the U.S. federal securities laws or any state securities laws. In the absence of a waiver of immunity by the Republic with respect to such actions, it would not be possible to obtain a judgment in such an action brought in a U.S. court against the Republic unless such court were to determine that the Republic is not entitled under the FSIA to sovereign immunity with respect to such action. Further, even if a U.S. judgment could be obtained in any such action under the FSIA, it may not be possible to enforce in the Republic a judgment based on such a U.S. judgment. Execution upon property of the Republic located in the United States to enforce a U.S. judgment may not be possible except under the limited circumstances specified in the FSIA. See “Enforceability of Civil Liabilities.”

In addition, if holders of Bonds obtained a foreign judgment against the Republic, it may be difficult for holders to have that judgment recognized and enforced in Argentine courts during states of emergency, as was declared by Congress during the 2001-2002 crisis, in light of the March 6, 2014 decision of the Supreme Court of Argentina in *Claren Corporation v. Estado Nacional*. In that case, the Supreme Court of Argentina held that the enforcement of a foreign judgment sought by *Claren Corporation* did not satisfy one of the requirements set forth in the Code of Civil and Commercial Procedure of the Republic (i.e., that a foreign judgment cannot contravene Argentine law principles of public policy), given the fact that enforcement as requested by the plaintiff would imply that such plaintiff, through an individual action filed before a foreign court, could circumvent the public debt restructuring process set forth by the Government through emergency legislation enacted in accordance with the Argentine Constitution after the debt securities subject to the foreign

judgment were issued. The Supreme Court of Argentina further held that such norms were part of Argentine public policy and, therefore, that the enforcement of a foreign judgment as the one sought by the plaintiff could not be granted as it would be clearly contrary to such legislation.

Even in the absence of a state of emergency, it may be difficult for holders of Bonds to have a foreign judgment recognized and enforced against the Republic in Argentina. Law No. 11,672, *Ley Complementaria Permanente de Presupuesto*, requires that Congress approve, as part of the national budget, the payment of a portion or full amount of any foreign judgment. A holder of Bonds may only seek attachment of the Republic's assets in Argentina to enforce a foreign judgment if such congressional approval is not obtained.

***The Bonds will contain provisions commonly referred to as “collective action clauses” that permit the Republic to amend the payment terms of the Bonds without the consent of all holders.***

The Bonds will contain provisions regarding voting on amendments, modifications and waivers which are commonly referred to as “collective action clauses.” Under these provisions, certain key terms of the Bonds may be amended, including the maturity date, interest rate and other payment terms, without your consent. See “Description of the Bonds.”

***U.S. federal court decisions addressing the meaning of ranking provisions in the context of Argentina's litigation with the holdout creditors could potentially reduce or hinder Argentina's ability to restructure its debt.***

In *NML Capital, Ltd. v. Republic of Argentina*, the Court of Appeals affirmed injunctions enforcing the *pari passu* clause contained in the 1994 Fiscal Agency Agreement, which governs certain of Argentina's Untendered Debt, by preventing Argentina from making payments on the 2005 and 2010 Exchange Bonds unless ratable payments were made on the Untendered Debt. Upon confirmation that the conditions set forth in its March 2, 2016 order had been satisfied, the District Court ordered the vacatur of the *pari passu* injunctions.

On December 22, 2016, in a case involving certain creditors that had declined the February 2016 settlement proposal and alleged a continued violation of the *pari passu* clause, the District Court found that no continued *pari passu* violation existed although the plaintiffs' bonds remained unpaid while Argentina was paying its consenting creditors as well as the newly issued bonds. In its ruling, the District Court also found that under New York law claims relating to Untendered Debt governed by New York law become time-barred after six years. See “—Risks Relating to Litigation—The Republic's ability to obtain financing from international markets is limited, which may impair its ability to implement reforms and foster economic growth.”

### **USE OF PROCEEDS**

The gross proceeds from the sale of the Bonds will be U.S.\$3,250,000,000 for the Series I Bonds and U.S.\$3,716,700,000 for Series II Bonds, before deducting commissions and offering expenses payable by the Republic. The Republic intends to use the net proceeds of the sale of the Bonds, U.S.\$6,958,300,000, for general purposes of the Government, including refinancing.

## DESCRIPTION OF THE BONDS

*This section of this offering memorandum is only a summary of the material provisions of the Bonds and the Indenture and it does not contain all of the information that may be important to you as a potential investor in the Bonds. The Republic urges you to read the Indenture for a complete description of its obligations and your rights as a holder of the Bonds. Copies of the Indenture are available free of charge at the offices of the trustee and the Luxembourg listing agent.*

The Bonds will be issued in two series pursuant to the Indenture between the Republic and The Bank of New York Mellon, as trustee.

### General Terms of the Bonds

#### *Basic Terms of the Bonds*

The Bonds will:

- be direct, general, unconditional and unsubordinated obligations of the Republic, for which the full faith and credit of the Republic is pledged;
- not be redeemable before maturity at the option of the Republic or repayable at the option of the holder and not be entitled to the benefit of any sinking fund. The Republic may at any time, however, purchase any series of the Bonds and hold or resell them or surrender them to the trustee for cancellation;
- be represented by one or more registered notes in global form (see “Global Bonds”);
- be eligible for settlement in DTC, Euroclear and Clearstream;
- be computed on the basis of a 360-day year comprised of twelve 30-day months, and in the case of an incomplete month, the number of days elapsed;
- be issued in two series and each in minimum denominations of U.S.\$1,000 and integral multiples of U.S.\$1,000 in excess thereof;
- contain “collective action clauses” under which the Republic may amend certain key terms of each series of the Bonds, including the maturity date, interest rate and other terms, with the consent of less than all of the holders of such series of Bonds;
- pay all amounts due in respect of principal or interest in U.S. dollars;
- pay additional interest in the event of a registration default under the Registration Rights Agreement. See “Registration Rights; Exchange Offer;”
- Series I will:
  - be initially issued in an aggregate principal amount of U.S.\$3,250,000,000;
  - pay principal on January 26, 2022; and
  - mature on January 26, 2022.

Interest on Series I will:

- accrue at a rate of 5.625% per annum;
- accrue from January 26, 2017, or the most recent interest payment date; and

- be payable semi-annually in arrears on January 26 and July 26 of each year, beginning on July 26, 2017, to persons in whose names the Series I are registered at the close of business on the business day preceding the corresponding payment date.
- Series II will:
  - be initially issued in an aggregate principal amount of U.S.\$3,750,000,000;
  - pay principal on January 26, 2027; and
  - mature on January 26, 2027.

Interest on Series II will:

- accrue at a rate of 6.875% per annum;
- accrue from January 26, 2017, or the most recent interest payment date; and
- be payable semi-annually in arrears on January 26 and July 26 of each year, beginning on July 26, 2017, to persons in whose names the Series II are registered at the close of business on the business day preceding the corresponding payment date.

### ***Status***

The Bonds will constitute direct, general, unconditional and unsubordinated obligations of the Republic, for which the full faith and credit of the Republic is pledged. The Bonds rank and will rank without any preference among themselves and equally with all other unsubordinated public external indebtedness (as defined below) of the Republic. It is understood that this provision will not be construed so as to require the Republic to make payments under any series of the Bonds ratably with payments being made under any other public external indebtedness.

For this purpose:

- “public external indebtedness” means any external indebtedness of, or guaranteed by, the Republic which (i) is publicly offered or privately placed in securities markets, (ii) is in the form of, or represented by, bonds, notes or other securities or any guarantees thereof and (iii) is, or was intended at the time of issue to be, quoted, listed or traded on any stock exchange, automated trading system or over-the-counter securities market (including securities eligible for sale pursuant to Rule 144A under the Securities Act, or any successor law or regulation of similar effect).
- “external indebtedness” means obligations for borrowed money or evidenced by securities, debentures, notes or other similar instruments payable by their terms, or which at the option of the holder thereof may be payable, in a currency other than the lawful currency of the Republic, *provided* that (i) no domestic foreign currency indebtedness, as defined below, and (ii) no other indebtedness governed by the laws of the Republic and originally settled in Argentina shall constitute external indebtedness.
- “domestic foreign currency indebtedness” means (i) the following indebtedness to the extent not redenominated into pesos pursuant to Argentine law and thereby converted into domestic indebtedness, in each case as amended from time to time: (a) Bonos del Tesoro issued under Decree No. 1527/91 and Decree No. 1730/91, (b) Bonos de Consolidación issued under Law No. 23,982 and Decree No. 2140/91, (c) Bonos de Consolidación de Deudas Previsionales issued under Law No. 23,982 and Decree No. 2140/91, (d) Bonos de la Tesorería a 10 Años de Plazo issued under Decree No. 211/92 and Decree No. 526/92, (e) Bonos de la Tesorería a 5 Años de Plazo issued under Decree No. 211/92 and Decree No. 526/92, (f) Ferrobonos issued under Decree No. 52/92 and Decree No. 526/92, (g) Bonos de Consolidación de Regalías Hidrocarburíferas a 16 Años de Plazo issued under Decree No. 2284/92 and Decree No. 54/93, (h) Letras de Tesorería en

Dólares Estadounidenses issued under the Republic's annual budget laws, including those Letras de Tesorería issued under Law No. 24,156 and Decree No. 340/96, (i) Bonos de Consolidación issued under Law No. 24,411 and Decree No. 726/97, (j) Bonos Externos de la República Argentina issued under Law No. 19,686 enacted on June 15, 1972, (k) Bonos del Tesoro a Mediano Plazo en Dólares Estadounidenses issued under Law No. 24,156 and Decree No. 340/96, (l) Bonos del Gobierno Nacional en Dólares Estadounidenses issued under Decree No. 905/2002, Decree No. 1836/2002 and Decree No. 739/2003, (m) Bonos del Gobierno Nacional en Dólares Estadounidenses issued under Resolution of the Secretary of Treasury and Finance No. 240/2005 and 85/2005, (n) Bonos de la Nación Argentina en Dólares Estadounidenses issued under Resolution of the Secretary of Treasury and Finance No. 88/2006 and 18/2006, (o) Bonos de la Nación Argentina en Dólares Estadounidenses issued under Resolution of the Secretary of Treasury and Finance No. 230/2006 and 64/2006, (p) Bonos de la Nación Argentina en Dólares Estadounidenses issued under Resolution of the Secretary of Treasury and Finance No. 100/2007 and 24/2007, (q) Bonos de la Nación Argentina en Dólares Estadounidenses issued under Resolution of the Secretary of Treasury and Finance No. 424/2011 and 132/2011 and (r) any other indebtedness issued on or prior to the closing date governed by the laws of the Republic; (ii) any indebtedness issued on or prior to the closing date in exchange, or as replacement, for the indebtedness referred to in (i) above, in each case as amended from time to time; and (iii) any other indebtedness having the same terms and conditions as any of the indebtedness referred to in (i) and (ii) above in all respects except for issue date, issue price and the first interest payment thereon.

#### ***Payment of Principal and Interest***

The trustee will make payments to the registered holders of the Bonds.

While the Bonds are held in global form, holders of beneficial interests in the Bonds will be paid in accordance with the procedures of the relevant clearing system and its direct participants, if applicable. Neither the Republic nor the trustee shall have any responsibility or liability for any aspect of the records of, or payments made by, the relevant clearing system or its nominee or direct participants, or any failure on the part of the relevant clearing system or its direct participants in making payments to holders of the Bonds from the funds they receive.

For purposes of this section, "Business Day" means any day except Saturday, Sunday or any other day on which commercial banks in New York City or in the City of Buenos Aires (or in the city where the relevant paying or transfer agent is located) are authorized or obligated by law, regulation, or executive order to be closed. In any case where the date of payment of the principal, interest or premium, if any, on the Bonds is not a Business Day, then such payment will be made on the next succeeding Business Day, and no interest on the Bonds will accrue as a result of the delay in payment.

If any money that the Republic pays to the trustee or to any paying agent appointed by the trustee at the expense of the Republic (a "trustee paying agent") to make payments on any Bonds is not claimed at the end of one year after the applicable payment was due and payable, then the money will be repaid to the Republic on the Republic's written request. The Republic will hold such unclaimed money in trust for the relevant holders of those Bonds. After any such repayment, neither the trustee nor any trustee paying agent will be liable for the payment. However, the Republic's obligations to make payments on the Bonds as they become due will not be affected until the expiration of the prescription period, if any, specified in the Bonds. See "—Prescription" below.

The Republic agrees that Section 765 of the Argentine Civil and Commercial Code is not applicable to the payment of amounts due on the Bonds.

If the Republic at any time defaults in the payment of any principal of, or interest on, the Bonds, the Republic will pay interest on the amount in default (to the extent permitted by law) calculated, for each day until paid, at the rate or rates specified in such Bonds.

### ***Additional Amounts***

The Republic will make all principal, premium (if any) and interest payments on the Bonds free and clear of and without deducting or withholding on account of any present or future taxes, duties, assessments or other governmental charges of whatever nature, imposed, levied, collected, withheld or assessed by the Republic or any political subdivision or authority thereof or therein having power to tax, unless the deduction or withholding is required by law. If the Republic is required to make any deduction or withholding, it will pay the holders the additional amounts required to ensure that the net amount they receive after such withholding or deduction shall equal the amount of principal, premium (if any) and interest they would have received without this withholding or deduction.

The Republic will not, however, pay any additional amounts with respect to any Bonds in connection with any tax, duty, assessment or other governmental charge that is imposed due to any of the following:

- the holder or beneficial owner of a Bond is liable for taxes in respect of the Bonds because such holder or beneficial owner has some connection with the Republic other than merely holding the Bonds or the receipt of principal, premium or interest in respect of the Bonds or the enforcement of rights with respect to the Bonds;
- the failure of a holder or beneficial owner of a Bond to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the Republic of such holder or beneficial owner, if compliance with the requirement is a precondition to exemption from all or any portion of such withholding or deduction, provided that (i) the Republic or the Republic's agent has notified such holder of such certification, identification or other reporting requirement at least 15 days before the applicable payment date and (ii) in no event shall such holder's or beneficial owner's obligation to satisfy such a requirement require such holder or beneficial owner to provide any materially more onerous information, documents or other evidence than would be required to be provided had such holder or beneficial owner been required to file Internal Revenue Service Forms W-8BEN, W-8BEN-E, W-8ECI, W-8EXP and/or W-8IMY; or
- the Bonds are presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of the Bonds would have been entitled to additional amounts on presenting the Bonds for payment on the last day of that 30-day period.

"Relevant Date" in respect of any Bonds means the date on which payment in respect of the Bonds first becomes due or (if the trustee has not received the full amount of the money payable by such due date) the date on which notice is given to the holders by the Republic in the manner described in "Notices" below that such moneys have been received and are available for payment.

The Republic will pay any present or future stamp, court or documentary taxes or any excise or property taxes, charges or similar levies which arise in Argentina or any political subdivision thereof or taxing authority thereof or therein in respect of the creation, issue, execution, initial delivery or registration of the Bonds or any other document or instrument referred to therein. The Republic will also indemnify the holders from and against any stamp, court or documentary taxes or any excise or property taxes, charges or similar levies resulting from, or required to be paid by any of them that arise in Argentina or any political subdivision thereof or taxing authority thereof or therein in connection with the enforcement of the obligations of the Republic under the Bonds or any other document or instrument referred to therein following the occurrence of any event of default described in "—Events of Default."

Unless the context requires otherwise, any references in this offering memorandum to principal or interest on the Bonds will include additional amounts payable by the Republic in respect of such principal or interest.

### ***Negative Pledge***

The Republic has agreed that, except as set forth below, as long as any of the Bonds remain outstanding, it will not create or permit to subsist any security interest (e.g., a lien, pledge, mortgage, deed of trust, charge or other encumbrance or preferential arrangement that has the practical effect of constituting a security interest) in its revenues or assets to secure its public external indebtedness, unless the Bonds are secured equally and ratably or have the benefit of a security, guarantee, indemnity or other arrangement approved by the holders in accordance with “—Meetings, Amendments and Waivers—Collective Action” below.

Nevertheless, the Republic may permit to subsist:

1. any security interest upon property to secure public external indebtedness if that public external indebtedness was incurred to finance the acquisition of that property by the Republic; any renewal or extension of that security interest so long as it is limited to the original property covered by the security interest and it secures any renewal or extension of the original secured financing;
2. any security interest on property arising by operation of law (or pursuant to any agreement establishing a Lien equivalent to one which would otherwise exist under relevant local law) in connection with public external indebtedness, including without limitation any right of set-off with respect to demand or time deposits with financial institutions and bankers’ liens with respect to property held by financial institutions (in each case deposited with or delivered to such financial institutions in the ordinary course of the depositor’s activities);
3. any security existing on that property at the time of its acquisition to secure public external indebtedness and any renewal or extension of that security interest that is limited to the original property covered by the security interest and that secures any renewal or extension of the original secured financing;
4. any security interest created in connection with the transactions contemplated by the Republic’s 1992 financing plan dated June 23, 1992, sent to the international banking community with the communication dated June 23, 1992, from the Minister of Economy of Argentina (the “1992 financing plan”) and its implementing documentation, including any security interest to secure obligations under the collateralized bonds issued under the 1992 financing plan (the “1992 par and discount bonds”) and any security interest securing indebtedness outstanding on the Closing Date to the extent required to be equally and ratably secured with the 1992 par and discount bonds;
5. any security interest in existence on the Closing Date;
6. any security interest securing public external indebtedness issued upon surrender or cancellation of any of the 1992 par and discount bonds or the principal amount of any indebtedness outstanding as of June 23, 1992, in each case, to the extent that security interest is created to secure the public external indebtedness on a basis comparable to the 1992 par and discount bonds;
7. any security interest on any of the 1992 par and discount bonds; and
8. any security interest securing public external indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project, provided that (a) the holders of that public external indebtedness expressly agree to limit their recourse to the assets and revenues of that project as the principal source of repayment of the public external indebtedness and (b) the property over which that security interest is granted consists solely of those assets and revenues.

### ***Events of Default***

Each of the following is an event of default under each series of the Bonds:



- *Non Payment.* The Republic fails to pay any principal of or interest on such series of the Bonds when due and payable and such failure continues for 30 days;
- *Breach of Other Obligations.* The Republic fails to perform or comply with any other obligation under such series of the Bonds or the Indenture and such failure cannot be remedied or is not remedied within 90 days after the Republic receives written notice of request to remedy such failure from the trustee;
- *Cross Default.* Any event or condition occurs that results in the acceleration of the maturity (other than by optional or mandatory prepayment or redemption) of any of the Republic's performing public external indebtedness having an aggregate principal amount of U.S.\$50,000,000 (or its equivalent in other currencies) or more, or the Republic fails to pay performing public external indebtedness having an aggregate principal amount of U.S.\$50,000,000 (or its equivalent in other currencies) or more when and as the same shall become due and payable and that failure continues past the applicable grace period, if any;
- *Moratorium.* A declaration by the Republic of a moratorium on the payment of principal of, or interest on, its performing public external indebtedness and such moratorium does not expressly exclude such series of the Bonds; or
- *Validity.* The Republic contests the validity of such series of the Bonds.

If any of the above events of default occurs and is continuing with respect to a series of the Bonds, holders of such Bonds representing at least 25% of the aggregate principal amount of the then-outstanding Bonds of such series may declare the principal amount of all the Bonds of such series to be due and payable immediately by giving written notice to the Republic with a copy to the trustee. Upon any declaration of acceleration, the principal, interest and all other amounts payable on that series of Bonds will become immediately due and payable on the date that written notice is received by or on behalf of the Republic, unless the Republic has remedied the event or events of default prior to receiving the notice.

Holders of a series of the Bonds representing in the aggregate more than 50% of the principal amount of the then-outstanding Bonds of such series may waive any existing defaults, and their consequences, on behalf of the holders of all of the Bonds of such series, if:

- following the declaration that the principal of such Bonds has become due and payable immediately, the Republic deposits with the trustee a sum sufficient to pay all outstanding amounts then due on those Bonds (other than principal due by virtue of the acceleration upon the event of default) together with interest on such amounts through the date of the deposit as well as the reasonable fees and expenses of the trustee; and
- all events of default (other than non-payment of principal that became due by virtue of the acceleration upon the event of default) have been remedied or waived.

In the case of an event of default specified in (2) and (5) above, the principal, interest and all other amounts payable on that series of Bonds may only be declared due and payable immediately if such event is materially prejudicial to the interests of the holders of such series of Bonds.

In the event of a declaration of acceleration because of an event of default described in (3) above, the declaration of acceleration will be automatically rescinded and annulled if the Republic has remedied or cured the event of default or if the holders of the relevant indebtedness rescind the declaration of acceleration within 60 days after the event.

Only performing public external indebtedness is considered for purposes of cross-default. Other events of default apply solely to any series of the Bonds that contain such events of default.

For this purpose, "performing public external indebtedness" means any public external indebtedness issued after June 2, 2005.

### ***Suits for Enforcement and Limitations on Suits by Holders***

If an event of default for a series of the Bonds has occurred and is continuing, the trustee may institute judicial action to enforce the rights of the holders of such Bonds. With the exception of a suit brought by a holder on or after the stated maturity date to enforce the absolute right to receive payment of the principal of and interest on the Bonds on the stated maturity date therefor (as that date may be amended or modified pursuant to the terms of the Bonds, but without giving effect to any acceleration), a holder has no right to bring a suit, action or proceeding with respect to the Bonds of a series unless: (1) such holder has given written notice to the trustee that a default with respect to such series of Bonds has occurred and is continuing; (2) holders of at least 25% of the aggregate principal amount outstanding of such series of Bonds have instructed the trustee by specific written request to institute an action or proceeding and provided an indemnity or other security satisfactory to the trustee; and (3) 60 days have passed since the trustee received the notice, request and provision of indemnity or other security, the trustee has failed to institute an action or proceeding as directed and no direction inconsistent with such written request shall have been given to the trustee by a majority of holders of such series of Bonds. Moreover, any such action commenced by a holder must be for the equal, ratable and common benefit of all holders of such series of Bonds.

### ***Meetings, Amendments and Waivers—Collective Action***

The Republic may call a meeting of holders of any series of the Bonds at any time regarding the Indenture. The Republic will determine the time and place of the meeting and will notify the holders of the time, place and purpose of the meeting not less than 30 and not more than 60 days before the meeting.

In addition, the Republic or the trustee will call a meeting of holders of a series of the Bonds if at least 10% in aggregate principal amount of such Bonds have delivered a written request to the Republic or the trustee (with a copy to the Republic) setting forth the purpose of the meeting. Within 10 days of receipt of such written request or copy thereof, the Republic will notify the trustee and the trustee will notify the holders of the time, place and purpose of the meeting called by the holders, to take place not less than 30 and not more than 60 days after the date on which such notice is given.

Only holders of the Bonds and their proxies are entitled to vote at a meeting of holders. The Republic will set the procedures governing the conduct of the meeting and if additional procedures are required, the Republic will consult with the trustee to establish such procedures as are customary in the market.

Modifications may also be approved by holders of the Bonds pursuant to written action with the consent of the requisite percentage of the Bonds of the relevant series. The Republic will solicit the consent of the relevant holders to the modification not less than 10 and not more than 30 days before the expiration date for the receipt of such consents as specified by the Republic.

The holders of a series of the Bonds may generally approve any proposal by the Republic to modify or take action with respect to the Indenture or the terms of such Bonds with the affirmative vote (if approved at a meeting of the holders) or consent (if approved by written action) of holders of more than 50% of the outstanding principal amount of the Bonds of that series.

However, holders of any series of debt securities issued under the Indenture (including the Bonds) may approve, by vote or consent through one of three modification methods, any modification, amendment, supplement or waiver proposed by the Republic that would do any of the following (such subjects referred to as “reserve matters”) with respect to such series of debt securities:

- change the date on which any amount is payable;
- reduce the principal amount (other than in accordance with the express terms of the debt securities of that series and the Indenture);
- reduce the interest rate;

- change the method used to calculate any amount payable (other than in accordance with the express terms of the debt securities of that series and the Indenture);
- change the currency or place of payment of any amount payable;
- modify the Republic's obligation to make any payments (including any redemption price therefor);
- change the identity of the obligor;
- change the definition of "outstanding debt securities" or the percentage of affirmative votes or written consents, as the case may be, required to make a "reserve matter modification";
- change the definition of "uniformly applicable" or "reserve matter modification";
- authorize the trustee, on behalf of all holders of the debt securities, to exchange or substitute all the debt securities for, or convert all the debt securities into, other obligations or securities of the Republic or any other person; or
- change the legal ranking, governing law, submission to jurisdiction or waiver of immunities provisions of the terms of such debt securities.

A change to a reserve matter, including the payment terms of any series of the Bonds, can be made without your consent, as long as the change is approved, pursuant to one of the three following modification methods, by vote or consent by:

- in the case of a proposed modification to a single series of the Bonds, the holders of more than 75% of the aggregate principal amount of that series;
- where such proposed modification would affect the outstanding debt securities of any two or more series (including the Bonds) issued under the Indenture, the holders of more than 75% of the aggregate principal amount of the outstanding debt securities of all the series affected by the proposed modification, taken in the aggregate, if certain "uniformly applicable" requirements are met; or
- where such proposed modification would affect the outstanding debt securities of any two or more series (including the Bonds) issued under the Indenture, whether or not the "uniformly applicable" requirements are met, the holders of more than 66<sup>2</sup>/<sub>3</sub>% of the aggregate principal amount of the outstanding debt securities of all the series (including the Bonds) affected by the proposed modification, taken in the aggregate, and the holders of more than 50% of the aggregate principal amount of the outstanding debt securities of each series affected by the modification, taken individually.

Any modification consented to or approved by the holders of debt securities pursuant to the above provisions will be conclusive and binding on all holders of the relevant series of debt securities or all holders of all series of debt securities affected by a cross-series modification, as the case may be, whether or not they have given such consent or approval, and on all future holders of those debt securities whether or not notation of such modification is made upon the debt securities. Any instrument given by or on behalf of any holder of a debt security in connection with any consent to or approval of any such modification will be conclusive and binding on all subsequent holders of that debt security.

For so long as any series of debt securities issued under the indenture dated as of June 2, 2005 between the Republic of Argentina, as issuer, and The Bank of New York Mellon (formerly, The Bank of New York), as trustee, as amended by the first supplemental indenture dated as of April 30, 2010 (the "2005 indenture") (2005 and 2010 debt securities) are outstanding, if the Republic certifies to the trustee and to the trustee under the 2005 indenture that a cross-series modification is being sought simultaneously with a "2005 indenture reserve matter modification", the 2005 and 2010 debt securities affected by such 2005 indenture reserve matter

modification shall be treated as “series affected by that proposed modification” as that phrase is used in the indenture with respect to both cross-series modifications with single aggregated voting and cross-series modifications with two-tier voting; provided, that if the Republic seeks a cross-series modification with single aggregated voting, in determining whether such modification will be considered uniformly applicable, the holders of any series of 2005 and 2010 debt securities affected by the 2005 indenture reserve matter modification shall be deemed “holders of debt securities of all series affected by that modification,” for the purpose of the uniformly applicable definition. It is the intention that in the circumstances described in respect of any cross-series modification, the votes of the holders of the affected 2005 and 2010 debt securities be counted for purposes of the voting thresholds specified in the indenture for the applicable cross-series modification as though those 2005 and 2010 debt securities had been affected by that cross-series modification although the effectiveness of any modification, as it relates to the 2005 and 2010 debt securities, shall be governed exclusively by the terms and conditions of those 2005 and 2010 debt securities and by the 2005 indenture; provided, however, that no such modification as to the debt securities will be effective unless such modification shall have also been adopted by the holders of the 2005 and 2010 debt securities pursuant to the amendment and modification provisions of such 2005 and 2010 debt securities.

The Republic may select, in its discretion, any modification method for a reserve matter modification in accordance with the Indenture and to designate which series of debt securities will be included for approval in the aggregate of modifications affecting two or more series of debt securities. Any selection of a modification method or designation of series to be included will be final for the purpose of that vote or consent solicitation.

“Uniformly applicable,” as referred to above, means a modification by which holders of debt securities of any series affected by that modification are invited to exchange, convert or substitute their debt securities on the same terms for (x) the same new instruments or other consideration or (y) new instruments or other consideration from an identical menu of instruments or other consideration. It is understood that a modification will not be considered to be uniformly applicable if each exchanging, converting or substituting holder of debt securities of any series affected by that modification is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting or substituting holder of debt securities of any series affected by that modification (or, where a menu of instruments or other consideration is offered, each exchanging, converting or substituting holder of debt securities of any series affected by that modification is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting or substituting holder of debt securities of any series affected by that modification electing the same option under such menu of instruments).

“2005 indenture reserve matter modification” means any modification to a reserve matter affecting the terms and conditions of one or more series of the 2005 and 2010 debt securities, pursuant to the 2005 indenture.

Before soliciting any consent or vote of any holder of a series of the Bonds for any change to a reserve matter, the Republic will provide the following information to the trustee for distribution to the holders of such Bonds:

- a description of the Republic’s economic and financial circumstances that are in the Republic’s opinion, relevant to the request for the proposed modification, a description of the Republic’s existing debts and description of its broad policy reform program and provisional macroeconomic outlook;
- if the Republic shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, (x) a description of any such arrangement or agreement and (y) where permitted under the information disclosure policies of the multilateral or other creditors, as applicable, a copy of the arrangement or agreement;

- a description of the Republic’s proposed treatment of foreign debt instruments that are not affected by the proposed modification and its intentions with respect to any other major creditor groups; and
- if the Republic is then seeking any reserve matter modification affecting any other series of debt securities, a description of that proposed modification.

For purposes of determining whether the required percentage of holders of any series of the Bonds or any other series of debt securities has approved any amendment, modification or change to, or waiver of, such Bonds, such other debt securities or the Indenture, or whether the required percentage of holders has delivered a notice of acceleration of such Bonds, debt securities will be disregarded and deemed not to be outstanding and may not be counted in a vote or consent solicitation for or against a proposed modification if on the record date for the proposed modification or other action or instruction hereunder, the debt security is held by the Republic or by a public sector instrumentality, or by a corporation, trust or other legal entity that is controlled by the Republic or a public sector instrumentality, except that (x) debt securities held by the Republic or any public sector instrumentality of the Republic or by a corporation, trust or other legal entity that is controlled by the Republic or a public sector instrumentality that have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the trustee the pledgee’s right so to act with respect to such debt securities and that the pledgee is not the Republic, a public sector instrumentality or a corporation, trust or other legal entity that is controlled by the Republic or a public sector instrumentality, and in case of a dispute concerning such right, the advice of counsel shall be full protection in respect of any decision made by the trustee in accordance with such advice and any certificate, statement or opinion of counsel may be based, insofar as it relates to factual matters or information that is in the possession of the trustee, upon the certificate, statement or opinion of or representations by the trustee; and (y) in determining whether the trustee will be protected in relying upon any such action or instructions hereunder, or any notice from holders, only debt securities that a responsible officer of the trustee knows to be so owned or controlled will be so disregarded.

As used in the preceding paragraph, “public sector instrumentality” means any department, secretary, ministry or agency of the Republic, and “control” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests, by contract or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of that legal entity.

#### ***Other Amendments***

The Republic and the trustee may, without the vote or consent of any holder of debt securities (including the Bonds), amend the Indenture or such debt securities for the purpose of:

- adding to the Republic’s covenants for the benefit of the holders;
- surrendering any of the Republic’s rights or powers with respect to the debt securities of that series;
- securing the debt securities of that series;
- curing any ambiguity or curing, correcting or supplementing any defective provision in the debt securities of that series or the Indenture;
- amending any series of the Bonds or the Indenture in any manner that the Republic and the trustee may determine, including amending the denomination of the Bonds, and that does not materially adversely affect the interests of any holders of the debt securities of that series;
- correcting a manifest error of a formal, minor or technical nature; or
- complying with the terms of the Registration Rights Agreement.

### ***Further Issues of Debt Securities***

The Republic may from time to time, without the consent of holders, create and issue additional debt securities having the same terms and conditions as any series of the Bonds in all respects, except for issue date, issue price, original interest accrual date and the first interest payment on the debt securities; provided, however, that any additional debt securities subsequently issued shall be issued, for U.S. federal income tax purposes, either (a) as part of the “same issue” as such Bonds, (b) in a “qualified reopening” of such Bonds or (c) with no more than a *de minimis* amount of original issue discount, unless such additional debt securities have a separate CUSIP, ISIN or other identifying number from such Bonds. Such additional debt securities will be consolidated with and will form a single series with such Bonds.

### ***Global Bonds***

*DTC, Euroclear Bank S.A./N.V., or Euroclear, and Clearstream, Luxembourg, are under no obligation to perform or continue to perform the procedures described below, and they may modify or discontinue them at any time. Neither the Republic nor the trustee will be responsible for DTC’s, Euroclear’s or Clearstream, Luxembourg’s performance of their obligations under their rules and procedures. Additionally, neither the Republic nor the trustee will be responsible for the performance by direct or indirect participants of their obligations under their rules and procedures.*

The Bonds will initially be issued to investors in global registered form, the ownership and transfer of which are recorded in computerized book-entry accounts, eliminating the need for physical movement of Bonds. The Republic refers to the intangible Bonds represented by a global Bond as “book-entry” Bonds.

The Republic will deposit any global Bond it issues with a clearing system or its nominee. The global Bond will be registered in the name of DTC or its nominee or common depository. Unless a global Bond is exchanged for certificated securities, as discussed below under “—Certificated Securities,” it may not be transferred, except as a whole among the clearing system, its nominees or common depositories and their successors. Clearing systems include DTC in the United States and Euroclear and Clearstream, Luxembourg in Europe.

Clearing systems process the clearance and settlement of book-entry Bonds for their direct participants. A “direct participant” is a bank or financial institution that has an account with a clearing system. The clearing systems act only on behalf of their direct participants, who in turn act on behalf of indirect participants. An “indirect participant” is a bank or financial institution that gains access to a clearing system by clearing through or maintaining a relationship with a direct participant. Euroclear and Clearstream, Luxembourg are connected to each other by a direct link and participate in DTC through their New York depositories, which act as links between the clearing systems. These arrangements permit you to hold book-entry Bonds through participants in any of these systems, subject to applicable securities laws.

If you wish to purchase book-entry Bonds, you must either be a direct participant or make your purchase through a direct or indirect participant. Investors who purchase book-entry Bonds will hold them in an account at the bank or financial institution acting as their direct or indirect participant.

When you hold Bonds in this manner, you must rely on the procedures of the institutions through which you hold your Bonds to exercise any of the rights granted to holders. This is because the legal obligations of the Republic and the trustee run only to the registered owner of the global Bond, which will be the relevant clearing system or its nominee or common depository. For example, once the Republic arranges for payments to be made to the registered holder, the Republic will no longer be liable for the amounts so paid on the security, even if you do not receive it. In practice, the clearing systems will pass along any payments or notices they receive from the Republic to their participants, which will pass along the payments to you. In addition, if you desire to take any action which a holder of a Bond is entitled to take, then the clearing system would authorize the participant through which you hold your book-entry Bonds to take such action, and the participant would then either authorize you to take the action or would act for you on your instructions. The transactions between you, the participants and the clearing systems will be governed by customer agreements, customary practices and applicable laws and regulations, and not by any legal obligation of the Republic.

As an owner of book-entry Bonds represented by a Global Bond, you will also be subject to the following restrictions:

- you will not be entitled to (a) receive physical delivery of the Bonds in certificated form or (b) have any of the Bonds registered in your name, except under the circumstances described below under “—Certificated Securities”;
- you may not be able to transfer or sell your Bonds to some insurance companies and other institutions that are required by law to own their Bonds in certificated form;
- you may not be able to pledge your Bonds in circumstances where certificates must be physically delivered to the creditor or the beneficiary of the pledge in order for the pledge to be effective; and
- none of the Republic, the trustee, any trustee paying agent, any registrar or any agent of the Republic or the trustee shall have any responsibility or obligation to any beneficial owner in a global Bond, or participant or other person with respect to the accuracy of the records of the relevant clearing system or its nominee or common depository, with respect to any ownership interest in the Bonds or with respect to the delivery to any participant, beneficial owner or other person of any notice (including any notice of redemption) or the payment of any amount, under or with respect to such Bonds. All notices and communications to be given to the holders and all payments to be made to holders under the Bonds and the Indenture will be given or made only to or upon the order of the registered holders (which shall be the relevant clearing system or its nominee or common depository in the case of the global Bond). The rights of beneficial owners in the global Bond shall be exercised only through the relevant clearing system or its nominee or common depository subject to the applicable procedures. The Republic, the trustee, any trustee paying agent, any registrar and any agent of the Republic or the trustee shall be entitled to rely and shall be fully protected in relying upon information furnished by the relevant clearing system or its nominee or common depository with respect to its members, participants and any beneficial owners. The Republic, the trustee, any trustee paying agent, any registrar and any agent of the Republic or the trustee shall be entitled to deal with the relevant clearing system or its nominee or common depository, that is the registered holder of any global Bond for all purposes relating to such global Bond (including the payment of principal, premium, if any, and interest and additional amounts, if any, and the giving of instructions or directions by or to the owner or holder of a beneficial ownership interest in such global Bond) as the sole holder of such global Bond and shall have no obligations to the beneficial owners thereof. None of the Republic, the trustee, any trustee paying agent, any registrar or any agent of the Republic or the trustee shall have any responsibility or liability for any acts or omissions of the relevant clearing system or its nominee or common depository with respect to such global Bond, for the records of any such depository, including records in respect of beneficial ownership interests in respect of any such global Bond, for any transactions between the relevant clearing system or its nominee or common depository and any participant or between or among the relevant clearing system or its nominee or common depository, any such participant and/or any holder or owner of a beneficial interest in such global Bond, or for any transfers of beneficial interests in any such global Bond.

### **The Clearing Systems**

*The following description reflects the Republic’s understanding of the current rules and procedures of DTC, Euroclear and Clearstream, Luxembourg. The Republic has obtained the information in this section from sources it believes to be reliable, including from DTC, Euroclear and Clearstream, Luxembourg. These systems could change their rules and procedures at any time, and the Republic takes no responsibility for their actions.*

It is important for you to establish at the time of the trade where both the purchaser’s and seller’s accounts are located to ensure that settlement can be made on the desired value date, i.e., the date specified by the purchaser and seller on which the price of the Bonds is fixed.

When book-entry Bonds are to be transferred from a DTC seller to a Euroclear or Clearstream, Luxembourg purchaser, the purchaser must first send instructions to Euroclear or Clearstream, Luxembourg through a participant at least one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg will then instruct its New York depository to receive the Bonds and make payment for them. On the closing date, the New York depository will make payment to the DTC participant through which the seller holds its Bonds, which will make payment to the seller, and the Bonds will be credited to the New York depository's account. After settlement has been completed, Euroclear or Clearstream, Luxembourg will credit the Bonds to the account of the participant through which the purchaser is acting. This Bonds credit will appear the next day, European time, after the settlement date, but will be back-valued to the value date, which will be the preceding day if settlement occurs in New York. If settlement is not completed on the intended value date, the Bonds credit and cash debit will instead be valued at the actual settlement date.

A participant in Euroclear or Clearstream, Luxembourg, acting for the account of a purchaser of Bonds, will need to make funds available to Euroclear or Clearstream, Luxembourg in order to pay for the Bonds on the value date. The most direct way of doing this is for the participant to preposition funds (i.e., have funds in place at Euroclear or Clearstream, Luxembourg before the value date), either from cash on hand or existing lines of credit. The participant may require the purchaser to follow these same procedures.

When book-entry Bonds are to be transferred from a Euroclear or Clearstream, Luxembourg seller to a DTC purchaser, the seller must first send instructions to and preposition the Bonds with Euroclear or Clearstream, Luxembourg through a participant at least one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg will then instruct its New York depository to credit the book-entry Bonds to the account of the DTC participant through which the purchaser is acting and to receive payment in exchange. The payment will be credited to the account of the Euroclear or Clearstream, Luxembourg participant through which the seller is acting on the following day, but the receipt of the cash proceeds will be back-valued to the value date, which will be the preceding day if settlement occurs in New York. If settlement is not completed on the intended value date, the receipt of the cash proceeds and Bonds debit will instead be valued at the actual settlement date.

### *Certificated Securities*

The Republic will issue Bonds in certificated registered form only if:

- the depository notifies the Republic that it is unwilling or unable to continue as depository, is ineligible to act as depository or, in the case of DTC, ceases to be a clearing agency registered under the U.S. Securities Exchange Act of 1934 and the Republic does not appoint a successor depository or clearing agency within 90 days;
- The Republic decides it no longer wishes to have all or part of the Bonds represented by global Bond; or
- the trustee has instituted or been directed to institute any judicial proceeding to enforce the rights of the holders under the Bonds and has been advised by its legal counsel that it should obtain possession of the Bonds for the proceeding.

If a physical or certificated security becomes mutilated, defaced, destroyed, lost or stolen, the Republic may execute, and the trustee shall authenticate and deliver, a substitute security in replacement. In each case, the affected holder will be required to furnish to the Republic and to the trustee an indemnity under which it will agree to pay the Republic, the trustee and any of their respective agents for any losses they may suffer relating to the security that was mutilated, defaced, destroyed, lost or stolen. The Republic and the trustee may also require that the affected holder present other documents or proof. The affected holder may be required to pay all taxes, expenses and reasonable charges associated with the replacement of the mutilated, defaced, destroyed, lost or stolen security.

If the Republic issues certificated securities, a holder of certificated securities may exchange them for Bonds of a different authorized denomination by submitting the certificated securities, together with a written request for an exchange, at the office of the trustee as specified in the Indenture in New York City, or at the



office of any trustee paying agent. In addition, the holder of any certificated security may transfer it in whole or in part by surrendering it at any of such offices together with an executed instrument of transfer.

The Republic will not charge the holders for the costs and expenses associated with the exchange, transfer or registration of transfer of certificated securities. The Republic may, however, charge the holders for certain delivery expenses as well as any applicable stamp duty, tax or other governmental or insurance charges. The trustee may reject any request for an exchange or registration of transfer of any security made within 15 days of the date for any payment of principal of, or premium or interest on the Bonds.

### **Trustee**

The Indenture establishes the obligations and duties of the trustee, the right to indemnification of the trustee and the liability and responsibility, including limitations, for actions that the trustee takes. The trustee is entitled to enter into business transactions with the Republic or any of its affiliates without accounting for any profit resulting from these transactions.

### **Trustee Paying Agents; Transfer Agents; Registrar**

The trustee will at all times maintain a principal trustee paying agent, a transfer agent and a registrar in New York City. The Republic or the trustee, as the case may be, will give prompt notice to all holders of the Bonds of any future appointment or any resignation or removal of any trustee paying agent, transfer agent or registrar or of any change by any trustee paying agent, transfer agent or registrar in any of its specified offices.

In addition, the trustee will maintain a trustee paying agent in Luxembourg with respect to the Bonds for so long they are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require.

### **Notices**

The Republic or the trustee, as the case may be, will mail notices to holders of certificated securities at their registered addresses as reflected in the books and records of the registrar. The Republic will consider any mailed notice to have been given five business days after it has been sent. The Republic will give notices to the holders of a global Bond in accordance with the procedures and practices of the depositary and such notices shall be deemed given upon actual receipt thereof by the depositary.

The Republic will also publish notices to the holders (a) in a leading newspaper having general circulation in Buenos Aires, New York City and London (which is expected to be *La Nación* or *Ámbito Financiero*, *The Wall Street Journal* and *the Financial Times*, respectively) and (b) if and so long as the Bonds are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the exchange so require, in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) and on the website of the Luxembourg Stock Exchange at <http://www.bourse.lu>. If publication in a leading newspaper in Luxembourg is not practicable, the Republic will publish such notices in a leading English language daily newspaper with general circulation in Europe. The Republic will consider any published notice to be given on the date of its first publication.

### **Prescription**

Claims against the Republic for the payment of principal, interest, if any, or other amounts due on the Bonds will be prescribed unless made within five years, with respect to principal, and two years, with respect to interest, premium, if any, or other amounts due on the Bonds, in each case from the date on which such payment first became due, or a shorter period if provided by Argentine law.

### **Governing Law**

The Bonds will be, and the Indenture is, governed by and construed in accordance with the laws of the State of New York, except with respect to the authorization and execution of the Bonds and the Indenture by and on behalf of Argentina, which shall be governed by the laws of Argentina.

## **Jurisdiction, Consent to Service, Enforcement of Judgments and Immunities from Attachment**

The Bonds and the Indenture provide that, subject to certain exceptions described below, the Republic will submit to the exclusive jurisdiction of any New York state or U.S. federal court sitting in the Borough of Manhattan, the City of New York and the courts of Argentina and, in each case, any appellate court thereof (each, a “specified court”) in any suit, action or proceeding arising out of or relating to the Bonds or Argentina’s failure or alleged failure to perform any obligations under the Bonds against it or its properties, assets or revenues (a “related proceeding”). The Republic will irrevocably and unconditionally waive, to the fullest extent permitted by law, any objection that it may have to in any related proceeding brought in a specified court whether on the grounds of venue, residence or domicile or on the ground that such related proceeding has been brought in an inconvenient forum (except for any related proceeding relating to the securities laws of the United States or any state thereof).

Subject to certain limitations described below, the Republic will appoint Banco de la Nación Argentina, at its office located at 225 Park Avenue, New York, New York, 10169 upon whom process may be served in any related proceeding, or any proceeding to enforce or execute a judgment brought in a specified court. This appointment will be irrevocable with respect to any series of the Bonds until all amounts in respect of the principal of and interest due on such Bonds has been provided to the trustee in accordance with the terms of the Indenture, except that if for any reason, any agent for the service of process appointed by the Republic can no longer act in that capacity or no longer maintains an office in The City of New York, the Republic will appoint another person to serve as agent for the service of process.

Subject to certain limitations described below, to the extent that the Republic or any of its revenues, assets or properties are entitled, in any jurisdiction in which any specified court is located, in which any related proceeding may at any time be brought against it or any of its revenues, assets or properties, or in any jurisdiction in which any specified court is located in which any suit, action or proceeding may at any time be brought for the purpose of enforcing or executing any judgment issued in any related proceeding (the “related judgment”), to any immunity from suit, from the jurisdiction of any such court, from set off, from attachment prior to judgment, from attachment in aid of execution of judgment, from execution of a judgment or from any other legal or judicial process or remedy, and to the extent that in any such jurisdiction there shall be attributed such an immunity, the Republic irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction, including the FSIA (and consents to the giving of any relief or the issue of any process in connection with any related proceeding or related judgment as permitted by applicable law, including the FSIA), provided, however, that such waiver shall not extend to and the Republic shall be immune in respect of and in relation to any suit, action or proceeding or enforcement of any Related Judgment against:

- (i) any reserves of the Central Bank;
- (ii) any property in the public domain located in the territory of the Republic, including property that falls within the purview of Sections 234 and 235 of the Civil and Commercial Code of the Republic;
- (iii) any property located in or outside the territory of the Republic that provides an essential public service;
- (iv) any property (whether in the form of cash, bank deposits, securities, third party obligations or any other methods of payment) of the Republic, its governmental agencies and other governmental entities relating to the performance of the budget, within the purview of Sections 165 through 170 of Law No. 11,672, *Ley Complementaria Permanente de Presupuesto* (t.o. 2014);
- (v) any property entitled to the privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963, including, but not limited to, property, premises and bank accounts used by the missions of the Republic;
- (vi) any property used by a diplomatic, governmental or consular mission of the Republic;

- (vii) taxes, duties, levies, assessments, royalties or any other governmental charges imposed by the Republic, including the right of the Republic to collect any such charges;
- (viii) any property of a military character or under the control of a military authority or defense agency of the Republic;
- (ix) property forming part of the cultural heritage of the Republic; or
- (x) property entitled to immunity under any applicable sovereign immunity laws.

The waiver of sovereign immunity described above will constitute only a limited and specific waiver for the purpose of the Bonds and the Indenture and not a general waiver of immunity by the Republic or a waiver of immunity with respect to proceedings unrelated to the Bonds or the Indenture.

The Republic, however, will reserve the right to plead sovereign immunity under the United States by the Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it under the U.S. federal securities laws or any state securities laws and the appointment of an authorized agent does not extend to such actions. In addition, the appointments of agents for the service of process will not extend to actions based on these laws.

#### **Currency Indemnity**

The Republic's obligation to any holder under a series of the Bonds that has obtained a court judgment affecting those Bonds will be discharged only to the extent that the holder may purchase U.S. dollars, referred to as the "agreement currency," with the judgment currency. If the holder cannot purchase the agreement currency in the amount originally to be paid, the Republic agrees to pay the difference. The holder, however, agrees to reimburse the Republic for the excess if the amount of the agreement currency purchased exceeds the amount originally to be paid to the holder. If the Republic is in default of its obligations under such Bonds, however, the holder will not be obligated to reimburse the Republic for any excess.

## **REGISTRATION RIGHTS; EXCHANGE OFFER**

Pursuant to an exchange and registration rights agreement to be entered into among the Republic and the Initial Purchasers, the “Registration Rights Agreement,” the Republic will agree, for the benefit of the holders of the Bonds, to use its reasonable best efforts to file with the SEC a registration statement relating to an offer to exchange the Bonds for an issue of SEC-registered Bonds with terms substantially identical to the Bonds (the “Exchange Bonds”) (except that the Exchange Bonds will not be subject to restrictions on transfer or to any increase in annual interest rate as described below).

After the SEC declares the exchange offer registration statement, if any, effective, the Republic will offer the Exchange Bonds in return for the Bonds. For each Bond surrendered to the Republic under the exchange offer, the holder of Bonds will receive an Exchange Bond of equal principal amount. Interest on each Exchange Bond will accrue from the last interest payment date on which interest was paid on the Bonds or, if no interest has been paid on the Bonds, from the closing date of this offering. A Holder of Bonds that participates in the exchange offer will be required to make certain representations to the Republic (as described in the Registration Rights Agreement). Under current SEC interpretations, the Exchange Bond will generally be freely transferable after the exchange offer, except that any broker-dealer that participates in the exchange must deliver a prospectus meeting the requirements of the Securities Act when it resells the Exchange Bond. Bonds not tendered in the exchange offer shall bear interest at the rate set forth on the cover page of this offering memorandum and be subject to all the terms and conditions specified in the Indenture, including transfer restrictions, but will not retain any rights under the Registration Rights Agreement (including with respect to increases in annual interest rate described below) after the consummation of the exchange offer.

In the event that the Republic determines that a registered exchange offer is not available, or may not be completed because it would violate any applicable law or applicable interpretations of the staff of the SEC, or, if for any reason, an exchange offer is not for any other reason completed within 365 days after the closing date, or any initial purchaser shall so request following the consummation of the registered exchange offer with respect to any Bonds held by it that were not eligible for exchange, the Republic will use its reasonable best efforts to cause to become effective a shelf registration statement relating to resales of the Bonds and to keep that shelf registration statement effective for one year after its original effective date. The Republic will, in the event of such a shelf registration, provide to each holder of Bonds copies of a prospectus, notify each holder of Bonds when the shelf registration statement has become effective and take certain other actions to permit resales of the Bonds. A holder of Bonds that sells Bonds under the shelf registration statement generally will be required to make certain representations to the Republic (as described in the Registration Rights Agreement), to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with those sales and will be bound by the provisions of the Registration Rights Agreement that are applicable to such holder of Bonds (including certain indemnification obligations). Holders of Bonds will also be required to suspend their use of the prospectus included in the shelf registration statement under specified circumstances upon receipt of notice from the Republic.

A “registration default” will occur if the exchange offer is not for any reason completed within 365 days after the closing date of this offering (or, if required, the shelf registration statement is not declared effective by the SEC by the later of the date that is 365 days after the closing date of this offering and 90 days after delivery of a shelf request in accordance with the terms of the Registration Rights Agreement), or if a shelf registration statement has been declared effective and thereafter either ceases to be effective or the related prospectus ceases to be usable at any time during the required effectiveness period (subject to certain exceptions), and such failure to remain effective or be usable occurs on more than two occasions or exists for more than 45 days (whether or not consecutive), in either case, in any 12-month period. Beginning on the day immediately following any registration default, the annual interest rate borne by the Bonds will be increased by 0.25% per annum for the first 90-day period (which rate will be increased by an additional 0.25% per annum for each subsequent 90-day period that such additional interest continues to accrue, provided that the rate at which such additional interest accrues may in no event exceed 0.75% per annum) until the exchange offer is completed, the shelf registration statement is declared effective or the shelf registration and related prospectus become effective or usable again.

Application is expected to be made to list the Exchange Bonds, if any, on the Luxembourg Stock Exchange and the MERVAL and to have them admitted for trading on the Euro MTF Market and the MAE. The Registration Rights Agreement will be governed by, and construed in accordance with, the laws of New York state.

This summary of the provisions of the Registration Rights Agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Registration Rights Agreement, a copy of which is available from the Republic upon request.

## NOTICE TO INVESTORS

The distribution of this offering memorandum is restricted by law in certain jurisdictions. Persons into whose possession this offering memorandum comes are required by the Republic to inform themselves of and to observe any of these restrictions.

This offering memorandum does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorized or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation. Neither the Republic nor the Initial Purchasers accept any responsibility for any violation by any person of the restrictions applicable in any jurisdiction.

The Bonds will be subject to the following restrictions on transfer. Holders of Bonds are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of their Bonds. By acquiring Bonds, holders will be deemed to have made the following acknowledgments, representations to and agreements with the Republic and the Initial Purchasers:

- (1) You acknowledge that:
  - the Bonds have not been registered under the Securities Act or the securities laws of any other jurisdiction and are being offered for resale in transactions that do not require registration under the Securities Act or the securities laws of any other jurisdiction; and
  - unless so registered, the Bonds may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth below;
- (2) You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of the Republic and you are not acting on behalf of the Republic and that either:
  - you are a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and are acquiring the Bonds for your own account or for the account of another qualified institutional buyer, and you are aware that the Initial Purchasers are selling the Bonds to you in reliance on Rule 144A under the Securities Act; or
  - you are purchasing the Bonds in an offshore transaction in accordance with Regulation S under the Securities Act;
- (3) You agree on your own behalf and on behalf of any investor account for which you are purchasing Bonds, and each subsequent holder of Bonds by its acceptance of the Bonds will agree, that the Bonds may be offered, sold or otherwise transferred only:
  - to the Republic;
  - inside the United States to a qualified institutional buyer (as defined in Rule 144A) in compliance with Rule 144A under the Securities Act;
  - outside the United States in compliance with Rule 903 or 904 under the Securities Act;
  - pursuant to a registration statement that has been declared effective under the Securities Act;
  - in any other jurisdiction in compliance with local securities laws;
- (4) You acknowledge that the Republic and the trustee reserves the right to require, in connection with any offer, sale or other transfer of Bonds, the delivery of written certifications and/or

other information satisfactory to the Republic and the trustee as to compliance with the transfer restrictions referred to above;

- (5) You agree to deliver to each person to whom you transfer Bonds, notice of any restrictions on transfer of such Bonds;
- (6) You acknowledge that each Rule 144A global note will bear a legend to the following effect:

“THIS BOND HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS BOND IS HEREBY NOTIFIED THAT THE SELLER OF THIS BOND MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THIS BOND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON WHO THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) OUTSIDE THE UNITED STATES PURSUANT TO THE TERMS AND CONDITIONS OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

THIS BOND AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON REALES AND OTHER TRANSFERS OF THIS BOND TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS BOND SHALL BE DEEMED BY THE ACCEPTANCE OF THIS BOND TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

THIS LEGEND CAN ONLY BE REMOVED AT THE OPTION OF THE ISSUER.”

You acknowledge that the Republic, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements. You agree that if any of the acknowledgments, representations or warranties deemed to have been made by your purchase of Bonds is no longer accurate, you shall promptly notify the Republic and the Initial Purchasers. If you are acquiring any Bonds as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the foregoing acknowledgments, representations, warranties and agreements on behalf of each account.

## TAXATION

### Argentine Federal Taxation

The following discussion summarizes certain aspects of Argentine federal taxation that may be relevant to you if you are a holder of Bonds who is an individual that is a non-resident of Argentina or a legal entity that is neither organized in, nor maintains a permanent establishment in Argentina (a “Non-Resident Holder”). This summary may also be relevant to you if you are a Non-Resident Holder in connection with the holding and disposition of the Bonds. The summary is based on Argentine laws, rules and regulations now in effect, all of which may change.

This summary is not intended to constitute a complete analysis of the tax consequences under Argentine law of the receipt, ownership or disposition of the Bonds, in each case if you are a non-resident of Argentina, nor to describe any of the tax consequences that may be applicable to you if you are a resident of Argentina.

If you (i) purchase Bonds pursuant to this offering, and (ii) are a Non-Resident Holder, the receipt of Bonds will not result in any withholding or other Argentine taxes. Provided that all acts and contracts necessary for the purchase of the Bonds are executed outside Argentina by Non-resident holders, the purchase of Bonds pursuant to this offering will not be subject to any stamp or other similar Argentine taxes.

Under Argentine law, as currently in effect, if you are a Non-Resident Holder, interest and principal payments on the Bonds will not be subject to Argentine income or withholding tax. If you are a Non-Resident Holder and you obtain capital gains resulting from any trade or disposition of Bonds, you will not be subject to Argentine income or other taxes if you have no connection with the Republic other than as a holder of an interest in the Bonds.

If you are a Non-Resident Holder, provided that no bank account opened in an Argentine banking institution is used to receive capital or interest from the Bonds or the price of the sale of the Bonds, no Argentine tax (such as tax on debits and credits) would apply on said movement of funds.

If you are an individual or company that is resident in Argentina for tax purposes, please note that the aforementioned tax consequences may differ. Please refer to your tax advisors for the specific tax treatment applicable to you.

### United States Federal Taxation

The following is a discussion of certain U.S. federal income tax considerations that may be relevant to you if you are a beneficial owner of a Bond. You will be a U.S. Holder if you are the beneficial owner of a Bond and you are an individual who is a citizen or resident of the United States, a U.S. domestic corporation or any other person that is subject to U.S. federal income tax on a net income basis in respect of an investment in the Bonds. You will be a non-U.S. Holder if you are a beneficial holder and you are not a U.S. Holder. This discussion deals only with holders that purchase Bonds as part of this offering and hold Bonds as capital assets. It does not address considerations that may be relevant to you if you are an investor that is subject to special tax rules, such as a bank, thrift, real estate investment trust, regulated investment company, partnership and the partners therein, insurance company, dealer in securities or currencies, trader in securities or commodities that elects mark-to-market treatment, person that will hold Bonds as a hedge against currency risk or interest rate risk or as a position in a “straddle” or conversion transaction, tax-exempt organization or a U.S. Holder whose “functional currency” is not the U.S. dollar. Further, it does not address the alternative minimum tax, the Medicare tax on net investment income or other aspects of U.S. federal income or state and local taxation that may be relevant to a holder in light of such holder’s particular circumstances, or the possible applicability of U.S. federal gift or estate tax laws.

This summary is based on the U.S. Internal Revenue Code, U.S. Treasury Regulations, and administrative and judicial interpretations thereof in effect and available as of the date of this offering memorandum, all of which are subject to change. Any change could apply retroactively and could affect the continued validity of this discussion. You should consult your tax adviser about the tax consequences of holding



Bonds, including the relevance to your particular situation of the considerations discussed below, as well as the relevance to your particular situation of state, local or other tax laws.

### ***U.S. Holders***

If you are a U.S. Holder, payments or accruals of interest (including any additional amounts) on a Bond will be taxable to you as ordinary interest income at the time that you receive or accrue such amounts in accordance with your regular method of tax accounting.

Your tax basis in a Bond generally will equal the cost of the Bond to you. When you sell or exchange a Bond, or if a Bond that you hold is retired, you generally will recognize gain or loss equal to the difference between (a) the amount you realize on the transaction (less an amount equal to any accrued and unpaid interest, which will be taxable as interest income to the extent not previously included in income) and (b) your tax basis in the Bond. The gain or loss that you recognize on the sale, exchange or retirement of a Bond generally will be capital gain or loss. The gain or loss on the sale, exchange or retirement of a Bond will be long-term capital gain or loss if you have held the Bond for more than one year on the date of disposition. Net long-term capital gain recognized by an individual U.S. Holder and certain other non-corporate U.S. Holders generally is subject to tax at a lower rate than ordinary income or net short-term capital gain. The ability of U.S. Holders to offset capital losses against ordinary income is limited.

### ***Non-U.S. Holders***

Subject to the discussion below under “Information Reporting and Backup Withholding,” if you are a non-U.S. Holder, payments or accruals of interest in respect of the Bonds generally will not be subject to U.S. federal income tax.

Further, if you are a non-U.S. Holder, any gain you realize on the sale, exchange or retirement of a Bond generally will be exempt from U.S. federal income tax, including withholding tax, unless you are an individual and you are present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met.

### ***Exchange Offer Pursuant to Registration Rights***

As discussed above under “Registration Rights; Exchange Offer,” the Republic will agree to use reasonable best efforts to effect an Exchange Offer in which you would be entitled to exchange your Bonds for Exchange Bonds. Such Exchange Bonds will be substantially identical to the original Bonds, except that the Exchange Bonds will not be subject to restrictions on transfer and will not contain additional interest provisions. Alternatively, the Republic may file a shelf registration statement with respect to the Bonds to cover resales of the Bonds by the beneficial owners thereof who satisfy certain conditions.

Neither participation in the Exchange Offer nor the filing of a shelf registration statement (as described above) will result in a taxable exchange to the Republic or to you. Accordingly, you will recognize no gain or loss upon receipt of an Exchange Bond, the holding period of an Exchange Bond received in the Exchange Offer will include the holding period of the original Bond surrendered therefor, and your tax basis in its Exchange Bond will be the same as your tax basis in the original Bond immediately prior to the Exchange Offer.

### ***Foreign Financial Asset Reporting***

Certain U.S. Holders that own “specified foreign financial assets” with an aggregate value in excess of U.S.\$50,000 are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. “Specified foreign financial assets” include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer that are not held in accounts maintained by financial institutions. The understatement of income attributable to “specified foreign financial assets” in excess of U.S.\$5,000 extends the statute of limitations with respect to the tax return to six years after the return was filed. U.S. Holders who fail to report the required information could be subject to substantial penalties. You are encouraged to consult with your own tax adviser regarding the possible application of these rules to your particular circumstances.

### ***Information Reporting and Backup Withholding***

Information returns are required to be filed with the IRS in connection with Bond payments made to certain United States persons. You will be a United States person if you are, for U.S. federal income tax purposes, (i) a citizen or resident of the United States, (ii) a domestic partnership, (iii) a domestic corporation, (iv) an estate the income of which is subject to U.S. federal income tax without regard to its source, or (v) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust. If you are a United States person, you generally will not be subject to backup withholding tax on such payments if you provide your taxpayer identification number to the withholding agent or otherwise establish an exemption. You may also be subject to information reporting and backup withholding tax requirements with respect to the proceeds from a sale of the Bonds. If you are not a United States person, you may have to comply with certification procedures to establish that you are not a United States person in order to avoid information reporting and backup withholding tax requirements.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a holder of a Bond generally will be allowed as a refund or a credit against the holder’s U.S. federal income tax liability as long as the holder provides the required information to the IRS in a timely manner.

## PLAN OF DISTRIBUTION

BBVA Securities Inc., Citigroup Global Markets Inc., Deutsche Bank Securities Inc., HSBC Securities (USA) Inc., J.P. Morgan Securities LLC and Santander Investment Securities Inc. are acting as representatives of each of the initial purchasers named below. Subject to the terms and conditions in the purchase agreement among the Republic and the initial purchasers, the Republic has agreed to sell to the initial purchasers, and the initial purchasers have severally agreed to purchase from us at the issue price set forth on the cover of this offering memorandum, the entire principal amount of the Bonds set forth opposite their names below:

<u>Initial Purchasers</u>	<u>Principal Amount of Series I</u>	<u>Principal Amount of Series II</u>
BBVA Securities Inc.....	U.S.\$541,667,000	U.S.\$625,000,000
Citigroup Global Markets Inc.....	U.S.\$541,667,000	U.S.\$625,000,000
Deutsche Bank Securities Inc.....	U.S.\$541,667,000	U.S.\$625,000,000
HSBC Securities (USA) Inc.....	U.S.\$541,667,000	U.S.\$625,000,000
J.P. Morgan Securities LLC .....	U.S.\$541,666,000	U.S.\$625,000,000
Santander Investment Securities Inc.....	U.S.\$541,666,000	U.S.\$625,000,000
<b>Total .....</b>	<b><u>U.S.\$3,250,000,000</u></b>	<b><u>U.S.\$3,750,000,000</u></b>

The obligations of the initial purchasers under the purchase agreement, including their agreement to purchase Bonds from the Republic, are several and not joint. The purchase agreement provides that the initial purchasers will purchase all the Bonds if any of them are purchased. The Initial Purchasers may offer and sell the Bonds through certain of their respective affiliates.

The initial purchasers initially propose to offer the Bonds for resale at the issue price that appears on the cover of this offering memorandum. After the initial offering, the initial purchasers may change the offering price and any other selling terms. The initial purchasers may offer and sell Bonds through certain of their affiliates.

If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased or the purchase agreement may be terminated.

The Republic will indemnify the initial purchasers and their controlling persons against certain liabilities, including liabilities under the Securities Act, or contribute to payments that the initial purchasers may be required to make in respect of those liabilities.

In the purchase agreement, the Republic has agreed not to, without the prior written consent of the initial purchasers, offer, sell, contract to sell or otherwise dispose of any debt securities issued or guaranteed by the Republic, other than the sale of the Bonds pursuant to such purchase agreement, during the period from the date of the purchase agreement through and including the closing date of this offering.

### **Bonds Are Not Being Registered**

The Bonds have not been registered under the Securities Act or the securities laws of any other place. In the purchase agreement, each initial purchaser has agreed that:

- the Bonds may not be offered or sold within the United States or to U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act or in transactions not subject to those registration requirements.

- during the initial distribution of the Bonds, it will offer or sell Bonds only to qualified institutional buyers in compliance with Rule 144A under the Securities Act and outside the United States in compliance with Regulation S under the Securities Act.

In addition, until 40 days following the commencement of this offering, an offer or sale of Bonds within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A under the Securities Act or another exemption from registration under the Securities Act.

### **New Issue of Bonds**

The Bonds are a new issue of securities, and there is currently no established trading market for the Bonds. In addition, the Bonds are subject to certain restrictions on resale and transfer as described under “Notice to Investors.” We intend to apply to list the Bonds on the Official List of the Luxembourg Stock Exchange and the MERVAL and for trading on the Euro MTF Market and the MAE, however, we cannot assure you that the listing application will be approved. The initial purchasers have advised us that they intend to make a market in the Bonds, but they are not obligated to do so. The initial purchasers may discontinue any market making in the Bonds at any time in their sole discretion. Accordingly, we cannot assure you that a liquid trading market will develop for the Bonds, that you will be able to sell your Bonds at a particular time or that the prices that you receive when you sell will be favorable.

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

### **Settlement**

We expect that delivery of the Bonds will be made against payment therefor on or about January 26, 2017, which will be the fifth business day following the date of pricing of the Bonds (this settlement cycle being referred to as “T+5”). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in three business days, unless the parties to any such trade expressly agree otherwise. Therefore, purchasers who wish to trade Bonds on the date of pricing or the next two succeeding business days will be required, by virtue of the fact that the Bonds initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers who wish to trade the Bonds prior to their date of delivery herewith should consult their advisor.

### **Price Stabilization and Short Positions**

In connection with the offering of the Bonds, the initial purchasers may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the initial purchasers. Stabilizing transactions involve bids to purchase the Bonds in the open market for the purpose of pegging, fixing or maintaining the price of the Bonds. Syndicate covering transactions involve purchases of the Bonds in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the Bonds to be higher than it would otherwise be in the absence of those transactions. If the initial purchasers engage in stabilizing or syndicate covering transactions, they may discontinue them at any time.

### **Other Relationships**

Certain of the initial purchasers and their affiliates have performed and may in the future perform commercial banking, investment banking and advisory services for us and our affiliates in the ordinary course of business for which they have received customary fees and reimbursement of expenses. The initial purchasers and their affiliates may, from time to time, engage in transactions with and perform services for us and our affiliates in the ordinary course of their business for which they may receive customary fees, commissions and reimbursement of expenses.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Bonds offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Bonds offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### **Sales Outside the United States**

We are not making an offer to sell, or seeking offers to buy, the Bonds in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the Bonds or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the Bonds under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. We will not have any responsibility therefor.

### **Notice to Prospective Investors in the European Economic Area**

This offering memorandum has been prepared on the basis that any offer of Bonds in any Member State of the European Economic Area will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Bonds.

Accordingly any person making or intending to make an offer in that Member State of Bonds which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for the Issuer or any of the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Bonds in circumstances in which an obligation arises for the Issuer or the Initial Purchasers to publish a prospectus for such offer. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Bonds through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Bonds contemplated in this offering memorandum.

The expression "Prospectus Directive" means Directive 2003/71/EC (as amended), and includes any relevant implementing measure in the Relevant Member State concerned.

Each person in a Member State of the European Economic Area who receives any communication in respect of, or who acquires any Bonds under, the offers to the public contemplated in this offering memorandum will be deemed to have represented, warranted and agreed to and with each Initial Purchaser that:

(a) it is a qualified investor within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(b) in the case of any Bonds acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Bonds acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Initial Purchasers has been given to the offer or resale; or (ii) where Bonds have been acquired by it on behalf of persons in any Member State other than qualified investors, the offer of those Bonds to it is not treated under the Prospectus Directive as having been made to such persons.

### **Notice to Prospective Investors in the United Kingdom**

This offering memorandum has not been approved by an authorised person for the purposes of section 21 of the UK Financial Services and Markets Act 2000. This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

Each Initial Purchaser has represented and agreed that: (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of FSMA does not apply to the Issuer; and (b) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

### **Notice to Prospective Investors in Canada**

The Bonds may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations.

Any resale of the Bonds must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

### **Notice to Prospective Investors in Switzerland**

This offering memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the Bonds will not be listed on the SIX Swiss Exchange. Therefore, this offering memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the Bonds may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the Bonds with a view to distribution. Any such investors will be individually approached by the initial purchasers from time to time.

## **Notice to Prospective Investors in the Dubai International Financial Centre**

This offering memorandum relates to an Exempt Offer in accordance with the Market Rules of 2012 the Dubai Financial Services Authority (“DFSA”). This offering memorandum is intended for distribution only to persons of a type specified in the Market Rules 2012 of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this offering memorandum nor taken steps to verify the information set forth herein and has no responsibility for the offering memorandum. The Bonds to which this offering memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Bonds offered should conduct their own due diligence on the Bonds. If you do not understand the contents of this offering memorandum you should consult an authorized financial advisor.

In relation to its use in the Dubai International Financial Center, this offering memorandum is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the securities may not be offered or sold directly or indirectly to the public in the Dubai International Financial Center.

## **Notice to Prospective Investors in Chile**

The offer of the Bonds will begin on January 19, 2017 and is subject to General Rule No. 336 of the Chilean Securities Commission (Superintendencia de Valores y Seguros de Chile, or the “SVS”). The Bonds being offered are not registered in the Securities Registry (Registro de Valores) or in the Foreign Securities Registry (Registro de Valores Extranjeros) of the SVS and, therefore, the Bonds are not subject to the supervision of the SVS. As unregistered securities, we are not required to disclose public information about the Bonds in Chile. The Bonds may not be publicly offered in Chile unless they are registered in the corresponding securities registry.

- *La oferta de los valores comienza el 19 de enero del 2017 y está acogida a la Norma de Carácter General número 336 de fecha 27 de junio de 2012 de la Superintendencia de Valores y Seguros de Chile (la “SVS”). La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que los valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública a menos que sean inscritos en el registro de valores correspondiente.*

## **Notice to Prospective Investors in Peru**

The Bonds and the information contained in this offering memorandum are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru. Peruvian securities laws and regulations on public offerings will not be applicable to the offering of the Bonds and therefore, the disclosure obligations set forth therein will not be applicable to the issuer or the sellers of the Bonds before or after their acquisition by prospective investors. The Bonds and the information contained in this offering memorandum have not been and will not be reviewed, confirmed, approved or in any way submitted to the Peruvian Superintendency of Capital Markets (*Superintendencia del Mercado de Valores*) or the SMV and the Bonds have not been registered under the Securities Market Law (*Ley del Mercado de Valores*) or any other Peruvian regulations. Accordingly, the Bonds cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian regulations and complies with the provisions on private offerings set forth therein.

## **Notice to Prospective Investors in Hong Kong**

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The Bonds will not be offered or sold in Hong Kong other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (winding up and

Miscellaneous provisions) (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Bonds which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been issued or will be issued in Hong Kong or elsewhere other than with respect to securities which are or are intended to be disposed of only to persons outside of Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

#### **Notice to Prospective Investors in Japan**

The Bonds offered in this offering memorandum have not been registered under the Securities and Exchange Law of Japan. The Bonds have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

#### **Notice to Prospective Investors in Singapore**

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offering may not be circulated or distributed, nor may the Bonds be offered, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act (Chapter 289) (the “SFA”), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the Bonds are subscribed for under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, then securities, debentures and units of securities and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Bonds under Section 275 except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA; (ii) where no consideration is given for the transfer; or (iii) by operation of law.

#### **Notice to Prospective Investors in Brazil**

**WITHIN BRAZIL, AS PROVIDED BY CVM INSTRUCTION NO. 476, THE OFFERING OF OUR BONDS IS DIRECTED ONLY TOWARD A LIMITED NUMBER OF PROFESSIONAL INVESTORS (INVESTIDORES PROFISSIONAIS) AS DEFINED UNDER CVM INSTRUCTION NO. 539, DATED NOVEMBER 13, 2013, AS AMENDED, WHICH PROVIDES FOR SPECIFIC TRANSFER RESTRICTIONS, SPECIFICALLY SELECTED PURSUANT TO THE RULES OF CVM INSTRUCTION NO. 476 (THE “INTENDED PBS”) AND IS NOT DIRECTED TOWARD PERSONS WHO ARE NOT INTENDED PBS BRAZILIAN RESIDENTS. THIS OFFERING MEMORANDUM IS NOT ADDRESSED TO BRAZILIAN RESIDENTS AND IT SHOULD NOT BE FORWARDED OR DISTRIBUTED TO, NOR READ OR CONSULTED BY, ACTED ON OR RELIED UPON BY BRAZILIAN RESIDENTS. ANY INVESTMENT TO WHICH THIS OFFERING MEMORANDUM RELATES IS AVAILABLE ONLY TO NON BRAZILIAN RESIDENTS AND WILL BE ENGAGED IN ONLY WITH NON-BRAZILIAN RESIDENTS. IF YOU ARE A BRAZILIAN RESIDENT AND RECEIVED THIS OFFERING MEMORANDUM, PLEASE DESTROY ANY COPIES.**

#### **Notice to Prospective Investors in Colombia**

The Bonds will not be registered in Colombia on the National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) maintained by the SFC and, accordingly, they may not be offered to



persons in Colombia except pursuant to a public offering pursuant to Section 6.11.1.1.1 of Decree 2555 of 2010, as amended, or an exemption therefrom under Colombian law.

## **OFFICIAL STATEMENTS**

Information in this offering memorandum that is identified as being derived from a publication of, or supplied by, the Republic or one of its agencies or instrumentalities relies on the authority of such publication as an official public document of the Republic. All other information in this offering memorandum, other than that which is included under the caption "Plan of Distribution," is included as a public official statement made on the authority of Santiago Bausili, Secretary of Finance of the Ministry of Finance of Argentina.

### **VALIDITY OF THE BONDS**

The validity of the Bonds will be passed upon for the Republic by the Solicitor General of the Treasury of Argentina and by Cleary Gottlieb Steen & Hamilton LLP, special United States counsel to the Republic.

The validity of the Bonds will be passed upon for the Initial Purchasers by Shearman & Sterling LLP, United States counsel to the Initial Purchasers named in this offering memorandum, and by Bruchou, Fernández Madero & Lombardi, Argentine counsel to the Initial Purchasers named in this offering memorandum.

As to all matters of Argentine law, Cleary Gottlieb Steen & Hamilton LLP will rely upon the opinion of the Solicitor General of the Treasury of Argentina and Shearman & Sterling LLP will rely upon the opinion of Bruchou, Fernández Madero & Lombardi.

## GENERAL INFORMATION

### The Republic

The Bonds were authorized and issued under Law No. 27,341, Decree No. 29/2017 dated January 11, 2017, of the Executive Power of the Republic, and a resolution of the Ministry of Finance to be issued on or before the issue date of the Bonds.

### Preservation of Defenses

Nothing in this offering memorandum, or in any communication from the Republic relating to the offering or otherwise, constitutes an acknowledgment or admission of the existence of any claim or any liability of the Republic to pay that claim or an acknowledgment that any ability to bring proceedings in any jurisdiction in respect of such claim or any limitation period relating thereto has been revived or reinstated, or an express or implied promise to pay any such claim (or part thereof). Whether or not a claim exists, the Republic may in its sole discretion and only if written notice to that effect is received from a duly authorized officer of the Republic, attribute a value to such claim for purposes of the Republic's Settlement Proposal. All defenses available to the Republic relating to any applicable statute of limitations or otherwise are expressly preserved for all purposes. This offering memorandum may not be relied upon as evidence of the Republic's agreement that a claim exists, or of the Republic's willingness, ability or obligation to pay any claim. Any attribution of any value to any claim for purposes of the Republic's Settlement Proposal will not be considered an acknowledgment of the existence or validity of that claim and any consideration given by or on behalf of the Republic to the proponent of that claim will be consideration only for the agreement by the proponent of that claim to cease all actions or proceedings in respect of that claim and to irrevocably assign and transfer to the Republic all rights, if any, with respect to such claim and to undertake to complete any and all formalities or requirements necessary to ensure that if such claim existed neither the proponent nor any successor or assignee of the proponent (other than the Republic) is able to evidence or allege such claim to remain in existence or to be a liability of the Republic.

### Listing and Listing Agent

Application will be made to list the Bonds on the Luxembourg Stock Exchange and the MERVAL and for the Bonds to be admitted for trading on the Euro MTF Market and the MAE. The Luxembourg listing agent is The Bank of New York Mellon (Luxembourg) S.A.

On December 29, 2016, the CNV authorized *Bolsas y Mercados Argentinos* ("ByMA") as a market for the listing of securities with a public offering. The Republic of Argentina expects that once ByMA begins its activities the listing of the Bonds on the MERVAL will be automatically transferred to ByMA.

### Documents Relating to the Bonds

Copies of the Indenture, this offering memorandum and the forms of the Bonds may be inspected free of charge during normal business hours on any day, except Saturdays, Sundays and public holidays in Luxembourg at the offices of the listing agent in Luxembourg, as long as the Bonds are listed on the Luxembourg Stock Exchange. Copies of this offering memorandum may be obtained during normal business hours on any day except Saturdays, Sundays and public holidays, at the offices of the listing agent in Luxembourg, as long as the Bonds are listed on the Luxembourg Stock Exchange.

### Notices

For so long as any of the Bonds are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange shall so require, all notices to holders of such series shall be published either in a newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort* or the *Tageblatt*) or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or otherwise in compliance with the relevant listing rules of the Luxembourg Stock Exchange.

## Clearing

The Bonds have been accepted for clearance through the DTC, Euroclear and Clearstream clearance systems. The relevant identifier numbers are set forth in the following table:

<b>Series I</b>	<b>CUSIP Number</b>	<b>ISIN Number</b>	<b>Common Code</b>
Regulation S	P04808 AL8	USP04808AL87	155648724
Rule 144A	040114 HH6	US040114HH60	155645938
<b>Series II</b>	<b>CUSIP Number</b>	<b>ISIN Number</b>	<b>Common Code</b>
Regulation S	P04808 AM6	USP04808AM60	155650923
Rule 144A	040114 HJ2	US040114HJ27	155650940

**ANNEX I -  
REPUBLIC OF ARGENTINA**

## RECENT DEVELOPMENTS

*The information contained in this section supplements the information about Argentina corresponding to the headings below that are contained in this document. This information is not necessarily indicative of the Argentine economy or fiscal results for the full year or any other period. You should read the following discussion of recent developments together with the more detailed information appearing elsewhere in this document.*

### THE REPUBLIC OF ARGENTINA

#### Government

##### *Judicial System*

Following the retirement of two justices, President Macri nominated Mr. Horacio Daniel Rosatti and Mr. Carlos Fernando Rosenkrantz to the Supreme Court. Both nominees were confirmed by the Senate in June 2016. The Supreme Court has five confirmed sitting justices.

##### *Ministry of the Treasury and Ministry of Finance*

In December 2016, Mr. Alfonso Prat Gay, who had been appointed as Minister of the Treasury and Public Finance when President Macri took office, resigned from his position effective as of December 31, 2016. Following his resignation, the Macri administration decided to divide the former Ministry of the Treasury and Public Finance into two ministries, appointing Mr. Nicolas Dujovne as Minister of the Treasury (Ministro de Hacienda) and Mr. Luis Caputo as Minister of Finance (Ministro de Finanzas).

##### *Foreign Affairs and International Organizations*

On March 11, 2016, the United Nations Commission on the Limits of the Continental Shelf (the “CLCS”) unanimously approved a recommendation that expanded Argentina’s maritime territory in the South Atlantic Ocean (the “CLCS Recommendation”). The surface area within the designated limits covers approximately 0.7 million square miles—the equivalent of nearly 35% of Argentina’s territory.

Under the 1982 United Nations Convention on the Law of the Sea, CLCS recommendations to coastal states on matters related to the establishment of the outer limits of their continental shelf are not binding, but the limits of the continental shelf established by a coastal state based on such recommendations are final and binding.

The CLCS Recommendation has not been contested by any other country or territory. Argentina’s submission to the CLCS regarding the outer limit of its continental shelf comprised the continental, insular and Antarctic territory. The CLCS, however, postponed the analysis of any areas that are the subject of controversy with the United Kingdom as well as any portion of Argentina’s continental shelf that overlaps with territories that fall within the scope of the Antarctic Treaty dated December 1, 1959 (as amended), to which Argentina is a party. Consequently, the recommendation does not cover such areas.

The CLCS Recommendation and Argentina’s affirmation of rights over the extended continental shelf are expected to have a beneficial economic impact insofar as, according to Article 77 of the United Nations Convention on the Law of the Sea, the coastal state has sovereign rights over the continental shelf with respect to exploration and exploitation of natural resources.

On October 11 2016, Argentina and Chile’s double taxation treaty entered into force, after Argentina notified Chile that its internal requirements had been satisfied.

On November 9, 2016, the IMF concluded the Article IV Consultation with Argentina. Under Article IV of the IMF’s Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. IMF staff visit the country, collect economic and financial information, and discuss the country’s economic developments and policies with officials. The IMF staff then prepare a report, which forms the basis for discussion by the Executive Board. The most recent Article IV Consultation with Argentina took place in July 2006. The report is publicly

available on the IMF's website at <http://www.imf.org/external/pubs/cat/longres.aspx?sk=44386>. The contents of this website are not intended to be incorporated by reference into this document.

On November 16, 2016, Argentina and Switzerland signed a declaration agreeing to the automatic exchange of tax-related information and a memorandum of understanding regarding the existing double taxation treaty between both countries in relation to certain taxes, such as income taxes and wealth taxes, which includes mechanisms to avoid abuses of the system through tax evasion.

In December 2016, Argentina and the United States signed a tax information agreement that seeks to combat tax evasion and promote transparency.

As of the date of this document, Argentina is working towards negotiating free trade agreements with the European Union and the United States (the free trade agreements are being negotiated via the Latin American trade block MERCOSUR).

## **THE ARGENTINE ECONOMY**

### ***Macri Administration: 2015-Present***

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

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

- Foreign exchange reforms. The Macri administration eliminated substantially all of the foreign exchange restrictions, including certain currency controls, that were imposed by the Fernández de Kirchner administration. These reforms are expected to provide greater flexibility and easier access to the foreign exchange market (MULC). See “Exchange Rates and Exchange Controls—Exchange Controls” for a description of the principal measures adopted as of the date of this document.
- INDEC reforms. On January 8, 2016, based on its determination that the INDEC had failed to produce reliable statistical information, particularly with respect to CPI, GDP, poverty and foreign trade data, the Macri administration declared a state of administrative emergency for the national statistical system and the INDEC until December 31, 2016. As of the date of this document, the INDEC has published certain revised data, including the CPI for May, June, July, August, September, October, November and December 2016 and foreign trade and balance of payment statistics. On June 29, 2016, the INDEC published the INDEC Report including revised GDP data for the years 2004 through 2015. On September 22, 2016, the INDEC resumed publication of its essential goods and services basket assessment. On November 9, 2016, the IMF Executive Board lifted its censure on the Republic, noting that the Republic had resumed the publication of data in a manner consistent with its obligations under the Articles of Agreement of the IMF. However, the administrative emergency continues. For more information, see “Presentation of Statistical and Other Information—Certain Methodologies.”
- Access to Public Information Act. On September 14, 2016, Congress passed Law No. 27,275, which establishes the right to access certain information of, among others, the Government, the attorney general's office, the Judiciary Council, Congress, the Central Bank, entities owned by the Argentine state, institutions or funds administered by the Government and business organizations or trusts that have received public funds.
- Financial policy. Soon after taking office, the Macri administration sought to settle the outstanding claims with the holders of Untendered Debt, and the Minister of the Treasury designed a debt restructuring and cancellation program with the aim of reducing the amount of



outstanding Untendered Debt. In February 2016, the Republic entered into agreements in principle to settle outstanding claims with certain holders of Untendered Debt and put forward a proposal to other holders of Untendered Debt, including those with pending claims in U.S. courts, subject to two conditions: obtaining approval by the Argentine Congress and lifting the *pari passu* injunctions. On March 2, 2016, the District Court agreed to vacate the *pari passu* injunctions, subject to two conditions: first, the repealing of all legislative obstacles to settlement with holders of Untendered Debt, and second, full payment to holders of *pari passu* injunctions with whom the Government had entered into agreements in principle on or before February 29, 2016, in accordance with the specific terms of such agreements. On April 13, 2016, the District Court's order was affirmed by the Second Circuit Court of Appeals. On March 31, 2016, the Argentine Congress repealed the legislative obstacles to the settlement and approved the Settlement Proposal. Argentina closed the April 2016 Transaction on April 22, 2016 and applied U.S.\$9.3 billion of the net proceeds to satisfy settlement payments on agreements of holders of approximately U.S.\$4.2 billion principal amount of Untendered Debt. Upon confirmation that the conditions set forth in its March 2, 2016 order had been satisfied, the District Court ordered the vacatur of all *pari passu* injunctions.

Since April 2016, Argentina has continued settling claims with holders of Untendered Debt consistent with the terms of its February 2016 settlement proposal. As of December 31, 2016, the outstanding principal amount of Untendered Debt that was not subject to a settlement agreement totaled approximately U.S.\$1.51 billion.

On December 22, 2016, in a case involving certain creditors that had not responded to the February 2016 settlement proposal and alleged a continued violation of the *pari passu* clause, the District Court found that no continued *pari passu* violation existed although the plaintiffs' bonds remained unpaid while Argentina was paying its consenting creditors as well as the newly issued bonds. In its ruling, the District Court also found that under New York law claims relating to Untendered Debt governed by New York law become time-barred after six years.

- Foreign Currency-Denominated Bonds. Since the April 2016 Transaction, Argentina has issued foreign currency denominated bonds in aggregate amounts of U.S.\$2.75 billion and €2.5 billion under foreign law and reopened securities issued under local law for a total of U.S.\$1.2 billion. In addition, Argentina accessed the domestic US-dollar market by issuing Treasury bonds (LETES), of which U.S.\$7.6 billion were outstanding as of December 31, 2016.
- Foreign trade reforms. The Kirchner and Fernández de Kirchner administrations imposed export duties and other restrictions on several sectors, particularly the agricultural sector. The Macri administration eliminated export duties on wheat, corn, beef, mining, oil and regional products, and reduced the duty on soybean exports by 5%, from 35% to 30%. A 5% export duty on most industrial exports was also eliminated. With respect to payments for imports of goods and services to be performed abroad, the Macri administration eliminated the restrictions on access to the MULC. In addition, importers were offered short-term debt securities issued by the Republic to be used to repay outstanding commercial debt for the import of goods.
- Fiscal policy. The Macri administration took steps to anchor the fiscal accounts, to reduce the primary fiscal deficit, and pursued a primary fiscal deficit target of 4.8% of GDP in 2016 through the elimination of subsidies, the reorganization of certain expenditures and the generation of increased revenue through the Tax Amnesty.
- Correction of monetary imbalances. The Macri administration announced the adoption of an inflation targeting regime in parallel with the floating exchange rate regime and set inflation targets for the next three years. The Central Bank has increased sterilization efforts to reduce excess monetary imbalances and raised peso interest rates to offset inflationary pressure. Inflation from December 2015 to December 2016, as measured by City of Buenos Aires, stood at 41.0%. Inflation from May to December 2016, as measured by INDEC, stood at 16.9%. In October 2016, the Central Bank announced its intention to use the 7-day repo reference rate as the anchor

of its inflation targeting regime beginning in January 2017. Short term notes issued by the Central Bank (LEBACs) would be used to manage liquidity.

- National electricity state of emergency and reforms. Following years of very limited investment in the energy sector, as well as the continued freeze on electricity and natural gas tariffs since the 2001-2002 economic crisis, Argentina began to experience energy shortages in 2011. In response to the growing energy crisis, the Macri administration declared a state of emergency with respect to the national electricity system, which will remain in effect until December 31, 2017. The state of emergency allows the Government to take actions designed to ensure the supply of electricity to the country, such as instructing the Ministry of Energy and Mining to design and implement, with the cooperation of all federal public entities, a coordinated program to guarantee the quality and security of the electricity system. In addition, through Resolution No. 6/2016 of the Ministry of Energy and Mining and Resolution No. 1/2016 of the *Ente Nacional Regulador de la Electricidad* (National Electricity Regulatory Agency), the Macri administration announced the elimination of a portion of energy subsidies currently in effect and a substantial increase in electricity rates. As a result, average electricity prices have already increased and could increase further. By correcting tariffs, modifying the regulatory framework and reducing the Government's role as an active market participant, the Macri administration sought to correct distortions in the energy sector and stimulate investment. However, certain of the Government's initiatives were challenged in the Argentine courts and resulted in judicial injunctions or rulings limiting the Government's initiatives.

During 2016, lower court injunctions suspended in certain provinces and cities end-user electricity tariff increases implemented as of February 1, 2016, and instructed the Ministry of Energy and Mining and the National Electricity Regulating Agency (the *Ente Nacional Regulador de la Electricidad* or "ENRE") to conduct a non-binding public hearing prior to sanctioning any such increases. On October 28, 2016, a non-binding public hearing was conducted by the Ministry of Energy and Mining and ENRE to present tariff proposals submitted by distribution companies covering the greater Buenos Aires area (approximately 15 million inhabitants) for the 2017-2021 period in the framework of the Integral Tariff Review (as defined below). On December 14, 2016, eight non-binding public hearings (in Buenos Aires, Mendoza, Neuquén, Mar del Plata, Formosa, Santiago del Estero and Puerto Madryn) were conducted by the Ministry of Energy and Mining and ENRE to present tariff proposals for electricity transmission at the national and regional level and the seasonal reference prices of capacity and energy in the wholesale electricity market, as well as a proposal to reduce subsidies for the 2017-2021 period. The determination of the final tariffs and reference prices is pending.

- Tariff increases. With the aim of encouraging companies to invest and improve the services they offer and enabling the Government to assist those in need, the Macri administration has begun updating the tariffs for electricity, transportation, gas and water services (the "Integral Tariff Review"). Each of the announced tariff increases contemplates a *tarifa social* (social tariff), which is designed to provide support to vulnerable groups, including beneficiaries of social programs, retirees and pensioners that receive up to two minimum pensions, workers that receive up to two minimum salaries, individuals with disabilities, individuals registered in the *Monotributo Social* program, domestic workers and individuals receiving unemployment insurance. Subsequent modifications to these announced tariff increases were made, including a 20% discount on the regular distribution price for 400 designated energy-intensive companies that purchase electricity directly from distributors.

On August 18, 2016, the Supreme Court of Argentina in "*Centro de Estudios para la Promoción de la Igualdad y la Solidaridad v/ Ministry of Energy and Mining*," affirmed lower court injunctions suspending end-user natural gas tariff increases sanctioned as of April 1, 2016, and instructed the Ministry of Energy and Mining and ENARGAS to conduct a non-binding public hearing prior to sanctioning any such increases. On September 16, 2016, a non-binding public hearing was conducted by the Ministry of Energy and Mining and ENARGAS to submit (i) transitional tariffs for transportation and distribution of natural gas at the national level in the

framework of the Integral Tariff Review for the period 2017-2021, (ii) a new set of gas prices at the Point of Entry to the Transportation System (PIST) and (iii) a proposal to reduce subsidies for the period 2016-2022. Between October 2 and 7, 2016, public hearings were also conducted at the national level with regard to tariff proposals for gas transportation and distribution throughout the country for the period 2017-2021 in the framework of the Integral Tariff Review.

On October 6 and 7, 2016, after conducting non-binding public hearings, the Ministry of Energy and Mining and ENARGAS published a new end-user gas tariff scheme. The scheme establishes a two tariff schedule for private residences, establishing lower tariffs for units that decreased consumption compared to the same period in the previous year by at least 15%.

On October 11, 2016, the Ministry of Energy and Mining (a) expanded the amount of eligible beneficiaries of social tariffs to include retirees and pensioners that receive pensions equal to up to two minimum salaries, certain war veterans and medically dependent customers, and (b) decreed that institutions that perform activities of public interest would be entitled to residential rates.

The year-on-year increase in the price of energy in the wholesale electricity market for end-users, which excludes transportation and distribution costs and accounts for approximately 45% of the tariff to end-users in the City of Buenos Aires, totaled 233% (from Ps.96/MWh to Ps.320/MWh on average), while the increase in the price of natural gas for end-users was 68% (from Ps.37/MMBtu to Ps.62/MMBtu on average).

- **Retiree Programs.** On June 29, 2016, Congress passed a bill approving the Historical Reparations Program for Retirees and Pensioners, which took effect upon its publication in the official gazette. The main aspects of this program, which is designed to conform government social security policies to Supreme Court rulings, include (i) payments to more than two million retirees and the retroactive compensation of more than 300,000 retirees and (ii) the creation of a *pensión universal* (universal pension) for the elderly, which guarantees an income for all individuals over 65 years of age who are otherwise ineligible for *retirement*. The Historical Reparations Program for Retirees and Pensioners will give retroactive compensation to retirees in an aggregate amount of more than Ps. 47.0 billion and involve expenses of up to Ps. 75.0 billion to cover all potential beneficiaries. The bill provides that assets held by the FGS, including equity interests, may be sold to finance this program.
- **Tax Amnesty Law.** In July 2016, the *Régimen de Sinceramiento Fiscal* (the Tax Amnesty Law) was introduced to promote the voluntary declaration of assets by Argentine residents (the “Tax Amnesty Law”). The law allows Argentine tax residents holding undeclared funds or assets located in Argentina or abroad to (i) declare such property until March 31, 2017 without facing prosecution for tax evasion or being required to pay outstanding tax liabilities on the assets, provided they can provide evidence that the assets were held by certain specified cut-off dates, and (ii) keep the declared property outside Argentina and not repatriate such property to Argentina. In the case of cash that was not deposited in bank accounts by the specified cut-off dates, such amounts have to be disclosed by October 31, 2016 and deposited by November 21, 2016 in special accounts opened at Argentine financial entities. As of December 31, 2016, assets totaling approximately, Ps.106.8 billion had been declared.

Depending on the amount declared, how soon it is declared, the election to subscribe for certain investment securities and the payment method used, those who take advantage of the law will pay a special tax of between 0 and 15% on the total amount declared. Alternatively, they can invest an equivalent amount in government bonds or a fund that will finance, among other things, public infrastructure projects and small to medium-sized businesses in general. The special tax rate is set as follows: (i) undeclared assets below Ps. 305,000: 0%, (ii) undeclared assets between Ps. 305,000 and Ps. 800,000: 5% on the value of the assets, (iii) undeclared assets (except property) in excess of Ps. 800,000, if declared before December 31, 2016: 10% and if declared after December 31, 2016 and until March 31, 2017: 15% on the value of assets. Taxpayers may elect to subscribe for certain investment securities and reduce the tax rates payable upon disclosure of previously undisclosed assets.

On October 31, 2016, the Ministry of the Treasury and Public Finances and the Argentine Revenue Service Agency (the *Agencia Federal de Ingresos Públicos* or “AFIP”) announced that through that date, which was the end of the first stage of the Tax Amnesty Law implementation, U.S.\$4.6 billion cash holdings had been declared. In addition, the cut-off date for depositing declared cash amounts was extended through November 21, 2016.

On November 21, 2016, the Ministry of Finance and the AFIP announced that, through that date, which was the end of the second stage of the Tax Amnesty Law implementation, U.S.\$7.2 billion in cash holdings had been declared. On December 27, 2016, the Ministry of Finance and the AFIP announced that, through that date, U.S.\$ 97.8 billion in cash holdings, real estate and securities had been declared.

- Social Measures. On April 16, 2016, President Macri announced a series of measures intended to alleviate the impact of adverse conditions of certain social sectors, including:
  - the eligibility of over half a million children of self-employed individuals to receive the same allowances as those provided to employed workers. In addition, temporary workers will receive allowances throughout the year, including for the months they are not employed;
  - the harmonization of *Asignación Universal por Hijo* (Universal Child Allowance) with local programs to permit eligibility for more than one program;
  - a bill, which was approved by Congress on June 8, 2016, to refund up to Ps. 300 per month in VAT paid on the purchase of certain staples (such as food, clothing and cleaning supplies) by retirees that receive minimum pensions and individuals receiving the Universal Child or pregnancy allowance; this limit will be adjusted based on the variation of the prices;
  - a one-time allowance of Ps. 500 for retirees receiving minimum pensions and individuals receiving the Universal Child Allowance; and
  - a 20% increase in amounts paid under the *Plan Argentina Trabaja* program (Argentine Jobs Program) and *Ellas Hacen* (Women Make) program and an increase in the limit on annual income, from Ps. 48,000 to Ps. 72,000, for those eligible for the *Monotributo Social* program.

In addition, on December 14, 2016, Congress approved Law No. 27,345, which among other measures, declared a social emergency until December 31, 2019.

- *Precios Cuidados* and *Precios Claros*. The Government also announced modifications to the *Precios Cuidados* program, which was originally launched in January 2014 to establish price controls on a broad range of basic household and other products. The new program ran from September 6, 2016 to January 6, 2017, and was further extended until December 31, 2017, and includes fresh products such as fruits, vegetables and certain meats. The *Precios Claros* program was implemented to allow consumers to compare prices between hundreds of supermarket products. For more information, see “—Poverty and Income Distribution.”
- Public Bid Process for New Renewable Energy Generation Units. On March 22, 2016, the Secretariat of Energy called for bids to install 1,000 MW of new renewable energy units (the “RenovAR Program”). This bid process is governed by Law No. 27,191 and Decree No. 531/16, which encouraged the increase of energy generation from renewable sources by providing, among other things, significant tax benefits. On September 5, 2016, bids for a total of 6,366 MW were presented under the first round of this renewable energy bidding process. Bids submitted under this first round included 49 distinct wind energy projects totaling 3,468 MW and 58 distinct solar energy projects totaling 2,834 MW. Bids were also submitted for 11 biomass-biogas projects totaling 53 MW and 5 small hydroelectric projects totaling 11 MW. On October 7, 2016, the

winning bids for the first round of the RenovAR Program to incorporate 1,109 MW of electricity generated from renewable sources were announced. Twelve wind energy projects were awarded for 708 MW, four solar energy projects for 400 MW and one biomass-biogas project for 1 MW.

On October 31, 2016, the Ministry of Energy and Mining, by means of Resolution 252/2016, launched round 1.5 of the RenovAR Program as a continuation of round 1. This follow-up round allowed participants to resubmit their bids with a new price. The Ministry of Energy and Mining indicated that it would award new projects if, among other conditions, the price was below the U.S.\$59.39 MWh threshold for wind projects (the weighted average price of projects awarded in round 1). On November 25, 2016, the Ministry finalized the auction process for the installation of new renewable energy units and, under Resolution 281/2016, granted awards in the amount of 1,281.5 MW, with an average price of U.S.\$53.98 per MWh, including wind energy projects and 20 solar energy projects.

- **Strengthening of Regional Economies.** On October 3, 2016, the Government announced a plan to strengthen regional economies. The plan is expected to include increased reimbursements for exports of regional products, policies to improve disease control operations performed by the *Servicio Nacional de Sanidad y Calidad Agroalimentaria* (SENASA) and the creation of a new fund to provide credit for agroindustrial investment.
- **Aviation Sector Development.** On September 21, 2016, the Government announced its “*Plan Integral*” (Comprehensive Plan) construction program, which is intended to boost the development of the civil aviation sector and includes investments of more than Ps. 22.0 billion over the 2017-2020 period.
- **Border Pass.** On October 28, 2016, President Macri announced the commencement of the preselection period for tenders for the construction of the *Paso Agua Negra* (Agua Negra Pass) tunnel, which will link the province of San Juan with the Coquimbo port in Chile to improve cargo transportation across Argentina and Chile. The construction cost is estimated at U.S.\$ 1.5 billion.
- **Promotion of productive activity.** In October 2016, through the issuance of regulations supplementing the *Ley Pyme* (SME Act), the following tax benefits for SMEs were introduced:
  - the notional minimum income tax for SMEs was eliminated;
  - SMEs can deduct taxes paid on financial transactions from income tax payments;
  - SMEs may defer monthly VAT payments for 90 days;
  - SMEs may deduct 10% of their investments from their income tax payments; and
  - SMEs will receive VAT returns from investments, in the form of a tax credit bond, to be used for tax paying purposes.

In December 2016, the European Investment Bank approved a €60 million line of credit to finance micro and small and medium-sized enterprises, prioritizing productive investments, the use of renewable energies and the development of foreign trade.

- **Private-Public Partnerships Law.** On November 16, 2016, Congress approved the Private-Public Partnerships’ Law, which provides for a special regime for infrastructure projects by private investors in partnership with the public sector. Pursuant to this law, the Government and private investors may enter into different types of arrangements depending on the needs of the project, such as agreements, trusts or the creation of *sociedades anónimas* (corporations).
- **Amendment to the Capital Markets Law.** In November 2016, the government submitted a bill to Congress with comprehensive amendments to the current capital markets law No. 26,831, and other related laws. Furthermore, the bill provides for the amendment of certain tax provisions and

regulations relating to derivatives, as well as for the promotion of a financial inclusion program. The main proposed amendments, which are generally intended to increase flexibility and legal certainty while mitigating systemic risk and avoiding conflict of interests, include:

- Amendments affecting the power and function of the Comisión Nacional de Valores's (the "CNV"), including the CNV's power to appoint observers with veto powers and to remove a company's board of directors without the prior intervention of a competent court;
  - the reestablishment of the jurisdiction of the commercial courts (as opposed to courts with jurisdiction over administrative matters) to hear appeals relating to resolutions and fines imposed by the CNV;
  - a modification of the criteria to determine, among other things, the price and launch of mandatory tender offers triggered by a change in control; and
  - amendments relating to the sanctions and other powers of the CNV and other amendments relating to the regulation of certain financial products and activities.
- Climate change. The National Cabinet on Climate Change was created, which will establish policies and seek to generate public awareness.
  - Infrastructure. On January 10, 2017, the Macri administration announced a multi-sector agreement among the province of Neuquén, several oil companies and labor unions to develop the *Vaca Muerta* oil fields.
  - Increase in Minimum Income. In December 2016, Congress approved an increase in the minimum income threshold (on a net basis) by approximately 23%, from Ps. 25,000 to Ps. 30,670 for married workers with two children and from Ps. 18,880 to Ps. 23,185 for single workers. The minimum income threshold will be subject to automatic adjustment going forward, by reference to increases in the average wages paid to public sector employees. Congress also passed modifications to the income tax brackets to take into account the impact of inflation in recent years.

The fiscal, monetary and currency adjustments undertaken by the Macri administration may subdue growth in the short term, but seek to guide the economy toward a sustained path for growth in the medium-term. Immediately after the foreign exchange controls were lifted on December 16, 2015, the dismantling of the multiple exchange regime resulted in the official peso exchange rate (available only for certain types of transactions) adjusting in value by 40.1%, as the peso-U.S. dollar exchange rate reached Ps. 13.76 to U.S.\$1.00 on December 17, 2015. The Central Bank has since allowed the peso to float with limited intervention intended to ensure the orderly operation of the foreign exchange market. On December 31, 2016, the exchange rate was Ps. 15.850 to U.S.\$1.00.

## GROSS DOMESTIC PRODUCT AND STRUCTURE OF THE ECONOMY

The following table sets forth the evolution of GDP and per capita GDP for the periods specified, at current prices.

### Evolution of GDP and Per Capita GDP (at current prices)

		<u>Nine months ended September 30, 2015</u>		<u>Nine months ended September 30, 2016</u>
GDP (in millions of pesos) <sup>(1)</sup> .....	Ps.	5,648,709	Ps.	7,783,36
GDP (in millions of U.S. dollars) <sup>(1)</sup> .....	U.S.\$	629,586	U.S.\$	534,57
Per capita GDP <sup>(1)</sup> .....	U.S.\$	14,636	U.S.\$	12,29
Peso / U.S. dollar exchange rate <sup>(2)</sup> .....		8.97		14.56

(1) GDP figures in this table are expressed in nominal terms on an annualized basis and were calculated by reference to an average of the first three annual quarters.

(2) Average rate for the period specified.

*Source: INDEC and Ministry of the Treasury.*

The following tables set forth information on Argentina's real GDP, by expenditure, for the periods specified, at constant 2004 prices.

**Composition of Real GDP by Expenditure**  
(in millions of pesos, at constant 2004 prices)

	<b>Nine months ended September 30, 2015</b>	<b>Nine months ended September 30, 2016</b>
Consumption:		
Public sector consumption.....	Ps. 94,596	Ps. 95,953
Private consumption .....	531,342	524,779
Total consumption .....	625,938	620,732
Gross investment .....	141,505	134,647
Exports of goods and services .....	140,276	143,262
Imports of goods and services .....	177,301	188,885
Net exports/(imports).....	(37,024)	(45,623)
Inventory provision.....	(4,181)	(1,036)
Real GDP.....	Ps. 726,238	Ps. 708,721

Source: INDEC and Ministry of the Treasury.

**Composition of Real GDP by Expenditure**  
(as % of total real GDP, at constant 2004 prices)

	<b>Nine months ended September 30, 2015</b>	<b>Nine months ended September 30, 2016</b>
Consumption:		
Public sector consumption.....	13.0%	13.5%
Private consumption .....	73.2%	74.0%
Total consumption .....	86.2%	87.6%
Gross investment .....	19.5%	19.0%
Exports of goods and services .....	19.3%	20.2%
Imports of goods and services .....	24.4%	26.7%
Net exports/(imports).....	(5.1)	(6.4)
Inventory provision .....	(0.6)	(0.1)
Real GDP .....	100.0%	100.0%

Source: INDEC and Ministry of the Treasury.

In the nine months ended September 30, 2016, Argentina's real GDP decreased by 2.4% compared to the same period in 2015. The decrease of real GDP was driven by a 4.8% decrease in gross investment and by a 0.8% decrease in total consumption, resulting from a 1.7% decrease in private sector consumption that was only partially offset by a 1.4% increase in public sector consumption.

During the nine months ended September 30, 2016, the services sector decreased by 0.2% and accounted for 51.1% of real GDP during this period. Within the services sector, financial services experienced the highest rate of decline. As compared to the same period in 2015, the primary production sector decreased by 6.2% and the secondary production sector decreased by 6.0%.



The following table sets forth the composition of Argentina's real GDP by economic sector for the periods specified.

**Real GDP by Sector**  
(in millions of pesos, at constant 2004 prices)

	Nine months ended September 30, 2015	Nine months ended September 30, 2016
<b>Primary production:</b>		
Agriculture, livestock, fisheries and forestry .....	Ps. 61,989	Ps. 57,798
Mining and extractives (including petroleum and gas).....	23,479	22,344
Total primary production .....	85,468	80,141
<b>Secondary production:</b>		
Manufacturing .....	123,708	116,464
Construction .....	22,834	20,216
Electricity, gas and water.....	12,407	12,700
Total secondary production.....	158,949	149,379
<b>Services:</b>		
Transportation, storage and communications .....	55,664	57,235
Trade, hotels and restaurants .....	104,807	102,444
Financial, real estate, business and rental services .....	98,968	97,366
Public administration, education, health, social and personal services.....	99,213	100,965
Domestic services <sup>(1)</sup> .....	4,307	4,276
Total services .....	362,960	362,286
Plus import duties less adjustment for banking service <sup>(2)</sup> .....	118,861	116,914
Total real GDP.....	Ps. 726,238	Ps. 708,721

(1) Includes services completed by domestic workers including caretakers, domestic servants and private chauffeurs.

(2) The production figures in this table do not include duties assessed on imports used in production, which must be taken into account for purposes of determining real GDP. This line item adds import duties for purposes of determining real GDP.

Source: INDEC and Ministry of the Treasury.

**Real GDP by Sector**  
(as a % of real GDP, at constant 2004 prices)

	Nine months ended September 30, 2015	Nine months ended September 30, 2016
<b>Primary production:</b>		
Agriculture, livestock, fisheries and forestry .....	8.5%	8.2%
Mining and extractives (including petroleum and gas) .....	3.2%	3.2%
Total primary production .....	11.8%	11.3%
<b>Secondary production:</b>		
Manufacturing .....	17.0%	16.4%
Construction .....	3.1%	2.9%
Electricity, gas and water .....	1.7%	1.8%
Total secondary production .....	21.9%	21.1%
<b>Services:</b>		
Transportation, storage and communication .....	7.7%	8.1%
Trade, hotels and restaurants .....	14.4%	14.5%
Financial, real estate, business and rental services .....	13.6%	13.7%
Public administration, education, health, social and personal services .....	13.7%	14.2%
Domestic services <sup>(1)</sup> .....	0.6%	0.6%
Total services .....	50.0%	51.1%
Plus import duties less adjustment for banking service <sup>(2)</sup> .....	16.4%	16.5%
Total real GDP .....	100.0%	100.0%

(1) Includes services completed by domestic workers including caretakers, domestic servants and private chauffeurs.

(2) The production figures in this table do not include duties assessed on imports used in production, which must be taken into account for purposes of determining real GDP. Import duties for purposes of determining real GDP are recorded under this line item.

Source: INDEC and Ministry of the Treasury.

**Real GDP Growth by Sector**  
(% change from same period in previous year, at constant 2004 prices)

	<b>Nine months ended September 30, 2016</b>
<b>Primary production:</b>	
Agriculture, livestock, fisheries and forestry .....	(6.8) %
Mining and extractives (including petroleum and gas).....	(4.8)
Total primary production.....	(6.2)
<b>Secondary production:</b>	
Manufacturing.....	(5.9)
Construction.....	(11.5)
Electricity, gas and water.....	2.4%
Total secondary production .....	(6.0)
<b>Services:</b>	
Transportation, storage and communication.....	2.8%
Trade, hotels and restaurants .....	(2.3)
Financial, real estate, business and rental services .....	(1.6)
Public administration, education, health, social and personal services.....	1.8%
Domestic services <sup>(1)</sup> .....	(0.7)
Total services.....	0.2%
Plus import duties less adjustment for banking service <sup>(2)</sup> .....	(1.6)
Total real GDP.....	(2.4)%

(1) Includes services completed by domestic workers including caretakers, domestic servants and private chauffeurs.

(2) The production figures in this table do not include duties assessed on imports used in production, which must be taken into account for purposes of determining real GDP. Import duties for purposes of determining real GDP are recorded under this line item.

Source: INDEC and Ministry of the Treasury.

### **Primary Production**

In the nine months ended September 30, 2016, the total primary sector production decreased to Ps. 80.1 billion, or 6.2%, from Ps. 85.5 billion in the same period in 2015. Only fisheries showed growth during this period, increasing by 1.0%, from Ps. 2.2 billion in the nine months ended September 30, 2015 to Ps. 2.3 billion in the same period in 2016.

### **Secondary Production**

In the nine months ended September 30, 2016, the total secondary sector production decreased to Ps. 149.4 billion, or 6.0%, from Ps. 158.9 billion in the same period in 2015. While electricity, gas and water services grew by 2.4% compared to the same period in 2015, manufacturing activities were adversely affected by the contraction in domestic demand and the inability to access export markets, and the construction sector, which accounted for 2.9% of real GDP, decreased by 11.5% compared to the same period in 2015, mainly as a result of the decrease in private investment.

## Services

### Composition of Services Sector (in millions of pesos, at constant 2004 prices)

	Nine months ended September 30, 2015	Nine months ended September 30, 2016
Wholesale and retail trade and repairs.....	Ps. 93,939	Ps. 91,516
Transportation, storage and communication services .....	55,664	57,235
Real estate, business and rental services .....	72,033	71,477
Education, Social and health services .....	48,525	49,779
Financial services .....	26,936	25,889
Other community, social and personal services.....	18,730	18,470
Public administration.....	31,959	32,717
Hotels and restaurants.....	10,868	10,928
Other services .....	4,307	4,276
<b>Total.....</b>	<b>Ps. 362,960</b>	<b>Ps. 362,286</b>

Source: INDEC and Ministry of the Treasury.

### Growth of Services Sector (% change from previous year, at constant 2004 prices)

	Nine months ended September 30, 2016
Wholesale and retail trade and repairs.....	(2.6)%
Transportation, storage and communication services.....	2.8
Real estate, business and rental services .....	(0.8)
Education, social and health services .....	2.6
Financial services .....	(3.9)
Other community, social and personal services.....	(1.4)
Public administration.....	2.4
Hotels and restaurants.....	0.6
Other services .....	(0.7)
<b>Total.....</b>	<b>0.2%</b>

(1) Data for the nine months ended September 30, 2016 as compared to the same period in 2015.

In the nine months ended September 30, 2016, the services sector decreased slightly by 0.2% compared to the same period in 2015. This decrease was primarily driven by a 2.6% decrease in wholesale and retail trade and repairs services, as well as a 3.9% decrease in financial services. This decrease was offset by a 2.8% increase in transportation, storage and communication services and a 2.6% increase in education, social and health services. In the first nine months ended September 30, 2016, the services sector represented 51.1% of real GDP.

### Poverty and Income Distribution

On September 22, 2016, the INDEC resumed publication of its essential goods and services basket assessment for the Greater Buenos Aires area. On December 22, 2016, this assessment indicated that a standard family required Ps. 13,126 to gain access to the essential goods and services basket in November 2016, compared to Ps. 11,320 in April 2016.

According to indicators published by the INDEC on September 28, 2016, in the second half of 2016, 32.2% of the population and 23.1% of households lived below the poverty and indigence lines, respectively.

### ***Wages and Labor Productivity***

In January 2016, the Ministry of Employment and Social Security, through the Wage Council, increased the minimum monthly wage to Ps. 6,060. In May 2016, the minimum monthly wage was further increased to Ps. 8,060, representing an increase of 33%, which became fully effective in January 2017. This increase in wages was implemented in three phases: 12.3% in June 2016 (to Ps. 6,810), 12.4% in September 2016 (to Ps. 7,560) and 8.3% in January 2017 (to Ps. 8,060). In addition, unemployment insurance was increased by 750%, with the minimum amount set as Ps. 1,875 and the maximum amount as Ps. 3,000 for the first three months, which gradually decreases to Ps. 1,200 after one year.

### **Environment**

In March 2016, the Government signed an agreement with the World Bank to finance the Cuenca Matanza – Riachuelo Sustainable Development Program for a total cost of approximately U.S.\$1 billion.

### **BALANCE OF PAYMENTS**

#### ***Current Account***

In the first nine months of 2016, the Republic's balance of payments registered a U.S.\$4.0 billion surplus. This surplus was primarily generated by:

- a U.S.\$14.5 billion surplus in the capital and financial account, compared to a U.S.\$15.6 billion surplus recorded in the first nine months of 2015;
- a U.S.\$10.7 billion deficit in the current account, compared to a U.S.\$11.9 billion deficit recorded in the first nine months of 2015; and
- a U.S.\$238 million surplus in errors and omissions, compared to a U.S.\$1.3 billion deficit recorded in the first nine months of 2015.

In the first nine months of 2016, the current account deficit decreased mainly due to an increase in the trade balance surplus that was partially offset by an increase in the non-financial services deficit, which recorded a deficit of U.S.\$5.7 billion in the first nine months of 2016, compared to a deficit of U.S.\$3.2 billion in the same period of 2015. The increase in the trade balance surplus was due to an 8.7% decrease in imports, while exports decreased by 1.6% in the same period. The financial services account deficit decreased by 2.1% in the first nine months of 2015, mainly due to a 15.5% decrease in dividend payments abroad, which was partially offset by a 22.5% increase in interest payment outflows.

#### ***Trade Regulation***

On January 18, 2016, the Government informed the dispute settlement body that it had modified its import requirements to comply with World Trade Organization rulings.

#### ***Capital and Financial Account***

In the first nine months of 2016, the capital and financial account registered a surplus of U.S.\$14.5 billion as compared to a surplus of U.S.\$15.6 billion in the same period 2015.

*Central Bank.* Capital flows to the Central Bank decreased from a surplus of U.S.\$7.2 billion to a surplus of U.S.\$3.8 billion. This decrease was mainly the result of the unwinding of the currency swap with the People's Bank of China in 2015.

*Non-financial private sector.* Capital flows recorded a surplus of U.S.\$5.6 billion in the first nine months of 2015 compared to a deficit of U.S.\$3.0 billion in 2016. The net decrease in capital inflows was mainly due to a U.S.\$9.5 billion decrease in investments in local assets by foreign investors, from a U.S.\$12.5 billion surplus recorded in the first nine months of 2015 to a U.S.\$3.0 billion surplus recorded in the first nine months of 2016.

Investments in external assets by residents, recorded a U.S.\$7.0 billion deficit in the first nine months of 2015 compared to a U.S.\$8.9 billion deficit recorded in the first nine months of 2016. Investments by non-residents in public bonds increased from U.S.\$ 53 million in the first nine months of 2015 to U.S.\$ 3.1 billion in the same period in 2016.

*Non-financial public sector.* Capital flows increased from a surplus of U.S.\$892 million in 2015 to a surplus of U.S.\$14.8 billion for the same period in 2016. The increase in net capital inflows reflected a U.S.\$19.3 billion increase in issuances in the period, as compared to inflows registered in 2015.

*Other financial entities.* Capital inflows recorded a surplus of U.S.\$1.9 billion in the first nine months of 2015 compared to a deficit of U.S.\$1.2 billion in 2016. This decrease in surplus was mainly due to an increase in nonresident deposits.

In the first nine months of 2016, net foreign direct investment decreased by U.S.\$4.8 billion to U.S.\$4.1 billion, as compared to U.S.\$8.9 billion in the first nine months of 2015.

#### *International Reserves*

As of December 31, 2016, the gross international reserve assets of the Central Bank totaled U.S.\$38.8 billion, compared to U.S.\$25.6 billion as of December 31, 2015.

## **MONETARY SYSTEM**

### *Monetary Policy*

#### *Inflation*

The Central Bank and the Government introduced two new financial instruments intended to safeguard savings and long-term loans from the effects of inflation. In April 2016, the Central Bank by means of Communication “A” 5945 (as amended and restated by Communication “A” 6069) introduced the first instrument, known as *Unidades de Valor Adquisitivo* (UVAs), with an initial value based on the average construction cost of a square meter in the cities of Buenos Aires, Córdoba, Rosario, Salta and the coastal region (Santa Fe de la Vera Cruz to Paraná) as of March 31, 2016. The value of UVAs is adjusted on a daily basis, based on the CER. In September 2016, the Government by means of Law No. 27,271, introduced the second instrument, known as *Unidades de Vivienda* (UVIs) with an initial value based on the average construction cost of a square meter in Argentina. The value of UVIs is adjusted on a monthly basis, based on the “*Índice de la Construcción para el Gran Buenos Aires*” published by the INDEC, based on the CER.

On June 15, July 13, August 12, September 13, October 13, November 10, December 15, 2016, and January 11, 2017 the INDEC published inflation rates of 4.2%, 3.1%, 2.0%, 0.2%, 1.1%, 2.4%, 1.6% and 1.2% for May 2016, June 2016, July 2016, August 2016, September 2016, October 2016, November and December 2016, respectively, using its new methodology for calculating the CPI.

### *Securities Markets*

#### *Regulation of the Securities Markets*

On December 29, 2016, the CNV authorized *Bolsas y Mercados Argentinos* (“ByMA”) as a market for the listing of securities through a public offering approval. The Republic of Argentina expects that once ByMA begins its activities the listing of notes on the MERVAL will be automatically transferred to ByMA.

#### *Mutual Funds and the FGS*

As of November 2016, the FGS was valued at Ps. 865.2 billion and public securities held by the FGS amounted to Ps. 496.5 billion, representing 57.4% of its total assets.

### Total Assets of the FGS

	<u>2015</u>	<u>Eleven month period ended November 30, 2016</u>
Assets (in millions of pesos) .....	Ps. 664.0	Ps. 865.2
Percentage increase from previous period.....	40.6%	34.6%

*Source:* Central Bank.

## PUBLIC SECTOR FINANCES

### *National Public Accounts*

#### *New Presentation*

In March 2016, the Macri administration adopted a new methodology intended to increase transparency in the reporting of fiscal results. The main modifications introduced in the new presentation of fiscal results consist of excluding transfers from the Central Bank and FGS to the Government from total current fiscal revenues and excluding interest payments on public debt made by the Government from total current fiscal expenditures. In addition, it includes an estimate of the increase in the amount of deferred current obligations. Since the expenditures of the non-financial public sector are recorded at the time of payment in accordance with the cash method of accounting, expenditures relating to the consumption of goods and services incurred in a given period are recorded in a subsequent period if payment is deferred as a result of the Government's discretionary power to do so. Recording the non-financial public sector's accrued expenditures is a way to monitor the discrepancy between expenditures associated with actual consumption during a period which will be actually paid for during subsequent periods.

## The 2017 Budget

The table below presents a comparison of the 2017 budget against the projected 2016 budget.

	<b>Budget Comparison</b> (in millions of pesos)			
	<b>Projected</b>	<b>2017</b>	<b>Difference</b>	
	<b>2016<sup>(1)</sup></b>		<b>Ps.</b>	<b>%</b>
<b>Current Revenues</b> .....	1,686,612.9	2,068,482.8	381,869.9	22.6%
Tax Revenues .....	875,429.5	1,104,127.5	228,698.0	26.1%
Social Security Contributions .....	563,499.6	698,814.3	135,314.7	24.0%
Non-Tax Revenues.....	39,044.5	50,176.9	11,132.4	28.5%
Sales of Goods and Services of the Public				
Administration .....	7,473.2	11,100.8	3,627.6	48.5%
Property Taxes .....	189,251	201,501.1	12,250.1	6.5%
Current Transfers .....	10,838.5	1,443.3	(9,395.2)	(86.7)%
Other Revenues.....	1,076.0	1,318.9	243.0	22.6%
Operating Surplus of Public Entities.....				
<b>Current Expenditures</b> .....	1,903,730.2	2,314,013.5	410,283.3	21.6%
Consumption Expenditures .....	342,601.5	426,913.7	84,312.2	24.6%
Personnel.....	256,276.1	319,341.3	63,065.2	24.6%
Goods and services.....	86,325.4	107,572.4	21,247.0	24.6%
Property Taxes .....	193,262.6	255,945.8	62,683.2	32.4%
Social Security Expenditures .....	712,389.3	963,181.1	250,791.8	35.2%
Direct Taxes .....	2,505.1	3,542.2	1,037.1	41.4%
Other Losses.....	2,174.6	3,574.8	1,400.2	64.4%
Current Transfers .....	609,272.6	632,568.7	23,296.1	3.8%
Operating Deficit of Public Entities.....	41,524.5	28,287.2	(13,237.3)	(31.9)%
<b>Primary Result</b> .....	(217,117.3)	(245,530.7)	(28,413.4)	13.1%
<b>Capital Resources</b> .....	753.7	388.04	(365.3)	(48.5)%
<b>Capital Expenditures</b>	181,108.4	236,917.8	55,809.4	30.8%
Real Direct Investment.....	82,627.6	108,460.9	25,833.3	31.3%
Capital Transfers .....	80,467.3	112,692.3	32,225.0	40.0%
Financial Investment .....	18,013.5	15,764.6	(2,248.9)	(12.5)%
<b>Total Resources</b> .....	1,687,366.6	2,068,871.2	381,504.6	22.6%
<b>Total Expenditures</b> .....	2,084,838.6	2,550,931.3	466,092.7	22.4%
<b>Total Primary Expenditures</b> .....	1,891,597.8	2,295,001.0	403,403.2	21.3%
<b>Primary Result</b> .....	(204,231.2)	(226,129.8)	(21,898.6)	10.7%
<b>Primary Result without BCRA and FGS</b>				
<b>Gains (losses)</b> .....	(373,248.0)	(405,033.2)	(31,785.2)	8.5%
<b>Financial Result</b> .....	(397,472.0)	(482,060.1)	(84,588.1)	21.3%

(1) Reflects the projected 2016 budget information as modified by the Macri administration in 2016. Based on preliminary estimates, the Government believes that the fiscal deficit for 2016 (including receipts through December 31, 2016, of approximately Ps.106.8 billion as a result of the Tax Amnesty Law) will be consistent with the projected 4.8% of GDP.

On September 15, 2016, the 2017 budget bill was submitted to Congress. The 2017 budget projects a fiscal deficit representing 4.2% of GDP in 2017. This projected fiscal deficit represents an increase from the previously projected 3.3% of GDP, primarily as a result of two factors: the August 2016 decision of the Supreme



Court of Argentina (which held that gas tariffs that had been announced for residential users must retroactively return to the levels in effect before tariff increases were implemented) and the *Ley de Reparación Histórica a los Jubilados* (the Historical Reparations Law for Retirees and Pensioners), which will increase pension expenditures. The budget bill does not include any estimate of revenues arising from the Tax Amnesty Law. The proceeds of its January 2017 offering, as well as other financings in the international capital markets contemplated by the Republic, would be applied to cover the Republic's financing needs in 2017. The 2017 budget was approved on December 21, 2016. For more information, see “—Macri Administration: 2015-Present—Tariff Increases” and “—Retiree Programs”

One of the cornerstones of the 2017 budget is the expansion of social programs designed to meet the needs of the most vulnerable groups, including the following:

- *Childhood Programs.* The proposed 2017 budget allocates funds for (i) the *Plan Nacional de Primera Infancia* (National Plan for Early Childhood), (ii) the construction of 3,000 preschools to advance compulsory schooling for children aged three and older, and (iii) the expansion of the Child Allowance Program to reach 4.1 million beneficiaries, including 514,000 children of *monotributistas* (self-employed workers), and 200,000 children of temporary workers.
- *Healthcare and Retiree Programs.* The budget provides for the *Cobertura Universal de Salud* (Universal Health Insurance Coverage Plan) for 15 million residents who lack health insurance coverage and the Historical Reparation Plan for Retirees and Pensioners, which is expected to reach 2.4 million retirees.
- *National Housing Plan.* With the aim of addressing the housing needs of low and middle-income families, the budget also provides for the implementation of the *Plan Nacional de Vivienda* (National Housing Plan), which includes the construction of 120,000 homes and granting 175,000 subsidized housing loans over a three-year period.

Overall, social security expenditures are expected to grow by 35% in 2017.

The 2017 budget further provides for an increase in the minimum monthly wage to Ps. 8,060 in January 2017. This increase in wages was implemented in three phases: 12.3% in June 2016 (to Ps. 6,810), 12.4% in September 2016 (to Ps. 7,560) and 8.3% in January 2017 (to Ps. 8,060).

*Infrastructure.* The 2017 budget additionally allocates funds for investments in infrastructure projects, including:

- *Plan Belgrano*, which involves a Ps. 95 billion investment to promote infrastructure development in the northern provinces of Argentina;
- rebuilding the national transportation system to increase the competitiveness of regional economies, including through a U.S.\$2.0 billion investment for the construction of 2,800 kilometers of highways over a four-year period; and
- the ongoing *Plan Nacional de Agua 2016-2019* (National Water Plan 2016-2019), which is expected to generate 500,000 jobs.

*Fiscal Result of Eleven Months Ended November 30, 2016 as Compared to Eleven Months Ended November 30, 2015.*

*Primary fiscal balance.* The primary deficit recorded for the first eleven months of 2016 was Ps.300.1 billion, compared to a deficit of Ps.191.7 billion for the eleven months ended November 30, 2015. Total primary revenues increased by 28.0% in the eleven months ended November 30, 2016, and primary expenditures (excluding interest payments) increased by 32.3%.

*Fiscal revenues.* In the eleven months ended November 30, 2016, fiscal revenues increased by 28.0% to Ps. 1,380 billion from Ps. 1,078.4 billion in the first eleven months ended November 30, 2015. This increase was

mainly driven by an increase in revenues generated by social security taxes, VAT, income tax, taxes on fuel and financial transactions. During the first eleven months of 2015, the Government auctioned the 4G spectrum, which resulted in a 2.9% increase in “other non-tax revenues.”

*Primary expenditures.* In the eleven months ended November 30, 2016, primary expenditures (excluding interest payments) of the national public sector increased by 32.3% from Ps. 1,270.1 billion in the eleven months ended November 30, 2015 to Ps.1,680.1 billion in the eleven months ended November 30, 2016. This increase was mainly due to the following factors:

- social security outlays, which accounted for approximately 44.3% of the overall increase in expenditure, increased by 39.3%, from Ps. 462.2 billion in the first eleven months ended November 30, 2015 to Ps. 643.8 billion in the same period of 2016, mainly as a result of an increase in the number of retirees and successive increases in pension payments;
- other transfers (including external sector transfers, private sector subsidies and transfers to autonomous public entities such as universities), which accounted for approximately 38.3% of the overall increase, increased by 43.4%, from Ps. 361.2 billion in the first eleven months of 2015 to Ps. 518.1 billion in the same period of 2016. This increase was mainly due to the increase in subsidies to the electricity sector. The increase in other transfers was also driven by the increase in outlays to social security payments, particularly through the Universal Child Allowance and Universal Pregnancy Allowances, and transfers to local transportation providers and the “*Acciones de Sustentabilidad de Suministro de Energía Eléctica*” Program. Since March 2016, family allowances to self-employed and temporary workers have been extended. This measure is available to 514,000 children and their families.
- national administration wages, which accounted for approximately 14.3% of the total increase, increased by 33.9% from Ps. 173.3 billion in the first eleven months of 2015 to Ps. 231.9 billion in the same period of 2016. Capital expenditures, increased from Ps. 152.9 billion in the first eleven months of 2015 to Ps. 159.8 billion in the same period of 2016.

Transfers to the Government from the Central Bank and FGS increased by 44.3% in the first eleven months of 2016, while interest payments increased by 62.6% in the same period.

*Overall fiscal balance.* The overall fiscal balance recorded a deficit of Ps. 281.3 billion in the first eleven months of 2016, compared to a deficit of Ps. 166.5 billion in the same period of 2015.

## **Tax Regime**

### ***Taxes on Income***

On March 22, 2016, the AFIP increased the amount of gross income (from Ps. 96,000 to Ps. 200,000) above which employees must submit an affidavit of personal assets, and increased the amount of gross income (from Ps. 144,000 to Ps. 300,000) above which employees must submit an affidavit of personal assets and income tax reports.

Congress also passed modifications to the income tax brackets to take into account the impact of inflation in recent years.

### ***Tax Amnesty Law***

In July 2016, a voluntary and extraordinary tax disclosure and regularization regime for the holding of foreign and local currency and assets located in Argentina and abroad was enacted by the Federal Congress (Law 27,260). Tax disclosure as well as regularization may be conducted until March 31, 2017, while the disclosure of cash shall be made effective by October 31, 2016. A special tax is applicable on the value of the disclosed currency and assets, unless adherent taxpayers subscribe certain investment securities. Among other aspects, the regime also provides benefits for compliant taxpayers, certain changes in the personal assets tax, the abrogation of the 10% income tax withholding on dividends distributed by Argentine companies and the abrogation of the notional

minimum income tax commencing on January 1, 2019. To date, 21 out of 23 Argentine provinces have adhered to the referred regime.

In August 2016, the Government announced the issuance of two new bonds, BONAR 0% 2019 and BONAR 1% 2023 for up to U.S.\$8.0 billion, which can be subscribed for by taxpayers participating in the new Tax Amnesty Law that allows taxpayers to declare financial assets that have not been reported under applicable tax rules. On October 31, 2016, the Ministry of the Treasury and Public Finances and the AFIP announced that during the first stage of the Tax Amnesty Law implementation, U.S.\$4.6 billion cash holdings had been declared. In addition, the cut-off date for depositing declared cash amounts was extended through November 21, 2016.

On October 31, 2016, the Ministry of the Treasury and Public Finances and the AFIP announced that during the first stage of the Tax Amnesty Law implementation, U.S.\$4.6 billion cash holdings had been declared. The second stage, which expired on December 31, 2016, is aimed at declaring amounts held abroad. The third and last stage is aimed at declaring fixed and movable assets held abroad and in Argentina, and expires on March 31, 2017.

## **Fiscal Relations with the Provinces**

### ***Revenue Transfers***

In February 2016, the Macri administration issued an emergency decree creating the *Programa Acuerdo para el Nuevo Federalismo* (“Agreement for a New Federalism”) and forming a designated council with the objective of reaching an agreement among the Government and provinces, other than Córdoba, San Luis and Santa Fe, for the gradual repayment of funds withheld under Article 76 of the 2006 National Budget Law. In May 2016, each province (other than Córdoba, San Luis and Santa Fe) and the City of Buenos Aires agreed to be bound by the terms of the Agreement for a New Federalism, through which they will gradually recover their share of the 15% withheld by the Government, subject to certain conditions. A special financing facility through ANSES will provide the equivalent of 6% of such 15% owed to those provinces and the City of Buenos Aires during 2016, and 3% each year during a 5-year period thereafter. The Government reached separate agreements with Córdoba, San Luis and Santa Fe, reflecting the restitution in favor of those provinces ordered by the Supreme Court.

On October 25, 2016, the Minister of the Treasury and Public Finance along with the provincial ministers of finance announced the inclusion of certain amendments to the Fiscal Responsibility Law (*Ley de Responsabilidad Fiscal*) in the 2017 Budgeting. The amendments aim to reduce the overall public sector deficit by 10% in 2017, enhance transparency in provincial public accounts and restrain public spending by capping public spending increases in 2017 at the growth rate of nominal GDP.

The *Consejo Federal de Responsabilidad Fiscal* (Federal Council of Fiscal Responsibility) agreed a joint work schedule to create a comprehensive and definitive reform to be implemented in 2018.

On October 26, 2016, agreements were signed to normalize the financial relationship between the Province of Córdoba, ANSES and the Government. Pursuant to these agreements the Government acknowledges the debt of financial assistance owed to the provincial pension fund of the Province of Córdoba in line with the parameters established in the *Ley de la Reparación Histórica* (Law of Historical Reparation). Additionally, the Government committed to assist the provincial pension fund during 2016 with Ps. 3.4 billion. Part of the Government’s debt held by the Province of Córdoba was set-off against claims of the Government against the Province of Córdoba. The remainder, which amounts to Ps. 2.0 billion, will be paid by ANSES, of which Ps. 1.5 billion will be transferred immediately to the province and the remaining Ps. 500 million will be transferred once the province’s social security system is conformed to the national social security system.

## **Composition of Public Expenditure**

### ***Public Infrastructure and Services***

On December 21, 2016, the Supreme Court of Argentina suspended the construction at the “Presidente Néstor Kirchner” and “Governor Jorge Cepernic” dams in the province of Santa Cruz. The Supreme Court found that the legally mandated environmental impact assessment and public hearing regarding the projects had not been conducted.

## **PUBLIC SECTOR DEBT**

The Republic’s total gross public debt increased by 1.7% from U.S.\$240.7 billion as of December 31, 2015 (53.6% of nominal GDP) to U.S.\$ 244.8 billion (52.8% of nominal GDP) as of June 30, 2016.

As of June 30, 2016, total gross public debt (including non-performing debt and Untendered Debt) by type of creditor was as follows:

- 55.0% of total gross public debt, or U.S.\$134.7 billion, primarily consisted of public bonds, National Guaranteed Loans, temporary advances from the Central Bank and promissory notes held by various public sector entities including the Central Bank, FGS, ANSES and Banco de la Nación Argentina, which we refer to as “Public Debt held by National Public Sector Agencies.”
- 33.6% of total gross public debt, or U.S.\$82.2 billion, was held by creditors other than public sector entities or other official sector creditors, which we collectively refer to as “Public Debt held by the Private Sector.”
- 11.4% of total gross public debt, or U.S.\$27.9 billion, primarily consisted of obligations owed to multilateral credit organizations such as the World Bank, the IADB and CAF, as well as debt with the Paris Club, which we refer to as “Public Debt held by Other Creditors.”

As of June 30, 2016, performing debt totaled U.S.\$236.0 billion, non-performing debt (excluding Untendered Debt) totaled U.S.\$44.5 million and the outstanding principal amount of Untendered Debt totaled U.S.\$3.8 billion. Since June 30, 2016, Argentina has settled claims with holders of an outstanding principal amount of Untendered Debt totaling U.S.\$2.2 billion.

Foreign currency-denominated debt represented 72.2% (U.S.\$176.8 billion) of total gross public debt as of June 30, 2016 compared to 69.3% of total gross public debt as of December 31, 2015. The Republic’s total gross foreign currency public debt was denominated as follows:

- 86.7% in U.S. dollars;
- 12.0% in euro;
- 1.1% in Japanese yen; and
- 0.2% in other foreign currencies.

Total peso-denominated debt, increased 5.5% to Ps. 1,013.6 billion (U.S.\$67.9 billion, or 27.8% of gross public total debt) as of June 30, 2016 from Ps.961.1 billion (U.S.\$73.9 billion, or 30.7% of gross public total debt) as of December 31, 2015.

As of September 30, 2016, the Republic’s total gross public debt increased by 4.4% to U.S.\$251.2 billion (51.4% of nominal GDP ) from U.S.\$240.7 billion as of December 31, 2015 (53.5% of nominal GDP).

### ***Foreign Currency-Denominated Debt in 2016***

Between January 1 and December 31, 2016, the Republic issued foreign currency denominated debt in an aggregate principal amount of U.S.\$20.4 billion, of which U.S.\$16.5 billion corresponded to U.S. Dollar

denominated bonds issued in connection with the April 2016 Transaction, U.S.\$2.75 billion corresponded to the U.S. Dollar-denominated bonds issued on July 6, 2016, U.S.\$1.0 billion corresponded to the issuance of BONAR 20 bonds, U.S.\$0.2 billion corresponded to the issuance of BONAR 24 bonds, and €2.5 billion correspond to two euro denominated bonds issued on October 12, 2016.

**Foreign Currency-Denominated Debt Service**

**Projected Performing Foreign Currency-Denominated Public Debt Service by Instrument for Primary Issues between January 1 and December 31, 2016<sup>(1)</sup> (in millions of U.S. dollars)**

	2017		2018		2019		2020	
	Capital	Interest	Capital	Interest	Capital	Interest	Capital	Interest
BIRAD U.S. Dollar 6.25% due 2019	—	U.S. \$171.9	—	U.S. \$171.9	U.S. \$2,750.0	U.S. \$85.9		
BIRAD U.S. Dollar 6.875% due 2021	—	309.4	—	309.4	—	309.4	—	U.S. \$309.4
BIRAD U.S. Dollar 7.5% due 2026	—	487.5	—	487.5	—	487.5	—	487.5
BIRAD U.S. Dollar 7.625% due 2046	—	209.7	—	209.7	—	209.7	—	209.7
BIRAD U.S. Dollar 6.625% due 2028	—	66.3	—	66.3	—	66.3	—	66.3
BIRAD U.S. Dollar 7.125% due 2036	—	124.7	—	124.7	—	124.7	—	124.7
BONAR 24	—	19.1	—	19.1	36.3	19.1	36.3	19.1
BONAR 20	—	82.4	—	82.4	—	82.4	1,029.9	82.4
BIRAE EUR 3.875% due 2022(2)	—	13.4	—	50.6	—	50.6	—	50.6
BIRAE EUR 5.0% due 2027 (2)	—	17.2	—	65.3	—	65.3	—	65.3
	2021		2022		2023		2024	
	Capital	Interest	Capital	Interest	Capital	Interest	Capital	Interest
BIRAD U.S. Dollar 6.25% due 2019	—	—	—	—	—	—	—	—
BIRAD U.S. Dollar 6.875% due 2021	4,500	154.7	—	—	—	—	—	—
BIRAD U.S. Dollar 7.5% due 2026	—	487.5	—	487.5	—	487.5	—	487.5
BIRAD U.S. Dollar 7.625% due 2046	—	209.7	—	209.7	—	209.7	—	209.7
BIRAD U.S. Dollar 6.625% due 2028	—	66.3	—	66.3	—	66.3	—	66.3
BIRAD U.S. Dollar 7.125% due 2036	—	124.7	—	124.7	—	124.7	—	124.7
BONAR 24	36.3	19.1	—	19.1	—	19.1	36.3	19.1
BONAR 20	—	—	—	—	—	—	—	—
BIRAE EUR 3.875% due 2022(2)	—	50.6	1,305.8	50.6	—	—	—	—
BIRAE EUR 5.0% due 2027 <sup>(2)</sup>	—	63.5	—	65.3	—	65.3	—	65.3

(1) Preliminary figures.

(2) Calculated based on the exchange rate as of December 31, 2016.

Source: INDEC and Ministry of the Treasury.

**U.S. Dollar-Denominated Treasury Bills Program**

On April 27, 2016, the former Ministry of the Treasury announced its decision to access the domestic US-dollar market in 2016 by issuing *Letras del Tesoro denominadas en Dólares Estadounidenses* (“LETES”) (U.S.

Dollar-Denominated Treasury Bills) in connection with its 2016 financial program. On December 31, 2016, LETES having an aggregate principal amount of U.S.\$7.6 billion were outstanding.

## THE REPUBLIC OF ARGENTINA

### Map of Argentina

### Territory and Population

The Republic of Argentina consists of 23 provinces and the City of Buenos Aires. Located in the southeastern region of South America, Argentina is the second largest country in Latin America and the eighth globally in terms of territory, covering approximately 3.8 million square kilometers (1.5 million square miles), including territorial claims in the Antarctic region (covering approximately 970,000 square kilometers) and to certain south Atlantic islands (covering approximately 5,000 square kilometers), excluding the recently recognized extension by Argentina’s sovereign rights in the South Atlantic Ocean. See “—Foreign Affairs and International Organizations—Sovereign Territorial Disputes.”

The most densely inhabited areas and the main agricultural regions of the country are located on the wide temperate belt that stretches across central Argentina. The country’s population as of 2010, the year of the most recent census, was an estimated 40.1 million. As of 2014, the World Bank estimates a total population of 43.0 million. As of 2010, approximately 91.0% of the population of Argentina lived in urban areas and approximately 46.2% of the population (18.5 million people) lived in the City of Buenos Aires and the heavily populated urban area surrounding the City of Buenos Aires, known as the Greater Buenos Aires Area. During the period from 2001 to 2014, Argentina’s population grew at an estimated average annual rate of 1.1%, and as of 2010, approximately 98.1% of the population over the age of 10 and older was literate. The table below sets forth comparative gross national income (“GNI”) figures and selected other comparative statistics using 2014 data (the most recent year for which such comparative information is available).

### Population

	Argentina		Brazil		Chile		Colombia		Mexico		Peru		United States	
Per capita GNI <sup>(1)</sup> .....	U.S.\$	13,480	U.S.\$	11,530	U.S.\$	14,910	U.S.\$	7,970	U.S.\$	9,870	U.S.\$	6,360	U.S.\$	55,200
Life expectancy (in years) <sup>(2)</sup> .....		76		74		81		74		77		74		79
Infant mortality (% of live births) <sup>(2)</sup> .....		1.2%		1.4%		0.7%		1.5%		1.3%		1.4%		0.6%
Adult literacy rate (% of population age 15 or older) <sup>(3)</sup> .....		98%		91%		97%		94%		94%		94%		n.a.

(1) Calculated using the World Bank Atlas method.

(2) Data as of 2013

(3) Data as of 2013, except for Peru (2012) and Chile and Colombia (2011).

n.a. = not available.

Source: 2014 World Bank World Development Indicators, unless otherwise specified.

### Government

The Argentine Constitution, first adopted in 1853, provides for a tripartite system of government divided into an executive branch headed by the President, a legislative branch consisting of a bicameral Congress, and a judicial branch headed by the Supreme Court of Justice. The Constitution was last amended in 1994. Each province and the City of Buenos Aires has its own constitution and the people of each province elect a governor and legislators who are independent from the Government. The Government may directly intervene in the administration of the provincial governments in certain emergency situations, including, among others, to secure the republican form of government and in the case of foreign invasions.

#### *Executive Branch*

The president and vice president are directly elected for a four-year term, may serve for a maximum of two consecutive terms and may be re-elected after one term out of office. The president oversees the administration of the country and has the power to veto laws in whole or in part. Congress may override a presidential veto by a

two-thirds majority vote in each chamber. The *Jefatura de Gabinete de Ministros* (Office of the Chief of the Cabinet of Ministers) is responsible for the administration of the country and prepares the Government's annual budget, which is subject to congressional approval. The president chooses the chief of the Cabinet of Ministers, who may be removed by the vote of an absolute majority of both houses of Congress. All references in this document to the "Executive Power" are to the executive branch as described herein.

### ***Congress***

Congress is composed of the Senate and the Chamber of Deputies.

*The Senate.* There are a total of 72 senate seats, with three for each province and three for the City of Buenos Aires. Of the three senators from each district, two represent the party receiving the most votes in that district, and the third represents the party receiving the second-most votes. Senators are elected by popular vote to serve for six-year terms. Elections are held for one-third of the senate seats every two years. The last Senate elections were held in October 2015.

*The Chamber of Deputies.* The Chamber of Deputies consists of 257 seats, which are allocated in proportion to each district's population. Deputies are elected by popular vote to serve four-year terms. Elections for half of the seats are held every two years. The last elections for seats in the Chamber of Deputies were held in October 2015.

### ***Judicial System***

The judicial system is composed of federal and provincial trial courts, courts of appeal and the Supreme Court of Justice ("Supreme Court") which has up to five justices.

The *Consejo de la Magistratura* (Judicial Council) consists of an independent panel of lawyers, representatives of the judiciary, legislators, a representative of the executive branch and an academic. This body oversees the administration of the judicial branch, the initiation of impeachment proceedings against judges other than Supreme Court justices and the selection of judges. The *Jurado de Enjuiciamiento* (Jury of Prosecution) decides proceedings initiated by the Judicial Council to remove judges.

The president appoints all Supreme Court justices subject to Senate approval. All federal court judges are also appointed by the president subject to Senate approval, but they must be selected from a list of individuals submitted by the Judicial Council. Supreme Court justices and all federal court judges are subject to a mandatory retirement age of 75. All judicial appointments must be approved by two-thirds of the Senate. Pursuant to a presidential decree, candidates' identities and certain additional information are published, and the executive branch provides for a period of public comment on each nomination before it is submitted to the Senate.

Following the retirement of two justices, the Supreme Court had three sitting justices as of December 2015.

### **Recent Political History**

Argentina has been under uninterrupted civilian rule since 1983, when the last military government came to an end due to poor economic management and the loss of a brief war with the United Kingdom over the *Islas Malvinas*. In 1983, Raúl Alfonsín was elected president. In 1989, Raúl Alfonsín was succeeded as president by Carlos Menem, who was re-elected in 1995 to a four-year term following the 1994 constitutional amendments that reduced the presidential term to four years from six.

After a decade of relative stability, Argentina faced an unprecedented social, economic and political crisis beginning in 2001 and 2002. See "The Argentine Economy—Economic History and Background." During this crisis, Argentina's economy contracted significantly and poverty and unemployment reached record levels. The administration of President Fernando de la Rúa, who took office in October 1999, was unable to restore economic growth and during the second half of 2001, the deepening economic recession fueled rising social unrest.

Ongoing widespread riots and protests forced President de la Rúa and his entire cabinet to resign on December 19 and 20, 2001. Between December 2001 and January 2002, Congress appointed three successive presidents pursuant to the Constitution, including Eduardo Duhalde, who called for elections to be held on April 27,



2003, prior to the scheduled expiration of his term. Néstor Kirchner, former governor of the province of Santa Cruz, was elected and sworn in as president on May 25, 2003. President Kirchner's term expired on December 10, 2007. His term in office was marked by economic growth, a reduction of poverty and unemployment rates and large-scale debt renegotiations with a majority of the holders of defaulted Argentine bonds.

On October 28, 2007, Cristina E. Fernández de Kirchner, from the *Frente para la Victoria* (Front for Victory) party and President Kirchner's wife, was elected president. On October 23, 2011, President Fernández de Kirchner was re-elected for a second four-year term, which ended on December 10, 2015.

On November 22, 2015, Mauricio Macri, the candidate from the *Cambiamos* alliance, was elected president with 51.3% of the votes, after the first presidential run-off election in Argentine history. In addition, congressional elections were held in October 2015 for one-third of the members of the Senate and half of the members of the Chamber of Deputies, whose terms expired in December 2015. As of the date of this document, the *Cambiamos* alliance has the largest bloc in the Chamber of Deputies, while the Front for Victory party retains a majority of the Senate (taking into account alliances among parties). The next congressional elections are scheduled for October 2017.

### **Political Parties**

The following are Argentina's principal national political parties:

- *Cambiamos*, founded in 2015, is a coalition of several parties, including primarily:
  - *Unión Propuesta Republicana* (Republican Proposal Union, or “Unión PRO”);
  - *Unión Cívica Radical* (*Radical Civic Union*, or “UCR”); and
  - *Coalición Cívica* (Civic Coalition, or “ARI”).
- *Partido Justicialista* (PJ), or Peronist Party, evolved from former President Juan D. Perón's efforts in the 1940s, and includes the following factions:
  - Front for Victory; and
  - *Frente Peronista* (Peronist Front).
- *Frente Renovador* (Renewal Front, or “FR”), founded in 2013 as a split-off from the PJ. In connection with the 2015 presidential elections, the FR and the former governor of the Province of Córdoba, Juan Manuel de la Sota, formed the *Unidos por una Nueva Alternativa* (“UNA”) coalition.

In addition, certain provincial political parties have important representation in Congress, including locally-based parties from Santiago del Estero, Neuquén, San Luis and Catamarca.

The following table shows the party composition of the Chamber of Deputies and Senate following the elections in the years specified.

Party:	Chamber of Deputies <sup>(1)</sup>			Senate <sup>(2)</sup>		
	2011	2013 <sup>(6)</sup>	2015	2011	2013 <sup>(6)</sup>	2015
<i>Partido Justicialista</i> .....	137	127	98	32	38	40
Front for Victory <sup>(3)</sup> .....	116	117	81	32	31	40
Peronist Front/ Federal PJ <sup>(4)</sup> .....	21	10	17	—	7	—
Radical Civic Union .....	40	41 <sup>(6)</sup>	41	14	13	8
Unión PRO .....	11	18	41		3	6
UNA .....			28			
ARI/Civic Coalition .....	6	3 <sup>(7)</sup>	5	1	1 <sup>(7)</sup>	
<i>Frente Renovador</i> .....		16	—	—	—	
FAP <sup>(5)</sup> .....	22	15	—	4	5	
Others <sup>(7)</sup> .....	41	37	44	21	12 <sup>(7)</sup>	18
<b>Total</b> .....	<b>257</b>	<b>257</b>	<b>257</b>	<b>72</b>	<b>72</b>	<b>72</b>

(1) Composition of the Chamber of Deputies as of December 10 of each year specified, when the deputies elected during such year took office.

(2) Composition of the Senate as of December 31 of each year specified.

(3) The members of this faction are included in the *Partido Justicialista* total. In addition to elected deputies and senators, the figures for Front for Victory include deputies and senators from other factions of the Peronist Party who became members of the Front for Victory while in office.

(4) These members of this faction are included in the *Partido Justicialista* total. *Frente Peronista / PJ Federal* is the “dissident” Peronist Party, which is the wing of the PJ that is not politically aligned with the Front for Victory and was founded in 2005. Its principal members include Eduardo Duhalde, Felipe Solá and Alberto Rodríguez Saá.

(5) FAP is a center-left coalition composed of various parties, founded in 2011. In the October 2015 elections, the parties *Generación para el Encuentro Nacional* (“GEN”), *Libres del Sur* (Free Movement from the South) and *Poder para el Espacio Social* (Power for the Social Space) formed an electoral alliance “SURGEN”.

(6) In the October 2015 elections, the ARI/Civic Coalition, the Radical Civic Union and *Unión Propuesta Republicana* (“PRO”) formed an electoral alliance “*Cambiamos*”.

(7) Includes other registered parties, primarily represented by one legislator each, and certain local political parties of the provinces.

Source: *Senate and Chamber of Deputies of Argentina*.

In accordance with the political reform bill passed by Congress on December 2, 2009, elections in Argentina are subject to the following regulations:

- Private contributions for electoral campaigns must be from physical persons, not companies. In addition, the Government distributes 50% of state funds for media advertisements equally among all candidate lists, and the remaining 50% is distributed according to the percentage obtained by each political party in the previous election.
- Primary elections to elect presidential and congressional candidates must be open, mandatory and simultaneous. All citizens are allowed to vote in the primary of their choosing, regardless of party affiliation.
- In order to compete in national elections, candidates must obtain at least 1.5% of the vote in the presidential primary contest (including coalitions) and have the support of a certain number of affiliates as specified in the bill.

### Foreign Affairs and International Organizations

Argentina maintains diplomatic relations with a variety of countries and is a member of several international organizations. Argentina is a charter member of the United Nations, a founding member of the Organization of American States (“OAS”), and a member of the following international organizations, among others:

- the International Monetary Fund;
- the World Bank Group;
- the International Finance Corporation;

- the IADB;
- the *Corporación Andina de Fomento* (the Andean Promotion Corporation, or “CAF”);
- the *Fondo Financiero para el Desarrollo de la Cuenca del Plata* (Financial Fund for the Development of the River Plate Basin, or “FONPLATA”);
- the Central American Bank for Economic Integration (“CABEI”);
- the International Fund for Agricultural Development (“IFDA”);
- the World Trade Organization (“WTO”);
- the International Labor Organization;
- the Financial Action Task Force and the Financial Action Task Force on Money Laundering in South America (“GAFISUD”);
- the International Association of Insurance Supervisors;
- the International Organization of Securities Commissions;
- the World Customs Organization; and
- the *Asociación Latinoamericana de Integración* (Latin American Integration Association, or “ALADI”).

## **G-20**

Argentina has been a member of the G-20, an informal forum that promotes discussion between developed and emerging-market countries on key issues related to the global economy, since it was established in 1999. The country members designated the G-20 to be the premier forum for their international economic cooperation.

In October 1997, the United States designated Argentina as a non-North Atlantic Treaty Organization, or “non-NATO,” ally.

Argentina has entered into bilateral investment treaties with various countries, including the United States, Canada, Germany, France, Italy, Spain, Switzerland, Sweden and the United Kingdom. Arbitration proceedings have been brought against Argentina before the ICSID, in accordance with the UNCITRAL, under several bilateral investment treaties, primarily as a result of measures adopted in response to the economic and political crisis of 2001. As of the date of this document, certain of these arbitration proceedings have been settled. For information about these proceedings see “Public Sector Debt—Legal Proceedings—ICSID Arbitration.”

### ***The Financial Stability Board***

The Financial Stability Board (“FSB”) is an international body that monitors and makes recommendations about the global financial system. The FSB seeks to strengthen financial systems and increase the stability of international financial markets; it does so by coordinating with its members’ national financial authorities and international standard-setting bodies as they work toward developing strong regulatory, supervisory and other financial sector policies to promote international financial stability. The FSB aims to foster a level playing field by encouraging consistent implementation of these policies across sectors and jurisdictions.

Argentina has been a member of the FSB since 2009, with participation of the Central Bank. In 2015, following a review of the FSB’s structure of representation, Argentina gained a second seat in the Plenary.

## **G-24**

Argentina has been a member of the Group of Twenty-Four since the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development (G-24) was established in 1971. The purpose of the group is to coordinate the position of developing countries on monetary and development issues, particularly issues on the agendas of the IMF Committee and the Development Committee, and to ensure increased representation and participation of developing countries in negotiations on international monetary system reform.

## **MERCOSUR**

Argentina is a founding member of the Southern Common Market (“MERCOSUR”), established in March 1991 with Brazil, Paraguay and Uruguay. In July 2012, the founding members (other than Paraguay) admitted the Republic of Venezuela as a full member of MERCOSUR, and in December 2013, Paraguay acknowledged Venezuela’s status as a full member. Accordingly, in addition to Argentina, MERCOSUR currently includes Brazil, Paraguay, Uruguay and Venezuela as full members or the “Member States.” In July 2015, Bolivia signed a protocol to become a full member of MERCOSUR, which remains subject to ratification by the congresses of Brazil, Paraguay and Bolivia. Upon approval, Bolivia will have a four-year period to gradually adopt MERCOSUR’s regulations.

Chile, Colombia, Ecuador and Peru are “Associate States” of MERCOSUR, having signed Free Trade Agreements (“FTAs”) with the trade bloc. In July 2013, Guyana and Suriname were admitted as new Associate States.

Under the Mercosur Treaty, the founding members of MERCOSUR originally pledged:

- (1) to create a full common market in goods, services and factors of production by eliminating or significantly reducing, in some cases over a period of years, import duties, tariffs and other barriers to trade among members; and
- (2) to establish common external tariffs for trade with non-members.

With the aim of transforming the region into a customs union, in December 1994, the founding members of MERCOSUR agreed to implement a common external tariff. The common external tariff regime took effect on January 1, 2001, however, each member was allowed to exclude certain items from the regime. The full implementation of the customs union has been deferred until 2024, as the exceptions period has been extended to allow Argentina and Brazil to maintain their list of exceptions until December 31, 2021, Uruguay until December 31, 2022, and Paraguay until December 31, 2023.

Since its establishment, MERCOSUR has entered into agreements with third parties to facilitate trade, including agreements: (i) establishing a free trade zone with Bolivia in 2006 and Chile in 2014; (ii) establishing a gradual free trade zone for certain goods between 2005 and 2020 with Colombia, Ecuador and Venezuela (which was agreed to prior to Venezuela’s membership); (iii) establishing a gradual free trade zone with Peru for certain goods between 2006 and 2021; (iv) eliminating tariffs beginning in 2008 and reducing tariffs beginning in 2009 with respect to certain goods traded with Cuba and India, respectively; and (v) eliminating tariffs for certain goods traded with Israel between 2009 and 2029. In accordance with MERCOSUR regulations, each of these agreements was negotiated by the Member States as a trade bloc.

In addition, as of the date of this document, MERCOSUR and the European Union have re-launched negotiations relating to their 1995 framework agreement for the development of free trade.

Following a suspension of negotiations in 2004, MERCOSUR and the United States have also resumed negotiations relating to the hemisphere-wide Free-Trade of the Americas Agreement (FTAA) pursuant to the 1991 “Four Plus One” Agreement.” These negotiations are ongoing as of the date of this document.

## **UNASUR**

*Unión de Naciones Sudamericanas* (South American Union of Nations, or “UNASUR”), is a South American organization, formed by 12 South American countries to foster integration and unity among the countries

and their people, with the aim of eliminating socioeconomic inequality by prioritizing political dialogue (including the “democracy clause,” which suspends the membership of any country in which a sovereign government is removed through undemocratic means) social policies, education, energy, infrastructure, finance and the environment. Within UNASUR, the Counsel of Economy and Finance is responsible for analyzing economic topics of regional interest such as international reserves, financial safety nets, trade and economic development.

### ***Banco del Sur***

Banco del Sur, or “BdS,” is a development bank formed by seven South American member countries of UNASUR, which include Argentina, Bolivia, Brazil, Ecuador, Paraguay, Uruguay and Venezuela.

On September 27, 2009, the presidents of each of the seven founding member countries signed the *Convenio Constitutivo* (Articles of Agreement) to create BdS. On September 7, 2011, Argentina’s Congress ratified the Articles of Agreement of BdS, which became effective in April 2012. BdS’s authorized capital is U.S.\$20 billion, and the founding member countries agreed to provide U.S.\$7 billion in initial capital. The Ministers’ Council of the BdS met for the first time on June 13, 2013.

### ***Sovereign Territorial Dispute***

Argentina reaffirms its legitimate sovereignty rights over the Malvinas, South Georgias and South Sandwich Islands and the surrounding maritime areas, which are an integral part of its national territory. Due to the fact that these archipelagoes are illegally occupied by the United Kingdom, they are subject to a sovereignty dispute, recognized by ten United Nations General Assembly (the “General Assembly”) resolutions, more than 30 resolutions of the Special Committee on Decolonization and numerous pronouncement of the OAS and other international organizations and regional and bi-regional forums. In particular, the General Assembly has recognized the existence of a sovereignty dispute between Argentina and the United Kingdom and has requested both governments to resume negotiations in order to find a peaceful solution as soon as possible.

Many regional and international organizations have reiterated the importance of Argentina and the United Kingdom complying with the provisions of Resolution 31/49 of the General Assembly, which calls upon both parties to refrain from adopting decisions that entail the introduction of unilateral modifications to the situation while the dispute resolution process recommended by the General Assembly is ongoing.

Despite the repeated calls for negotiations made by the international community, the United Kingdom not only persistently refuses to negotiate, but also continues to take unilateral actions over the disputed areas, including the exploration for and exploitation of renewable and non-renewable natural resources.

In March 2011, the Argentine Congress passed Law No. 26,659 (the “Hydrocarbons Exploration Law”), which establishes the conditions for hydrocarbon exploration and exploitation in the Argentine continental shelf. The Hydrocarbons Exploration Law prohibits natural and legal persons authorized to conduct activities in Argentina from carrying out unauthorized hydrocarbons exploration activities in the Argentine continental shelf, and disqualifies those who violate the Hydrocarbons Exploration Law for periods of five to 20 years. In 2013, a series of administrative sanctions were adopted by Argentina, including the banning of six companies involved in illegal hydrocarbon activities from operating in Argentina for 15 to 20 years.

Law No. 26,915, passed on November 27, 2013, amended the Hydrocarbons Exploration Law (specifically, the conditions applicable to hydrocarbon exploration and exploitation in the Argentine continental shelf), setting forth the liability, including criminal, civil and tax-related, of individuals and/or legal entities that conduct hydrocarbon exploration or exploitation activities on or below the sea bed of the Argentina territorial waters or continental shelf without the approval of the relevant Argentine authorities, in addition to all other pre-existing criminal penalties.

In April 2015, the Federal Court for Rio Grande commenced the first criminal proceedings under Law No. 26,915 against Rockhopper Exploration plc, Premier Oil plc, Falkland Oil and Gas Limited, Noble Energy Inc. and Edison International S.p.A. As of the date of this document, such proceedings have not been concluded.

## THE ARGENTINE ECONOMY

### Economic History and Background

#### *Background*

In the late 1800s and early 1900s, Argentina enjoyed a period of great prosperity, with per capita GDP rising to the level of many Western European countries. During this period of growth, Argentina's economy relied heavily on sustained international demand for its agricultural commodity exports.

The onset of the Great Depression and World War II, however, brought dramatic changes in the Argentine economy as a decline in world trade deprived the country of its main source of revenue. The Government responded to these developments with a major shift in economic policy, adopting a model of state-led capitalism and import substitution. Accordingly, state intervention in the economy became pronounced.

Beginning in the 1940s, the Government nationalized many basic industries and services and raised import barriers in a bid to make Argentina self-sufficient in industry and agriculture and to shelter its economy from foreign competition. Government involvement in sectors ranging from oil and electricity to telecommunications and financial services became significant.

Although in the 1950s a new era of worldwide prosperity began, the Government's role in the economy remained significant and Argentina experienced relatively low growth in comparison with other developing countries.

Although manufacturing had become the largest component of the economy by the mid-1970s, the country's exports continued to be dominated by agricultural products. During this period, the Argentine economy continued to grow at substandard levels.

In 1976, the Government began to shift away from the import-substitution model, lowering import barriers and liberalizing restrictions on foreign borrowings. The adoption of a crawling-peg exchange rate regime by the Central Bank induced appreciation of the peso and incurrence of external indebtedness by the public and private sectors between 1977 and 1981. Despite this shift in policy, from 1981 through 1990, economic growth was undermined by:

- political instability;
- large subsidies of state-owned enterprises;
- high inflation;
- periodic devaluations of the currency;
- an inefficient tax collection system; and
- inefficient production.

From 1981 through 1990, the average annual real GDP contraction was 0.7%. The Government financed its fiscal deficits during this period primarily through Central Bank credit and loans from foreign bilateral and multilateral creditors. The increase in Central Bank credit to the Government resulted in unchecked increases in the money supply that led to high levels of inflation. From 1981 through 1990, average annual inflation was 876.0%. Additionally, in 1982 the Government defaulted on its external debt.

During the 1980s, the Government adopted several economic plans in an effort to stabilize the economy. While these plans achieved some initial success, they ultimately failed and the continued high levels of state intervention in the economy inhibited its competitiveness. These factors, combined with high levels of inflation, frequent changes in Government policy and financial market instability, prevented the Argentine economy from achieving real growth.

*Liberalization of the Economy.* In mid-1989, the Menem administration inherited an economy suffering from hyperinflation and in deep recession. Relations with external creditors were strained, commercial bank debts had been subjected to two restructurings and were again accumulating past-due interest, IMF and World Bank programs had lapsed and payments to the World Bank and the IADB were frequently late. The immediate objectives of the Menem administration were to stabilize prices and improve relations with external creditors.

Following several unsuccessful efforts to stabilize the economy and end hyperinflation, the Menem administration adopted an economic program that sought to liberalize the economy and impose monetary discipline. The new economic program, which came to be known as the Convertibility Regime, was centered on the Convertibility Law of 1991 and related measures. Its principal features were the following:

- a fixed exchange rate regime that pegged the peso to the U.S. dollar and tied the monetary base to international reserves, limiting the Central Bank's monetary policy tools;
- privatization, deregulation and trade liberalization programs; and
- the improvement of relations with external creditors (including by refinancing a substantial portion of the Government's debt through the Brady restructuring in 1992).

The Convertibility Regime and the Government's free-market initiatives temporarily achieved price stability, increased the efficiency and productivity of the Argentine economy and attracted significant foreign investment. Real GDP grew 9.1% in 1991 and 7.9% in 1992. From 1993 through 1998, real GDP grew at an average annual rate of 4.8%, despite a 2.8% contraction in 1995 largely attributable to the capital flight triggered by the Mexican financial crisis of 1994.

The Convertibility Regime, however, had significant shortcomings, including the following:

- Inflexible monetary policy. By stripping the Central Bank of its monetary discretion, the Convertibility Regime limited the use of monetary policy to stimulate the economy in response to downturns in economic activity.
- Dependence on foreign capital. Any sharp reduction of foreign capital inflows, often triggered by factors beyond the Government's control, threatened untimely contractions of the money supply. Argentina's dependence on foreign capital was heightened by the opening of the Argentine economy to foreign trade, which resulted in significant trade deficits, and by the Government's recurring fiscal deficits, which were heavily financed with foreign capital.
- Vulnerability to external shocks. The dependence on foreign capital, coupled with the lifting of state controls on capital flows, made the Argentine economy vulnerable to external shocks.
- Over-reliance on certain economic sectors. As a result of the real appreciation of the peso and the peso's peg to the U.S. dollar, economic growth during this period was driven by the services sector, and in particular the financial and public services sectors, with production-based manufacturing and industrial sectors lagging behind. In addition, any contribution from the agricultural sector from increased volume of production was offset by declining international commodity prices.
- Rising unemployment. Despite economic growth, the relative slow growth in labor intensive sectors such as construction and manufacturing increased unemployment levels.

The shortcomings of the Convertibility Regime became evident during the economic downturn triggered by the Mexican financial crisis of 1994. The collapse of Mexico's crawling-peg exchange rate undermined investors' confidence in emerging markets and raised doubts about the sustainability of the Convertibility Regime. This loss of confidence triggered a sharp reduction in net capital inflows, which turned into net capital outflows in 1995, causing a liquidity crisis in the Argentine banking system. As a result, Argentina experienced its first economic contraction since the Convertibility Regime had been implemented.

Following the Mexican crisis, Argentina's economy resumed the levels of growth it had recorded in the first half of the 1990s. From 1996 through 1998, GDP increased at an annual average rate of 5.8%. However, the Government relied heavily on borrowings, first from external sources and ultimately from the local banking system and the newly-organized private pension funds, to finance the deficit. Beginning in the last quarter of 1997, external factors, including regional financial crises in Asia and Russia, rising U.S. interest rates and falling commodity prices, caused the capital flows to turn negative, economic activity to decline sharply, ultimately precipitating the economic crisis of 2001.

### ***The Crisis and Beginning of Recovery: 2001 and 2002***

During the last six months of 2001, the growing perception that a devaluation of the peso was imminent triggered a massive run on bank deposits and a significant acceleration of capital flight from the Argentine economy. Total deposits in the Argentine banking system fell by 20.3% in the last six months of 2001 and the Central Bank's international reserves fell by 42.1% in the same period.

In a last bid to safeguard the Convertibility Regime and avert the collapse of the banking sector, in December 2001, the Government imposed strict per-person, per-month limits on bank withdrawals (known as the *corralito*), effectively limiting the ability of depositors to withdraw approximately U.S.\$60 billion in peso and dollar demand deposits from the financial system. It also imposed strict foreign exchange restrictions in Argentina. Shortly thereafter, the Government announced that it would defer interest and principal payments on a substantial portion of the Government's debt.

Massive social unrest led to the early resignation of President de la Rúa's administration and triggered a political crisis that culminated with the election of Mr. Eduardo Duhalde as president in January 2002. Congress passed the Public Emergency and Reform Law of 2002 (the "Public Emergency Law") which formally terminated the parity between the peso and the U.S. dollar and brought the Convertibility Regime to an end. Through the enactment of the Public Emergency Law and a series of decrees, the Duhalde administration took the following measures:

- ratified the suspension of payments of Argentina's sovereign debt except for debt with multilateral credit agencies;
- eliminated the dual exchange rate system adopted immediately following the end of the Convertibility Regime and replaced it with a single exchange rate that allowed the value of the peso to float against other currencies, resulting in a 240.1% increase in the U.S. dollar-peso exchange rate in 2002;
- ordered the "asymmetric" conversion into pesos (known as "pesification") of certain U.S. dollar-denominated assets and liabilities at the following exchange rates: Ps. 1.00 per U.S.\$1.00 for private sector debt (individual and corporate U.S. dollar-denominated debt) with financial institutions and other creditors, Ps. 1.40 per U.S.\$1.00 for all U.S. dollar-denominated public sector debt instruments in the portfolios of national and provincial financial institutions' portfolios and Ps. 1.40 per U.S.\$1.00 for all U.S. dollar-denominated bank deposits;
- amended the charter of the Central Bank to allow it to print currency, make certain short-term advances to the Government and act as a lender of last resort to financial institutions experiencing liquidity difficulties; and
- imposed further restrictions on bank withdrawals (known as the *corralón*) until December 2002, which effectively froze all term deposits and subjected them to mandatory restructuring.

Additionally, further restrictions on foreign exchange transactions were introduced in 2002, including:

- limits on the amount of U.S. dollars that could be held per month in bank accounts;
- limits on transfers of foreign currency outside of Argentina; and



- restrictions on foreign trade transactions.

The economic crisis peaked during the first six months of 2002. During this period, economic activity collapsed with the largest contraction in the level of economic activity in Argentine history, fiscal revenues fell, inflation rose significantly and the financial system's liquidity crisis worsened. In addition to the controls over the foreign exchange market, the Government imposed mandatory repatriation of export proceeds. Strict foreign exchange controls, together with a significant surplus in the country's trade balance, ensured a supply of foreign currency to the market and resulted in the appreciation of the peso in the second half of the year.

By the middle of 2002, the policy of combining the sale of international reserves with the tightening of controls over the foreign exchange market and capital movements succeeded in stabilizing the peso. As the domestic currency stabilized, inflationary pressures declined. This, combined with the expansion of the monetary base, permitted a gradual stabilization of interest rates, which had sharply increased following the end of the Convertibility Regime.

During the last six months of 2002, real GDP contraction had slowed to 6.7%, as compared to the last six months of 2001, and Argentina recorded a U.S.\$5.0 billion surplus in its current account. As of December 31, 2002:

- the peso had appreciated to Ps. 3.36 per dollar, compared to a low of Ps. 3.87 on June 26, 2002;
- inflation, as measured by INDEC CPI, was 8.0% for the six month period ended December 31, 2002, compared to 30.5% for the six-month period ended June 30, 2002. In 2002, inflation, as measured by INDEC CPI was 40.9% and as measured by the wholesale price index ("WPI") was 118.0%, which, although significant, was relatively low in comparison to the more than 240.1% depreciation of the peso against the U.S. dollar during that year; and
- the Central Bank's international reserves had increased to U.S.\$10.5 billion, from U.S.\$9.6 billion on June 30, 2002.

Despite the improvement in economic conditions during the last six months of 2002, overall GDP declined 10.9% for the year compared to 2001.

To prevent the continued appreciation of the peso, the Central Bank eased certain of the foreign exchange restrictions imposed between November 2002 and January 2003. The improved economic conditions, in particular the reduction in capital flight from the Argentine economy, also allowed the Government to begin lifting restrictions on bank withdrawals in November 2002.

By the end of 2002, the economy seemed to have bottomed out from the crisis and the recession that began in 1998. However, the recovery was set against extremely depressed levels of economic activity, similar to those of the early 1990s. In addition, the recovery was the result of a set of economic policies aimed mainly at managing the crisis, but failed to include structural reforms needed to generate sustainable long-term economic growth.

#### ***The Kirchner Administration: 2003-2007***

Néstor Kirchner became president of Argentina on May 25, 2003. The economic recovery that began in the last six months of 2002 continued during 2003, with GDP growing by 8.8% in 2003. This improvement was primarily a result of a growth in demand for Argentine exports, increased domestic production spurred by improved consumer and investor confidence and the substitution of imported products with domestic products. During the first year of the Kirchner administration, quasi-currencies (treasury bonds issued by the Argentine provinces during the economic crisis) were withdrawn from circulation and restrictions on bank deposits were lifted. In the same year, renewed confidence in the financial system was evidenced by a 24.0% increase in nominal terms in total bank deposits.

The Argentine economy continued to grow in 2004, 2005, 2006 and 2007 at rates of 9.0% (representing the rate of change from 2003 to 2004, calculated using data published by the INDEC prior to June 29, 2016), 8.9%, 8.1% and 9.0%, respectively. During this period, the international reserves of the Central Bank increased to

Ps. 145.5 billion as of December 31, 2007, compared to Ps. 41.4 billion as of December 31, 2003. The Kirchner administration's fiscal and trade policies aimed to generate a fiscal surplus as well as a trade surplus. In each of 2004, 2005 and 2006, Argentina recorded a trade surplus while the Government generated fiscal surpluses primarily through increased tax collections contributed by exports. Inflationary pressures increased in 2007 and through mid-2008 as a result of growing demand and continued supply constraints.

#### ***Fernández de Kirchner's Administration: 2008-2015***

Cristina E. Fernández de Kirchner, the wife of former President Néstor Kirchner, became president of Argentina on December 10, 2007, and was reelected in 2011, extending her term in office until December 2015.

The strong economic rebound that took place in Argentina between 2003 and 2007 began to fade during the first half of 2008. President Fernández de Kirchner sought a one-year extension of the Public Emergency Law in December 2007, which empowered the administration to govern a broad range of issues without congressional approval. The Fernández de Kirchner administration continued, and over time expanded, the interventionist economic policies of the prior administration, including expansionary fiscal and monetary policies aimed at maintaining economic growth rates, as well as price controls, tariff limits, subsidies and export taxes.

In March 2008, a series of hikes in export taxes on agricultural products sparked a five-month conflict with farmers. By the third quarter of 2008, the Argentine economy began to experience a downturn that was aggravated by the escalation of the global financial crisis. In November 2008, Congress approved a law nationalizing the private pension system in Argentina, under which the assets held by private pension funds, including significant equity interests in a wide range of listed companies, were transferred to a separate fund as part of a new public system administered by the ANSES. Argentina experienced episodes of bank deposit withdrawals and capital outflows in 2008. The Central Bank raised interest rates to limit capital outflows from Argentina just as the economic downturn set in, which, in turn, exacerbated the downturn in the economy.

By mid-2009, public finances had rapidly deteriorated, with public expenditures growing at double the pace of revenue during the first half of the year as the Government attempted to limit the effects of the recession. Private estimates of economic activity showed contractions between 2.5% and 6.0% during the first six months of 2009. The Fernández de Kirchner administration lost control of both houses of Congress in the midterm legislative elections held in June 2009.

Although economic activity began to recover during the fourth quarter of 2009 due, in large part, to growth in industrial activity, public finances continued to weaken. Extraordinary revenue, including social security contributions and public transfers from government agencies such as the Central Bank and ANSES, played a key role in supporting the 19% rise in total public sector revenue in 2009. During 2009, however, social tension continued to increase. In response to opposition and left-wing union demands, the Government announced the extension of two anti-poverty programs—a family allowance for formal sector workers earning less than a monthly threshold and income support for informal sector workers and the unemployed.

In late 2009, the Government issued a *Decreto de Necesidad y Urgencia* (emergency decree) making foreign reserves held by the Central Bank available for external debt payments. Resistance from the Central Bank's president, Mr. Martín Redrado, to transfer Central Bank reserves for this use led to a standoff between the administration and the Central Bank, which ultimately resulted in Mr. Redrado's resignation in January 2010 and renewed concerns over governability, political stability and debt sustainability.

Inflationary pressures rose rapidly in early 2010 as the Central Bank initiated its practice of providing financing to the Government to cover a portion of the fiscal deficit. The INDEC reported that 12-month inflation had reached 9.1% in February 2010, while private surveys estimated that inflation had reached between 20 to 25% during the same period. At the same time, the economy began to show signs of recovery, as industrial output increased. The Argentine economy grew by 10.1% in 2010, reaching the highest level of growth since 2005. This growth was primarily driven by high commodity prices, a rapid rise in wages, the appreciation of the peso and higher levels of inflation, which spurred growth in construction and investments in durable equipment. Growth in private consumption was, to a significant extent, attributable to continued increases in Government subsidies and transfers during the year (including through the administration's anti-poverty programs). In contrast, the current account deteriorated during 2010, with the current-account surplus falling from U.S.\$8.2 billion in 2009 to a deficit

of U.S.\$1.5 billion in 2010, as the trade surplus, a key source of foreign currency, narrowed by more than 20% in 2010.

In June 2010, the Government conducted the 2010 Debt Exchange to restructure Untendered Debt, with an acceptance rate of 81%. Although approximately 92% of Argentina's defaulted debt was restructured through its 2005 and 2010 Debt Exchanges, an aggregate principal amount of approximately U.S.\$6.1 billion of Untendered Debt remained outstanding following these debt restructuring initiatives and litigation with the holdout creditors continued.

The Central Bank continued its expansionary monetary policy in 2011, particularly through its purchases of foreign currency and lending to the Treasury. The Central Bank additionally continued its sterilization efforts to support the peso through the issuance of Central Bank notes (LEBACs and NOBACs).

Shortly after her reelection in October 2011, the Fernández de Kirchner administration introduced a series of capital and foreign-exchange controls intended to increase foreign currency supply and reduce foreign currency demand. During the 12-month period ending in December 2011, capital outflows were estimated to have reached U.S.\$25 billion, or nearly half of the Central Bank's foreign reserves. As a result, demand for U.S. dollars increased, leading to an increase in the gap between the official and unofficial exchange rates.

Argentina also began to experience energy shortages in 2011, following years of very limited investment in the energy sector, as well as the electricity and natural gas tariff-freeze maintained since 2002 as part of the Government's emergency measures. Between 2008 and 2011, subsidies to the energy and transport sectors had increased by 156% as the energy foreign trade deficit grew. The public sector recorded a deficit of Ps. 30.7 billion in 2011 compared to a public-sector surplus of Ps. 3.1 billion in 2010.

With the support of Congress, which came under the control of President Fernández de Kirchner's party with the October 2011 general election, the Government continued its interventionist policies in 2012. In the wake of narrowing fiscal and external surpluses and slowing economic activity, in April 2012, the Government announced an amendment to the Central Bank's charter, which increased its discretion in policymaking and provided it with additional tools to intervene in the financial system, including in pursuit of its new aim of promoting economic growth with social equity. In May 2012, Congress approved the administration's bill to nationalize 51% of the shares of the country's largest oil company, YPF S.A. ("YPF") which was majority-owned by Spain's Repsol S.A. ("Repsol").

In mid-2012, new restrictions on the purchase of foreign currency were introduced. The Government's attempts to shore up foreign reserves were primarily driven by its dual goals of accumulating U.S. dollars to service its external debt obligations and maintaining a buffer to avoid a currency run in the event of a deterioration of global market conditions or sharp slowdown of domestic economic activity.

There was a marked deceleration of economic activity in 2012, as real GDP contracted by 1.0%, compared to an expansion of 6.0% in 2011. The year was also marked by rising social unrest, with major antigovernment protests held across the country and the first 24-hour general strike since 2003, reflecting growing dissatisfaction with the sharp economic slowdown, persistent high inflation and increasingly restrictive foreign-exchange controls.

During 2012, the primary balance fell sharply to a deficit of Ps. 4.4 billion—the first deficit since 1996—from a surplus of Ps. 4.9 billion in 2011, as expansionary fiscal policies that relied in part on Central Bank financing failed to prevent an economic slowdown and a decrease in tax revenue growth. The overall fiscal deficit represented an estimated 2.1% of GDP in 2012.

Facing continued social unrest, in June 2013, the Fernández de Kirchner administration announced an increase in social transfers through two programs providing child allowances to households based on certain income thresholds. In an ongoing attempt to stem inflation, in June 2013, the Government announced price freezes that covered approximately 500 products (including food, beverages, cleaning products and toiletries) for an initial three-month period, which was subsequently extended through a series of price freezes into 2014. The economy experienced moderate growth in 2013, as real GDP grew 2.4% compared to the previous year. Nevertheless, the poverty rate is estimated to have increased above 20% during the same period.

In January 2014, the Central Bank allowed the peso to depreciate by a nominal 7% in one day—the largest correction to occur in a single day since the 2001-2002 crisis—as international reserves fell below U.S.\$30 billion. Shortly thereafter, the Government announced an easing of certain foreign-exchange controls. In an effort to tame inflation, the Government also launched the *Precios Cuidados* program in January 2014, which established price controls on a broad range of basic household and other products.

In February 2014, the Government and Repsol reached an agreement on the terms of the compensation payable to Repsol for the expropriation of the YPF shares. Such compensation totaled U.S.\$5.8 billion payable by delivery of Argentine sovereign bonds with various maturities. The agreement, which was ratified by Law No. 26,932, settled the claim filed by Repsol with the ICSID.

In May 2014, the Government reached a settlement agreement with the members of the Paris Club, a group of sovereign creditors, in connection with outstanding debt owed to Paris Club members on which the Government had defaulted during the 2001-2002 economic crisis. In accordance with the terms of the agreement, the total outstanding debt will be canceled over a five-year period. See “Public Sector Debt—Debt Record—Paris Club.”

By mid-2014, INDEC data revealed that the Argentine economy was in recession. This data was based on the new methodology established by the INDEC in February 2014 in response to the IMF’s censure of Argentina in 2013 for failing to provide accurate statistics in accordance with the IMF’s articles of agreement. Although this new methodology brought the INDEC’s statistics closer to those estimated by private sources, differences between official data and private estimates remained.

In June 2014, the Government was constrained by an order of the District Court ruling that it make ratable payments to holdout creditors whenever it repays holders of its bonds issued pursuant to the 2005 and 2010 Debt Exchanges (the “2005 and 2010 Exchange Bonds”). The Government refused to comply with the District Court’s order and was prevented, by operation of the court’s injunction, from making payments to holders of certain of its restructured bonds issued under New York law. This event prevented Argentina from regaining access to the international capital markets, thereby increasing the risk of a balance-of-payment crisis.

In August 2014, a 24-hour general strike, triggered by increasing unemployment and a fall in real wages, halted public transport and key services. A trend in declining industrial output that began in the third quarter of 2013 continued through 2014, as the country’s manufacturing, mining and utilities sectors faced an erosion of consumer and business confidence, continued high inflation and waning demand from Argentina’s biggest export market, Brazil. By October 2014, the gap between the official and unofficial foreign currency exchange rates widened to 80%. In 2014, the fiscal deficit continued to grow, as total expenditure growth outpaced revenue growth, primarily as a result of an increase in the Government’s social benefit and pension payments.

Between mid-2014 and March 2015, the premium for U.S. dollars offered in the unofficial market narrowed from approximately 80% to 55%. This premium reduction reflected the temporary boost provided by a U.S.\$10.3 billion three-year currency-swap agreement between the Central Bank and the People’s Bank of China, as well as the Central Bank’s issuance of U.S. dollar-denominated local bonds. However, the Government failed to address underlying fiscal and external imbalances. During 2014, the overall fiscal deficit rose to Ps. 109.7 billion, representing a 70% increase compared to 2013. In total, primary spending rose by 41.8%, with transfers to the private sector, particularly in the form of energy subsidies and social aid, driving this expansion. Real GDP contracted by 2.5% in 2014.

With global capital markets closed to Argentina since the 2001 sovereign default, a trade surplus fueled by high international commodity prices remained the main source of foreign currency reserves for the Central Bank for over a decade. However, exports were undermined in 2014 by continuing external competitiveness problems, falling commodity prices and an economic slowdown in Brazil, Argentina’s primary market for manufactured exports. In total, export earnings fell by 10% in 2014. Although imports also fell substantially, the trade surplus narrowed to U.S.\$6.0 billion. Inflows of foreign currency during 2014, including through currency swap agreements entered into by the Central Bank with the People’s Bank of China, increased international reserves, leading to the first annual increase in the balance of payments since 2010.

In 2015, the Government continued to spend heavily, prioritizing fiscal expansion ahead of the general election in October. The continued growth in Government spending contributed to a modest recovery of the

Argentine economy beginning in the first quarter of 2015. Despite a deceleration of inflation, monetary expansion accelerated in the first half of 2015. During 2015, the monetary supply rose by 30.2%, compared to a 20.5% increase in 2014. The difference between 2014 and 2015 reflected a change in the Central Bank's sterilization policy: in 2014, the Central Bank sterilized Ps. 94.6 billion and raised interest rates on Central Bank notes (LEBACs), whereas sterilization fell significantly to Ps. 8.7 billion during 2015 as a decrease in the LEBAC rate reduced investments by the financial system in Central Bank notes. In a move to boost consumption, in July 2015, the minimum wage was increased by 31.4%—the first major increase since September 2014.

By mid-2015, China had become an important trading partner (as Argentina's second-largest export destination after Brazil) and source of foreign exchange, particularly in light of the Government's inability to access the international capital markets. As a result, the depreciation of the renminbi led the Government to tighten foreign-exchange controls in August 2015, with a view to protecting its international reserves and avoiding a currency crisis. In an effort to avoid a peso devaluation before leaving office in December 2015, the Fernández de Kirchner administration further tightened foreign exchange controls and raised interest rates in November 2015.

### ***Principal Government Policies and their Impact on Argentina's Economy (2011-2015)***

The Fernández de Kirchner administration failed to change policies that were introduced as temporary, emergency measures in response to the 2001-2002 economic crisis (including foreign exchange controls, export taxes and the freeze on electricity and natural gas tariffs). Increasing intervention by the Government in the economy through price controls and measures designed to discourage substitute imports, as well as exports of certain products, and an increased tax burden on productive activities had the effect of reversing the upward trend in the competitiveness of Argentina's commodities exports and total manufacturing activities. At the same time, the expropriation of domestic corporations, strict capital controls and the related appreciation of the peso in real terms discouraged investment. The administration's systematic use of expansionary monetary and fiscal policies throughout the business cycle promoted chronic high inflation. Domestic savings and the development of local capital markets were undermined by the imposition of negative real interest rates. The macroeconomic imbalances that resulted from inconsistent macroeconomic policies and the unresolved litigation with holders of Untendered Debt limited the Republic's access to international capital markets, resulting in the Government's growing dependence on Central Bank peso financing and the use of Central Bank foreign currency reserves to service public debt. President Fernández de Kirchner's policies increasingly eroded businesses' confidence in the Argentine economy, which resulted in a lack of investment, capital outflows and a significant decline in the Central Bank's international reserves.

The principal government policies of the Fernández de Kirchner administration and their primary effects were as follows:

1. *Expansionary monetary policy and foreign exchange controls.* An expansionary monetary policy and pervasive foreign exchange controls, coupled with an unwillingness to allow the peso to float freely, resulted in a real appreciation of the peso and a loss of competitiveness of Argentine production. The expansionary monetary policy fueled inflation (which grew from 9.5% in 2011 to 24.0% in 2014, as measured by the INDEC CPI, or from 23.3% in 2011 to 39.0% in 2014, as measured by the Province of San Luis CPI).
2. Increased regulation to confront inflationary pressures. In response to accelerating inflation, the Fernández de Kirchner administration resorted to measures aimed at controlling supply, rather than reining in demand. These measures included discretionary subsidies, export restrictions and price controls. These measures created additional distortions in relative prices and deterred long-term investment in key sectors of the Argentine economy, including the energy sector.
3. Discouraged investments. The real appreciation of the peso and foreign exchange controls adversely affected investment generally. In the energy sector, the lack of investment was exacerbated by the Government's unwillingness to correct utility tariffs that had remained frozen for the Greater Buenos Aires Area (approximately 15 million inhabitants) since the 2001-2002 economic crisis. Argentina—once a net exporter of energy—became a net importer in 2011 with total energy imports of U.S.\$6.5 billion in 2014 and U.S.\$4.6 billion in 2015. The Government's reluctance to adjust tariffs

and its decision to subsidize energy consumption resulted in direct and indirect transfers to the energy sector, increasing from Ps. 50.3 billion in 2011 to Ps. 161.2 billion in 2015.

4. Expanding public expenditures. Expanding expenditures by the public sector resulting from a policy of heavily subsidizing energy and transport, the increase in employment through the creation of public sector employment, a broadening of pension benefits and a significant expansion of social welfare benefits eroded the fiscal surplus created between 2003 and 2009, and resulted in rising primary fiscal deficits beginning in 2012 (0.2% of GDP), which, by December 2015, grew to 1.8% of GDP for 2015.
5. Dependence on Central Bank financing. The Fernández de Kirchner administration relied on the Central Bank to finance a growing portion of the Government's deficit (from a surplus of Ps. 4.9 billion in 2011 to a deficit of Ps. 104.8 billion in 2015). Advances to the Government further increased inflationary pressures, while the recurrent use of the Central Bank's U.S. dollar-denominated reserves to make payment on the Government's foreign debt caused international reserves to decline substantially. As of December 31, 2015, the Central Bank's international reserves stood at U.S.\$25.6 billion, compared to U.S.\$46.4 billion as of December 31, 2011.

#### ***Macri Administration: 2015-Present***

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

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

- *Foreign exchange reforms.* The Macri administration eliminated substantially all of the foreign exchange restrictions, including certain currency controls, that were imposed by the Fernández de Kirchner administration. These reforms are expected to provide greater flexibility and easier access to the foreign exchange market (MULC). See “Defined Terms and Certain Conventions—Exchange Rates and Exchange Controls—Exchange Controls” for a description of the principal measures adopted as of the date of this document.
- *INDEC reforms.* On January 8, 2016, based on its determination that the INDEC had failed to produce reliable statistical information, particularly with respect to CPI, GDP, poverty and foreign trade data; President Macri declared a state of administrative emergency for the national statistical system and the INDEC until December 31, 2016. On June 29, 2016, the INDEC published the INDEC Report including revised GDP data for the years 2004 through 2015. For more information, see “Presentation of Statistical and Other Information—Certain Methodologies.”
- *Financial policy.* Soon after taking office, the Macri administration sought to settle the outstanding claims with the holders of Untendered Debt, and the Minister of the Treasury designed a debt restructuring and cancellation program with the aim of reducing the amount of outstanding Untendered Debt. In February 2016, the Republic entered into agreements in principle to settle outstanding claims with certain holders of Untendered Debt and put forward a proposal to other holders of Untendered Debt, including those with pending claims in U.S. courts, subject to two conditions: obtaining approval by the Argentine Congress and lifting the *pari passu* injunctions. On March 2, 2016, the District Court agreed to vacate the *pari passu* injunctions, subject to two conditions: first, the repealing of all legislative obstacles to settlement with holders of Untendered Debt, and second, full payment to holders of *pari passu* injunctions with whom the Government had entered into agreements in principle on or before February 29, 2016, in accordance with the specific terms of such agreements. On April 13, 2016, the District Court's order was affirmed by the Second Circuit Court of Appeals. On March 31, 2016, the Argentine Congress repealed the legislative obstacles to the settlement and approved the Settlement Proposal. Argentina closed the April 2016 Transaction on April 22, 2016 and applied U.S.\$9.3 billion of the net proceeds to satisfy settlement payments on agreements of holders of

approximately U.S.\$4.2 billion principal amount of Untendered Debt. Upon confirmation that the conditions set forth in its March 2, 2016 order had been satisfied, the District Court ordered the vacatur of all *pari passu* injunctions. Argentina subsequently issued bonds in aggregate amount of U.S.\$2.75 billion on July 6, 2016.

- *Foreign trade reforms.* The Kirchner and Fernández de Kirchner administrations imposed export duties and other restrictions on several sectors, particularly the agricultural sector. The Macri administration eliminated export duties on wheat, corn, beef, mining and regional products, and reduced the duty on soybean exports by 5%, from 35% to 30%. Further, a 5% export duty on most industrial exports was eliminated. With respect to payments for imports and services to be performed abroad, the Macri administration announced the gradual elimination of restrictions on access to the MULC for any transactions originated before December 17, 2015. Regarding transactions executed after December 17, 2015, no quantitative limitations remain in effect.
- *Fiscal policy.* The Macri administration took steps to anchor the fiscal accounts, reducing the primary fiscal deficit by approximately 1.8% of GDP in December 2015 through a series of tax and other measures, and pursues a primary fiscal deficit target of 4.8% of GDP in 2016 through the elimination of subsidies and the reorganization of certain expenditures.
- *Correction of monetary imbalances.* The Macri administration announced the adoption of an inflation targeting regime in parallel with the floating exchange rate regime and set inflation targets for the next three years. The Central Bank has increased sterilization efforts to reduce excess monetary imbalances and raised peso interest rates to offset inflationary pressure. However, inflation has remained high in 2016.
- *National electricity state of emergency and reforms.* Following years of very limited investment in the energy sector, as well as the continued freeze on electricity and natural gas tariffs since the 2001-2002 economic crisis, Argentina began to experience energy shortages in 2011. In response to the growing energy crisis, President Macri declared a state of emergency with respect to the national electricity system, which will remain in effect until December 31, 2017. The state of emergency allows the Government to take actions designed to ensure the supply of electricity to the country, such as instructing the Ministry of Energy and Mining to design and implement, with the cooperation of all federal public entities, a coordinated program to guarantee the quality and security of the electricity system. In addition, through Resolution No. 6/2016 of the Ministry of Energy and Mining and Resolution No. 1/2016 of the *Ente Nacional Regulador de la Electricidad* (National Electricity Regulatory Agency), the Macri administration announced the elimination of a portion of energy subsidies in effect and a substantial increase in electricity rates. As a result, average electricity prices have already increased and could increase further. By correcting tariffs, modifying the regulatory framework and reducing the Government's role as an active market participant, the Macri administration aims to correct distortions in the energy sector and stimulate investment. However, certain of the Government's initiatives have been challenged in the Argentine courts and resulted in judicial injunctions or rulings limiting the Government's initiatives.

This fiscal, monetary and currency adjustments undertaken by the Macri administration may subdue growth in the short term, but seek to guide the economy toward a sustained path for growth in the medium-term. Immediately after the foreign exchange controls were lifted on December 16, 2015, the dismantling of the multiple exchange regime resulted in the official peso exchange rate (available only for certain types of transactions) adjusting in value by 40.1%, as the peso-U.S. dollar exchange rate reached Ps. 13.76 to U.S.\$1.00 on December 17, 2015. The Central Bank has since allowed the peso to float with limited intervention intended to ensure the orderly operation of the foreign exchange market. On December 31, 2016, the exchange rate was Ps. 15.85 to U.S.\$1.00.

## Gross Domestic Product and Structure of the Economy

GDP is a measure of the total value of final products and services produced in a country. Nominal GDP measures the total value of final production in current prices. Real GDP measures the total value of final production in constant prices of a particular year, thus allowing historical GDP comparisons that exclude the effects of inflation. Argentina's real GDP figures are measured in pesos and are based on constant 2004 prices, as revised in the INDEC Report. Among other adjustments, in calculating GDP for 2004 the INDEC made changes to the composition of GDP that resulted in a downward adjustment of approximately 12% for that year. In calculating real GDP for subsequent years based on the revised 2004 GDP, the INDEC used deflators that are consistent with its revised methodology to calculate inflation. By understating inflation in the past, the INDEC had overstated growth in real terms.

The information set forth below in this section has been derived from statistics included in the INDEC Report.

The following table sets forth the evolution of GDP and per capita GDP for the periods specified, at current prices.

### Evolution of GDP and Per Capita GDP (at current prices)

	2011		2012		2013		2014		2015	
GDP (in millions of pesos) <sup>(1)</sup> .....	Ps.	2,179,024	Ps.	2,637,914	Ps.	3,348,308	Ps.	4,579,086	Ps.	5,854,014
GDP (in millions of U.S. dollars) <sup>(1)</sup> .....	U.S.\$	527,580	U.S.\$	579,573	U.S.\$	611,129	U.S.\$	564,009	U.S.\$	631,574
Per capita GDP <sup>(1)</sup> .....	U.S.\$	12,786	U.S.\$	13,888	U.S.\$	14,481	U.S.\$	13,218	U.S.\$	14,643
Peso / U.S. dollar exchange rate <sup>(2)</sup> .....		4.13		4.55		5.48		8.12		9.27

(1) GDP figures in this table are expressed in nominal terms.

(2) Average nominal exchange rate for the period specified.

Source: INDEC and Ministry of the Treasury.

The following tables set forth information on Argentina's real GDP, by expenditure, for the periods specified, at constant 2004 prices.

### Composition of Real GDP by Expenditure (in millions of pesos, at constant 2004 prices)

	2011		2012		2013		2014		2015	
Consumption:										
Public sector consumption.....	Ps.	81,035	Ps.	83,473	Ps.	87,916	Ps.	90,505	Ps.	96,649
Private consumption.....		501,647		507,217		525,675		502,764		520,536
Total consumption.....		582,682		590,690		613,591		593,270		617,185
Gross investment.....		153,584		142,718		146,057		136,190		141,421
Exports of goods and services.....		161,537		154,900		149,447		139,017		138,241
Imports of goods and services.....		192,160		183,074		190,183		168,350		177,962
Net exports/(imports).....		(30,623)		(28,174)		(40,735)		(29,333)		(39,720)
Inventory provision.....		5,139		(1,748)		1,495		2,179		2,012
Statistical discrepancy.....		—		—		—		—		—
Real GDP.....	Ps.	710,782	Ps.	703,486	Ps.	720,407	Ps.	702,306	Ps.	720,898

Source: INDEC and Ministry of the Treasury.



**Composition of Real GDP by Expenditure**  
(as % of total real GDP, at constant 2004 prices)

	2011	2012	2013	2014	2015
Consumption:					
Public sector consumption.....	11.4%	11.9%	12.2%	12.9%	13.4%
Private consumption.....	70.6	72.1	73.0	71.6	72.2
Total consumption.....	82.0	84.0	85.2	84.5	85.6
Gross investment.....	21.6	20.3	20.3	19.4	19.6
Exports of goods and services.....	22.7	22.0	20.7	19.8	19.2
Imports of goods and services.....	27.0	26.0	26.4	24.0	24.7
Net exports/(imports).....	(4.3)	(4.0)	(5.7)	(4.2)	(5.5)
Inventory provision.....	0.7	(0.2)	0.2	0.3	0.3
Statistical discrepancy.....	—	—	—	—	—
Real GDP.....	100.0%	100.0%	100.0%	100.0	100.0%

Source: INDEC and Ministry of the Treasury.

**Evolution of Real GDP by Expenditure**  
(% change from previous year, at constant 2004 prices)

	2011	2012	2013	2014	2015
Consumption:					
Public sector consumption.....	4.6%	3.0%	5.3%	2.9%	6.8%
Private consumption.....	9.4%	1.1%	3.6%	(4.4%)	3.5%
Total consumption.....	8.7%	1.4%	3.9%	(3.3)	4.0%
Gross investment.....	17.4%	(7.1)	2.3%	(6.8)	3.8%
Exports of goods and services.....	4.1	(4.1)	(3.5)	(7.0)	(0.6)
Imports of goods and services.....	22.0	(4.7)	3.9	(11.5)	5.7%
Net exports/(imports).....	(1.192.4)	8.0	(44.6)	28.0	(35.4)
Inventory provision.....	(12.5)	(134.0)	185.5%	45.7%	(7.7)
Statistical discrepancy.....	—	—	—	—	—
Real GDP.....	6.0%	(1.0)	2.4	(2.5)	2.6

Source: INDEC and Ministry of the Treasury.

The following tables set forth information on Argentina's gross investment, by expenditure, for the periods indicated, at constant 2004 prices.

**Composition of Gross Investment**  
(in millions of pesos, at constant 2004 prices)

	2011	2012	2013	2014	2015
Natural Resources and others <sup>(1)</sup>	487	495	528	529	537
Durable equipment for production					
Machinery and equipment:					
National.....	24,211	22,710	23,926	21,605	23,287
Imported.....	41,890	36,440	35,173	33,804	35,785
Total.....	66,101	59,151	59,099	55,408	59,072
Transport products					
National.....	12,234	12,540	13,521	10,273	10,703
Imported.....	7,726	5,603	7,479	6,160	5,816
Total.....	19,961	18,143	21,000	16,433	16,519
Total durable equipment for production.....	86,062	77,294	80,099	71,841	75,591
Construction <sup>(2)</sup> .....	67,035	64,929	65,429	63,819	65,293
Total gross investment.....	153,584	142,718	146,057	136,190	141,421

(1) Includes research and development and cultivated biological resources.

(2) Includes mining exploration.

Source: INDEC and Ministry of the Treasury.

**Composition of Gross Investment**  
(as % of total Gross Investment, at constant 2004 prices)

	2011	2012	2013	2014	2015
Natural Resources and others <sup>(1)</sup>	0.3%	0.3%	0.4%	0.4%	0.4%
Durable equipment for production					
Machinery and equipment:					
National .....	15.8%	15.9%	16.4%	15.9%	16.5%
Imported .....	27.3%	25.5%	24.1%	24.8%	25.3%
Total .....	43.0%	41.4%	40.5%	40.7%	41.8%
Transport products					
National .....	8.0%	8.8%	9.3%	7.5%	7.6%
Imported .....	5.0%	3.9%	5.1%	4.5%	4.1%
Total .....	13.0%	12.7%	14.4%	12.1%	11.7%
Total durable equipment for production .....	56.0%	54.2%	54.8%	52.8%	53.5%
Construction <sup>(2)</sup> .....	43.6%	45.5%	44.8%	46.9%	46.2%
Total gross investment .....	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Includes research and development and cultivated biological resources.

(2) Includes mining exploration.

Source: INDEC and Ministry of the Treasury.

**Evolution of Gross Investment**  
(% change from previous year, at constant 2004 prices)

	2011	2012	2013	2014	2015
Natural Resources and others <sup>(1)</sup> .....	0.5%	1.6%	6.7	0.2	1.5
Durable equipment for production					
Machinery and equipment:					
National .....	21.2%	(6.2)	5.4	(9.7)	7.8
Imported .....	25.1%	(13.0)	(3.5)	(3.9)	5.9
Total .....	23.6%	(10.5)	(0.1)	(6.2)	6.6
Transport products .....					
National .....	21.5%	2.5	7.8	(24.0)	4.2
Imported .....	41.9%	(27.5)	33.5	(17.6)	(5.6)
Total .....	28.7%	(9.1)	15.7	(21.7)	0.5
Total durable equipment for production .....	24.8%	(10.2)	3.6	(10.3)	5.2
Construction <sup>(2)</sup> .....	9.2%	(3.1)	0.8	(2.5)	2.3
Total gross investment .....	17.4	(7.1)	2.3	(6.8)	3.8

(1) Includes research and development and cultivated biological resources.

(2) Includes mining exploration.

Source: INDEC and Ministry of the Treasury.

## Overview of GDP

In 2011, Argentina's real GDP increased by 6.0%, primarily as a result of (i) a 17.4% increase in gross investment, mainly due to a 24.8% increase in investments in durable equipment for production and an 9.2% increase in construction investments; and (ii) an 8.7% increase in total consumption, resulting from an 9.4% increase in private sector consumption and a 4.6% increase in public sector consumption. These factors were partially offset by a 22.0% increase in imports, driven by the expansion of economic activity, which resulted in a negative trade balance.

In 2012, Argentina's real GDP contracted 1.0%. This economic slowdown was attributed to local and external factors, primarily the deceleration of growth in developing economies, including Argentina's principal trading partners, and an extended drought affecting agricultural production. Real GDP contraction in 2012 was primarily attributable to a 7.1% decline in gross investment resulting from a 10.2% decrease in investments in durable equipment for production and a 3.1% decrease in construction investments. However, this decline partially offset by an 8.0% increase in net exports.

Following GDP contraction in 2012, Argentina's real GDP growth recovered in 2013 at a rate of 2.4%. Domestic demand in 2013 helped to offset weak demand from the rest of the world. Real GDP growth in 2013 was primarily driven by a 3.9% increase in total consumption, resulting from a 5.3% increase in public sector consumption and a 3.6% increase in private sector consumption, as well as a 2.3% increase in gross investment due to a 3.6% increase in investments in durable equipment of production and a 0.8% increase in construction investments.

In 2014, Argentina's real GDP decreased by 2.5%, reflecting the impact of the deceleration of growth in developing economies on Argentina's exports, growing uncertainty in the financial sector and fluctuations in foreign exchange rates. The contraction of economic activity in 2014 primarily resulted from a 6.8% decrease in gross investment, a 7.0% decrease in exports and a 3.3% decrease in total consumption.

Following GDP contraction in 2014, Argentina's real GDP increased by 2.6% in 2015, reflecting a recovery in consumption, due to an improvement in the labor market and investment. Real GDP growth in 2015 was primarily driven by a 3.8% increase in gross investment, resulting from a 5.2% increase in total durable equipment of production and a 2.3% increase in construction, as well as a 4.0% increase in total consumption due to a 6.8% increase in public sector consumption and a 3.5% increase in private sector consumption.

### Principal Sectors of the Economy

The following tables set forth the composition of Argentina's real GDP by economic sector for the periods specified.

#### Real GDP by Sector (in millions of pesos, at constant 2004 prices)

	2011	2012	2013	2014	2015
<b>Primary production:</b>					
Agriculture, livestock, fisheries and forestry .....	Ps. 51,198	Ps. 44,606	Ps. 49,726	Ps. 51,269	Ps. 55,177
Mining and extractives (including petroleum and gas) .....	23,636	23,350	22,405	22,755	23,403
Total primary production .....	74,834	67,957	72,131	74,024	78,580
<b>Secondary production:</b>					
Manufacturing .....	132,857	128,986	130,926	124,309	125,253
Construction .....	22,928	22,369	22,346	21,895	22,547
Electricity, gas and water .....	11,142	11,662	11,718	11,949	12,362
Total secondary production .....	166,927	163,018	164,990	158,152	160,161
<b>Services:</b>					
Transportation, storage and communications .....	52,203	52,515	53,754	54,168	55,581
Trade, hotels and restaurants .....	109,505	106,916	109,311	102,447	105,370
Financial, real estate, business and rental services .....	96,231	97,645	98,924	97,803	99,726
Public administration, education, health, social and personal services .....	89,845	92,882	94,638	96,264	99,100
Domestic services <sup>(1)</sup> .....	3,975	4,154	4,247	4,259	4,285
Total services .....	351,760	354,112	360,875	354,941	364,062
Plus import duties less adjustment for banking service <sup>(2)</sup> .....	117,261	118,400	122,412	115,189	118,095
Total real GDP .....	Ps. 710,782	Ps. 703,486	Ps. 720,407	Ps. 702,306	Ps. 720,898

(1) Includes services completed by domestic workers including caretakers, domestic servants and private chauffeurs.

(2) The production figures in this table do not include duties assessed on imports used in production, which must be taken into account for purposes of determining real GDP. Import duties for purposes of determining real GDP are recorded under this line item.

Source: INDEC and Ministry of the Treasury.

**Real GDP by Sector**  
(as a % of real GDP, at constant 2004 prices)

	2011	2012	2013	2014	2015
<b>Primary production:</b>					
Agriculture, livestock, fisheries and forestry .....	7.2%	6.3%	6.9%	7.3%	7.7%
Mining and extractives (including petroleum and gas).....	3.3%	3.2%	3.1%	3.2%	3.2%
Total primary production.....	10.5%	9.7%	10.0%	10.5%	10.9%
<b>Secondary production:</b>					
Manufacturing .....	18.7%	18.3%	18.2%	17.7%	17.4%
Construction .....	3.2%	3.2%	3.1%	3.1%	3.1%
Electricity, gas and water.....	1.6%	1.7%	1.6%	1.7%	1.7%
Total secondary production.....	23.5%	23.2%	22.9%	22.5%	22.2%
<b>Services:</b>					
Transportation, storage and communication .....	7.3%	7.5%	7.5%	7.7%	7.7%
Trade, hotels and restaurants .....	15.4%	15.2%	15.2%	14.6%	14.6%
Financial, real estate, business and rental services .....	13.5%	13.9%	13.7%	13.9%	13.8%
Public administration, education, health, social and personal services .....	12.6%	13.2%	13.1%	13.7%	13.7%
Domestic services(1) .....	0.6%	0.6%	0.6%	0.6%	0.6%
Total services .....	49.5%	50.3%	50.1%	50.5%	50.5%
Plus import duties less adjustment for banking service(2).....	16.5%	16.8%	17.0%	16.4%	16.4%
Total real GDP .....	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Includes services completed by domestic workers including caretakers, domestic servants and private chauffeurs.

(2) The production figures in this table do not include duties assessed on imports used in production, which must be taken into account for purposes of determining real GDP. Import duties for purposes of determining real GDP are recorded under this line item.

Source: INDEC and Ministry of the Treasury.

In 2011, real GDP increased by 6.0%. Growth was primarily driven by the services sector, which increased by 6.4% and accounted for 49.5% of real GDP for 2011. Within the services sector, wholesale and retail trade and repairs experienced the highest growth. As compared to 2010, the primary production sector decreased by 3.5%, primarily as a result of a 5.8% decrease in mining and extractives, while the secondary production sector increased by 7.7%, primarily as a result of a 9.5% increase in construction.

In 2012, real GDP decreased by 1.0%. This contraction in economic activity was primarily due to the primary production sector, which decreased by 9.2% and accounted for 9.7% of real GDP for 2012, and the secondary production sector, which decreased by 2.3%, primarily as a result of a 2.9% decrease in manufacturing. As compared to 2011, the services sector increased by 0.7%, primarily driven by a 4.5% increase in domestic services.

In 2013, real GDP increased by 2.4%. Growth was primarily driven by the services sector, which increased by 1.9% and accounted for 50.1% of real GDP for 2013. Within the services sector, financial services experienced the highest growth. As compared to 2012, the primary production sector increased by 6.1%, primarily as a result of an increase in agriculture, livestock, fisheries and forestry, while the secondary production sector increased by 1.2%, primarily as a result of a 1.5% increase in manufacturing.

In 2014, real GDP decreased by 2.5%. This decline in real GDP was primarily driven by the services sector, which decreased by 1.6% and accounted for 50.5% of real GDP for 2014. Within the services sector, public administration services experienced the highest growth. As compared to 2013, the secondary production sector decreased by 4.1%, primarily as a result of a 5.1% decrease in manufacturing, while the primary production sector increased by 2.6%, primarily as a result of 3.1% growth in agriculture, livestock, fisheries and forestry.

In 2015, real GDP increased by 2.6%. Growth was primarily driven by the services sector, which increased by 2.6% and accounted for 50.5% of real GDP for 2015. Within the services sector, public

administration experienced the highest rate of growth. As compared to 2014, the primary production sector increased by 6.2% and the secondary production sector increased by 1.3%.

The following table sets forth Argentina's real GDP growth by sector for the periods specified.

**Real GDP Growth by Sector**  
(% change from previous year, at constant 2004 prices)

	2011	2012	2013	2014	2015
<b>Primary production:</b>					
Agriculture, livestock, fisheries and forestry .....	(2.4)%	(12.9)%	11.5%	3.1%	7.6%
Mining and extractives (including petroleum and gas) ..	(5.8)	(1.2)	(4.0)	1.6	2.8
Total primary production.....	(3.5)	(9.2)	6.1	2.6	6.2
<b>Secondary production:</b>					
Manufacturing .....	7.7	(2.9)	1.5	(5.1)	0.8
Construction .....	9.5	(2.4)	(0.1)	(2.0)	3.0
Electricity, gas and water.....	4.7	4.7	0.5	2.0	3.5
Total secondary production.....	7.7	(2.3)	1.2	(4.1)	1.3
<b>Services:</b>					
Transportation, storage and communication .....	5.4	0.6	2.4	0.8	2.6
Trade, hotels and restaurants .....	10.1	(2.4)	2.2	(6.3)	2.9
Financial, real estate, business and rental services.....	5.8	1.5	1.3	(1.1)	2.0
Public administration, education, health, social and personal services.....	3.8	3.4	1.9	1.7	2.9
Domestic services <sup>(1)</sup> .....	1.2	4.5	2.2	0.3	0.6
Total services.....	6.4	0.7	1.9	(1.6)	2.6
Plus import duties less adjustment for banking service <sup>(2)</sup> .....	9.1	1.0	3.4	(5.9)	2.5
Total real GDP.....	6.0%	(1.0)%	2.4%	(2.5)%	2.6%

(1) Includes services completed by domestic workers including caretakers, domestic servants and private chauffeurs.

(2) The production figures in this table do not include duties assessed on imports used in production, which must be taken into account for purposes of determining real GDP. Import duties for purposes of determining real GDP are recorded under this line item.

Source: INDEC and Ministry of the Treasury.

### Primary Production

In 2015, the total primary sector production increased to Ps. 78.6 billion, or 6.2%, from Ps. 74.0 billion in 2014. The fishing sector increased by 2.5%, from Ps. 2.18 billion in 2014 to Ps. 2.24 billion in 2015. The growth in primary sector production during the first half of 2015 was due to the expansion of the agricultural and livestock sector. The growth in the livestock sector was driven by an increase in domestic consumption and by better meat prices due to a decrease in international prices of agricultural products.

The following tables set forth Argentina's primary production and growth for the periods specified.

**Primary Production**  
(in millions of pesos, at constant 2004 prices)

	2011	2012	2013	2014	2015
Agriculture, livestock and game .....	48,135	41,439	46,058	47,565	51,429
Fishing.....	1,745	1,756	2,157	2,184	2,239
Forestry, logging and related services.....	1,318	1,412	1,511	1,520	1,509
Mining and extractives (including petroleum and gas).....	23,636	23,350	22,405	22,755	23,403
Total sector production.....	74,834	67,957	72,131	74,024	78,580

Source: INDEC and Ministry of the Treasury.

**Primary Production**  
(% change from previous year, at constant 2004 prices)

	2011	2012	2013	2014	2015
Agriculture, livestock and game .....	(2.8)%	(13.9)%	11.1%	3.3%	8.1%
Fishing.....	5.2%	0.6%	22.9%	1.2%	2.5%
Forestry, logging and related services .....	0.5%	7.1%	7.0%	0.6%	(0.7)%
Mining and extractives (including petroleum and gas) .....	(5.8)%	(1.2)%	(4.0)%	1.6%	2.8%
Total sector production.....	(3.5)%	(9.2)%	6.1%	2.6%	6.2%

Source: INDEC and Ministry of the Treasury.

***Agriculture, Livestock, Fisheries and Forestry***

Argentina relies exclusively on its domestic supply for virtually all agricultural and livestock products, and is a major exporter of primary products, including cereals, grains, meat and fish. Crop production consists primarily of soy, corn and wheat. During the 2014 to 2015 season, soy, corn and wheat production represented 49.9%, 27.5% and 11.3% of total agricultural production, respectively. During 2015, Argentina's agriculture, livestock, fisheries and forestry sector accounted for 7.7% of real GDP.

As of the date of this document, the INDEC has not yet released revised segment-by-segment production and growth data for Argentina's agriculture, livestock and hunting or forestry sectors for the years 2011-2015.

***Mining and Extractives (Including Petroleum and Gas Production)***

The mining and extractives sector consists primarily of precious and semi-precious metals, coal, petroleum and gas exploration and production. Historically, mining activity in Argentina has represented a small part of the economy, accounting for 3.2% of real GDP in 2015.

Argentina is the second largest producer of natural gas and the fourth largest producer of crude oil in Latin America, based on 2015 production, according to the 2016 edition of the BP Statistical Review of World Energy, published in June 2015. Since its expropriation of 51% of the shares of YPF, the Government has controlled YPF, which, as of December 31, 2015, held interests in 108 oil and gas fields in Argentina. YPF, in association with private partners, is also engaged in projects relating to the exploration and development of unconventional resources, including shale oil and gas, primarily in the *Vaca Muerta* formation located in the provinces of Neuquén and Río Negro. See "Role of the State in the Economy—Oil and Gas Industry," "The Argentine Economy—Fernández de Kirchner's Administration: 2008-2015," "—Principal Government Policies and their Impact on Argentina's Economy (2011-2015)" and "Macri Administration: 2015-Present."

Argentina's oil and gas industry and the energy sector became the target of intense regulation during the Kirchner and Fernández de Kirchner administrations, including price controls, export restrictions and other measures that maintained local prices below international price levels. Those same policies, when international oil prices dropped, resulted in subsidies being paid to oil producers to support domestic prices. These measures are in the process of being dismantled by the Marci administration.

**Secondary Production**

***Manufacturing***

Argentina's manufacturing sector primarily consists of the production of food and beverages, chemical products and substances, common metals, rubber and plastic products, motor vehicles, trailers and semi-trailers and apparel. The 2001-2002 economic crisis that severely affected Argentina—with GDP contracting 10.9% in 2002—had a significant adverse effect on this sector. The adoption of import-substitution policies commencing in 2002 contributed to the growth of this sector by 4.8% on average each year. Between 2003 and 2008, growth was also fueled by growth of manufactured products, which became competitive due to the effects of the devaluation of the peso and investments aimed at stimulating production. The manufacturing of industrial products, such as

chemical products, planes and ships, and agricultural products, such as crops and livestock, also contributed to exports during this period. In 2015, the manufacturing sector accounted for 17.4% of real GDP.

During 2011, the manufacturing sector grew by 7.7% compared to 2010. This increase was primarily driven by:

- a 19.2% increase in machinery and equipment, accounting for 15.3% of the total growth in the manufacturing sector in 2011;
- a 4.9% increase in food and beverage production, accounting for 15.3% of the total growth in the manufacturing sector in 2011; and
- a 6.4% increase in the production of chemical products and substances, accounting for 10.4% of the total growth in the manufacturing sector in 2011.

During 2012, the manufacturing sector contracted by 2.9% compared to 2011. This decrease was primarily driven by:

- a 9.9% decrease in machinery and equipment, accounting for 23.1% of the total contraction in the manufacturing sector in 2012;
- an 8.2% decrease in the production of motor vehicles, trailers, and semi-trailers, accounting for 15.6% of the total contraction in the manufacturing sector in 2012; and
- a 5.7% decrease in common metals, accounting for 14.9% of the total contraction in the manufacturing sector in 2012.

This decrease was partially offset by a 4.4% increase in the chemical product and substance sector and a 20.3% increase in entertainment and communication equipment.

In 2013, the manufacturing sector grew by 1.5% compared to 2012. This increase was primarily driven by:

- a 5.2% increase in chemical products and substances, accounting for 45.7% of the total expansion in the manufacturing sector in 2013;
- an 8.4% increase in the production of motor vehicles, trailers, and semi-trailers, accounting for 29.5% of the total expansion in the manufacturing sector in 2013; and
- an 8.0% increase in non-metallic minerals, accounting for 22.2% of the total expansion in the manufacturing sector in 2013.

This increase was partially offset by a 5.0% decrease in the metal products sector.

During 2014, the manufacturing sector contracted by 5.1% compared to 2013. This decrease was primarily driven by:

- a 20.6% decrease in the production of motor vehicles, trailers, and semi-trailers, accounting for 22.9% of the total contraction in the manufacturing sector in 2014;
- a 12.3% decrease in the production of machinery and equipment, accounting for 15.3% of the total expansion in the manufacturing sector in 2014; and
- a 13.6% decrease in metal products, accounting for 11.9% of the total expansion in the manufacturing sector in 2014.

During 2015, the manufacturing sector increased by 0.8% compared to 2014. This increase was primarily driven by a 3.5% increase in food and beverages, a 7.1% increase in rubber and plastic products and a 7.8% increase

in furniture. This increase was partially offset by a 8.4% decrease in common metals production and an 11.8% decrease in motor vehicles, trailers, and semi-trailers.

### ***Construction***

There is a strong correlation between the evolution of real GDP and the construction sector, which primarily consists of residential projects. The construction sector accounted for 3.1% of real GDP in 2015.

In 2011, the construction sector grew by 9.5% compared to 2010, fueled by public sector investment in infrastructure projects and road construction, as well as private sector investment in residential housing and construction for commercial and industrial purposes. During 2011, the construction sector accounted for 3.2% of real GDP.

In 2012, the level of activity in the construction sector decreased by 2.4% compared to 2011, primarily due to a deceleration of overall economic activity. During 2012, the construction sector accounted for 3.2% of real GDP. Investment in construction in the hydrocarbons sector decreased in 2012, while construction activity in all other public and private sectors increased.

In 2013, the level of activity in the construction sector decreased by 0.1% compared to 2012. In 2013, the construction sector accounted for 3.1% of real GDP.

In 2014, the level of activity in the construction sector decreased by 2.0% compared to 2013, primarily due to unemployment in both the private and public sectors. In 2014, the construction sector accounted for 3.1% of real GDP.

In 2015, the level of activity in the construction sector increased by 3.0% compared to 2014, primarily due to an increase in private sector projects, which was partially offset by a decrease in public sector projects and construction activity in the hydrocarbons sector.

### ***Electricity, Gas and Water***

Electricity in Argentina is primarily produced from combined cycle (which uses both gas and steam turbines to produce electricity) and hydroelectric sources, with supplemental generation from gas, coal and nuclear plants. The electricity, gas and water sector represents a small fraction of the Argentine economy, accounting for 1.7% of real GDP in 2015.

Although electricity production in Argentina experienced positive growth between 2011 and 2014, the rates of growth decelerated during this period. Electricity production increased by 6.9%, 3.8%, 3.2% and 1.1% in 2011, 2012, 2013 and 2014, respectively, in each case as compared to the previous year. During this period, Argentina relied in part on fuel imports to meet excess consumption needs. The following table sets forth information on Argentina's electricity sector for the periods specified.



**Principal Economic Indicators of the Electricity Sector  
(in GW/hr, unless otherwise specified)**

	2011	2012	2013	2014	2015
<b>Production of electricity sector</b>					
Combined cycle .....	44,967	51,838	51,661	51,032	n.a.
Hydroelectric .....	39,339	36,626	40,330	40,663	n.a.
Other <sup>(1)</sup> .....	36,926	37,340	37,829	39,510	n.a.
Imports <sup>(2)</sup> .....	2,412	423	342	1,390	n.a.
Total generation .....	121,232	125,804	129,820	131,205	n.a.
<b>Consumption by economic sector</b>					
Industrial .....	35,918	36,611	38,141	38,025	n.a.
Residential .....	35,080	36,464	38,821	40,387	n.a.
Commercial .....	18,434	18,777	18,854	19,494	n.a.
Others .....	9,492	10,705	9,749	9,936	n.a.
Government .....	3,183	3,420	3,844	4,004	n.a.
Total consumption .....	102,106	105,978	109,409	111,845	n.a.

(1) Includes diesel, wind, nuclear, gas, steam and solar energy.

(2) Imports, primarily from Uruguay, to meet domestic demand in excess of domestic production.

n.a. = not available.

Source: INDEC and Ministry of the Treasury.

In December 2015, President Macri declared a state of emergency with respect to the national electrical system that is expected to remain in effect until December 31, 2017. The state of emergency will allow the Government to take actions designed to guarantee the supply of electricity to the country such as instructing the Ministry of Energy and Mining to design and implement, with the cooperation of all federal public entities, a coordinated program to guarantee the quality and security of the electricity system. In addition, the Macri administration announced the elimination of some energy subsidies currently in effect and a substantial increase in electricity rates. For more information, see “—Economic History and Background—Macri Administration: 2015-Present” and “—Role of the State in the Economy—Oil and Gas Industry.”

The following table sets forth the imports and exports of fuel and energy for the periods specified.

**Exports and Imports of Fuel and Energy**

	2011	2012	2013	2014	2015
<b>Total FOB exports</b>					
(in millions of U.S. dollars) .....	U.S.\$ 82,981	U.S.\$ 79,982	U.S.\$ 75,963	U.S.\$ 68,407	U.S.\$ 56,788
Fuel and energy					
(in millions of U.S. dollars) .....	6,682	6,978	5,562	4,950	2,252
As a % of total FOB exports .....	8.1%	8.7%	7.3%	7.2%	4.0%
Change from previous year .....	21.7%	(3.6)%	(5.0)%	(9.9)%	(17.0)%
<b>Total CIF imports</b>					
(in millions of U.S. dollars) .....	U.S.\$ 73,961	U.S.\$ 67,974	U.S.\$ 74,442	U.S.\$ 65,230	U.S.\$ 59,757
Fuel and energy					
(in millions of U.S. dollars) .....	9,796	9,128	12,464	11,455	6,842
As a % of total CIF imports .....	13.2%	13.4%	16.7%	17.6%	11.4%
Change from previous year .....	30.2%	(8.1)%	9.5%	(12.4)%	(8.4)%
<b>Net (imports) exports of fuel and energy (in millions of U.S. dollars) .....</b>	U.S.\$ (3,115)	U.S.\$ (2,150)	U.S.\$ (6,902)	U.S.\$ (6,505)	U.S.\$ (4,590)

Source: INDEC and Ministry of the Treasury.

**Evolution of Exports and Imports of Fuel and Energy  
(% change in volume from previous year)**

	2011	2012	2013	2014	2015
Change in volume of exports .....	2.3%	(5.9)%	(3.7)%	(7.9)%	(1.5)%
Change in volume of imports .....	21.3%	(6.3)%	3.7%	(12.5)%	3.8%

Source: INDEC and Ministry of the Treasury.

## Services

The services sector represents the largest portion of the Argentine economy, accounting for 49.5% of real GDP in 2011, 50.3% in 2012, 50.1% in 2013, 50.5% in 2014 and 50.5% in 2015.

The following tables set forth the composition and growth of the services sector for the periods specified.

### Composition of Services Sector (in millions of pesos, at constant 2004 prices)

	2011	2012	2013	2014	2015
Wholesale and retail trade and repairs.....	98,684	95,946	98,339	91,605	94,337
Transportation, storage and communication services .....	52,203	52,515	53,754	54,168	55,581
Real estate, business and rental services .....	71,232	70,809	71,328	70,964	72,546
Education, Social and health services .....	42,808	44,663	45,905	46,957	48,383
Financial services .....	25,000	26,836	27,596	26,839	27,181
Other community, social and personal services .....	18,548	18,874	18,611	18,253	18,597
Public administration.....	28,489	29,346	30,121	31,055	32,120
Hotels and restaurants .....	10,821	10,970	10,972	10,842	11,033
Domestic Services <sup>(1)</sup> .....	3,975	4,154	4,247	4,259	4,285
Total.....	351,760	354,112	360,875	354,941	364,062

(1) Includes services completed by domestics workers including caretakers, domestic servants and private chauffeurs.

Source: INDEC and Ministry of the Treasury.

### Growth of Services Sector (% change from prior year, at constant 2004 prices)

	2011	2012	2013	2014	2015
Wholesale and retail trade and repairs.....	10.7%	(2.8)%	2.5%	(6.8)%	3.0%
Transportation, storage and communication services .....	5.4%	0.6%	2.4%	0.8%	2.6%
Real estate, business and rental services .....	4.4%	(0.6)%	0.7%	(0.5)%	2.2%
Education, Social and health services .....	4.1%	4.3%	2.8%	2.3%	3.0%
Financial services .....	9.8%	7.3%	2.8%	(2.7)%	1.3%
Other community, social and personal services .....	4.0%	1.8%	(1.4)%	(1.9)%	1.9%
Public administration .....	3.2%	3.0%	2.6%	3.1%	3.4%
Hotels and restaurants .....	5.1%	1.4%	0.0%	(1.2)%	1.8%
Domestic services <sup>(1)</sup> .....	1.2%	4.5%	2.2%	0.3%	0.6%
Total.....	6.4%	0.7%	1.9%	(1.6)%	2.6%

(1) Includes services completed by domestics workers including caretakers, domestic servants and private chauffeurs.

Source: INDEC and Ministry of the Treasury.

Between 2011 and 2015, the services sector grew by 3.5%. This increase was primarily driven by growth in education and social and health services, which increased by 13.0%, public administration, which increased by 12.7%, and transportation, storage and communication services, which increased by 6.5% during this period.

In 2011, the services sector grew by 6.4% compared to 2010. This increase was primarily driven by growth in wholesale and retail trade and repairs, real estate, business, rental services and transportation, storage and communication services, including an increase in telecommunications stemming from the development of mobile technologies.

During 2012, the services sector grew at a decelerated rate of 0.7%, primarily due to a decline in wholesale and retail trade and repairs. In 2012, the services sector was the only sector that contributed positively to GDP growth, increasing as a percent of GDP from 49.5% in 2011 to 50.3% in 2012.

In 2013, the services sector grew by 1.9%. This increase resulted from growth in each sub-sector other than community, social and personal services and hotels and restaurants, with particular growth in education and social and health services, public administration and wholesale and retail trade and repairs.

In 2014, the services sector decreased by 1.6% compared to 2013. This decrease was primarily driven by the contraction of wholesale and retail trade and repairs.

In 2015, the services sector grew by 2.6% compared to 2014. This growth was primarily driven by the increase in wholesale and retail trade and repairs and real estate, business and rental services.

### ***Telecommunications***

The telecommunications sector has grown in terms of the total number of lines each year since 2001. Much of this growth has resulted from a substantial increase in the use of mobile communications, which have become increasingly common in Argentina as more affordable cellular phone plans have become available and consumers' purchasing power has improved. The number of fixed wire lines has increased by 21.2% since 2001, while public phone lines fell by 44.3%. Between 2011 and 2015, the number of cellular phone lines continued to increase, although at lower rates than in previous years.

The table below reflects certain information regarding the telecommunications sector.

#### **Summary of Telecommunications Sector (in thousands of lines)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015<sup>(1)</sup></b>
Lines: <sup>(2)</sup>					
Fixed wire <sup>(3)</sup> .....	9,631	9,664	9,787	9,854	9,881
Cellular <sup>(4)</sup> .....	57,854	58,308	60,086	61,527	63,219
Public phones .....	141	115	92	89	88
Total lines .....	<b>67,626</b>	<b>68,088</b>	<b>69,965</b>	<b>71,471</b>	<b>73,188</b>

(1) Average for January-October 2015.

(2) Annual average for each year indicated.

(3) Lines in service.

(4) Telephones in service.

Source: *Ministry of Federal Planning, Public Investment and Services.*

In October 2009, the Argentine Congress passed the Audiovisual Communication Services Law No. 26.522 (the "LSCA") to replace the general legal framework under which the audiovisual media industry had operated in Argentina for approximately three decades. This law, which imposed restrictions on the ownership of licenses, was challenged by private companies operating in the audiovisual media industry on several grounds, including its encroachment on constitutional rights. On October 29, 2013, the Supreme Court of Argentina upheld the constitutionality of the LSCA.

On December 16, 2014, Congress passed Law No. 27,078 (the "Digital Argentina Act"), which partially repealed the existing National Telecommunications Law No. 19,798 and conditioned the effectiveness of Decree No. 764/00 (which had deregulated the telecommunications market) on certain new regulations. The most significant change to the former National Telecommunications system was the creation of a new public service referred to as "Public and Strategic Infrastructure Use and Access Service for and among Providers." By characterizing this activity as a public service, providers (including audiovisual communication service providers) could be required to grant other "Information and Communication Technologies" (or "TIC," the term used to refer to telecommunication services under the Digital Argentina Act) service providers access to network elements, related resources or services for such other TIC service providers to render their own services. Networks and

infrastructure owners could be required to grant network access to competitors that had not made investments in their own infrastructure.

Until December 2015, the Argentine media industry was governed by the LSCA and the Digital Argentina Act, and subject to the oversight of two different enforcement agencies: (a) in the case of the audiovisual media industry, by the LSCA and its federal enforcement authority (the “AFSCA”), and (b) in the case of the telecommunications industry, by the Digital Argentina Act and its federal enforcement authority (the “AFTIC”).

On December 29, 2015, the Macri administration issued Decree No. 267/2015 (the “New Media Decree”) pursuant to which it intends, among other measures, to gradually converge the audiovisual media and telecommunications industries under the same regulatory framework. Among other things, the New Media Decree (i) creates a new National Communications Agency (“Enacom”), a self-governing decentralized entity under the Ministry of Communications, which replaces AFSCA and AFTIC as the authorities empowered to enforce the LSCA and the Digital Argentina Act; (ii) repeals and amends several provisions of the LSCA, including mandatory divestment requirements; and (iii) eliminates the restriction on providers offering open broadcasting television services and subscription television services in the same area.

## Employment and Labor

### *Unemployment and Underemployment*

The INDEC prepares a series of indices used to measure the social, demographic and economic characteristics of the Argentine population based on data generally collected in the Permanent Household Survey (*Encuesta Permanente de Hogares*, or “EPH”). Please see “Presentation of Statistical and Other Information—Certain Methodologies” for important information regarding the reliability of INDEC data.

The following table sets forth employment figures for the periods indicated.

	<b>Fourth quarter of<sup>(*)</sup></b>		<b>Third quarter of</b>	
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Greater Buenos Aires Area:</b>				
Labor force rate <sup>(2)</sup> .....	47.3%	46.5%	46.1%	48.0%
Employment rate <sup>(3)</sup> .....	44.3	43.2	43.4	43.2
Unemployment rate <sup>(4)</sup> .....	6.5	7.2	6.0	10.0
Underemployment rate <sup>(5)</sup> .....	8.1	10.0	9.7	11.5
<b>Major interior cities:<sup>(1)</sup></b>				
Labor force rate <sup>(2)</sup> .....	43.8	43.9	43.4	43.7
Employment rate <sup>(3)</sup> .....	41.1	41.0	40.9	40.8
Unemployment rate <sup>(4)</sup> .....	6.3	6.6	5.7	6.6
Underemployment rate <sup>(5)</sup> .....	7.4	8.0	7.5	8.5
<b>Total urban:</b>				
Labor force rate <sup>(2)</sup> .....	45.6	45.2	44.8	46.0
Employment rate <sup>(3)</sup> .....	42.7	42.1	42.2	42.1
Unemployment rate <sup>(4)</sup> .....	6.4	6.9	5.9	8.5
Underemployment rate <sup>(5)</sup> .....	7.8%	9.1%	8.6%	10.2%

(1) Figures are based on 28 major cities. The current methodology to measure EPH is applied to every major city except Rawson - Trelew, San Nicolás - Villa Constitución and Viedma - Carmen de Patagones, which are still being measured using the old methodology given the resource constraints of cities located in the interior of the country.

(2) The labor force consists of the sum of the population that has worked a minimum of (i) one hour with remuneration, or (ii) 15 hours without remuneration during the week preceding the date of measurement plus the population that is unemployed but actively seeking employment.

- (3) To be considered employed, a person above the minimum age requirement must have worked at least one hour with remuneration or 15 hours without remuneration during the preceding week.
- (4) Unemployed population as a percentage of the labor force. The unemployed population does not include the underemployed population.
- (5) Underemployed population as a percentage of the labor force. Workers are considered underemployed if they work fewer than 35 hours per week and wish to work more.
- (\*) Data for the fourth quarter of 2015 and third quarter of 2016 are not available.

Source: INDEC and Ministry of the Treasury.

In January 2002, the Government implemented the *Plan Jefes y Jefas de Hogar* (Heads of Households Program). Under the Heads of Households Program, unemployed heads of households with one or more children under the age of 18 or with disabled dependents of any age receive Ps. 150 per month (an amount that has periodically been adjusted for inflation) in exchange for at least four hours of either community service or participation in other public works projects. Persons receiving benefits under the Heads of Households program are considered employed in the Government's employment statistics, including in the tables presented in this section "Employment and Labor." During the height of the economic crisis in the first three months of 2002, there were approximately 1.4 million beneficiaries in this program. As unemployment decreased and new programs were created to address other employment related matters such as adequate job training, the number of beneficiaries declined.

### ***The Informal Economy***

Argentina has an informal economy composed primarily of employees not registered with Argentina's social security system but working in legitimate businesses and, to a lesser degree, in unregistered businesses. Because of its nature, the informal economy is difficult to track through statistical information or other reliable data.

A second and more modest segment of Argentina's informal sector consists of economic activities that take place outside the formal economy or deviate from official norms for economic transactions. These include small businesses, usually those owned by individuals and families, which produce and exchange legal goods and services but may not have the appropriate business permits, report their tax liability, comply with labor regulations or have legal guarantees in place for suppliers and end users. As of the third quarter of 2015, the INDEC estimates that the informal economy decreased to 33.1% of the total labor force compared to 34.2% as of the third quarter of 2011.

The following table provides the estimated percentage of workers in Argentina's formal and informal economies for the periods specified.

<b>Formal and Informal Economies<sup>(1)</sup></b>					
<b>(as a percentage of total)</b>					
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Formal.....	65.8%	65.4%	66.5%	65.7%	66.9%
Informal.....	34.2	34.6	33.5	34.3	33.1
Total.....	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

(1) Figures presented here do not include participants in the Heads of Households Program and individuals under the age of 18.

Source: INDEC and Ministry of the Treasury.

### ***Composition of Employment***

During the first half of 2015, the total number of jobs in the secondary sector decreased by 0.2 percentage points compared to the first half of 2014. In the services sector, the total number of jobs increased by 0.1 percentage points during the first half of 2015 compared to the first half of 2014. Approximately half of this increase was due to the public administration sector. As of June 30, 2015, the services sector employed the majority of the Argentine labor force (approximately 73.6%), followed by the secondary production sector (representing approximately 21% of the labor force) and the primary production sector (representing approximately 5.3% of the labor force).

The following table sets forth employment figures by sector for the periods specified.

	<b>Employment</b>				
	(% by sector) <sup>(1)</sup>				
	<b>As of December 31,</b>				<b>As of June 30,</b>
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Primary production:</b>					
Agriculture, livestock, fisheries and forestry	4.7%	4.6%	4.5%	4.6%	4.6%
Mining and extractives (including petroleum and gas).....	0.7	0.7	0.7	0.7	0.8
Total primary production .....	5.4	5.3	5.3	5.3	5.3
<b>Secondary production:</b>					
Manufacturing.....	15.8	15.6	15.5	15.6	14.9
Construction.....	5.6	5.4	5.2	5.4	5.3
Electricity, gas and water .....	0.8	0.8	0.8	0.8	0.8
Total secondary production.....	22.1	21.7	21.5	21.7	21.0
<b>Services:</b>					
Transportation, storage and communication.....	6.7	6.7	6.7	6.7	6.6
Trade, hotels and restaurants .....	18.2	18.2	18.1	18.2	17.9
Financial, real estate, business and rental services .....	13.5	13.4	13.3	13.4	13.2
Public administration, education, health, social and personal services .....	33.9	34.5	35.0	34.5	35.9
Total services .....	72.4	72.9	73.1	72.9	73.6
<b>Other</b> .....	0.1	—	0.1	0.1	—
Total.....	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Annual average for each year indicated.  
Source: INDEC and Ministry of the Treasury.

### ***Labor Regulation***

During the 1990s, the Government implemented several labor reform packages designed to increase the flexibility of Argentina's labor market and the collective bargaining process. The Government sought to remove regulations that inhibited employers' ability to adjust their workforce to account for prevailing economic conditions, including through the removal of regulations requiring long-term employment contracts and severance payments. However, in response to the global financial crisis that began in 2008, the Government enacted a series of policies designed to protect employment in certain sectors deemed to be vital to the Argentine economy. In doing so, the Government took steps to reverse many of the reforms enacted in the 1990s.

Labor unions in Argentina continue to exercise significant influence in the collective bargaining process. Both local and federal unions have staged various strikes in recent years to protest for salary increases. Strikes and demonstrations tend to have brief but significant impacts on transportation, and succeed in bringing production in various sectors of the economy to a temporary halt, in most cases for periods of only a few days. In the past, several of these strikes were accompanied by violent demonstrations.

### ***Wages and Labor Productivity***

The Ministry of Employment and Social Security, through the Wage Council, sets a single minimum wage annually for all sectors of the economy, based on macroeconomic indicators such as GDP growth and inflation. The minimum monthly wage for public and private employees was increased by approximately 27.0% in 2011, 19.3% in 2012, 25.2% in 2013, 27.4% in 2014 and 31.4% in 2015, in each case as compared to the previous year. In January 2014, the minimum wage was raised to Ps. 3,600, and increased again in September 2014 to Ps. 4,400. In 2015, the minimum wage further increased to Ps. 5,588.

In 2015, average monthly wages, in nominal terms, increased by 33.3% compared to 2014. Leading this wage increase was the mining and extractive sector, which increased wages by an average of 40.0% and the electricity, gas and water sector, which increased wages by an average of 36.0%. As of October 31, 2015, nominal wages increased by 26.7% in the formal private sector, 33.2% in the informal private sector and 32.4% in the public sector as compared to October 31, 2014. Between 2011 and June 30, 2015, the most significant increase in monthly nominal wages occurred in the financial services, insurance and real estate sector, which experienced a 180.8% increase in wages during this period.

The following table provides the average monthly nominal wage, by sector, for the years specified.

**Average Monthly Nominal Wage by Sector  
(in current pesos)**

	2011	2012	2013	2014	First half of 2015
<b>Goods:</b>					
Agriculture, livestock, fisheries and forestry.....	Ps. 5,456	Ps. 6,772	Ps. 8,952	Ps. 12,300	Ps. 13,511
Mining and extractives (including petroleum and gas).....	18,226	21,937	27,787	37,290	49,644
Manufacturing .....	6,854	8,867	11,228	14,797	17,942
Construction .....	4,505	5,822	7,195	9,021	10,632
Electricity, gas and water.....	11,588	14,666	19,082	24,774	32,267
Total goods .....	7,711	9,752	12,409	16,389	20,119
<b>Services:</b>					
Transportation, storage and communication .....	7,214	9,108	11,597	15,290	13,031
Trade, hotels and restaurants .....	4,046	5,323	6,745	8,879	10,737
Financial, real estate, business and rental services .....	7,347	9,453	11,951	15,966	20,631
Public administration, education, health, social and personal services .....	4,889	6,301	7,949	10,539	12,999
Total services .....	5,584	7,195	9,104	12,075	15,015
Other .....	3,747	4,848	6,749	8,872	11,035
Total .....	Ps. 5,681	Ps. 7,265	Ps. 9,421	Ps. 12,445	Ps. 15,389

Source: INDEC and Ministry of the Treasury, based on information provided by the INDEC.

The following table provides the average monthly minimum nominal wage of Argentine employees, including estimates for those employed in the informal economy, for the years specified.

**Average Monthly Minimum Nominal Wage  
(in current pesos)**

As of December 31,	Average Monthly Minimum Wage	Average Cost of Basic Basket <sup>(1)</sup>	Average Monthly Minimum Wage (as a % of Average Cost of Basic Basket)
2011.....	Ps. 2,032	Ps. 1,329	Ps. 152.9
2012.....	2,423	1,521	159.3
2013.....	3,035	1,692	179.4
2014.....	3,867	n.a. <sup>(2)</sup>	n.a. <sup>(2)</sup>
2015.....	5,079	n.a. <sup>(2)</sup>	n.a. <sup>(2)</sup>

(1) Average cost of a basket of essential goods and services for a “reference” family used to measure the poverty line. A “reference” family is considered a family of four: two adults, one male, age 35, and one female, age 31, and two children, ages 5 and 8.

(2) The INDEC discontinued the publication of this information in 2014.

n.a. = not available.

Source: Ministry of Employment and Social Security and Ministry of the Treasury.

The following table provides the percentage change in the nominal wage of Argentine employees for the years specified.

### Nominal Wage

	(% change from prior year)			
	Private Sector		Public Sector	Total
	Formal	Informal		
December 2011 .....	35.8%	32.8%	9.7%	29.4%
December 2012 .....	24.8	33.5	17.8	24.5
December 2013 .....	25.2	27.7	26.2	25.9
December 2014 .....	31.5	40.0	33.9	33.7
October 2015 <sup>(1)</sup> .....	26.7%	33.2%	32.4%	29.4%

(1) Data for the first ten months of 2015 as compared to the same period in 2014.  
Source: Ministry of the Treasury, based on information provided by the INDEC.

### Poverty and Income Distribution

In the second half of 2011, the population below the poverty line experienced a 3.4 percentage point reduction and the households below the poverty line experienced a 2.0 percentage point reduction as compared to the same period of 2010.

In the second half of 2012, 5.4% of the population (as compared to 6.5% in the same period of 2011) and 4.0% of households (as compared to 4.8% in the same period of 2011) in 31 urban centers (including Buenos Aires) lived below the poverty line. In the second half of 2002, during the crisis, 57.5% of the population lived below the poverty line, meaning a 52.1 percentage points reduction in the last decade. The INDEC discontinued the publication of poverty data for the years 2013, 2014 and 2015.

Until 2001, assessments of national poverty levels were based primarily on figures for the Greater Buenos Aires Area. Between 2001 and 2012, the Government collected poverty statistics for urban centers in addition to the Greater Buenos Aires Area. Additionally, the Government changed the frequency of calculating national poverty levels from a semi-annual spot analysis conducted in May and October to a constant analysis, with results published on a quarterly basis through 2012. During this period, the *Encuesta Permanente de Hogares* (Permanent Household Survey) collected data on a continual basis. The survey used four observation points, resulting in the gathering of quarterly data, with a view to providing information relating to the workforce in each relevant area. Until it discontinued publication of poverty data, the Government also provided quarterly information relating to poverty. Poverty data is not available for the years 2013, 2014 and 2015.

Poverty estimates depend on the relevant methodologies used to calculate poverty levels. There are a number of differences between the methods used by Argentina through 2012 and the methods used by other countries, including other MERCOSUR members. In particular, poverty estimates depend, in part, on inflation estimates. Because estimates regarding inflation in Argentina have differed in material ways, poverty estimates may also differ significantly. The Government relied on the INDEC's data relating to poverty, which has differed materially from poverty data published by other sources. See "Monetary System—Inflation" for important information regarding the reliability of this data.

The measurement of poverty is based on a basket of goods and services (consisting primarily of food, clothing, transportation, health care, housing and education), which is considered the minimum necessary to sustain an individual. "Essential goods and services" in the basket that the Government has subsidized include natural gas, electricity, bus transportation and suburban and urban mass transportation, rail transportation, subway transportation, fuel and education. The method in use by Argentina in 2011 and 2012 for measuring poverty was adopted early in the 1990s. The prices of the basket were initially valued in 1985 and the monetary value of the items were updated on a monthly basis by applying the changes in consumer prices for the Greater Buenos Aires Area. This measurement only accounted for the metropolitan area of Buenos Aires until 2001, when a change in methodology expanded it to the rest of the country.



The following table sets forth the poverty levels in Argentina:

**Poverty<sup>(1)</sup>**  
**(% of population)**

<u>Second half of</u>	<u>Households</u>	<u>Population</u>
2011 .....	4.8%	6.5%
2012 .....	4.0	5.4
2013 .....	n.a.	n.a.
2014 .....	n.a.	n.a.
2015 .....	n.a.	n.a.

(1) The poverty line is based on the estimated cost of a basket of essential goods and services during a given period, which varies depending on the characteristics of each individual and each household. For instance, men between the ages of 30 and 59 who earned less than Ps. 454.49 per month during December 2011 lived below the poverty line. For households, a family of four (two adults, one male age 35 and one female age 31, and two children ages 5 and 8) that earned in total less than Ps. 1,328.5 per month during December 2011 lived below the poverty line.

n.a. = not available.

Source: INDEC and Ministry of the Treasury.

From 2011 to June 30, 2015, the top 10% of the population in Argentina, in terms of annual income, contributed 1.9% less to the total national income and the top 20% contributed 2.2% less. During the same period, the bottom 40% of the population increased its contribution to the total national income by 1.3%. In the second quarter of 2015, the top 10% of the population in Argentina accounted for 28.2% of total national income and the top 20% of the population accounted for 44.4% of total national income. The table below sets forth figures on the distribution of income as of the dates specified.

**Evolution of Income Distribution**  
**(% of total national income)**

<u>Income group</u>	<u>Fourth quarter of</u>				<u>Second quarter of</u>	
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2014</u>	<u>2015</u>
Lowest 40% .....	14.4%	15.4%	15.6%	15.1%	15.2%	15.7%
Next 20% .....	15.5	16.3	16.1	15.8	16.0	16.2
Next 20% .....	23.0	23.8	23.6	23.4	23.5	23.7
Highest 20% .....	47.1	44.5	44.6	45.6	45.3	44.4
Highest 10% .....	30.2%	27.9%	28.1%	29.1%	28.8%	28.2%

Source: INDEC and Ministry of the Treasury.

The Government has taken measures to address growing poverty and unemployment in Argentina, although the impact of these measures on poverty has not yet been accurately measured given the lack of official data over the past years. The measures adopted between 2011 and 2015 include the following:

- Several increases in social security payments to workers under the Heads of Household Program. Between 2011 to 2015, the Government increased social security payments by 164.9%. In May 2014, the Government expanded the number of workers eligible to receive these payments by raising the applicable salary limit;
- Extension of the *Programa de Empleo Comunitario* (Community Employment Program), created in 2003, through which under qualified workers who are 16 years old or older are entitled to receive a monthly payment in exchange for assisting in a project run by one of the participating organizations. Beneficiaries of this program are not entitled to receive monetary assistance through any other governmental program;
- Public sector job training for Heads of Households Program beneficiaries and Community Employment Program workers;
- Periodic increases in the minimum monthly payment for beneficiaries of the public pension system;

- Periodic increases in the minimum monthly wage for public and private employees;
- A 27.5% annual increase in the salaries of public employees each year between 2011 and 2015;
- Implementation of the *Herramientas por trabajo* (Tools for Work) program that provides unemployed Heads of Households Program beneficiaries with funds to purchase tools and materials and with technical assistance to develop their projects;
- Certain beneficiaries of the Heads of Household Program determined to be in situations “of high vulnerability,” were transitioned to the *Familias por la Inclusión Social* (Families for Social Inclusion) program, which provides a variable monthly payment to beneficiaries of the Heads of Households Program who are living in poverty and have three or more children under the age of 19. Educational support and workshops that promote family and community development, as well as professional and educational assistance, also form part of the program. Beneficiaries who are actively searching for a formal job also receive employment and training insurance;
- Increase in the budget allocated for the Argentine Jobs Program, which, among other things, promotes the development of sustainable production activities, funds jobs through cooperatives and provides funding for social investment programs;
- *Asignación Por Embarazo* (Pregnancy Allowance), through which ANSES provides a monthly payment of Ps. 837 to pregnant women (as of December 2015) who meet certain requirements, including being unemployed (with an unemployed spouse), working in the informal economy (earning less than the minimum wage) or benefiting from the Argentine Jobs Program. A higher monthly payment is provided for disabled children;
- *Monotributo Social* through which self-employed individuals are able to access health insurance benefits and the pension system, among other public benefits;
- *Jóvenes con más y mejor trabajo* (Youth With More and Better Jobs Program), through which unemployed individuals between the ages of 18 and 24 who have not completed primary or secondary school receive public assistance to allow them to complete their education, receive training, obtain practical experience in work environments, and/or receive a job placement;
- *Seguro de capacitación y empleo* (Training and Employment Insurance), through which unemployed individuals who are 18 years old or older are entitled to receive a monthly payment, subject to their completion of primary and secondary school, and complete job training activities;
- Expansion of the *Programa Construir Empleo* (Building Jobs Program) through which individuals 18 years or older who are unable to find employment receive public assistance and are placed in infrastructure jobs to develop or improve their construction skills;
- *Programa Intercosecha* (Between Harvest Program), originally the *Prórroga del Plan Interzafra* program established in 2004, which provides assistance to permanent and temporary workers in the agricultural and agro-industrial sectors during periods between harvest seasons through job placements and the promotion of improved working conditions. Beneficiaries of this plan are not entitled to receive assistance through any other governmental program;
- *Programa de Respaldo a Estudiantes de Argentina, PROGRESAR* (Supporting Argentine Students Program), which provides monthly payments to students between the ages of 18 and 24 who are either unemployed, work in the informal segment of the economy or whose salary falls below the minimum wage and whose family members face the same conditions;
- Increase in the benefits provided to workers employed by businesses participating in the *Programa de recuperación productiva* (Productive Recovery Program), which was created in 2002 with the objective of supporting the wages of workers employed by struggling businesses.

As of December 31, 2015, the number of workers receiving benefits through this program had risen to 76,529; and

- The *Programa de Crédito Argentino para la Vivienda Única Familiar* (Credit Program for Family Living), “PRO.CRE.AR. BICENTENARIO” was implemented, through which 400,000 credit lines are expected to be opened between 2012 and 2016. The objective of the program is to provide for the living costs of Argentine residents based on their different socioeconomic conditions and family situations.

## **Role of the State in the Economy**

### ***State-Owned Entities***

The Government carries out certain functions and commercial activities through state-owned and state-controlled enterprises, including the following:

- Aerolíneas Argentinas S.A. (“Aerolíneas Argentinas”), the country’s largest airline and its affiliate Austral Líneas Aéreas Cielos del Sur S.A. (“Austral”),
- Banco de la Nación Argentina, the national bank of Argentina;
- Banco de Inversión y Comercio Exterior S.A. (“BICE”);
- Agua y Saneamientos Argentinos S.A. (“AYSA”), which provides essential services of potable water and sanitation;
- Correo Oficial de la República Argentina (“Correo Argentino”), the national postal service;
- Energía Argentina S.A. (“ENARSA”), a state-owned energy company;
- Operadora Ferroviaria S.E., the national railway company; and
- YPF, a state-controlled energy company.

### ***State Involvement in the Economy***

Following the crisis of 2001 to 2002, the Government reversed a number of measures implemented during the 1990s to deregulate the economy and reduce government intervention. Through November 2015, the Government re-introduced several state controls, most notably the following:

- the absorption and replacement of the former private pension system for a public “pay as you go” pension system, as well as the transfer of all resources previously administered by the private pension funds, including significant equity interests in a wide range of listed companies, to the FGS to be administered by the ANSES;
- direct involvement in the oil and gas industry through the creation of ENARSA, the enactment of the Hydrocarbons Law (defined below) and the expropriation of 51% of the shares of YPF;
- increased regulation of utility companies, including a continued Government-imposed freeze on utility rates;
- the revocation of concessions for certain public services (including several railway lines and water services);
- restrictions on capital transfers and other monetary transactions (see “Monetary System—Regulation of the Financial Sector”);

- continued price controls on transportation and agricultural and energy products (see “The Argentine Economy—Primary Production”);
- export tariffs on agricultural products (see “Balance of Payments—Trade Regulation”);
- subsidies to the energy and transportation sectors (see “Public Sector Finances—National Public Accounts”); and
- export regulations (see “Balance of Payments—Trade Regulation”).

### ***Expropriation Measures***

During the Fernández de Kirchner administration, the government adopted a series of expropriation and nationalization measures. In December 2008, Congress approved a law declaring that the shares of Aerolíneas Argentinas, Austral and their subsidiaries, Optar S.A., Jet Paq S.A. and Aerohandling S.A. were “of public interest” and therefore subject to expropriation in accordance with the Argentine Expropriation Law. Under the valuation guidelines established in the Argentine Expropriation Law, the *Tribunal de Tasaciones de la Nación* (National Valuation Tribunal), estimated that these entities had an aggregate negative value approximately ranging between U.S.\$602.0 million and U.S.\$872.0 million. For a discussion of related arbitration proceedings, see “Public Sector Debt—Legal Proceedings—ICSID Arbitration.”

### ***Oil and Gas Industry***

In response to declining output in the oil and gas sector between 2002 and 2006, the Government adopted measures intended to allow producers to increase internal supply and meet export commitments. These measures included tax incentives, access to areas for further hydrocarbon exploration and extraction and improved distribution and transport systems. The Government additionally imposed price controls on hydrocarbon products such as gas and oil, while subsidizing the oil and gas sector in order to compensate producers for their losses stemming from the price controls and ensure adequate supply in the Argentine domestic market. Transfers to the energy sector totaled Ps. 50.3 billion in 2011, Ps. 62.3 billion in 2012, Ps. 95.4 billion in 2013, Ps. 213.7 billion in 2014 and Ps. 161.2 billion in 2015. The following table shows the proved reserves of petroleum and natural gas in Argentina as of the dates specified.

#### **Proved Reserves**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Crude oil <sup>(1)</sup> .....	393,996	374,289	370,374	380,028	380,730
Natural gas <sup>(2)</sup> .....	332,510	315,508	328,260	332,164	350,483

(1) In thousands of cubic meters.

(2) In billions of cubic meters.

n.a. = not available.

Source: *Ministry of Planning, Secretary of Energy.*

In 2011 and 2012, the Government took a series of measures to increase state regulation and involvement in the oil and gas industry. These measures include steps to expropriate a controlling stake of YPF, the country’s largest oil and gas company.

In April 2012, the Government intervened in YPF, the country’s largest oil and gas company, which was controlled by the Spanish group Repsol, and sent a bill to Congress to expropriate 51% of the shares of YPF. These actions were taken to address a marked decrease in oil and gas reserves resulting from low levels of past investment, which affected the Argentine oil and gas industry and caused an increase in oil and gas imports.

In April 2012, the Government decreed the removal of directors and senior officers of YPF, which was controlled by the Spanish group Repsol, and submitted a bill Congress to expropriate shares held by Repsol representing 51% of the shares of YPF. Congress approved the bill in May 2012 through the passage of Law No. 26,741 (the “Hydrocarbons Law”), which declared the production, industrialization, transportation and marketing of hydrocarbons to be activities of public interest and fundamental policies of Argentina, and empowered

the Government to adopt any measures necessary to achieve self-sufficiency in hydrocarbon supply. As provided in the Hydrocarbons law, 51% of the expropriated shares are held by the Government and the remaining 49% have been split among the oil producing provinces of Argentina. The Hydrocarbons Law additionally provided for the expropriation of 51% of the shares of the gas distribution company, YPF GAS S.A. In February 2014, the Government and Repsol reached an agreement on the terms of the compensation payable to Repsol for the expropriation of the YPF shares. Such compensation totaled U.S.\$5.8 billion payable by delivery of Argentine sovereign bonds with various maturities. The agreement, which was ratified by Law No. 26,932, settled the claim filed by Repsol with the ICSID.

In August 2013, YPF and Chevron agreed to jointly exploit the unconventional hydrocarbons located in approximately 100 oil wells in the province of Neuquén. Additionally, YPF and the province of Neuquén agreed to extend YPF's concession in the province for 35 years.

In July 2012, pursuant to the Hydrocarbons Law, the Government created a planning and coordination commission for the sector (the "Hydrocarbons Commission"). The Hydrocarbons Commission had the power to publish reference prices for crude oil and natural gas, monitor prices charged by private oil and gas companies and supervise investment in the oil sector. In December 2015, the Macri administration issued Decree No. 272/2015 dissolving the Hydrocarbons Commission, transferring its functions and authority to the Ministry of Energy and Mining. According to Decree No. 272/2015, all decisions adopted in the past by the Hydrocarbons Commission remain valid until reversed or modified by the Ministry of Energy and Mining. The Ministry is carrying out a full review of the former Hydrocarbon Commission's rules regarding registration and disclosure requirements applicable to companies operating in the oil and gas sector.

### *Concessions*

During the 1990s, state-owned entities were partially privatized through Government concessions. The sectors of the economy in which the largest number of concessions were granted included communications, highway and road construction, transportation, and oil and gas exploration and production.

After the devaluation of the peso, in February 2002, the Duhalde administration instructed the Ministry of the Economy to renegotiate public services concession contracts through the authority of a newly formed commission for the renegotiation of contracts for public works and services (the "Concession Commission"). The Concession Commission was authorized to renegotiate concession contracts and establish new tariff structures for the public services involved, the improvement of those services and the increase in their security and profits. During the first phase of the renegotiations, out of the 61 total public service concession entities, 58 were required to present reports to the Concession Commission to allow it to evaluate the status of each concession. The three remaining public service concessions, Correo Argentino, Thales Spectrum (the company that administered Argentina's airwaves) and Transportes Metropolitanos General San Martín S.A. (the company that operated the San Martín, Roca and Belgrano railways), were revoked. Since the formation of the Concession Commission, the Government has revoked four additional concessions.

During the period between the formation of the Concession Commission and December 10, 2015, few renegotiations of concession contracts were successfully completed and implemented, and tariff structures for public services remained generally unmodified other than certain adjustments to reflect increases in labor and operational costs. Although some agreements providing for tariff increases were reached in connection with electricity concessions and most gas distribution concessions, the implementation of such increases were deferred. To offset a portion of the losses incurred by concession companies due to the lack of tariff revenues, the Fernández de Kirchner administration transferred cash subsidies to these companies to cover operating expenses and assumed the debt of electricity companies relating to unpaid energy purchases.

Several arbitration proceedings relating to public utilities and other previously privatized public services have been brought before the ICSID by foreign entities that invested in Argentine utilities during the privatizations of the 1990s. For additional discussion of ICSID arbitration proceedings, see "Public Sector Debt—Legal Proceedings—ICSID Arbitration."

### ***Private-Public Partnerships***

Since 2005, the private-public partnership (“PPP”) system established by Decree No. 967/2005 has provided for the formation of special purpose entities by private investors and the Government in connection with certain infrastructure projects. Under this system, the Government may make an “equity contribution” in the form of the right to utilize a public asset (e.g., a public road or public service). However, as of the date of this document, no such entities have been formed under the PPP system.

In addition, the private initiative regime established in 2005 by Decree No. 966/2005 allows private investors to request Government approval for infrastructure projects. If approved, the private investor is granted a preferential right in the public bidding process launched in connection with such project, provided that such private investor’s bid does not exceed more than 5% of all other competitive bids. As of the date of this document, the private initiative regime remains in effect, but has been utilized to a limited extent since its establishment in 2005.

### **Environment**

Beginning in 2002, Argentina has initiated various measures to regulate, monitor and improve environmental standards. The majority of these measures require industrial companies to meet more stringent safety standards. In addition, as a member of the Kyoto Protocol, Argentina has implemented various regulations aimed at curbing greenhouse gas emissions.

In 2002, the *Ley General de Medioambiente* (General Environment Law) was enacted, ratifying the formation of the *Consejo Federal de Medioambiente* (Federal Environmental Council), whose objective is to create a comprehensive environmental policy, coordinate regional and national programs and strategies for environmental management, formulate policies for the sustainable use of environmental resources, promote economic development and growth planning, supervise and conduct environmental impact studies, establish environmental standards, carry out comparative studies and manage the international financing of environmental projects.

Measures enacted to strengthen monitoring and enforcement to ensure compliance with environmental standards include the following:

- Law No. 26,011, which was enacted in 2007, approved the Stockholm Agreement relating to persistent organic contaminants;
- the *Proyecto de Desarrollo Sustentable de la Cuenca Matanza - Riachuelo* (Cuenca Matanza – Riachuelo Sustainable Development Program) earmarks a portion of its funds for use in purchasing computing equipment to strengthen the *Autoridad de Cuenca Matanza Riachuelo* (Cuenca Matanza Riachuelo Authority) under the supervision of the *Secretaría de Ambiente y Desarrollo Sustentable de la Jefatura de Gabinete de Ministros* (Department for Environmental and Sustainable Development of the Cabinet of Ministers);
- *Proyecto Nacional para la Gestión Integral de los Residuos Sólidos Urbanos* (National Project for the Management of Urban Solid Waste) is the first national project aimed at implementing solutions to waste problems through sustainable measures. The project provides technical and financial assistance for the development of infrastructure and related systems as an incentive for provinces and municipalities to develop their own plans and comprehensive management systems;
- *Unidad de Medio Ambiente* (Environmental Unit) supports sustainable industrial development in Argentina by promoting environmental factors as a means of improving efficiency and competitiveness; and
- *El Fondo integral para el Desarrollo Regional* (FONDER) finances the development of productive activities and services focused on the needs of micro-, small- and medium-sized enterprises (“MSMEs”) and sectors with the aim of promoting job creation, increasing exports and developing local markets.

## BALANCE OF PAYMENTS

### Balance of Payments

#### *Overview*

The balance of payments accounts are used to record the value of the transactions carried out between a country's residents and the rest of the world. Balance of payments accounts consist of two accounts: the current account, a broad measure of the country's international trade, financial services and current transfers, and the capital and financial account, which measures the country's level of international borrowing, lending and investment. From 2011 to 2015, the Republic's balance of payments registered a deficit in each of the years between 2011 and 2015, with the exception of 2014, when it registered a surplus.

In 2015, the Republic's balance of payments registered a U.S.\$4.9 billion deficit. This deficit was primarily due to:

- a U.S.\$16.8 billion deficit in the current account, which represented a U.S.\$8.8 billion deficit increase from the U.S.\$8.0 billion deficit recorded in 2014;
- a U.S.\$13.2 billion surplus in the capital and financial account, which represented a U.S.\$3.7 billion surplus increase from the U.S.\$9.4 billion surplus recorded in 2014; and
- a U.S.\$1.3 billion deficit in errors and omissions, representing a U.S.\$1.1 billion deficit increase from the U.S.\$0.2 billion deficit recorded in 2014.

In 2015, the deficit in the current account was mainly the result of a change in the trade balance, which decreased from a surplus of U.S.\$6.0 billion in 2014 to a deficit of U.S.\$0.4 billion in 2015 with a 28.1% increase in the deficit in the non-financial services account. The change in the trade balance resulted from a 17.0% decrease in exports, which was partially offset by an 8.4% decrease in imports. The deficit of the financial services account increased by U.S.\$1.3 billion as compared to 2014, mainly due to a 11.0% increase in dividend payments abroad and a 16% increase in interest payment outflows.

The capital and financial account registered deficits in 2011 and 2012 followed by surpluses in each of the years between 2013 and 2015. The 2015 surplus was primarily due to:

- a U.S.\$6.9 billion increase in inflows to the non-financial private sector, which increased from U.S.\$59 million in 2014 to U.S.\$7.0 billion in 2015;
- a U.S.\$4.4 billion increase in inflows to the Central Bank, which increased from U.S.\$3.2 billion in 2014 to U.S.\$7.6 billion in 2015; and
- a U.S.\$0.8 billion increase in inflows to other financial entities, which increased from U.S.\$642 million in 2014 to U.S.\$1.4 billion in 2015.

These increases were partially offset by a U.S.\$8.3 billion decrease in the net inflows of the non-financial public sector, which changed from a U.S.\$5.5 billion surplus in 2014 to a U.S.\$2.9 billion deficit in 2015.

The following table sets forth information on the Republic's balance of payments for the periods specified.

**Balance of Payments**  
(in millions of U.S. dollars)

	2011 <sup>(1)</sup>	2012 <sup>(1)</sup>	2013 <sup>(1)</sup>	2014 <sup>(1)</sup>	2015 <sup>(1)</sup>
<b>Current Account:</b>					
Exports of goods <sup>(2)</sup> .....	U.S.\$ 82,981	U.S.\$ 79,982	U.S.\$ 75,963	U.S.\$ 68,407	U.S.\$ 56,788
Imports of goods <sup>(3)</sup> .....	70,769	65,043	71,293	62,429	57,176
Trade balance .....	12,212	14,940	4,670	5,978	(388)
Non-financial services, net <sup>(4)</sup> .....	(2,235)	(2,985)	(3,708)	(3,063)	(3,925)
Financial services:					
Interest, net .....	(3,092)	(3,597)	(3,628)	(3,855)	(4,473)
Dividends, net .....	(10,745)	(9,193)	(8,578)	(6,887)	(7,646)
Other income (expense) .....	(46)	(64)	(73)	(46)	(2)
Total financial services, net .....	(13,882)	(12,854)	(12,279)	(10,788)	(12,122)
Current transfers, net .....	(566)	(541)	(826)	(158)	(372)
Total current account .....	(4,471)	(1,440)	(12,143)	(8,031)	(16,806)
<b>Capital and Financial Account:</b>					
Financial account:					
Central Bank <sup>(5)</sup> .....	5,000	(2,000)	(2,000)	3,200	7,580
Other financial entities <sup>(6)</sup> .....	1,900	352	845	642	1,445
Non-financial public sector <sup>(7)</sup> .....	(2,138)	(3,015)	843	5,510	(2,855)
Non-financial private sector <sup>(8)</sup> .....	(6,792)	3,266	3,771	59	6,981
Total financial account .....	(2,030)	(1,397)	3,460	9,411	13,152
Capital account <sup>(9)</sup> .....	62	48	33	59	51
Capital and financial account .....	(1,968)	(1,349)	3,493	9,470	13,203
Errors and omissions .....	331	(516)	(3,174)	(244)	(1,330)
Balance of payments .....	U.S.\$ (6,108)	U.S.\$ (3,305)	U.S.\$ (11,824)	U.S.\$ 1,195	U.S.\$ (4,933)
Change in Gross international reserves deposited in the Central Bank <sup>(10)</sup> .....	U.S.\$ (6,108)	U.S.\$ (3,305)	U.S.\$ (11,824)	U.S.\$ 1,195	U.S.\$ (4,933)

(1) Includes results of the 2005 and 2010 Debt Exchanges.

(2) Exports are calculated on an FOB basis.

(3) Imports are calculated on an FOB basis.

(4) Includes import and export freight and insurance fees paid to non-residents.

(5) Includes transactions between the Central Bank and foreign entities.

(6) Includes operations of financial entities (other than the Central Bank) with respect to foreign creditors.

(7) Includes operations of the national government, provincial governments, municipal governments and decentralized governmental organizations with respect to foreign entities, including principal and interest arrears, in the form of bonds, loans from international organizations, operations with the Paris Club and privatizations of state-owned entities.

(8) Includes operations of the private sector with foreign parties and accrued payment obligations to foreign residents.

(9) Includes certain non-recurring capital transfers (such as debt forgiveness or capital brought into Argentina by immigrants) and the transfer of certain non-financial assets or intangible assets (such as intellectual property).

(10) Does not include the value of bonds issued by the Government and held as reserves by the Central Bank.

### Current Account

The Republic's current account consists of the merchandise trade balance, net non-financial services, net financial services and net current transfers. The current account registered deficits for each year between 2011 and 2015 period.

The most important drivers of the current account between 2011 and 2015 were:

- increases in commodity prices in 2011 and 2012, followed by a decline in 2013-2015. In 2013 and 2014, the lower trade surplus resulted from a decline in external sales that exceeded the



decrease in imports. In 2015, the trade deficit was mostly due to the evolution of prices, and to a lesser extent, to the deterioration of export volumes and the increase in the quantity of imports. While import prices decreased by 11.8%, price of exports fell by 15.6%. The volume of exports decreased by 1.5% while the volume of imports increased by 3.8%;

- capital outflows due to interest and dividend payments; and
- outflows due to increasing demand for non-financial services, mainly related to freight and passenger transportation, tourism and royalties.

In 2011, the current account registered a deficit due to a greater increase in imports than exports, resulting in a decrease in the trade surplus compared to 2010. The U.S.\$1.0 billion increase in the deficit of the non-financial services account also contributed to the increasing deficit. Total financial services registered a U.S.\$13.8 billion deficit, showing a slight decrease as compared to 2010.

In 2012, the current account registered a deficit due to a deficit in total financial and non-financial services that was partially offset by a trade balance surplus. Imports decreased at a higher rate than exports, resulting in a higher trade balance as compared to 2011.

In 2013, the current account registered a U.S.\$12.1 billion deficit, mainly as a result of a decrease in the trade surplus and an increase in the deficit of the non-financial services account, which was partially offset by a decrease in the deficit of the financial services account as compared to 2012. Imports increased by 9.6%, while exports decreased by 5.0%, resulting in a lower trade balance as compared to 2012.

In 2014, the current account registered a U.S.\$8.0 billion deficit, as compared to the U.S.\$12.1 billion deficit registered in 2013. This decrease in the deficit was mainly the result of a decrease in the deficit of the financial services account, an increase in trade balance and a reduction in the deficit of the non-financial services account.

In 2015, the current account registered a U.S.\$16.0 billion deficit, as compared to the U.S.\$8.0 billion deficit registered in 2014. The increase in the deficit was mainly the result of a decrease in the trade surplus, an increase in the deficit of the non-financial services account and an increase in the deficit of the financial services account as compared to 2014. Imports decreased by 8.4%, while exports decreased by 17.0%, resulting in a negative trade balance as compared to 2014.

### ***Exports***

In 2011, Argentine exports amounted to U.S.\$83.0 billion, a 21.7% increase as compared to 2010. Prices increased in 2011 by 19.2% and export volumes increased by 3.4%. In the aggregate:

- exports of primary products increased by 30.9%. This increase resulted from a 31.2% increase in prices and a 0.2% decrease in volumes;
- exports of manufactured goods of agricultural origin increased by 22.1%. This increase resulted from an increase in both prices and volumes. Prices increased by 20.4% while volumes exported increased by 1.4%;
- exports of manufactured goods of industrial origin increased by 20.8%. This increase resulted from an increase in both prices and volumes. Prices increased by 11.3% while volumes exported increased by 8.5%; and
- exports of fuel and energy increased by 2.4%. This change resulted from an increase in prices, which was partially offset by a decrease in volume. Prices increased by 27.8% while volumes exported decreased by 19.9%.

In 2012, exports totaled U.S.\$80.0 billion, representing a 3.6% decrease as compared to 2011, primarily due to a 5.9% decrease in export volumes, which was partially offset by a 2.4% increase in prices.

In 2012:

- exports of primary products decreased by 4.0%. This decrease resulted from a reduction in both prices and volumes. Prices fell by 2.6% while volumes exported decreased by 1.4%;
- exports of manufactured goods of agricultural origin decreased by 3.2%. This decrease resulted from a reduction in volumes, which was partially offset by an increase in prices. Prices increased by 7.1% while volumes exported decreased by 9.6%;
- exports of manufactured goods of industrial origin decreased by 5.6%. This decrease resulted from a 7.1% reduction in volumes exported, which was partially offset by a 1.7% increase in prices; and
- exports of fuel and energy increased by 4.4%. This growth resulted from a 8.9% increase in volumes exported, which was partially offset by a 4.1% decrease in prices.

In 2013, exports totaled U.S.\$76.0 billion, representing a 5.0% decrease as compared to 2012, primarily due to a 3.7% decrease in export volumes and a 1.4% decrease in prices.

In 2013:

- exports of primary products decreased by 6.7%. This decrease resulted from a 8.6% reduction in volumes exported, which was partially offset by a 2.1% increase in prices;
- exports of manufactured goods of agricultural origin increased by 0.8%. This increase resulted from a 1.3% rise in prices and a 0.5% decrease in volumes;
- exports of manufactured goods of industrial origin decreased by 5.7%. This reduction resulted from a 0.6% decrease in volumes exported and a 5.2% decrease in prices; and
- exports of fuel and energy decreased by 20.3%. This reduction resulted from a 21.4% decrease in volumes and a 1.4% increase in prices.

In 2014, exports totaled U.S.\$68.4 billion, representing a 9.9% decrease as compared to 2013, primarily due to a 7.9% reduction in export volumes and a 2.4% decrease in prices.

In 2014:

- exports of primary products decreased by 19.9%. This decrease resulted from a reduction in both prices and volumes. Prices fell by 11.7% and volumes exported decreased by 9.3%;
- exports of manufactured goods of agricultural origin decreased by 2.2%. This decrease resulted from a reduction in both volumes and prices. Volumes exported decreased by 1.5% and prices fell by 0.8%;
- exports of manufactured goods of industrial origin decreased by 11.1%. This decrease resulted from a 12.4% reduction in volumes exported, which was partially offset by a 1.5% increase in prices; and
- exports of fuel and energy decreased by 11.7%. This decrease resulted from a reduction in both prices and volumes. Prices fell by 5.7% and volumes exported decreased by 6.4%.

In 2015, Argentine exports totaled U.S.\$56.8 billion, representing a 17.0% decrease as compared to 2014, primarily due to a 1.5% reduction in export volumes and a 15.6% decrease in prices.

In 2015:

- exports of primary products decreased by 6.7%. This decrease resulted from an 18.6% fall in prices and a 14.7% increase in volumes exported;
- exports of manufactured goods of agricultural origin decreased by 11.8%. This decrease resulted primarily from a 20.0% fall in prices, which was partially offset by an increase in volumes exported;
- exports of manufactured goods of industrial origin decreased by 21.2%. This decrease resulted from a 2.5% fall in prices and a 19.2% reduction in volumes exported; and
- exports of fuel and energy decreased by 54.2%. This decrease resulted from a 45.5% fall in prices and a 15.7% reduction in volumes exported.

Argentina's main exports in recent years have been commodities such as soy and cereals, as well as processed agricultural products and industrial goods. In 2015, 64.4% of all exports were agricultural (either primary or processed).

The following tables set forth information on Argentina's major export products for the periods specified.

**Exports by Groups of Products<sup>(1)</sup>**  
(in millions of U.S. dollars)

	2011	2012	2013	2014	2015
<b>Primary products:</b>					
Cereal.....	U.S.\$ 8,153	U.S.\$ 9,530	U.S.\$ 8,312	U.S.\$ 5,237	U.S.\$ 4,845
Seeds and oilseeds .....	5,796	3,796	4,616	4,212	4,746
Copper .....	1,442	2,098	1,361	1,263	717
Fruits.....	1,171	1,024	1,071	968	751
Fish and raw seafood .....	1,033	990	1,182	1,256	1,179
Vegetables .....	736	699	451	507	461
Tobacco .....	378	370	325	265	195
Honey .....	224	215	213	204	164
Others .....	900	318	234	317	216
Total .....	19,833	19,040	17,766	14,229	13,274
<b>Manufactured goods of agricultural origin:</b>					
Residues <sup>(2)</sup> .....	10,443	10,971	12,028	12,847	10,650
Oils and fats.....	6,837	5,929	5,182	4,316	4,702
Meat.....	2,107	1,942	2,008	1,935	1,444
Vegetable Products .....	1,377	1,370	1,287	1,020	1,109
Dairy food.....	1,473	1,296	1,450	1,305	862
Grain mill products .....	771	1,185	904	1,026	870
Drinks, alcoholic beverages and vinegar.....	964	1,033	987	938	928
Hides and skins .....	968	880	958	1,044	861
Others .....	2,736	2,177	2,198	1,986	1,861
Total .....	27,676	26,784	27,002	26,418	23,288
<b>Manufactured goods of industrial origin:</b>					
Transport equipment .....	9,988	9,569	10,098	8,342	5,990
Chemicals .....	5,843	5,644	4,909	4,986	4,152
Basic metals.....	3,062	2,840	2,542	2,262	1,340
Stones and precious metals .....	2,734	2,567	2,054	2,070	2,530
Machines and equipment .....	2,440	2,371	2,277	1,880	1,360
Plastics.....	1,536	1,390	1,287	1,293	949
Maritime, fluvial and air transport vehicles.....	842	650	576	268	289
Paper, cardboard, and printed publications .....	734	524	486	449	387
Rubber and its manufactures.....	425	393	373	339	228
Others .....	1,187	1,233	1,033	888	715
Total .....	28,790	27,181	25,633	22,777	17,940
<b>Fuel and energy:</b>					
Fuel.....	6,598	6,841	5,562	4,911	2,250
Energy .....	84	137	0	0	1
Total.....	6,682	6,978	5,562	4,911	2,251
Total exports .....	U.S.\$ 82,981	U.S.\$ 79,982	U.S.\$ 75,963	U.S.\$ 68,335	U.S.\$ 56,752

(1) Measured on an FOB basis.

(2) Residues refer to the byproducts left over from the processing of agricultural goods that can be resold for other purposes.

Source: INDEC and Ministry of the Treasury.

**Exports by Groups of Products<sup>(1)</sup>**  
(as % of total exports)

	2011	2012	2013	2014	2015
<b>Primary products:</b>					
Cereal.....	9.8%	11.9%	10.9%	7.7%	8.5%
Seeds and oilseeds.....	7.0	4.7	6.1	6.2	8.4
Copper.....	1.7	2.6	1.8	1.8	1.3
Fruits.....	1.4	1.3	1.4	1.4	1.3
Fish and raw seafood.....	1.2	1.2	1.6	1.8	2.1
Vegetables.....	0.9	0.9	0.6	0.7	0.8
Tobacco.....	0.5	0.5	0.4	0.4	0.3
Honey.....	0.3	0.3	0.3	0.3	0.3
Others.....	1.1	0.4	0.3	0.5	0.4
Total.....	23.9%	23.8%	23.4%	20.8%	23.4%
<b>Manufactured goods of agricultural origin:</b>					
Residues <sup>(2)</sup> .....	12.6%	13.7%	15.8%	18.8%	18.8%
Oils and fats.....	8.2	7.4	6.8	6.3	8.3
Meat.....	2.5	2.4	2.6	2.8	2.5
Vegetable Products.....	1.7	1.7	1.7	1.5	2.0
Dairy food.....	1.8	1.6	1.9	1.9	1.5
Grain mill products.....	0.9	1.5	1.2	1.5	1.5
Drinks, alcoholic beverages and vinegar.....	1.2	1.3	1.3	1.4	1.6
Hides and skins.....	1.2	1.1	1.3	1.5	1.5
Others.....	3.3	2.7	2.9	2.9	3.3
Total.....	33.4%	33.5%	35.5%	38.7%	41.0%
<b>Manufactured goods of industrial origin:</b>					
Transport equipment.....	12.0%	12.0%	13.3%	12.2%	10.6%
Chemicals.....	7.0	7.1	6.5	7.3	7.3
Basic metals.....	3.7	3.6	3.3	3.3	2.4
Stones and precious metals.....	3.3	3.2	2.7	3.0	4.5
Machines and equipment.....	2.9	3.0	3.0	2.8	2.4
Plastics.....	1.9	1.7	1.7	1.9	1.7
Maritime, fluvial and air transport vehicles.....	1.0	0.8	0.8	0.4	0.5
Paper, cardboard, and printed publications.....	0.9	0.7	0.6	0.7	0.7
Rubber and its manufactures.....	0.5	0.5	0.5	0.5	0.4
Others.....	1.4	1.5	1.4	1.3	1.3
Total.....	34.7%	34.0%	33.7%	33.3%	31.6%
<b>Fuel and energy:</b>					
Fuel.....	8.0%	8.6%	7.3%	7.2%	4.0%
Energy.....	0.1	0.2	—	—	—
Total.....	8.1	8.7	7.3	7.2	4.0
Total Exports.....	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Measured on an FOB basis.

(2) Residues refer to the byproducts left over from the processing of agricultural goods that can be resold for other purposes.

Source: INDEC and Ministry of the Treasury.

### **Imports**

In 2011, imports of goods increased by 30.2% to U.S.\$74.0 billion from U.S.\$56.8 billion in 2010. Nearly one-third of total imports were intermediate goods, and 18.4% were capital goods. Imports of fuel and energy increased by 105.6% and imports of motor vehicles for passengers increased by 24.8%.

In 2012, imports of goods decreased by 8.1% to U.S.\$68.0 billion from U.S.\$74.0 billion in 2011. 46.5% of total imports were intermediate and capital goods. Imports of fuel and energy decreased by 6.8% and imports of motor vehicles for passengers decreased by 4.2%, both types of imports together representing approximately 18.4% of total imports.

In 2013, imports of goods increased by 9.5% to U.S.\$74.4 billion from U.S.\$68.0 billion in 2012. Intermediate and capital goods represented 42.0% of total imports. Imports of fuel and energy increased by 36.5% and imports of motor vehicles for passengers increased by 31.8%.

In 2014, imports of goods decreased by 12.4% to U.S.\$65.2 billion from U.S.\$74.4 billion in 2013. Intermediate and capital goods represented 46.5% of total imports. Imports of motor vehicles for passengers decreased by 49.5%, imports of spare parts and accessories for capital goods decreased by 18.2% and imports of consumption goods decreased by 11.6%.

In 2015, imports of goods decreased by 8.4% to U.S.\$59.8 billion from U.S.\$65.2 billion in 2014. Intermediate and capital goods represented 49.9% of total imports. Imports of fuel and energy decreased by 40.3% and imports of motor vehicles for passengers decreased by 6.2%, while imports of spare parts and accessories for capital goods decreased by 3.0% and imports of consumption goods increased by 3.0%, in each case in terms of their U.S. dollar value.

The following tables set forth information on Argentina's major import products for the periods specified.

**Imports by Groups of Products<sup>(1)</sup>**  
(in millions of U.S. dollars)

	2011		2012		2013		2014		2015	
	U.S.\$		U.S.\$		U.S.\$		U.S.\$		U.S.\$	
Machines, instruments and electric materials	19,366		17,533		18,808		16,795		16,928	
Transport equipment.....	13,900		13,140		15,040		10,395		9,647	
Industrial products.....	10,315		10,057		10,108		9,802		9,439	
Mineral products.....	10,924		9,609		13,056		12,099		7,334	
Plastic, rubber and manufactures.....	4,527		4,118		4,207		3,742		3,642	
Common metals and manufactures.....	4,328		3,918		3,643		3,432		3,524	
Optical instruments, medical-surgical precision equipment, watches and music equipment.....	1,748		1,708		1,762		1,699		1,892	
Textiles and manufactures.....	1,840		1,588		1,524		1,385		1,425	
Wood pulp, paper and paperboard.....	1,520		1,263		1,218		1,111		1,212	
Commodities and other products.....	1,176		1,043		1,042		905		910	
Feeding products, beverages and tobacco.....	1,023		998		944		897		873	
Products of vegetable origin.....	570		598		623		618		643	
Stone manufactures, plaster and cement, asbestos, mica, ceramic and glass.....	614		536		568		543		603	
Footwear, umbrellas, artificial flowers and others.....	555		463		488		417		474	
Live animals and products of animal origin.....	325		235		198		173		167	
Other products.....	1,230		1,166		1,213		1,214		1,073	
<b>Total imports.....</b>	<b>73,961</b>		<b>67,974</b>		<b>74,442</b>		<b>65,229</b>		<b>59,787</b>	

(1) Measured on a CIF basis. Figures presented in this table differ from those presented in the tables titled "Balance of Payments" because the latter were calculated on a FOB basis.

Source: INDEC and Ministry of the Treasury.

**Imports by Groups of Products<sup>(1)</sup>**  
(as % of total imports)

	2011	2012	2013	2014	2015
Machines, instruments and electric materials .....	26.2%	25.8%	25.3%	25.7%	28.3%
Transport equipment.....	18.8	19.3	20.2	15.9	16.1
Industrial products.....	13.9	14.8	13.6	15.0	15.8
Mineral products.....	14.8	14.1	17.5	18.5	12.3
Plastic, rubber and manufactures .....	6.1	6.1	5.7	5.7	6.1
Common metals and manufactures.....	5.9	5.8	4.9	5.3	5.9
Optical instruments, medical-surgical precision equipment, watches and music equipment .....	2.4	2.5	2.4	2.6	3.2
Textiles and manufactures.....	2.5	2.3	2.0	2.1	2.4
Wood pulp, paper and paperboard.....	2.1	1.9	1.6	1.7	2.0
Commodities and other products.....	1.6	1.5	1.4	1.4	1.5
Feeding products, beverages and tobacco.....	1.4	1.5	1.3	1.4	1.5
Products of vegetable origin .....	0.8	0.9	0.8	0.9	1.1
Stone manufactures, plaster, cement, asbestos, mica, ceramic and glass.....	0.8	0.8	0.8	0.8	1.0
Footwear, umbrellas, artificial flowers and others.....	0.8	0.7	0.7	0.6	0.8
Live animals and products of animal origin.....	0.4	0.3	0.3	0.3	0.3
Other products.....	1.7	1.7	1.6	1.9	1.8
Total imports .....	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

(1) Measured on a CIF basis. Figures presented in this table differ from those presented in the tables titled "Balance of Payments" because they were calculated on a FOB basis.

Source: INDEC and Ministry of the Treasury.

### **Trade Regulation**

Until the beginning of the 1990s, Argentina had a relatively closed economy modeled around import-substitution policies with significant trade barriers. Although certain reforms were pursued from the 1960s through the 1980s to liberalize trade, it was only during the Menem administration in the 1990s that the Government implemented significant trade liberalization measures.

Trade policies remained relatively stable during the 1990s, marked by few export tariffs and low import tariffs in certain sectors of the economy. Following the collapse of the Convertibility Regime in 2002, the Government introduced trade measures intended to increase Government revenues, stem the outflow of foreign currencies, manage the pricing of basic goods and protect the stability and growth of local industries.

The Ministry of Agriculture, Livestock and Fisheries regulates production and sale of agricultural products, while the *Unidad de Coordinación y Evaluación de Subsidios al Consumo Interno* (Unit of Coordination and Evaluation of Subsidies to Internal Consumption), formed in 2011, manages subsidies and support to the agricultural sector.

In 2012, a complaint was submitted to the dispute settlement body of the WTO challenging Argentina's use of non-trade barriers and certain practices of the Government with respect to imports. The dispute related to two primary measures: (i) the requirement for importers to file a non-automatic import license in the form of a DJAI and (ii) the imposition of trade-related requirements mandating foreign companies to limit their imports, offset their imports with equivalent exports and increase the local content of products made within Argentina as a condition to import into Argentina or to obtain certain benefits. The WTO dispute settlement body found that such practices violated international trade rules. Argentina was given until December 31, 2016, to comply with the WTO's ruling.

### **Geographic Distribution of Trade**

Argentina's primary trading partner is Brazil. Argentina also conducts a substantial amount of trade with China, the United States and other countries in Latin America and Europe.

The following tables provide information on the geographic distribution of Argentine exports for the periods specified.

**Geographic Distribution of Exports<sup>(1)</sup>**  
(in millions of U.S. dollars)

	2011		2012		2013		2014		2015	
Brazil.....	U.S.\$	17,319	U.S.\$	16,457	U.S.\$	15,949	U.S.\$	13,883	U.S.\$	10,100
China.....		6,356		5,379		5,837		4,792		5,388
United States.....		4,301		4,023		4,182		4,082		3,433
Chile.....		4,775		5,055		3,825		2,794		2,404
Venezuela.....		1,867		2,220		2,157		1,987		1,370
Spain.....		3,042		2,515		1,669		1,694		1,362
Germany.....		2,486		1,970		1,637		1,536		1,340
Uruguay.....		2,053		1,954		1,845		1,650		1,331
Canada.....		2,383		2,213		1,703		1,655		1,295
Netherlands.....		2,549		2,204		1,913		1,574		1,213
Peru.....		1,794		1,925		1,421		1,114		721
Rest of ALADI <sup>(2)</sup> .....		5,450		5,861		5,361		4,548		3,475
Rest of EU.....		5,889		4,856		4,619		4,894		4,323
Rest of Asia <sup>(3)</sup> .....		10,991		12,160		13,112		12,213		10,769
Rest of world <sup>(4)</sup> .....		9,914		9,093		8,617		8,120		7,328
Indeterminate destination <sup>(5)</sup> .....		1,812		2,097		2,116		1,871		936
Total <sup>(6)</sup> .....	U.S.\$	82,981	U.S.\$	79,982	U.S.\$	75,963	U.S.\$	68,407	U.S.\$	56,788
<i>Memorandum items:</i>										
MERCOSUR <sup>(7)</sup> .....	U.S.\$	22,606	U.S.\$	21,999	U.S.\$	21,250	U.S.\$	18,735	U.S.\$	13,856
ALADI.....	U.S.\$	33,258	U.S.\$	33,472	U.S.\$	30,558	U.S.\$	25,976	U.S.\$	19,401

(1) Measured on an FOB basis.

(2) As of December 31, 2015, ALADI comprises the following countries: Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Paraguay, Peru, Panama, Uruguay and Venezuela.

(3) Figure includes all Asian countries except for China.

(4) Includes all other countries for which exports are not significant enough for a separate line item.

(5) Includes exports for which the destination could not be identified.

(6) Figures in this table are updated less frequently than those presented in the "Balance of Payments" table and thus total exports in this table may differ from those in the "Balance of Payments" table.

(7) As of December 31, 2015, MERCOSUR includes the following countries as full members: Argentina, Brazil, Paraguay, Uruguay and Venezuela (admitted in August 2012). For more information on MERCOSUR members see "The Republic of Argentina—Foreign Affairs and International Organizations—MERCOSUR."

Source: INDEC and Ministry of the Treasury.



**Geographic Distribution of Exports<sup>(1)</sup>**  
(as % of total exports)

	2011	2012	2013	2014	2015
Brazil.....	20.9%	20.6%	21.0%	20.3%	17.8%
China.....	7.7	6.7	7.7	7.0	9.5
United States.....	5.2	5.0	5.5	6.0	6.0
Chile.....	5.8	6.3	5.0	4.1	4.2
Venezuela.....	2.2	2.8	2.8	2.9	2.4
Spain.....	3.7	3.1	2.2	2.5	2.4
Germany.....	3.0	2.5	2.2	2.2	2.4
Uruguay.....	2.5	2.4	2.4	2.4	2.3
Canada.....	2.9	2.8	2.2	2.4	2.3
Netherlands.....	3.1	2.8	2.5	2.3	2.1
Peru.....	2.2	2.4	1.9	1.6	1.3
Rest of ALADI <sup>(2)</sup> .....	6.6	7.3	7.1	6.6	6.1
Rest of EU.....	7.1	6.1	6.1	7.2	7.6
Rest of Asia <sup>(3)</sup> .....	13.2	15.2	17.3	17.9	19.0
Rest of world <sup>(4)</sup> .....	11.9	11.4	11.3	11.9	12.9
Indeterminate destination <sup>(5)</sup> .....	2.2	2.6	2.8	2.7	1.6
Total <sup>(6)</sup> .....	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Memorandum items:</i>					
MERCOSUR <sup>(7)</sup> .....	27.2%	27.5%	28.0%	27.4%	24.4%
ALADI.....	40.1%	41.8%	40.2%	38.0%	34.2%

(1) Measured on an FOB basis.

(2) As of December 31, 2015, ALADI includes the following countries: Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Paraguay, Panama, Peru, Uruguay and Venezuela.

(3) Figure includes all Asian countries except for China.

(4) Includes all other countries for which exports are not significant enough for a separate line item.

(5) Includes exports for which the destination could not be identified.

(6) Figures in this table are updated less frequently than those presented in the "Balance of Payments" table and thus total exports in this table may differ from those in the "Balance of Payments" table.

(7) As of December 31, 2015, MERCOSUR includes the following countries as full members: Argentina, Brazil, Paraguay, Uruguay and Venezuela (admitted in August 2012). For more information on MERCOSUR members see "The Republic of Argentina—Foreign Affairs and International Organizations—MERCOSUR."

Source: INDEC and Ministry of the Treasury.

The following tables provide information on the geographic distribution of Argentina's imports for the periods specified.

**Geographic Distribution of Imports<sup>(1)</sup>**  
(in millions of U.S. dollars)

	2011		2012		2013		2014		2015	
Brazil.....	U.S.\$	22,327	U.S.\$	17,805	U.S.\$	19,321	U.S.\$	14,293	U.S.\$	13,100
China.....		10,611		9,932		11,341		10,743		11,776
United States.....		7,810		8,476		8,069		8,834		7,700
Germany.....		3,646		3,698		3,892		3,507		3,130
Mexico.....		921		889		970		908		820
France.....		1,521		1,591		1,740		1,416		1,450
Italy.....		1,482		1,453		1,666		1,629		1,370
Japan.....		1,415		1,498		1,521		1,374		1,223
Spain.....		1,396		1,317		1,371		1,073		957
Chile.....		1,093		1,006		970		819		717
Netherlands.....		435		1,130		1,075		780		452
Rest of ALADI <sup>(2)</sup> .....		4,037		4,444		6,021		5,073		4,004
Rest of EU.....		6,497		4,226		4,476		3,855		3,909
Rest of Asia <sup>(3)</sup> .....		5,132		5,164		6,198		5,198		4,923
Rest of world <sup>(4)</sup> .....		5,016		4,670		5,160		5,022		3,700
Indeterminate origin <sup>(5)</sup> .....		622		675		651		706		526
<b>Total.....</b>	<b>U.S.\$</b>	<b>73,961</b>	<b>U.S.\$</b>	<b>67,974</b>	<b>U.S.\$</b>	<b>74,442</b>	<b>U.S.\$</b>	<b>65,230</b>	<b>U.S.\$</b>	<b>59,757</b>
<i>Memorandum items:</i>										
MERCOSUR <sup>(6)</sup> .....	U.S.\$	23,500	U.S.\$	18,827	U.S.\$	20,449	U.S.\$	15,272	U.S.\$	13,968
ALADI.....	U.S.\$	28,378	U.S.\$	24,144	U.S.\$	27,282	U.S.\$	21,093	U.S.\$	18,641

(1) Measured on a CIF basis.

(2) As of December 31, 2015, ALADI includes the following countries: Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Paraguay, Panama, Peru, Uruguay and Venezuela.

(3) Figure includes all Asian countries except for China and Japan.

(4) Includes all other countries for which imports are not significant enough for a separate line item.

(5) Includes imports for which the origin could not be identified.

(6) As of December 31, 2015, MERCOSUR includes the following countries as full members: Argentina, Brazil, Paraguay, Uruguay and Venezuela (admitted in August 2012). For more information on MERCOSUR members see "The Republic of Argentina—Foreign Affairs and International Organizations—MERCOSUR."

Source: INDEC and Ministry of the Treasury.

**Geographic Distribution of Imports<sup>(1)</sup>**  
(as % of total imports)

	2011	2012	2013	2014	2015
Brazil.....	30.2%	26.2%	26.0%	21.9%	21.9%
China.....	14.3	14.6	15.2	16.5	19.7
United States.....	10.6	12.5	10.8	13.5	12.9
Germany.....	4.9	5.4	5.2	5.4	5.2
Mexico.....	1.2	1.3	1.3	1.4	1.4
France.....	2.1	2.3	2.3	2.2	2.4
Italy.....	2.0	2.1	2.2	2.5	2.3
Japan.....	1.9	2.2	2.0	2.1	2.0
Spain.....	1.9	1.9	1.8	1.6	1.6
Chile.....	1.5	1.5	1.3	1.3	1.2
Netherlands.....	0.6	1.7	1.4	1.2	0.8
Rest of ALADI <sup>(2)</sup> .....	5.5	6.5	8.1	7.8	6.7
Rest of EU.....	8.8	6.2	6.0	5.9	6.5
Rest of Asia <sup>(3)</sup> .....	6.9	7.6	8.3	8.0	8.2
Rest of world <sup>(4)</sup> .....	6.8	6.9	6.9	7.7	6.2
Indeterminate origin <sup>(5)</sup> .....	0.8	1.0	0.9	1.1	0.9
Total.....	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Memorandum items:</i>					
MERCOSUR <sup>(6)</sup> .....	31.8%	27.7%	27.5%	23.4%	23.4%
ALADI.....	38.4%	35.5%	36.6%	32.3%	31.2%

(1) Measured on a CIF basis.

(2) As of December 31, 2015, ALADI comprises the following countries: Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Paraguay, Panama, Peru, Uruguay and Venezuela.

(3) Figure includes all Asian countries except for China and Japan.

(4) Includes all other countries for which imports are not significant enough for a separate line item.

(5) Includes imports for which the origin could not be identified.

(6) As of December 31, 2015, MERCOSUR includes the following countries as full members: Argentina, Brazil, Paraguay, Uruguay and Venezuela (admitted in August 2012).

Source: INDEC and Ministry of the Treasury.

### **Trade with MERCOSUR Countries**

*Common market framework.* In addition to Argentina, the MERCOSUR “Member States” include Brazil, Paraguay, Uruguay and, since 2012, Venezuela. In December 2012, Bolivia began the process of accession as a Member State, having previously been an Associate State. MERCOSUR’s objective is to gradually integrate the economies of its member countries through the elimination of trade barriers, the harmonization of macroeconomic policies and the establishment of a common external tariff and a common external trade policy. See “The Republic of Argentina—Foreign Affairs and International Organizations—MERCOSUR.”

*Trade within MERCOSUR.* Trade among MERCOSUR Member States increased significantly in the 10 years leading up to 2010, but has decreased ever since. During 2014, intra-regional commerce represented 13.1% of all MERCOSUR commerce, the lowest level since 2006. This decline has occurred in the context of deteriorating external and internal economic conditions. This negative performance has been a widespread phenomenon affecting all Member States.

Argentina’s trade with MERCOSUR reached U.S.\$27.8 billion in 2015, representing 23.9% of Argentina’s total trade. Argentine exports to the other MERCOSUR Member States amounted to more than U.S.\$13.8 billion, equivalent to 24.4% of Argentina’s total global exports, while imports from MERCOSUR amounted to U.S.\$14.0 billion, equivalent to 23.4% of Argentina’s total imports. Argentina registered a U.S.\$141 million trade deficit with MERCOSUR in 2015, as compared to a surplus of U.S.\$3.5 billion in 2014, primarily due to a U.S.\$2.6 billion increase in the trade deficit with Brazil and a U.S.\$615 million decrease in the trade surplus with Venezuela.

### ***Brazil***

Brazil is Argentina's primary export market and source of imports. Manufactured goods of industrial origin account for approximately 80% of commerce between the countries. In 2015, the main imports from Brazil included intermediate goods, which totaled U.S.\$4.6 billion, and spare parts and accessories, which totaled U.S.\$2.9 billion. The main exports to Brazil in 2015 were manufactured goods of industrial origin, which totaled U.S.\$7.1 billion, followed by primary products, which totaled U.S.\$1.4 billion. In 2015, Argentina's trade deficit with Brazil was U.S.\$3.0 billion, as compared to a deficit of U.S.\$411 million in 2014, primarily as a result of a 9.7% decrease in total exports to Brazil, which was partially offset by an 8.3% decrease in total imports.

The decrease in exports as compared to 2014 was mainly the result of the decreases in the following products:

- manufactured goods of industrial origin, which decreased by 31.7% to U.S.\$7.1 billion; and
- fuel and energy, which decreased by 60.1% to U.S.\$266 million.

The decrease in imports in 2015 as compared to 2014 was primarily due to a 12.0% decrease in imports of intermediate goods and a 7.8% decrease in exports of spare parts and accessories.

### ***China***

China has become one of Argentina's main trade partners. The main imports from China include chemical products, machinery and electronic devices, motorcycles and engines with small cylinder volumes, and toys. The main exports to China include agricultural commodities, such as wheat, soy and corn.

In 2015, the main imports from China included capital goods, which totaled U.S.\$3.5 billion, and spare parts and accessories, which totaled U.S.\$3.6 billion. The main exports to China in 2015 were primary products, which totaled U.S.\$3.9 billion, followed by manufactured products of agricultural origin, which totaled U.S.\$1.1 billion. In 2015, Argentina's trade deficit with China was U.S.\$6.4 billion, as compared to U.S.\$6.0 billion in 2014, primarily as a result of a 9.7% increase in total imports, which was partially offset by a 12.4% increase in total exports to China.

The increase in imports as compared to 2014 was mainly the result of the increases in the following products:

- capital goods, which increased by 13.0% to U.S.\$3.5 billion; and
- intermediate goods, which increased by 9.9% to U.S.\$2.9 billion.

The increase in exports in 2015 as compared to 2014 was primarily due to a 15.6% increase in exports of primary products, and a 37.3% increase in fuel and energy exports.

### ***United States***

Historically, the United States has been one of Argentina's most important trade partners. Manufactured goods constitute a significant share of Argentine exports to the United States, while capital and intermediate goods constitute a significant share of Argentina's imports from the United States.

In 2015, the main imports from the United States included intermediate goods, which totaled U.S.\$2.7 billion, and capital goods (such as machines, instruments and electric materials), which totaled U.S.\$2.0 billion. The main exports to the United States for the same period were manufactured goods, which totaled U.S.\$2.7 billion, followed by primary products, which totaled U.S.\$515.0 million. In 2015, Argentina's trade deficit with the United States was U.S.\$4.3 billion, as compared to a deficit of U.S.\$4.8 billion in 2014, mainly due to a 12.8% decrease in total imports from the United States, which was partially offset by a 15.3% decrease in total exports to the United States.

The increase in imports as compared to 2014 was mainly the result of decreases in the following products:

- energy and fuel, which decreased by 36.8% to U.S.\$1.3 billion; and
- capital goods, which decreased by 11.4% to U.S.\$2.0 billion.

The decrease in exports in 2015 as compared to 2014 was primarily due to a 64.2% decrease in exports of fuel and energy, and a 15.6% decrease in primary products exports. This decrease was partially offset by a 10.1% increase in exports of manufactured goods of industrial origin and a 1.4% increase in exports of manufactured goods of agricultural origin.

In March 2012, the United States suspended Argentina from the U.S. Generalized System of Preferences, or “GSP,” under which certain Argentine exports enjoyed preferential tariffs, due to Argentina’s failure to comply with ICSID awards related to U.S. companies. For a discussion on payment by Argentina of ICSID awards see “Public Sector Debt—Legal Proceedings—Litigation in Argentina.”

### *Non-Financial Services Trade*

The non-financial services trade balance reflects the amount of services (other than financial services, encompassing payments of interest, dividends and other income) that Argentine residents purchase outside Argentina, relative to the amount of non-financial services that foreigners purchase in Argentina. For instance, a deficit in non-financial service trade indicates that the value of non-financial services purchased by Argentine residents outside Argentina exceeds the value of non-financial services purchased in Argentina by foreigners. Argentina’s non-financial services account reflects in part Argentina’s overall level of trade in goods since it includes the freight and insurance services associated with these transactions.

The main components of Argentina’s non-financial services trade deficit were:

- transportation, with a deficit that increased to U.S.\$2.0 billion in 2015, as compared to a deficit of U.S.\$1.7 billion in 2014;
- royalties, with a deficit that decreased to U.S.\$1.7 billion in 2015, as compared to a deficit of U.S.\$1.8 billion in 2014; and
- tourism, with a deficit that increased to U.S.\$1.5 billion in 2015, from U.S.\$0.7 billion in 2014.

These changes in deficit were partially offset by professional, technical and business services, which registered a surplus of U.S.\$1.6 billion in 2015 as compared to a surplus of U.S.\$1.5 billion in 2014.

In 2011, the deficit in non-financial services trade increased U.S.\$1.0 billion to U.S.\$2.2 billion, primarily as a result of the higher rate of decrease in exports of non-financial services as compared to the decrease in imports. This deficit was mainly attributable to a U.S.\$2.4 billion deficit in transportation, as compared to a U.S.\$1.7 billion deficit registered in 2010, and a 21.1% increase in the deficit in royalties in 2011, to U.S.\$1.8 billion, as compared to a U.S.\$1.5 billion deficit in 2010.

In 2012, the deficit in non-financial services trade increased U.S.\$0.8 billion to U.S.\$3.0 billion, as a result of a higher rate of increase in imports of non-financial services, which exceeded the increase in exports. Specifically, the increase in non-financial services trade deficit was due to:

- an increase in the deficit of the tourism account of U.S.\$0.8 billion to U.S.\$1.0 billion in 2012, as compared to a U.S.\$188 million deficit registered in 2011; and
- a 10.6% deficit increase in royalties.

These effects were partially offset by an 8.5% surplus increase in professional, technical and business services.

In 2013, the deficit in non-financial services trade increased U.S.\$0.7 billion to U.S.\$3.7 billion, as a result of the higher rate of increase in imports of non-financial services, which exceeded the increase in exports. Specifically, the increase in non-financial services trade deficit was due to:

- a 14.4% surplus decrease in professional, technical and business services;
- a 22.7% increase in the deficit of the tourism account of U.S.\$230.0 million to U.S.\$1.3 billion in 2013, as compared to a U.S.\$1.0 billion deficit registered in 2012; and
- a 7.9% deficit increase in transport account of U.S.\$190.0 million to U.S.\$2.6 billion in 2013.

In 2014, the deficit in non-financial services trade decreased U.S.\$0.6 billion to U.S.\$3.1 billion, as a result of higher rate of increase in exports of non-financial services, which exceeded the increase in imports. Specifically, the decrease in non-financial services trade deficit was due to:

- a 34.7% deficit decrease in transport, particularly passenger transport; and
- a 41.6% deficit decrease in tourism account of U.S.\$518 million to U.S.\$0.7 billion in 2014.

These deficit decreases were partially offset by a 24.2% decrease in the surplus of professional, technical and business services to U.S.\$1.5 billion.

In 2015, the deficit in non-financial services trade increased U.S.\$0.9 billion to U.S.\$4.0 billion, as a result of an increase in imports of non-financial services that exceeded the increase in exports. Specifically, the increase in the non-financial services trade deficit was due to:

- a U.S.\$0.8 billion increase in the deficit of the tourism account to U.S.\$1.5 billion in 2015, as compared to a U.S.\$0.7 billion deficit registered in 2014; and
- a 15.4% deficit increase in transport account of U.S.\$262 million to U.S.\$2.0 billion in 2015.

These deficit decreases were partially offset by a 3.6% decrease in the deficit in royalties to U.S.\$1.7 billion.

The table below sets forth the net results of Argentina's non-financial services trade for the periods specified.

<b>Non-Financial Services</b>					
<b>(in millions of U.S. dollars, at current prices)</b>					
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Transportation:					
Freight .....	U.S.\$ (1,957)	U.S.\$ (1,684)	U.S.\$ (1,884)	U.S.\$ (1,636)	U.S.\$ (1,520)
Passenger .....	(1,308)	(1,699)	(1,884)	(1,254)	(1,755)
Other .....	841	977	1,172	1,195	1,318
Total .....	(2,424)	(2,406)	(2,596)	(1,696)	(1,957)
Tourism .....	(188)	(1,015)	(1,245)	(727)	(1,520)
Royalties .....	(1,781)	(1,971)	(1,981)	(1,804)	(1,738)
Professional, technical, business services .....	2,158	2,342	2,005	1,520	1,647
Others <sup>(1)</sup> .....	-	65	108	(357)	(356)
Total non-financial services ....	U.S.\$ (2,235)	U.S.\$ (2,985)	U.S.\$ (3,708)	U.S.\$ (3,063)	U.S.\$ (3,925)

(1) Includes communication, construction, insurance, financial, information, entertainment and recreational services, as well as certain Government services.

Source: INDEC and Ministry of the Treasury.

## ***Tourism***

In 2011, the tourism sector registered a U.S.\$188 million deficit, primarily due to a 13.6% increase in outflows related to residents traveling abroad. This higher outflow was partially offset by an 8.3% increase in inflows related to non-residents traveling to Argentina.

In 2012, the tourism sector registered a U.S.\$1.0 billion deficit, primarily due to a 8.7% decrease in inflows related to non-residents traveling to Argentina and a 6.5% increase in outflows related to residents traveling abroad.

In 2013, the tourism sector registered a U.S.\$1.3 billion deficit, primarily due to an 11.7% decrease in inflows related to non-residents traveling to Argentina, which was partially offset by a 5.7% decrease in outflows related to residents traveling abroad.

In 2014, the tourism sector deficit decreased by 41.3% from U.S.\$1.3 billion in 2013 to U.S.\$0.7 billion in 2014. This deficit decrease was primarily due to a 7.2% increase in inflows related to non-residents traveling to Argentina and a 3.7% decrease in outflows related to residents traveling abroad.

In 2015, the tourism sector registered a U.S.\$1.5 billion deficit in 2015, primarily due to a 10.4% increase in outflows related to residents traveling abroad Argentina and a 5.1% decrease in inflows related to non-residents traveling to Argentina.

The following table sets forth tourism information for the dates specified.

	<b>Tourism Statistics</b>				
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Foreign non-resident arrivals (in thousands) .....	15,190	14,747	13,700	15,276	14,234
Average length of stay (number of nights) .....	11.55	11.76	11.34	10.98	11.30
Income from tourism (in millions of U.S.\$) .....	5,354	4,890	4,324	4,635	4,400
Expenses from tourism (in millions of U.S.\$) .....	(5,542)	5,905	5,569	5,362	5,920
Balance (in millions of U.S.\$) .....	<u>(188)</u>	<u>(1,015)</u>	<u>(1,245)</u>	<u>(727)</u>	<u>(1,520)</u>

n.a. = not available.

Source: INDEC and Ministry of the Treasury.

## ***Financial Services Trade***

The financial services trade balance reflects the net amount of dividends, interest and other financial income flowing into and out of Argentina. For example, a deficit in net dividend payments indicates that Argentine companies pay more in dividends to foreign shareholders than what foreign companies pay in dividends to Argentine shareholders.

In 2011, the financial services deficit decreased by 0.05% to U.S.\$13.9 billion, primarily due to a 0.4% decrease in net interest payments, as compared to 2010. Net dividend outflows remained relatively stable during 2011.

In 2012, the financial services deficit decreased by 7.4% to U.S.\$12.9 billion, primarily due to a 14.4% decrease in net dividend outflows (particularly dividends to the non-financial private sector resulting from foreign direct investment), as compared to 2011. Additionally, net interest payments increased 16.4% as compared to 2011, mainly due to an increase in interest outflows from the non-financial public sector.

In 2013, the financial services deficit decreased by 4.5% to U.S.\$12.3 billion, primarily due to a 6.7% decrease in net dividend outflows (particularly dividends resulting from foreign direct investment), as compared to 2012.

In 2014, the financial services deficit decreased by 12.1% to U.S.\$10.8 billion, primarily due to a 19.7% decrease in net dividend outflows, partially offset by a 6.3% increase in net interest outflows, as compared to 2013.

The decrease in net dividend was mainly due to lower payments to non-residents resulting from foreign direct investment, as compared to 2013. The increase in net interest was primarily due to higher interest payments made by the non-financial public sector to non-residents.

In 2015, the financial services deficit increased by 12.4% to U.S.\$12.1 billion, primarily due to an 11.0% increase in net dividend outflows and a 16.0% increase in net interest outflows. The increase in net dividend outflows was due to higher payments to non-residents resulting from foreign direct investment, as compared to 2014. The increase in net interest outflows was due to higher interest payments made from the non-financial public sector and the financial sector to non-residents.

## **Capital and Financial Account**

Argentina's capital and financial account measures the country's level of international borrowing, lending and investment.

### **2011**

In 2011, the capital and financial account registered a deficit of U.S.\$2.0 billion as compared to a surplus of U.S.\$7.4 billion in 2010.

*Central Bank.* Capital flows to the Central Bank increased from a deficit of U.S.\$2.9 billion in 2010 to a surplus of U.S.\$5.0 billion in 2011. This capital inflow was mainly the result of an increase in loans granted in connection with bilateral agreements, including with China.

*Non-financial private sector.* Capital flows decreased from a surplus of U.S.\$7.3 billion in 2010 to a deficit of U.S.\$6.8 billion in 2011. This capital outflow was mainly due to a U.S.\$9.3 billion increase in investments in external assets by residents to U.S.\$19.8 billion from U.S.\$10.4 billion recorded in 2010.

*Non-financial public sector.* Capital flows decreased from a surplus of U.S.\$2.7 billion in 2010 to a deficit of U.S.\$2.1 billion in 2011. This capital outflow was mainly attributable to an increase in amortization and other payments to non-residents in 2011 related to bonds issued by the Government to non-residents, and payments made to non-residents under GDP-linked securities in December 2011.

*Other financial entities.* Capital flows increased from a surplus of U.S.\$231 million in 2010 to a surplus of U.S.\$1.9 billion in 2011. This increase was mainly due to an increase in net inflows from deposits and credits by non-residents and direct investments by resident financial entities. In addition, inflows related to loans and other credits granted by the financial sector increased as compared to 2010.

### **2012**

In 2012, the capital and financial account registered a deficit of U.S.\$1.3 billion as compared to a surplus of U.S.\$2.0 billion in 2011.

*Central Bank.* Capital flows to the Central Bank decreased from a surplus of U.S.\$5.0 billion in 2011 to a deficit of U.S.\$2.0 billion in 2012. This capital outflow was mainly the result of a cancellation of loans granted by multilateral credit organizations.

*Non-financial private sector.* Capital flows increased from a deficit of U.S.\$6.8 billion in 2011 to a surplus of U.S.\$3.3 billion in 2012. This net increase in capital inflows was mainly due to a U.S.\$8.8 billion decrease in investments in external assets by residents from a U.S.\$19.7 billion deficit recorded in 2011 to a U.S.\$10.9 billion deficit recorded in 2012.

*Non-financial public sector.* Capital flows decreased from a deficit of U.S.\$2.1 billion in 2011 to a deficit of U.S.\$3.0 billion in 2012. This increase in capital outflows was mainly attributable to a U.S.\$689 million increase in payments made to non-residents under GDP-linked securities in December 2012, as compared to December 2011, a U.S.\$589 million reduction in net disbursements by multilateral credit organizations, and a U.S.\$631 million reduction in net disbursements related to debt issued by the provinces, which was partially offset by the U.S.\$759 million decrease in amortization payments by the Government, in each case as compared to 2011.



*Other financial entities.* Capital flows decreased to a surplus of U.S.\$352 million in 2012, from a surplus of U.S.\$1.9 billion in 2011. This decrease was mainly due to a U.S.\$1.2 billion decrease in net inflows from deposits and credits by non-residents (from an inflow of U.S.\$742 million to an outflow of U.S.\$455 million).

### **2013**

In 2013, the capital and financial account registered a surplus of U.S.\$3.5 billion as compared to a deficit of U.S.\$1.3 billion in 2012.

*Central Bank.* Capital flows to the Central Bank remained stable in 2013 as compared to 2012, registering a deficit of U.S.\$2.0 billion. This capital outflow was mainly the result of a cancellation of loans granted by multilateral credit organizations.

*Non-financial private sector.* Capital inflows increased from a surplus of U.S.\$3.3 billion in 2012 to a surplus of U.S.\$3.8 billion in 2013.

*Non-financial public sector.* Capital flows increased from a deficit of U.S.\$3.0 billion in 2012 to a surplus of U.S.\$843 million in 2013. The net increase in capital inflows primarily resulted from the fact that no payments became due under the terms of the GDP-linked Securities in 2013.

*Other financial entities.* Capital flows increased to a surplus of U.S.\$845 million in 2013 from a surplus of U.S.\$352 million in 2012. This increase in capital inflows was mainly due to a U.S.\$488 million increase in loans from abroad.

### **2014**

In 2014, the capital and financial account registered a surplus of U.S.\$9.5 billion as compared to a surplus of U.S.\$3.5 billion in 2013.

*Central Bank.* Capital flows to the Central Bank increased from a deficit of U.S.\$2.0 billion in 2013 to a surplus of U.S.\$3.2 billion in 2014. This capital inflow was mainly the result of the currency swap with the People's Bank of China and other international disbursements.

*Non-financial private sector.* Capital flows decreased from a surplus of U.S.\$3.8 billion in 2013 to a surplus of U.S.\$59 million in 2014. This decrease in capital inflows was mainly due to a U.S.\$7.0 billion decrease in investments in local assets by foreign investors, including the expropriation of 51% of the shares of YPF, from a U.S.\$9.5 billion surplus recorded in 2013 to a U.S.\$2.5 billion surplus recorded in 2014. This decrease was partially offset by a U.S.\$2.2 billion decrease in investments in external assets by residents, from a U.S.\$5.3 billion deficit recorded in 2013 to a U.S.\$3.1 billion deficit recorded in 2014.

*Non-financial public sector.* Capital inflows increased from a surplus of U.S.\$843 million in 2013 to a surplus of U.S.\$5.5 billion in 2014, mainly due to the recording of the bonds issued to Repsol as compensation for the expropriation of 51% of the shares of YPF.

The expropriation of 51% of the shares of YPF and the corresponding compensation paid to Repsol had a neutral net effect on the overall balance of payments in 2014.

*Other financial entities.* Capital flows decreased to a surplus of U.S.\$642 million in 2014 from a surplus of U.S.\$845 million in 2013. This decrease in capital inflows was mainly due to a U.S.\$256 million decrease in foreign investment in 2014, reaching U.S.\$678 million, as compared to U.S.\$934 million in 2013.

### **2015**

In 2015, the capital and financial account registered a surplus of U.S.\$13.2 billion as compared to a surplus of U.S.\$9.5 billion in 2014.

*Central Bank.* Capital flows to the Central Bank increased from a surplus of U.S.\$3.2 billion to a surplus of U.S.\$7.6 billion. This capital inflow was mainly the result of the currency swap with the People’s Bank of China and other international disbursements.

*Non-financial private sector.* Capital flows increased from a surplus of U.S.\$59 million in 2014 to a surplus of U.S.\$7.0 billion in 2015. The net increase in capital inflows was mainly due to a U.S.\$12.5 billion increase in investments in local assets by foreign investors, from a U.S.\$2.5 billion surplus recorded in 2014 to a U.S.\$15.0 billion surplus recorded in 2015. This increase was partially offset by a U.S.\$6.4 billion increase in investments in external assets by residents, from a U.S.\$3.1 billion deficit recorded in 2014 to a U.S.\$9.4 billion deficit recorded in 2015.

*Non-financial public sector.* Capital flows decreased from a surplus of U.S.\$5.5 billion in 2014 to a deficit of U.S.\$2.9 billion in 2015. The decrease in net capital inflows reflected a U.S.\$3.4 billion increase in amortization payments and the absence of inflows from issuances in 2015, as compared to the U.S.\$5.0 billion inflow registered in 2014.

*Other financial entities.* Capital inflows increased to a surplus of U.S.\$1.4 billion in 2015 from a surplus of U.S.\$642 million in 2014. This increase in capital inflows was mainly due to a U.S.\$820 million increase in foreign investment in 2015, reaching U.S.\$1.3 billion, as compared to U.S.\$678 million in 2014.

### **Foreign Investment Regulation**

With the aim of increasing capital inflows, the Government and the Central Bank have introduced a set of measures to eliminate substantially all of the restrictions affecting the balance of payments. For more information, see “Exchange Rates and Exchange Controls—Exchange Controls.” For further explanation of restrictions on capital transfers, see “Monetary System—Foreign Exchange and International Reserves.”

### **Evolution of Portfolio and Foreign Direct Investment**

The following table sets forth information on portfolio investment, foreign direct investment and other investment in the Argentine economy.

#### **Flows of Portfolio, Foreign Direct and Other Investment (in millions of U.S. dollars)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Direct investment:					
In Argentina by non-Argentine residents <sup>(1)</sup> .....	U.S.\$ 10,840	U.S.\$ 15,324	U.S.\$ 9,822	U.S.\$ 5,065	U.S.\$ 11,759
Outside Argentina by Argentine residents <sup>(2)</sup> .....	(1,488)	(1,055)	(890)	(1,921)	(875)
Direct investment, net	<u>9,352</u>	<u>14,269</u>	<u>8,932</u>	<u>3,145</u>	<u>10,884</u>
Portfolio investment:					
In Argentina by non-Argentine residents <sup>(1)</sup> .....	(1,576)	(1,167)	(339)	6,215	(296)
Outside Argentina by Argentine residents <sup>(2)</sup> .....	(9)	(15)	(19)	(10)	(8)
Derivative financial instruments .....	(2,356)	(2,908)	32	168	25
Portfolio investment, net .....	<u>(3,942)</u>	<u>(4,090)</u>	<u>(326)</u>	<u>6,374</u>	<u>(279)</u>
Other investment <sup>(3)</sup> :					
In Argentina by non-Argentine residents <sup>(1)</sup> .....	11,172	(1,605)	(777)	1,533	11,886
Outside Argentina by Argentine residents <sup>(2)</sup> .....	(18,612)	(9,972)	(4,370)	(1,640)	(9,339)
Other investment, net.....	<u>U.S.\$ (7,440)</u>	<u>U.S.\$ (11,577)</u>	<u>U.S.\$ (5,147)</u>	<u>U.S.\$ (107)</u>	<u>U.S.\$ 2,547</u>

(1) Reflects the variation in the value of net local assets owned by non-Argentine residents. If during any period, non-Argentine residents purchased more local assets than they sold, the amount for that period would be positive.

(2) Reflects the variation in the value of the net external assets owned by Argentine residents. If during any period, Argentine residents purchased more external assets than they sold, the amount for that period would be negative.

(3) Includes assets (loans, commercial loans and others) and liabilities (trade credit, loans, arrears and others).

Source: INDEC and Ministry of the Treasury.

### ***Foreign Direct Investment***

Foreign direct investment in Argentina increased significantly following the implementation of the Convertibility Regime and the elimination of barriers to foreign investment. A significant portion of the capital inflows in the early to mid-1990s resulted from the privatization of state-owned entities that attracted private foreign capital. Net foreign direct investment in Argentina peaked in 1999 with the completion of the privatization of YPF, a process that started in 1992. In the following years, the Government reversed course and expropriated certain private companies, including 51% of the shares of YPF in 2012. As a result, capital inflows from foreign direct investment declined significantly.

In 2011, net foreign direct investment decreased by 9.8% to U.S.\$9.4 billion as compared to U.S.\$10.4 billion in 2010. This decrease was driven by a U.S.\$493 million decrease in investments made in Argentina by non-residents, primarily related to equity contributions from the non-financial private sector and a U.S.\$523 million increase in investments made abroad by Argentine residents, which resulted from a U.S.\$332 million increase in investments made abroad by the local non-financial private sector and a U.S.\$191 million increase in investments made abroad by the local financial private sector.

In 2012, net foreign direct investment increased by 52.6% to U.S.\$14.3 billion, as compared to U.S.\$9.4 billion in 2011. This increase was mainly driven by a U.S.\$4.5 billion increase in investments made in Argentina by non-residents, primarily related to the investment of profits by the non-financial private sector, and a U.S.\$433 million decrease in investments made abroad by Argentine residents, which resulted from a U.S.\$528 million decrease in investments made abroad by the local non-financial private sector. This decrease was partially offset by a U.S.\$95 million increase in investments made abroad by the local financial private sector.

In 2013, net foreign direct investment decreased by 37.4% to U.S.\$8.9 billion, as compared to U.S.\$14.3 billion in 2012. This decrease was mainly driven by a U.S.\$5.5 billion decrease in investments made in Argentina by non-residents, partially offset by a U.S.\$165 million decrease in investments made abroad by Argentine residents.

In 2014, net foreign direct investment decreased by 64.8% to U.S.\$3.1 billion, as compared to U.S.\$8.9 billion in 2013. This decrease was mainly driven by a U.S.\$4.8 billion decrease in investments made in Argentina by non-residents, and a U.S.\$1.0 billion increase in investments made abroad by Argentine residents.

In 2015, net foreign direct investment increased by U.S.\$7.7 billion to U.S.\$10.9 billion, as compared to U.S.\$3.1 billion in 2014. This increase was mainly driven by a U.S.\$6.7 billion increase in investments made in Argentina by non-residents and a U.S.\$1.0 billion decrease in investments made abroad by Argentine residents.

### ***Portfolio Investment***

Portfolio investments, consisting of the purchase of stocks, bonds or other securities, tend to be highly liquid and short-term, making them particularly responsive to fluctuations in the market.

In 2011, net portfolio investment recorded a U.S.\$3.9 billion deficit as compared to the U.S.\$10.8 billion surplus recorded in 2010. This deficit mainly resulted from a decrease in net sales of assets made within Argentina to foreign investors, which decreased from a surplus of U.S.\$8.9 billion in 2010 to a deficit of U.S.\$1.6 billion in 2011.

Inflows related to transactions with derivative financial instruments decreased by U.S.\$3.1 billion in 2011, resulting in a U.S.\$2.4 billion deficit as compared to a U.S.\$712 million surplus in 2010.

In 2012, the deficit in net portfolio investment increased to a U.S.\$4.1 billion as compared to a U.S.\$3.9 billion deficit registered in 2011. This deficit increase was mainly due to a U.S.\$552 million increase in outflows related to transactions with derivative financial instruments, resulting in a U.S.\$2.9 billion deficit as compared to a U.S.\$2.4 billion deficit in 2011. This deficit was partially offset by a U.S.\$410 million decrease in the deficit in net sales of assets made within Argentina to foreign investors, which decreased from a deficit of U.S.\$1.6 billion in 2011 to a deficit of U.S.\$1.2 billion in 2012.

The balance in net portfolio investment increased to a U.S.\$326 million deficit in 2013 from a U.S.\$4.1 billion deficit in 2012. Net inflows related to transactions with derivative financial instruments increased by U.S.\$2.9 billion in 2013, resulting in a U.S.\$32 million surplus as compared to a U.S.\$2.9 billion deficit in 2011. Net sales of assets made within Argentina to foreign investors increased from a deficit of U.S.\$1.2 billion in 2012 to a deficit of U.S.\$339 million in 2013.

In 2014, the surplus in net portfolio investment increased from a U.S.\$326 million deficit in 2013 to a U.S.\$6.4 billion surplus in 2014. Net sales of assets made within Argentina to foreign investors increased from a deficit of U.S.\$339 million in 2013 to a surplus of U.S.\$6.2 billion in 2014. Net inflows related to transactions with derivative financial instruments increased by U.S.\$136 million in 2014, resulting in a U.S.\$168 million surplus as compared to a U.S.\$32 million surplus in 2013.

In 2015, the surplus in net portfolio investment decreased from a U.S.\$6.4 billion in 2014 to U.S.\$279 million in 2015. This decrease mainly resulted from a decrease in net sales of assets made within Argentina to foreign investors, which decreased from a surplus of U.S.\$6.2 billion in 2014 to a deficit of U.S.\$296 million in 2015.

Inflows related to transactions with derivative financial instruments decreased by U.S.\$143 million in 2015, resulting in a U.S.\$25 million surplus as compared to a U.S.\$168 million surplus in 2014.

### ***Other Investment***

Other investment includes data on other assets and liabilities of the non-financial public sector, the non-financial private sector, the financial sector and the Central Bank:

- assets of the non-financial public sector include loans from bi-national bodies and contributions to international organizations;
- assets of the financial sector include foreign currency holdings and deposits in foreign banks;
- assets of the private sector include foreign assets of Argentine companies who are involved in exports as well as assets related to direct trade financing including, among others, foreign assets;
- financial sector liabilities include deposits by non-residents in the domestic financial system, credit facilities opened by residents abroad and financial assistance by international organizations to resident entities;
- Central Bank liabilities include transactions between the Central Bank and international organizations (such as the IMF) and the purchase of Central Bank securities by non-residents;
- non-financial private sector liabilities include loans from private sources such as loans from international organizations, banks, suppliers, and official agencies; and
- non-financial public sector liabilities include loans to the public sector granted by international organizations, banks, official agencies and other governments.

In 2011, the other investment deficit decreased by 46.5% to U.S.\$7.4 billion. During this period, investments made abroad by Argentine residents increased by 98.2%, to U.S.\$18.6 billion from U.S.\$9.4 billion in 2010. The increase in investments made abroad by Argentine residents was mainly due to a U.S.\$9.0 billion increase in outflows related to the acquisition of foreign assets by the resident non-financial private sector. This increase was offset by a U.S.\$7.9 billion increase in inflows from loans granted by multilateral credit organizations to the Central Bank. In addition, in 2011, the non-financial public sector and Central Bank's arrears increased to U.S.\$153 million from an outflow of U.S.\$6.8 billion in 2010, primarily as a result of unpaid debt that came due in 2011.

In 2012, the other investment deficit increased by 55.6% to U.S.\$11.6 billion. During this period, investments made abroad by Argentine residents decreased by 46.4% to U.S.\$10.0 billion from U.S.\$18.6 billion in

2011. This decrease was mainly caused by an U.S.\$8.3 billion reduction in the acquisition of other foreign assets by the local non-financial private sector. In the same period, non-resident investment in Argentina decreased resulting in an outflow of U.S.\$1.6 billion from an inflow of U.S.\$11.2 billion registered in 2011, primarily as a result of a decrease in net loans to the Central Bank, reaching a U.S.\$2.0 billion deficit as compared to a U.S.\$5.0 billion surplus in 2011.

In 2013, the other investment deficit decreased by 55.5% to U.S.\$5.1 billion. During this period, investments made abroad by Argentine residents decreased by 56.2% to U.S.\$4.4 billion from U.S.\$10.0 billion in 2012 and non-resident investment in Argentina decreased, resulting in an outflow of U.S.\$0.8 billion from an outflow of U.S.\$1.6 billion in 2012.

In 2014, the other investment deficit decreased by 97.9% to U.S.\$107.0 million. During this period, investments made abroad by Argentine residents decreased by 62.5% to U.S.\$1.6 billion from U.S.\$4.4 billion in 2013, while non-resident investment in Argentina increased resulting in an inflow of U.S.\$1.5 billion from an outflow of U.S.\$0.8 billion in 2013.

In 2015, other investments increased by U.S.\$2.6 billion, resulting in a surplus of U.S.\$2.5 billion. During this period, investments made abroad by Argentine residents increased by U.S.\$7.7 billion to U.S.\$9.3 billion from U.S.\$1.6 billion in 2014, while non-resident investment in Argentina resulted in an inflow of U.S.\$11.9 billion compared to U.S.\$1.5 billion in 2014.

#### ***International Reserves***

As of December 31, 2015, the gross international reserve assets of the Central Bank totaled U.S.\$25.6 billion, compared to U.S.\$31.4 billion as of December 31, 2014. For more information regarding the change in gross international reserves deposited at the Central Bank see “Monetary System—Foreign Exchange and International Reserves.”

## MONETARY SYSTEM

### The Central Bank

Founded in 1935, the Central Bank is the principal monetary and financial authority in Argentina. The Central Bank operates pursuant to its charter and the *Ley de Entidades Financieras* (Financial Institutions Law).

The Central Bank is governed by a ten-member board of directors, which is headed by the president of the Central Bank. The president of the Central Bank and the members of the board of directors are appointed by the president and confirmed by the Senate. They serve for fixed terms of six years, may be reappointed and may be removed by the president only for cause. Under the terms of its charter, the Central Bank must operate independently from the Government.

On December 11, 2015, newly elected President Macri issued Decree 36/2015 appointing Mr. Federico Adolfo Sturzenegger as president of the Central Bank. Mr. Sturzenegger assumed the presidency of the Central Bank on the date of his appointment, however, as of the date of this document, the Senate has not yet confirmed his appointment. On December 11, 2015, five new members of the board of directors were also appointed by President Macri and remain subject to Senate confirmation.

Under the Central Bank's charter, as most recently amended in 2012, the Central Bank, among other things:

- must promote monetary and financial stability, employment and economic growth with social equity;
- is empowered to regulate interest rates and regulate and guide lending activities;
- may grant exceptional advances to the Government in an amount up to the equivalent of 10% of the revenues collected by the Government in the preceding 12-month period;
- must hold and manage the international reserves, including gold and foreign currency;
- must implement the exchange rate policy in accordance with applicable legislation; and
- must act as financial agent of the Government and contribute to the proper functioning of capital markets, regulate any activity connected with the financial system and foreign exchange transactions and protect the rights of consumers of financial services.

### Monetary Policy

#### *Background*

From 1991 through 2001, Argentina's monetary policy was governed by the Convertibility Law of 1991, which pegged the peso to the U.S. dollar at a one-to-one exchange rate and required the Central Bank to maintain international monetary reserves at least equal to the monetary base (consisting of domestic currency in circulation and financial institutions' peso-denominated deposits with the Central Bank). During the Convertibility Regime, the peso appreciated in real terms and the Central Bank did not have the necessary tools to react to the external shocks that affected the Argentine economy, such as the Mexico Crisis in 1995 and the Asian Crisis in 1997. In addition, commencing in 1995 the Argentine Government increased its reliance on the international capital markets to finance its operations, creating additional demand for foreign exchange reserves at the pegged rate. By December 2001, continued capital flight from the Argentine economy had made the Convertibility Regime unsustainable. On January 6, 2002, Congress enacted the Public Emergency Law, effectively bringing an end to the Convertibility Regime by eliminating the requirement that the Central Bank's gross international reserves be at all times equal to at least 100% of the monetary base. The Public Emergency Law abolished the peg between the peso and the U.S. dollar and granted the executive branch the power to regulate the foreign exchange market and to establish exchange rates.

In 2002, Mr. Alfonso Prat-Gay was appointed president of the Central Bank. During his tenure (which ended in 2004), the Central Bank implemented a series of measures designed to restore monetary stability and bolster the international reserves of the Central Bank. These measures included the elimination of the quasi-currencies issued by several provinces during the 2001-2002 crisis, the recapitalization of several financial institutions that were affected by the decree mandating asymmetric pesification of their balance sheets in 2002, the adoption of inflation targets intended to limit the impact of an acceleration of economic growth, an increase in the Central Bank's international reserves, the expansion of the financial system's lending activities and the encouragement of capital market transactions as a source of financing economic growth.

During the last quarter of 2004, the Central Bank began accumulating international monetary reserves and implemented various measures to manage the increasing monetary base.

During the second half of 2007, in response to tightening credit markets, the Central Bank intervened in the foreign exchange market to manage increasing volatility in the exchange rate, provided liquidity to local banks and expanded the monetary base.

Starting in the second half of 2008, in response to the global financial crisis, the Central Bank intervened to avoid a significant depreciation of the peso and to provide additional liquidity to the market. The Central Bank's actions included, among other measures, managing the yields on repo loans, auctioning put options on LEBACs and NOBACs and reducing the minimum reserve requirements in foreign currency for financial institutions. These measures allowed banks to keep their liquidity ratios within appropriate levels and sought to stimulate lending by banks.

In late 2009, the Government issued a *Decreto de Necesidad y Urgencia* (emergency decree) making foreign reserves held by the Central Bank available for external debt payments. Resistance from the Central Bank's president, Mr. Martín Redrado, who succeeded Mr. Prat-Gay in 2004, to transfer Central Bank reserves for this use led to a standoff between the administration and the Central Bank, which ultimately resulted in Mr. Redrado's resignation in January 2010 and renewed concerns over governability, political stability and debt sustainability. Ms. Mercedes Marcó del Pont was appointed president of the Central Bank and her tenure, which ended with her resignation on November 18, 2013, was marked by monetary policies designed to accommodate the fiscal needs of the Government, as well as the decision to promote economic growth by expanding domestic demand at the expense of monetary stability.

On February 18, 2010, President Fernández de Kirchner created the Council for the Coordination of Monetary, Financial and Exchange Rate Policies (the "Council"). The Council was chaired by the Minister of Economy and Public Finances and included two additional members of the Ministry of the Treasury (the Secretary of Economic Policy and the Secretary of Finance), as well as three members of the Central Bank (the president, the vice-president and one additional member of the board of the Central Bank).

Following the amendment of the Central Bank's charter in 2012, the Central Bank adopted various monetary policy initiatives and provided continued financing to the Government. As pressure on the peso began to develop, the Central Bank effectively implemented a multiple exchange rate regime that was favorable to exports, discouraged imports but favored overseas tourism by Argentine residents, contributing to the continued erosion of the Central Bank's international monetary reserves.

Following Ms. Marcó del Pont's resignation on November 18, 2013, President Fernández de Kirchner appointed Mr. Juan Carlos Fábrega as president of the Central Bank. During Mr. Fábrega's administration, which ended on October 10, 2014, attempts were made to restore monetary stability that were short-lived. Foreign exchange policy, however, remained within the purview of the Ministry of Finance, giving rise to inconsistent monetary and foreign exchange policies.

On February 2, 2014, President Fernández de Kirchner appointed the then acting chairman of the CNV, Mr. Alejandro Vanoli, as president of the Central Bank. During 2014 and 2015, the Central Bank continued to finance the Government's fiscal deficit. The Central Bank reinforced limitations on access to foreign exchange, which resulted in the continued depletion of international monetary reserves, which decreased from U.S.\$31.4 billion as of December 31, 2014, to U.S.\$25.6 billion as of December 31, 2015. In November 2015, the Central Bank sold

180-day future dollar contracts at rates that were inconsistent with international market rates to allay increasing fears of a significant depreciation of the peso.

As of December 2015, the Central Bank adopted, among others, the following series of measures intended to correct distortions that resulted from policies implemented under the Fernandez de Kirchner administration:

- **Foreign exchange market:** The peso was allowed to float, dismantling the unofficial multiple exchange rate regime, foreign exchange transfers for current transactions were again permitted. A program to bring current payments due an account of imports was approved, and the Central Bank swapped a renminbi position into U.S dollars to further bolster its international monetary reserves.
- **Inflation:** The Central Bank announced its decision to implement a long-term monetary policy based on inflation targeting, and to rely on short-term interest notes as its primary monetary policy tool.
- **International Reserves:** A swap of non-transferable notes of the Government into marketable securities allowed the Central Bank to strengthen its balance sheet and improve its reserves position.

#### ***The Central Bank's Policy Objectives for 2016***

The Central Bank has set the following policy objectives for 2016:

- ***Recover monetary stability:*** the Central Bank will focus its policy on restoring monetary stability and gradually reducing inflation rates to levels consistent with those of other emerging markets that manage monetary policy, with inflation targets. By shifting to inflation targeting, the Central Bank expects to no longer use exchange rate policies to determine inflation objectives. The nominal anchor of the Central Bank's monetary policy will be the monetary rate, and its policies will be based on predetermined inflation targets. The Central Bank's principal tool to implement its monetary policy objectives will be short-term interest rates. To regulate market liquidity, the Central Bank will conduct periodic auctions of Central Bank peso-denominated notes. The peso has been allowed to float and the Central Bank will intervene to preserve the orderly operation of the foreign exchange market.
- ***Ensure the stability and promote the growth of the financial system:*** Argentina's financial system is underdeveloped, with limited access to financial services in certain regions. The ratio of loans to GDP was less than 13% as of December 31, 2015 and total deposits within the financial system represented less than 15% of GDP. At the same time, Argentina's financial system has maintained high levels of profitability and strong asset quality, and limited exposure to duration or currency mismatches. To promote the growth of the financial system and financial intermediation generally, the Central Bank will seek to adopt an account unit linked to the price index to enhance savings in pesos, continue initiatives to promote the use and accessibility of financial services by authorizing the expansion of branches and ATM networks and support SMEs by extending the availability of the *Línea de Créditos para la Inversión Productiva* (Credit Line for Productive Investments).
- ***Increase access to banking and financial intermediation services:*** the Central Bank expects to continue promoting measures designed to reduce the use of cash to settle transactions and increase electronic means of payment. Initiatives such as the Credit Line for Productive Investments could be maintained, targeting aggregate lending in amounts equal to 14% of total deposits held with the banking system.



### ***Monetary Policy***

As of the date of this document, the Central Bank's monetary policy is based on the following guidelines:

- use short-term interest rates as its principal tool to implement monetary policy, which will be based on inflation targets. The Central Bank will adjust monetary aggregates based on its observation of inflation trends; and
- with respect to the foreign exchange and internal reserves policy, maintaining a managed floating exchange rate regime to limit exchange rate volatility and thereby limit the impact of any internal or external shocks to the Argentine economy.

The Central Bank maintains a policy of foreign reserve accumulation and monetary sterilization to counteract the effect of the increasing monetary base. The main instruments that the Central Bank uses as a means to manage liquidity in the monetary markets include:

- collateralized loans (*redescuentos*);
- repurchase agreements (*pases*);
- management of minimum reserve requirements; and
- short-term notes (LEBACs) and long-term notes (NOBACs) issued by the Central Bank.

The following table sets forth information on the Central Bank's balance sheet as of the dates specified.

**Central Bank Balance Sheet**  
(in millions of pesos, unless otherwise specified)

	As of December 31,				
	2011	2012	2013	2014	2015
<b>Assets</b>					
International reserves:					
Gold .....	Ps. 13,454	Ps. 16,357	Ps. 15,575	Ps. 20,138	Ps. 27,401
Foreign currency .....	31,696	8,396	14,473	84,015	144,744
Placements of foreign currency .....	154,322	187,906	168,967	164,106	159,791
Other <sup>(1)</sup> .....	93	212	439	339	518
Total international reserves <sup>(2)</sup> .....	199,565	212,871	199,454	268,597	332,453
Public bonds <sup>(3)</sup> .....	127,217	190,647	301,778	481,558	867,621
Credits to:					
Government					
(temporary advances) .....	67,130	127,730	182,600	251,450	331,850
Financial system .....	2,074	3,712	4,664	4,596	2,998
International organizations <sup>(4)</sup> .....	9,225	10,857	15,743	30,137	46,971
Other assets <sup>(5)</sup> .....	27,832	24,749	18,653	74,626	225,963
Total assets .....	433,043	570,566	722,891	1,110,963	1,807,856
<b>Liabilities</b>					
Monetary Base:					
Currency in circulation <sup>(6)</sup> .....	173,056	237,010	289,208	358,752	478,777
Current accounts in pesos <sup>(7)</sup> .....	49,865	70,342	87,988	103,812	145,113
Total monetary base .....	222,922	307,352	377,197	462,564	623,890
Deposits:					
Government deposits .....	2,842	6,683	12,166	35,316	5,078
Other deposits .....	25,281	41,746	69,592	75,229	171,937
Total deposits .....	28,123	48,429	81,758	110,545	177,016
Obligation to international organizations .....					
Central Bank notes:	7,334	3,443	4,599	5,839	8,223
Notes issued in foreign currency .....	—	—	—	5,680	31,273
Notes issued in pesos .....	84,182	99,855	110,547	276,456	385,619
Total Central Bank notes <sup>(8)</sup> .....	84,182	99,855	110,547	282,135	416,892
Other liabilities .....	53,119	50,167	41,524	141,564	364,353
Total liabilities .....	395,680	509,246	615,624	1,002,648	1,630,510
Net assets .....	Ps. 37,363	Ps. 61,320	Ps. 107,268	Ps. 108,315	Ps. 177,346
<b>Memorandum items:</b>					
International reserves (in millions of U.S. dollars) .....	U.S.\$ 46,376	U.S.\$ 43,290	U.S.\$ 30,600	U.S.\$ 31,408	U.S.\$ 25,563
International reserves of the central bank (in months of total imports) .....	6.3	6.2	4.1	4.8	4.1
Exchange rate Ps./U.S.\$ <sup>(9)</sup> .....	4.30	4.92	6.52	8.55	13.01

- (1) Includes net results of transactions under a Reciprocal Credit Agreement with ALADI.  
(2) Includes short-term foreign-currency denominated bonds and foreign currency denominated deposits.  
(3) Includes a 1990 consolidated Treasury note, IMF obligations and others.  
(4) Includes transfers to international organizations from Government accounts and transfers to the Government from the IMF.  
(5) Includes transition accounts and others.  
(6) Includes cash in vaults at banks and does not include quasi-currencies.  
(7) Includes bank reserves in pesos at Central Bank.  
(8) Includes LEBACs and NOBACs.  
(9) Exchange rate used by the Central Bank to publish its balance sheet.

Source: Central Bank

## Liquidity Aggregates

The monetary base consists of domestic currency in circulation (including cash held in vaults by banks) and peso-denominated deposits of financial entities with the Central Bank. Additionally, the Central Bank employs the following bi-monetary aggregates to measure the level of liquidity in the economy and control inflation:

- M1 measures domestic currency in circulation *plus* peso-denominated demand deposits and foreign currency-denominated demand deposits;
- M2 measures M1 *plus* peso-denominated savings deposits and foreign currency-denominated savings deposits; and
- M3 measures M2 *plus* all other peso-denominated deposits and foreign currency-denominated deposits.

The following tables set forth information on Argentina's liquidity aggregates as of the dates specified,

### Liquidity Aggregates (in millions of pesos)

	As of December 31,				
	2011	2012	2013	2014	2015
Currency in circulation <sup>(1)</sup> .....	Ps. 173,056	Ps. 237,010	Ps. 289,208	Ps. 358,752	Ps. 478,777
M1 .....	288,767	397,842	496,728	640,870	804,666
M2 .....	392,388	530,022	662,411	859,921	1,133,787
M3 .....	605,084	796,440	999,888	1,283,153	1,761,355
Monetary base .....	222,922	307,352	377,197	462,564	623,890

(1) Does not include cash in vaults at banks or quasi-currencies.

Source: Central Bank

### Liquidity Aggregates (% change from previous period)

	As of December 31,				
	2011	2012	2013	2014	2015
Currency in circulation <sup>(1)</sup> .....	39.0%	37.0%	22.0%	24.0%	33.5%
M1 .....	29.5%	37.8%	24.9%	29.0%	25.6%
M2 .....	23.5%	35.1%	25.0%	29.8%	31.8%
M3 .....	24.7%	31.6%	25.5%	28.3%	37.3%
Monetary base .....	39.0%	37.9%	22.7%	22.6%	34.9%

(1) Does not include cash in vaults at banks or quasi-currencies

Source: Central Bank

The growth of the monetary base between 2011 and 2015 was driven primarily by the Central Bank's continued financing of the Government, which over time dwarfed the contractive effect of the Central Bank's practice of purchasing of foreign exchange sustained through 2007.

## Foreign Exchange and International Reserves

As of December 31, 2011, international reserves totaled U.S.\$46.4 billion, 11.1% lower than the previous year, of which U.S.\$35.9 billion were foreign currency deposits, U.S.\$7.4 billion were foreign currency and U.S.\$3.1 billion were gold.

As of December 31, 2012, the Central Bank's international reserves stood as U.S.\$43.3 billion, 6.7% lower than the previous year, of which U.S.\$38.2 billion were foreign currency deposits, U.S.\$1.7 were foreign currency and U.S.\$3.3 billion were gold.

As of December 31, 2013, the Central Bank’s international reserves totaled U.S.\$30.6 billion, 29.3% lower than the previous year, of which U.S.\$25.9 billion were foreign currency deposits, U.S.\$2.4 billion were foreign currency and U.S.\$2.2 billion were gold.

As of December 31, 2014, the Central Bank’s international reserves totaled U.S.\$31.4 billion, 2.6% higher than the previous year, of which U.S.\$19.2 billion were foreign currency deposits, U.S.\$9.82 billion were foreign currency and U.S.\$2.4 billion were gold.

As of December 31, 2015, the Central Bank’s international reserves totaled U.S.\$25.6 billion, 18.6% lower than the previous year, of which U.S.\$12.3 billion were foreign currency deposits, U.S.\$11.1 billion were foreign currency and U.S.\$2.1 billion were gold.

From 2011 to 2015, the Central Bank made loans to the Government for payments to private debt holders through the *Fondo de Desendeudamiento Argentino* (Repayment Fund, which was established in 2010, and to make payments to multilateral agencies. In exchange, the Central Bank received 10-year U.S. dollar-denominated non-transferable Treasury notes. In December 2015, a portion of the non-transferable Treasury notes were exchanged for marketable securities of the Republic (Bonar 22, Bonar 25 and Bonar 27). For a description of the loans to the Government see “Public Sector Debt—Overview.”

The following table sets forth the peso’s exchange rate against the U.S. dollar for the periods indicated.

**Nominal Exchange Rate <sup>(1)</sup>**  
**(pesos per U.S. dollar)**

	Average	At end of period
2011 .....	4.13	4.30
2012 .....	4.55	4.92
2013 .....	5.48	6.52
2014 .....	8.12	8.55
2015 .....	9.27	13.01

(1) The exchange rate used is the “reference exchange rate.”  
Source: Central Bank.

The average nominal exchange rate increased from Ps. 4.13 per U.S.\$1.00 in 2011 to Ps. 4.55 per U.S.\$1.00 dollar in 2012. In 2013, the average nominal exchange rate reached Ps. 5.48 per U.S.\$1.00, while in 2014 the average nominal exchange rate increased to Ps.8.12 per U.S.\$1.00. As of December 31, 2014, the exchange rate increased to Ps. 8.55 per U.S.\$1.00, from Ps. 6.52 as of December 31, 2013. As of December 31, 2015, the exchange rate stood at Ps. 13.01 per U.S.\$1.00, compared to Ps. 8.55 as of December 31, 2014.

Since the Macri administration took office in December 2015, the Central Bank has allowed the peso to freely float against other currencies with Central Bank intervention limited to measures designed to ensure the orderly operation of the foreign exchange market. While the Central Bank retains the ability to intervene in the foreign exchange market in response to external shocks, it has announced the adoption of an inflation targeting regime and its intention to relinquish the use of foreign exchange rates as a tool to combat inflation.

***Restrictions and Other Regulations on Foreign Exchange Transactions***

In December 2015 and August 2016, certain restrictions on foreign exchange transactions and capital outflows were lifted. For a description of the principal measures adopted as of the date of this document, see “Exchange Rates and Exchange Controls—Exchange Controls.”

***Voluntary deposits of foreign currency holdings***

In May 2013, with the aim of channeling undeclared foreign currency savings into infrastructure development, the energy sector and the real estate sector, the Argentine Congress authorized the Ministry of the Treasury and Public Finance and the Central Bank to issue a series of financial instruments that are subscribed with foreign currency held both in Argentina and abroad.

The *Bono Argentino de Ahorro para el Desarrollo Económico* (Argentine Savings Bond for Economic Development or “BAADE”) and the Savings Promissory Note for Economic Development are U.S. dollar-denominated promissory notes issued by the Ministry of the Treasury. The proceeds from the issuance of these notes were to be directed to finance public investment projects in strategic sectors, such as infrastructure and the hydrocarbons sector. Both instruments mature in 2016 and accrue an annual interest rate of 4% payable bi-annually.

The *Certificados de Depósito de Inversión* (Certificates of Deposit for Investment or “CEDIN”), are convertible, tax-free savings certificates issued by Central Bank in exchange for undeclared U.S. dollar savings. CEDINs may be redeemed for U.S. dollars at a financial institution, subject to verification that the CEDINs have been used in a permitted real estate or property transaction such as the purchase of land, new housing construction or real estate improvements.

These initiatives have not been extended since December 2015.

## **Inflation**

### *National Statistical System’s State of Emergency*

On January 8, 2016, based on its determination that the INDEC had failed to produce reliable statistical information, particularly with respect to CPI, GDP, foreign trade data, poverty and unemployment rates; President Macri declared a state of administrative emergency for the national statistical system and the INDEC until December 31, 2016. The INDEC suspended publication of certain statistical data pending reorganization of its technical and administrative structure to recover its ability to produce sufficient and reliable statistical information. During the first six months of this reorganization period, the INDEC published official CPI figures published by the City of Buenos Aires and the Province of San Luis for reference. Certain foreign trade and balance of payments statistics for the years 2011 through 2015 were released by the INDEC after the state of administrative emergency was declared on January 8, 2016, and are included herein. On June 29, 2016, the INDEC published the INDEC Report including revised GDP data for the years 2004 through 2015. The revised GDP information for the years 2011 through 2015 is included in this document. For more information, see “Presentation of Statistical and Other Information—Certain Methodologies.”

Prices are affected by numerous factors, including levels of supply and demand, rates of economic growth, monetary policy and commodity prices. From 2011 to 2015, Argentina experienced increases in inflation as measured by CPI and WPI that reflected the continued growth in the levels of private consumption and economic activity (including exports and public and private investment), which applied upward pressure on the demand for goods and services.

During 2011, the INDEC CPI increased by 9.5% and the WPI increased by 12.7%. The increase in the INDEC CPI during 2011 was mainly due to increases in the prices of certain services and goods, principally: clothing (21.2%), education (16.1%), healthcare (13.4%) and leisure (12.1%). The increase in the WPI was mainly driven by a 12.9% increase in the prices of domestic products and an 8.7% increase in the prices of imported products.

During 2012, the INDEC CPI increased by 10.8% and the WPI increased by 13.1%. The increase in the INDEC CPI during 2012 was mainly due to increases in the prices of certain services and goods, principally leisure (14.1%), transport and communication (13.5%), healthcare (13.3%) and home equipment and maintenance (11.9%). The increase in the WPI was mainly driven by a 13.4% increase in the prices of domestic products and a 9.7% increase in the price of imported products.

During 2013, the INDEC CPI increased by 10.9% and the WPI increased by 14.8%. The increase in the INDEC CPI during 2013 was mainly due to increases in the price of education (16.6%), leisure (15.6%), healthcare (14.7%) and home equipment and maintenance (14.4%). The increase in the WPI was mainly driven by a 19.5% increase in the prices of imported products and a 14.5% increase in the prices of domestic products, mainly primary products.

In February 2014, the INDEC released a new inflation index relying on a different methodology (the CPI Nu) intended to measure prices of goods on a country-wide basis.

The annual change in CPI during 2014 cannot be estimated due to the implementation of the new INDEC methodology. However, since December 2013, the Secretary of Economic Policy published monthly CPI figures (using the new methodology). Using this information, the annual change in INDEC CPI as of December 2014 was 24%, mainly due to increases in healthcare (29%), transport and communication (28%) and leisure, home equipment and maintenance (27%). The 28.3% increase in the WPI during 2014 was driven by an increase in the prices of domestic products and a 27.7% increase in the prices of imported products.

The INDEC has not published complete CPI or WPI information for 2015. During 2015, the City of Buenos Aires CPI was 26.9% and the Province of San Luis CPI was 31.6%.

The following table sets forth inflation rates as measured by INDEC and WPI for the periods specified.

**Inflation<sup>(1)</sup>**  
**Evolution of the annual rate of change in the INDEC CPI and WPI**  
**(% change from previous year)**

	<b>Consumer Price Index</b>	<b>Wholesale Price Index</b>
2011.....	9.5%	12.7%
2012.....	10.8%	13.1%
2013.....	10.9%	14.8%

(1) Annual figures reflect accumulated annual inflation.  
Source: INDEC and Ministry of the Treasury.

**Inflation<sup>(1)</sup>**  
**Evolution of the annual rate of change in the City of Buenos Aires CPI**  
**(% change from previous year)**

	<b>Consumer Price Index</b>
2011.....	n.a.
2012.....	n.a.
2013.....	26.6%
2014.....	38.0%
2015.....	26.9%

(1) Annual figures reflect accumulated annual inflation.  
n.a. = not available.  
Source: INDEC and Ministry of the Treasury.

**Inflation<sup>(1)</sup>**  
**Evolution of the annual rate of change in the San Luis CPI**  
**(% change from previous year)**

	<b>Consumer Price Index</b>
2011.....	23.3%
2012.....	23.0
2013.....	31.9
2014.....	39.0
2015.....	31.6%

(1) Annual figures reflect accumulated annual inflation.  
Source: INDEC and Ministry of the Treasury.

**Inflation<sup>(1)</sup>**  
**Evolution of the annual rate of change in the INDEC CPINu and WPI**  
**(% change from previous period, unless otherwise specified)**

	<u>New Consumer Price Index</u>	<u>Wholesale Price Index</u>
2014 .....	24.0%	28.3%
January .....	3.7	5.0
February .....	3.4	5.1
March .....	2.6	2.4
April .....	1.8	1.7
May .....	1.4	3.6
June .....	1.3	1.5
July .....	1.4	1.3
August .....	1.3	1.6
September .....	1.4	3.3
October .....	1.2	1.2
November .....	1.1	0.9
December .....	1.0	1.0
2015 .....	n.a.	n.a.
January .....	1.1	0.2
February .....	0.9	0.2
March .....	1.3	1.0
April .....	1.1	1.7
May .....	1.0	1.5
June .....	1.0	1.3
July .....	1.3	1.4
August .....	1.2	2.9
September .....	1.2	1.4
October .....	1.1	0.9
November <sup>(1)</sup> .....	n.a.	n.a.
December <sup>(1)</sup> .....	n.a.	n.a.

(1) Annual figures reflect accumulated annual inflation. Monthly figures reflect inflation for that month, as compared to the prior month.  
n.a. = not available.

Source: INDEC and Ministry of the Treasury.

### Regulation of the Financial Sector

The Central Bank regulates the financial sector. The Central Bank has the authority to set minimum capital, liquidity and solvency requirements, approve bank mergers, approve certain capital increases and transfers of stock, grant and revoke banking licenses and authorize the establishment of branches of foreign financial institutions in Argentina. The Central Bank also regularly monitors the activities and operations of financial institutions, requiring them to submit periodic financial reports, and is authorized to adopt regulations in accordance with the Financial Institutions Law.

The Central Bank regulates the financial sector primarily through the Superintendence of Financial Institutions, which 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.

In 2011, the Central Bank published a roadmap for the implementation of Basel III. Since then, the Central Bank has taken steps to adopt these regulations with the aim of identify risks relating to liquidity shortages in systemically important domestic financial institutions, and to begin implementing the comprehensive set of reform measures under Basel III. Having implemented the majority of its short-term commitments under Basel III, the next step in the Central Bank's plan is to conform certain regulations applicable to the financial sector to Basel III standards and introduce certain complementary measures, including tools to monitor the liquidity of the banking sector. During the first half of 2016, the Basel Committee on Capital Adequacy of the Bank of International Settlement will carry out a periodic review of Argentina's adoption of international standards relating to the regulation of capital and bank liquidity. The primary purpose of this review is to ensure consistent application of these standards among all Basel Committee members.

## Composition of the Financial Sector

As of December 31, 2015, there were 78 financial institutions operating in Argentina as compared to 80 in 2011. The following table sets forth the number of financial institutions operating in Argentina as of the dates specified.

### Number of Financial Institutions in Operation in the Financial System, by Type

	As of December 31,				
	2011	2012	2013	2014	2015
State-owned banks <sup>(1)</sup> .....	12	12	12	12	13
Private banks.....	52	53	54	53	49
Financial entities other than banks.....	16	16	15	15	15
Credit Institutions ( <i>Cajas de Crédito</i> ).....	—	—	1	1	1
Total.....	80	81	82	81	78

(1) Includes national, provincial and municipal banks.

Source: Central Bank.

### Number of Financial Institutions in Operation in the Financial System, Domestic and Foreign

	As of December 31,				
	2011	2012	2013	2014	2015
National institutions <sup>(1)</sup> .....	50	52	53	52	52
Foreign-owned institutions <sup>(2)</sup> .....	30	29	29	29	26
Total.....	80	81	82	81	78

(1) Includes state-owned banks, private banks and other financial institutions (such as credit unions).

(2) Includes private foreign banks and other foreign financial entities other than banks.

Source: Central Bank.

## Assets and Liabilities of the Financial System

Net assets of the financial system have continued to grow in nominal terms since 2011. The quality of these bank assets, as well as bank profitability, has also improved since 2011. Deposits have increased, with 2015 year-end total deposits having increased 193% as compared to 2011 year-end total deposits.

In 2010, the Central Bank created the *Programa de Financiamiento Productivo del Bicentenario* (Bicentenary Productive Financing Program or “BPPF”) to stimulate the industrial sector. Through the BPPF, the Central Bank provides long-term secured funding to financial institutions, which, in turn, reduces borrowing costs for companies. Under the BPPF, each financial entity pays a 9% nominal annual rate on funds borrowed, while the total financial cost for the ultimate borrower is set at a 9.9% nominal annual rate. As of December 31, 2015, the BPPF remained in place. The BPPF finances programs designed to increase productivity, competitiveness and employment, encourage import substitution and promote domestic company exports. As of December 31, 2014, a total of Ps. 8.2 billion of borrowings have been approved under this program, of which approximately Ps. 6.6 billion had been disbursed as of December 31, 2015. BPPF financing has primarily been utilized by the manufacturing sector, followed by the services and primary sectors.

During 2012, the Central Bank created the Credit Line for Productive Investments program to increase local production and encourage investments. The regulation governing this program (Communication A 5319 issued by the Central Bank) requires any “major” financial institution accounting for 1% or more of total banking deposits operating as a financial agent of the Republic, a province, the City of Buenos Aires and/or other municipalities to lend at least 5% of its private-sector deposits to companies operating in the domestic productive sector. Loans must carry a term of at least 36 months and a maximum rate of 15.01%, and at least half of these loans must be granted to MSMEs. The initial program has been extended and remains available. As of December 31, 2015, each financial institution subject to Communication A 5802 (issued by the Central Bank in connection with the Credit Line for Productive Investments program) was required to lend, in the form of peso-denominated loans, at least 7.5% of its private-sector deposits as of May 2015. Effective 2016, the Central Bank approved the increase of the lending base to 14% of the participating banks’ private sector deposits.



Within the framework of its amended charter, the Central Bank implemented a third initiative to increase lending to the productive sector, and to MSMEs in particular, through a reduction of peso reserve requirements based on the share of a bank's lending to MSMEs relative to its total lending to the private sector.

The following tables set forth the assets and liabilities of the Argentine financial system as of the dates specified.

**Total Assets and Liabilities of the Financial System by Type of Institution  
(in millions of pesos)**

	As of December 31,				
	2011	2012	2013	2014	2015 <sup>(1)</sup>
State-owned banks: <sup>(2)</sup>					
Assets .....	Ps. 251,900	Ps. 340,791	Ps. 430,439	Ps. 592,575	Ps. 752,960
Liabilities.....	227,563	309,517	387,754	531,406	667,561
Net .....	24,337	31,274	42,685	61,168	85,399
Private banks:					
Assets .....	364,122	432,994	553,831	728,045	1,071,357
Liabilities.....	321,123	376,774	478,792	625,877	935,641
Net .....	42,999	56,220	75,039	102,168	135,716
Financial entities other than banks:					
Assets .....	12,359	16,241	20,506	19,929	22,998
Liabilities.....	9,578	12,915	16,541	15,052	17,250
Net .....	2,781	3,326	3,965	4,877	5,748
Total assets and liabilities:					
Assets .....	628,382	790,026	1,004,775	1,340,548	1,847,314
Liabilities.....	558,264	699,205	883,086	1,172,335	1,620,451
Total net.....	Ps. 70,117	Ps. 90,820	Ps. 121,689	Ps. 168,213	Ps. 226,863

(1) Preliminary figures.

(2) Includes national, provincial and municipal banks.

Source: Central Bank.

**Total Assets and Liabilities in the Financial System by Type of Institution  
(% change from the previous period)**

	As of December 31,				
	2011	2012	2013	2014	2015 <sup>(1)</sup>
State-owned banks: <sup>(2)</sup>					
Assets.....	13.3%	35.3%	26.3%	37.7%	27.1%
Liabilities.....	11.8	36.0	25.3	37.0	25.6
Net.....	28.7	28.5	36.5	43.3	39.6
Private banks:					
Assets.....	30.0	18.9	27.9	31.5	47.2
Liabilities.....	31.7	17.3	27.1	30.7	49.5
Net.....	18.6	30.7	33.5	36.2	32.8
Financial entities other than banks:					
Assets.....	57.3	31.4	26.3%	(2.8)%	15.4
Liabilities.....	75.1	34.8	28.1%	(9.0)%	14.6
Net.....	16.5	19.6	19.2%	23.0%	17.9
Total assets and liabilities:					
Assets.....	23.1	25.7	27.2	33.4	37.8
Liabilities.....	23.3	25.2	26.3	32.8	38.2
Total net.....	21.8%	29.5%	34.0%	38.2%	34.9%

(1) Preliminary figures.

(2) Includes national, provincial and municipal banks.

Source: Central Bank.

## Assets

From 2011 to 2015, total assets of the financial system increased in nominal terms by 23.1% to Ps. 628.4 billion in 2011, 25.7% to Ps. 790.0 billion in 2012, 27.2% to Ps. 1,004.8 billion in 2013, 33.4% to Ps. 1,340.5 billion in 2014 and to 37.8% to Ps. 1,847.3 billion in 2015.

## Loan Portfolio and Risk Profile

The following tables set forth loan data by type of institution in the financial sector as of the dates specified.

### Outstanding Loans by Type of Financial Institution (in millions of pesos)

	As of December 31,				
	2011	2012	2013	2014	2015
State-owned banks <sup>(1)</sup> .....	Ps. 117,432	Ps. 160,306	Ps. 205,780	Ps. 241,043	Ps. 320,582
Private banks.....	197,543	250,515	326,707	392,023	546,389
Financial entities other than banks.....	10,170	13,508	17,736	16,140	19,074
Total.....	Ps. 325,144	Ps. 424,329	Ps. 550,223	Ps. 649,206	Ps. 886,046

(1) Includes national, provincial and municipal banks.

Source: Central Bank.

### Outstanding Loans by Type of Financial Institution (as a % of total)

	As of December 31,				
	2011	2012	2013	2014	2015
State-owned banks <sup>(1)</sup> .....	36.1%	37.8%	37.4%	37.1%	36.2%
Private banks.....	60.8	59.0	59.4	60.4	61.7
Financial entities other than banks.....	3.1	3.2	3.2	2.5	2.2
Total.....	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Includes national, provincial and municipal banks.

Source: Central Bank.

### Allocation of Outstanding Loans by Sector (in millions of pesos)

	As of December 31,				
	2011	2012	2013	2014	2015
Non-financial public sector.....	Ps. 31,347	Ps. 39,951	Ps. 48,438	Ps. 51,470	Ps. 75,254
Financial sector (public and private).....	9,263	10,299	13,049	10,729	13,199
Non-financial private sector.....	291,708	383,674	501,853	604,062	819,174
Provisions for doubtful accounts.....	(7,173)	(9,596)	(13,117)	(17,054)	(21,581)
Total.....	Ps. 325,144	Ps. 424,329	Ps. 550,223	Ps. 649,206	Ps. 886,046

Source: Central Bank.

**Allocation of Outstanding Loans by Sector  
(% change from the previous period)**

	As of December 31,				
	2011	2012	2013	2014	2015
Non-financial public sector.....	21.0%	27.4%	21.2%	6.3%	46.2%
Financial sector (public and private).....	84.6	11.2	26.7	(17.8)	23.0
Non-financial private sector .....	46.4	31.5	30.8	20.4	35.6
Provisions for doubtful accounts .....	15.1	33.8	36.7	30.0	26.5
Total.....	45.2%	30.5%	29.7%	18.0%	36.5%

Source: Central Bank.

During 2011, peso-denominated loans to the private and public sectors increased by 47.7%, from Ps. 181.9 billion in 2010 to Ps. 268.6 billion in 2011 and U.S. dollar-denominated loans to the private and public sectors increased by 29.6%, from U.S.\$7.4 billion in 2010 to U.S.\$9.6 billion in 2011.

During 2012, peso-denominated loans to the private and public sectors increased by 39.2%, from Ps. 268.6 billion in 2011 to Ps. 373.9 billion in 2012 and U.S. dollar-denominated loans to the private and public sectors decreased by 42.2%, from U.S.\$9.6 billion in 2011 to U.S.\$5.5 billion in 2012.

During 2013, peso-denominated loans to the private and public sectors increased by 33.2% to Ps. 498.2 billion, and U.S. dollar-denominated loans to the private and public sectors decreased by 33.4% to U.S.\$3.7 billion, as compared to 2012. Peso-denominated personal loans also increased by 31.2% during this period due to an expansion in all categories as compared to 2012.

During 2014, peso-denominated loans to the private and public sectors increased 18.6% as compared to 2013. U.S. dollar-denominated loans to the private and public sector decreased 9.8%, from U.S.\$3.7 billion in 2013 to U.S.\$3.3 billion in 2014 and peso-denominated loans to the private sector increased 20.3%, from Ps. 457.0 billion in 2013 to Ps. 549.6 billion in 2014.

During 2015, peso-denominated loans to the private and public sectors increased by 38.4% as compared to 2014. U.S. dollar-denominated loans to the private and public sector decreased by 11.9%, from U.S.\$3.3 billion in 2014 to U.S.\$2.9 billion in 2015 and peso-denominated loans to the private sector increased by 37.4%, from Ps. 549.8 billion in 2014 to Ps. 755.4 billion in 2015.

Risk classification remained stable from 2011 through 2015, with practically no loans being classified as irrecoverable throughout the period.

The following table sets forth information regarding loans of the financial system by risk category and type of institution.

**Risk Classification of Aggregate Assets of the Financial System  
by Type of Institution  
(as a % of total loans, as of December 31, 2015)**

Risk category:	Public Banks <sup>(7)</sup>	Private Banks	Financial Companies	Credit Unions	Financial System
Current <sup>(1)</sup> .....	97.9%	97.8%	92.0%	90.7%	97.7%
Potentially problematic:					
Under observation and inadequate payment <sup>(2)</sup> .....	0.8	0.8	3.3	3.2	0.9
Under negotiation or restructuring <sup>(3)</sup> .....	0.4	0.5	1.4	2.0	0.5
Problematic <sup>(4)</sup> .....	0.6	0.6	2.0	2.7	0.6
Insolvent <sup>(5)</sup> .....	0.3	0.3	1.3	1.5	0.3
Irrecoverable <sup>(6)</sup> .....	—	—	—	—	—
Total .....	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

- (1) Loans where financial condition of debtor demonstrates its ability to meet financial obligations. The Superintendent of Financial Institutions requires loan-loss reserves of 1% for current loans (secured and unsecured).
- (2) Loans where financial condition of debtor demonstrates its ability to currently meet financial obligations, although external circumstances exist which, if not corrected, could compromise the debtor's ability to fulfill its obligations in the future. The Superintendent of Financial Institutions requires loan-loss reserves of 3% (with guarantees) and 5% (without guarantees) for these loans.
- (3) Loans to debtors that have entered into restructuring negotiations within 60 days of declaring their inability to meet certain financial obligations. The Superintendent of Financial Institutions requires loan-loss reserves of 6% (with guarantees) and 12% (without guarantees) for these loans.
- (4) Loans where inability of debtor to meet its financial obligations would result in significant financial losses to the lender. The Superintendent of Financial Institutions requires loan-loss reserves of 12% (with guarantees) and 25% (without guarantees) for these loans.
- (5) Loans where there is a high probability that debtor would become insolvent upon meeting its financial obligations. The Superintendent of Financial Institutions requires loan-loss reserves of 25% (with guarantees) and 50% (without guarantees) for these loans.
- (6) Loans where financial condition of debtor demonstrates low probability that payments in default may be recovered. The Superintendent of Financial Institutions requires loan-loss reserves of 50% (with guarantees) and 100% (without guarantees) for these loans.
- (7) Includes national, provincial and municipal banks.
- Source: Central Bank.

### **Liabilities**

From 2011 to 2015, total liabilities of the financial system increased by 23.3% to Ps. 558.3 billion in 2011, 25.2% to Ps. 699.2 billion in 2012, 26.3% to Ps. 883.1 billion in 2013, 32.8% to Ps. 1,172.3 billion in 2014 and 38.2% to Ps. 1,620.5 billion in 2015.

### **Deposits**

During 2011, total deposits in Argentina's banking system increased by 22.9% to Ps. 462.5 billion as of December 31, 2011. Non-financial public sector deposits increased by 12.4% as of December 31, 2011. Deposits by the non-financial private sector increased by 27.7%, due to a 24.3% increase in demand deposits, a 26.2% increase in deposits in savings accounts and a 30.4% increase in term deposits as of December 31, 2011.

Broken down by currency and sector, deposits were as follows as of December 31, 2011:

- total peso-denominated deposits increased by 28.8% to Ps. 382.9 billion as compared to the same date in 2010;
- peso-denominated deposits by the non-financial public sector increased by 29.5% to Ps. 120.8 billion as compared to the same date in 2010;
- peso-denominated deposits by the non-financial private sector increased by 28.5% to Ps. 262.1 billion as compared to the same date in 2010; and
- total dollar-denominated deposits decreased by 17.4% to U.S.\$13.2 billion as compared to the same date in 2010.

During 2012, total deposits in Argentina's banking system increased by 28.8% to Ps. 595.8 billion as of December 31, 2012. Non-financial public sector deposits increased by 25.2% as of December 31, 2012. Deposits by the non-financial private sector increased by 30.4%, due to 33.5% increase in demand deposits, a 20.7% increase in deposits in savings accounts and a 35.3% increase in term deposits as of December 31, 2012.

Broken down by currency and sector, deposits were as follows as of December 31, 2012:

- total peso-denominated deposits increased by 37.1% to Ps. 525.0 billion compared to the same date in 2011;
- peso-denominated deposits by the non-financial public sector increased by 26.3% to Ps. 152.5 billion compared to the same date in 2011;
- peso-denominated deposits by the non-financial private sector increased by 42.1% to Ps. 372.5 billion compared to the same date in 2011; and
- total dollar-denominated deposits decreased by 28.6% to U.S.\$9.4 billion as compared to the same date in 2011.

During 2013, total deposits in Argentina's banking system increased by 26.3% to Ps. 752.4 billion as of December 31, 2013. Non-financial public sector deposits increased by 23.6% as of December 31, 2013. Deposits by the non-financial private sector increased by 27.4%, due to a 21.4% increase in demand deposits, a 27.0% increase in deposits in savings accounts and a 31.1% increase in term deposits as of December 31, 2013.

Broken down by currency and sector, deposits were as follows as of December 31, 2013:

- total peso-denominated deposits increased by 27.2% to Ps. 667.7 billion compared to the same date in 2012;
- peso-denominated deposits by the non-financial public sector increased by 20.1% to Ps. 183.2 billion compared to the same date in 2012;
- peso-denominated deposits by the non-financial private sector increased by 30.1% to Ps. 484.5 billion compared to the same date in 2012; and
- total dollar-denominated deposits decreased by 12.0% to U.S.\$8.3 billion compared to the same date in 2012.

During 2014, total deposits in Argentina's banking system increased by 30.2% to Ps. 979.4 billion as of December 31, 2014. Non-financial public sector deposits increased by 26.5% as of December 31, 2014. Deposits by the non-financial private sector increased by 31.5%, due to a 32.7% increase in demand deposits, a 36.2% increase in deposits in savings accounts and a 27.7% increase in term deposits as of December 31, 2014.

Broken down by currency, deposits were as follows as of December 31, 2014:

- total peso-denominated deposits increased by 25.8% to Ps. 840.1 billion compared to the same date in 2013;
- peso-denominated deposits by the non-financial public sector increased by 17.6% to Ps. 215.4 billion compared to the same date in 2013;
- peso-denominated deposits by the non-financial private sector increased by 28.9% to Ps. 624.7 billion compared to the same date in 2013; and
- total dollar-denominated deposits increased by 6.4% to U.S.\$8.8 billion, compared to the same date in 2013.

During 2015, total deposits in Argentina's banking system increased by 38.4% to Ps. 1,355.4 billion as of December 31, 2015. Non-financial public sector deposits increased by 13.3% as of December 31, 2015. Deposits by the non-financial private sector increased by 47.4%, due to a 24.9% increase in demand deposits, a 48.5% increase in deposits in savings accounts and a 60.6% increase in term deposits as of December 31, 2015.

Broken down by currency, deposits were as follows as of December 31, 2015:

- total peso-denominated deposits increased by 37.1% to Ps. 1,151.7 billion compared to the same date in 2014;
- peso-denominated deposits by the non-financial public sector increased by 22.6% to Ps. 264.1 billion compared to the same date in 2014;
- peso-denominated deposits by the non-financial private sector increased by 42.1% to Ps. 887.6 billion compared to the same date in 2014; and
- total dollar-denominated deposits increased by 20.4% to U.S.\$10.6 billion, compared to the same date in 2014.

The following tables set forth information on total deposits in the financial sector as of the dates specified.

**Deposits by Type of Financial Institution  
(in millions of pesos)**

	As of December 31,				
	2011	2012	2013	2014	2015
State-owned banks <sup>(1)</sup> .....	Ps. 207,304	Ps. 275,832	Ps. 349,722	Ps. 466,142	Ps. 607,504
Private banks.....	253,705	317,443	400,108	509,774	744,606
Financial entities other than banks .....	1,508	2,489	2,592	3,471	3,242
Total.....	Ps. 462,517	Ps. 595,764	Ps. 752,422	Ps. 979,387	Ps. 1,355,353

(1) Includes national, provincial and municipal banks.  
Source: Central Bank.

**Deposits by Type of Financial Institution  
(as a % of total)**

	As of December 31,				
	2011	2012	2013	2014	2015
State-owned banks <sup>(1)</sup> .....	44.8%	46.3%	46.5%	47.6%	44.8%
Private banks .....	54.9	53.3	53.2	52.1	54.9
Financial entities other than banks .....	0.3	0.4	0.3	0.4	0.2
Total .....	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Includes national, provincial and municipal banks.  
Source: Central Bank.

**Deposits by Sector and by Type of Deposit**  
(in millions of pesos)

	As of December 31,				
	2011	2012	2013	2014	2015
Non-financial public sector .....	Ps. 131,350	Ps. 164,437	Ps. 203,214	Ps. 256,996	Ps. 291,104
Financial sector (public and private) .....	1,088	973	1,123	1,747	1,659
Non-financial private sector .....	330,079	430,354	548,086	720,645	1,062,590
Demand deposits .....	82,194	109,770	133,246	176,858	220,829
Savings accounts .....	97,220	117,353	148,992	202,931	301,304
Term deposits .....	140,245	189,821	248,789	317,742	510,385
Others .....	10,419	13,411	17,058	23,113	30,072
Total deposits .....	Ps. 462,517	Ps. 595,764	Ps. 752,422	Ps. 979,388	Ps. 1,355,353

Source: Central Bank.

**Deposits by Sector and by Type of Deposit**  
(% change from the previous period)

	As of December 31,				
	2011	2012	2013	2014	2015
Non-financial public sector .....	12.4%	25.2%	23.6%	26.5%	13.3%
Financial sector (public and private) .....	18.4	(10.6)	15.4	55.6	(5.1)
Non-financial private sector .....	27.7	30.4	27.4	31.5	47.4
Demand deposits .....	24.3	33.5	21.4	32.7	24.9
Savings accounts .....	26.2	20.7	27.0	36.2	48.5
Term deposits .....	30.4	35.3	31.1	27.7	60.6
Others .....	32.0	28.7	27.2	35.5	30.1
Total deposits .....	22.9%	28.8%	26.3%	30.2%	38.4%

Source: Central Bank.

**Interest Rates**

***Interest Rates on Bank Loans***

As of December 31, 2015, the annual average interbank rate on peso-denominated loans was 21.9% (as compared to 17.9% as of December 31, 2014). The overdraft current account rate increased from 23.9% as of December 31, 2014 to 24.9% as of December 31, 2015. The annual average dollar-denominated interbank rate increased from 1.0% as of December 31, 2014 to 3.1% as of December 31, 2015.

As of December 31, 2015, nominal annual interest rates on peso-denominated personal loans increased to 39% from 37.7% as of December 31, 2014 and the average interest rates on peso-denominated mortgage loans increased from 21.44% as of December 31, 2014 to 22.84% as of December 31, 2015.

The following table sets forth information regarding average interest rates on bank loans for the periods specified.

**Interest Rates on Bank Loans**  
(nominal annual interest rate)

	2011	2012	2013	2014	2015
Domestic currency:					
Interbank <sup>(1)</sup> .....	10.2%	10.0%	13.2%	17.9%	21.9%
Overdraft Current Account <sup>(2)</sup> .....	14.0	14.1	17.2	23.9	24.9
Foreign currency:					
Interbank <sup>(1)</sup> .....	1.8%	2.5%	2.3%	1.0%	3.1%

(1) Average interbank rate.

(2) Average interest rate on current account peso-denominated overdrafts.

Source: Central Bank.

### ***Interest Rates on Deposits***

The average nominal annual interest rate on peso-denominated term deposits increased from 10.8% in 2011 to 12.1% in 2012. The average nominal annual interest rate on U.S. dollar-denominated term deposits increased from 0.37% in 2011 to 0.60% in 2012. The peso BADLAR rate for private banks decreased from 18.8% in December 2011 to 15.4% in December 2012. The average nominal annual interest rate on peso-denominated term deposits increased from 12.1% in 2012 to 14.8% in 2013. The average nominal annual interest rate on U.S. dollar-denominated term deposits increased from 0.60% in 2012 to 0.61% in 2013. The peso BADLAR rate for private banks increased from 15.4% in December 2012 to 20.2% in December 2013.

The average nominal annual interest rate on peso-denominated term deposits increased from 14.8% in 2013 to 20.8% in 2014. The average nominal annual interest rate on U.S. dollar-denominated term deposits increased from 0.61% in 2013 to 1.05% in 2014. The peso BADLAR rate for private banks decreased from 20.2% in December 2013 to 20.0% in December 2014.

The average nominal annual interest rate on peso-denominated term deposits increased from 20.8% in 2014 to 21.7% in 2015. The average nominal annual interest rate on U.S. dollar-denominated term deposits increased from 1.05% in 2014 to 1.8% in 2015. The peso BADLAR rate for private banks increased from 20.0% in December 2014 to 27.5% in December 2015.

The following table sets forth information regarding average interest rates on bank deposits for the periods specified.

#### **Interest Rates on Deposits and LEBACs (nominal annual interest rate)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Domestic currency:					
Savings deposits.....	0.3%	0.3%	0.2%	0.2%	0.2%
Term deposits <sup>(1)</sup> .....	10.8	12.1	14.8	20.8	21.7
Average deposit rate <sup>(2)</sup> .....	7.3	8.2	10.2	14.3	14.6
LEBAC <sup>(3)</sup> .....	13.0	13.8	15.7	27.7	28.1 <sup>(4)</sup>
Foreign currency:					
Savings deposits.....	0.05	0.06	0.06	0.04	—
Term deposits <sup>(1)</sup> .....	0.4	0.60	0.61	1.05	1.8
Average deposit rate <sup>(2)</sup> .....	0.2	0.4	0.4	0.7	1.1
LEBAC <sup>(3)</sup> .....	n.a.	n.a.	n.a.	3.2%	4.0%

(1) Weighted average interest rate on all term deposits.

(2) Weighted average interest rate on term deposits plus savings deposits.

(3) Average annual rate for all term LEBAC.

n.a. = not available.

Source: Central Bank.

### **Securities Markets**

In the Argentine securities market, Government bonds dominate trading activities, followed by trading of corporate equity securities and corporate bonds. Trading of other instruments such as futures and options represents only a small portion of market activity, although futures trading has increased somewhat since mid-2002 due to the development of the futures trading market.

#### ***Regulation of the Securities Markets***

The Argentine securities markets are regulated by the CNV and the stock markets. The CNV supervises all agents that carry out transactions in Argentina's public securities markets, including brokers, public companies, mutual funds and clearinghouses, and has the authority to regulate and control the public offering of all securities, other than the primary issue of Government securities. The primary markets are the Merval and MAE.



In the first half of the 1990s, changes to the legal framework provided for the issuance and trading of new financial products in the Argentine capital markets, including commercial paper, new types of corporate bonds, as well as futures and options. This period was characterized by relatively low levels of regulation of the Argentine securities market and limited enforcement. In November 2013, Congress approved the Capital Markets Law No. 26, 831, which empowered the CNV to strengthen disclosure and regulatory standards for the Argentine securities market. The new standards were introduced through changes to the CNV's rules implemented under Resolution 622/2013.

As of December 31, 2011, the market capitalization of Argentina's securities markets for equities was U.S.\$374.5 billion, a 21.6% decrease compared to the market capitalization of Argentina's securities markets for equities as of December 31, 2010, mainly as a result of the effects of the European economic crisis.

As of December 31, 2012, the market capitalization of Argentina's securities markets for equities was U.S.\$470.6 billion, a 25.7% increase compared to the market capitalization of Argentina's securities markets for equities as of December 31, 2011, mainly as a result of the recovery of international financial markets.

As of December 31, 2013, the market capitalization of Argentina's securities markets for equities was U.S.\$514.9 billion, a 9% increase compared to the market capitalization of Argentina's securities markets for equities as of December 31, 2012, mainly as a result of an increase in the total amount of public bonds traded.

As of December 31, 2014, the market capitalization of Argentina's securities markets for equities was U.S.\$455.2 billion, a 12% decrease compared to the market capitalization of Argentina's securities markets for equities as of December 31, 2013, mainly as a result of changes in the nominal exchange rate.

As of December 31, 2015, the market capitalization of Argentina's securities markets for equities was U.S.\$355.2 billion, a 22% decrease compared to the market capitalization of Argentina's securities markets for equities as of December 31, 2014, mainly as a result of changes in the nominal exchange rate.

### ***Mutual Funds and the FGS***

From 2005 to 2008, individuals, pension funds and mutual funds constituted the largest groups of investors in Argentina's capital markets.

On November 20, 2008, Congress approved Law No. 26,425, which took effect on December 9, 2008 and nationalized the private pension system. Under this law, the former private pension system was absorbed and replaced by the *Sistema Solidario de Reparto* (Argentine Integrated Pension System), structured as a "pay as you go" system. As a result, all of the resources administered by the private pension funds, including significant equity interests in a wide range of listed companies, were transferred to a separate fund, the FGS, to be administered by the ANSES. The assets held in the FGS may only be used to make advances to the Government to cover unexpected budget deficits that prevent the Government (through ANSES) from honoring its obligation to make social security and pension payments through the Argentine Integrated Pension System. The Fund holds a wide range of financial assets, including without limitation public sector securities, shares of corporations, fixed and floating rate instruments, bonds, mutual funds, securities representing debt issued under trusts and mortgage bonds. As of December 2015, the Fund was valued at Ps. 664.0 billion. Securities and *obligaciones negociables* (bonds) continued to be the FGS's most important investments, representing 64.6% of the total value of the Fund. These investments increased by 34.6% with respect to November 2014, being the highest segment of investment to increase on a year-to-year basis.

#### **Total Assets of the FGS**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Assets (in millions of pesos).....	Ps. 199.5	Ps. 244.8	Ps. 329.5	Ps. 472.2	Ps. 664.0
Percentage increase from previous year .....	12.1%	22.7%	34.6%	43.3%	40.6%

Source: Central Bank.

As of December 31, 2011, FGS investment in projects for economic development amounted to Ps. 27.8 billion, a 42.8% increase compared to 2010. During 2012, total investments in production and infrastructure increased by 14.7% compared to 2011, to Ps. 31.9 billion. Total investment in the production sector was mainly allocated to energy infrastructure and public works projects. In 2013, FGS investments in projects for economic development increased by 40.0% compared to the previous year, to Ps. 44.7 billion. In 2014, FGS investments in corporate and sovereign bonds increased by 47.8% compared to the previous year, to Ps. 318.7 billion. As of December 31, 2015, FGS investments amounted to Ps. 664.0 billion, a 40.6% increase compared to December 31, 2014.

### ***FGS Special Lending and Other Programs***

In April 2010, the FGS established the *Programa Conectar Igualdad* (Connecting Equality Program). The program aims to improve the public education system and reduce the educational, social and technological gap. Through the program, 3,500,000 netbooks were distributed to secondary school students and teachers, as well as to special education and teacher training centers, between 2010 and 2013. The objective of the Connecting Equality Program is to achieve full literacy in information and communications technologies, thereby providing access to technological and information resources regardless of social, economic or geographical (rural and urban) conditions.

During 2011, the FGS established the *ARGENTA* program by providing retirees with a credit card through which they can obtain lines of credit for periods of up to 40 months, with a grace period of two months, and certain discounts for the purchase of goods and services.

During 2012, the FGS established the *Programa de Crédito Argentino para la Vivienda Única Familiar* (“Procrear” or Bicentenary Argentine Credit Program for Permanent Family Homes). The program was designed to permit homeowner credit lines for up to 400,000 houses over the course of four years. The program seeks to meet the housing needs of citizens country-wide, taking into account diverse socioeconomic conditions and family situations. In addition, this program aims to promote economic activity in the construction sector, thereby fostering increased production, employment and consumption in the overall economy. In connection with Procrear, the FGS established two additional credit line programs: one for the purchase of land for the purpose of home construction and another for the purchase of newly constructed homes or apartments. As of October 31, 2015, credit lines for a total of Ps. 31.6 billion had been granted under Procrear and related programs.

During 2014, the FGS established the *Programa de Respaldo a Estudiantes de Argentina* (Argentine Student Support Program). The main goal of this program is to improve the conditions of at-risk families through improved access to education. The program aims to support youth between the ages of 18 and 24, with the main objectives of assuring their completion of secondary or higher education and offering training or internships at various workplaces.

On June 29, 2016, Congress passed a bill approving the Historical Reparations Program for Retirees and Pensioners, which took effect upon its publication in the official gazette. The main aspects of this program, which is designed to conform government social security policies to Supreme Court rulings, include (i) payments to more than two million retirees and the retroactive compensation of more than 300,000 retirees and (ii) the creation of a *pensión universal* (universal pension) for the elderly, which guarantees an income for all individuals over 65 years of age who are otherwise ineligible for *retirement*. The Historical Reparations Program for Retirees and Pensioners will give retroactive compensation to retirees in an aggregate amount of more than Ps. 47.0 billion and involve expenses of up to Ps. 75.0 billion to cover all potential beneficiaries. The bill provides that assets held by the FGS, including equity interests, may be sold to finance this program.

### ***Government Bonds***

In terms of trading volume, the Argentine bond market is dominated by Government securities. In 2011, Government bond trading volumes increased to U.S.\$31.4 billion, mainly as a result of the recovery in the public bonds market during the period. In 2012, Government bond trading volumes increased to U.S.\$36.5 billion. As of December 31, 2013, the total traded amount of public bonds increased to U.S.\$49.1 billion. In 2014, the total traded amount increased to U.S.\$58.0 billion. In 2015, the total traded amount decreased to U.S.\$56.4 billion.

For a description of the types of domestic bonds issued by the Government see “Public Sector Debt.”

### **Corporate Bonds**

Corporate bonds can be issued in registered form and may be denominated in local or foreign currency. Interest rates on corporate bonds may be fixed or floating and can vary substantially with market conditions and the creditworthiness of the issuer.

### **Equities**

The Argentine equities market is regulated by the CNV. Authorized markets, following CNV standards set the rules that companies must follow in order to list their equity securities on those markets.

In 2011, equity trading volume decreased by 11.7% to U.S.\$3.2 billion as of December 31, 2011, mainly as a result of a low turnover in investment portfolios, and fell by 33.9% to U.S.\$2.1 billion as of December 31, 2012. In 2012 and 2013, the number of listed companies remained stable at 97 listed companies, one less compared to 2011. In 2014, equity total trading volume increased by 41.8% from U.S.\$3.4 billion as of December 31, 2013 to U.S.\$4.8 billion as of December 31, 2014. In 2015, equity total trading volume increased by 4.3% from U.S.\$4.8 billion as of December 31, 2014 to U.S.\$5.0 billion as of December 31, 2015.

The following table sets forth certain data regarding the market capitalization and average daily trading volume on the Buenos Aires Stock Exchange as of the dates specified.

**Market Capitalization and Traded Amount  
on the Buenos Aires Stock Exchange  
(in millions of U.S. dollars, unless otherwise specified)**

	As of December 31,				
	2011	2012	2013	2014	2015
Market capitalization (in billions of U.S. Dollars) .....	U.S.\$ 374.5	U.S.\$ 470.6	U.S.\$ 514.9	U.S.\$ 455.2	U.S.\$ 355.2
Average daily traded amount .....	205.0	221.0	285.2	301.9	334.3
Shares .....	12.9	8.7	14.0	18.8	20.6
Corporate bonds .....	4.0	3.6	9.3	11.5	7.8
Public bonds .....	128.1	151.4	203.6	228.8	233.1
Others <sup>(1)</sup> .....	60.0	57.4	58.4	42.8	72.9
Total traded amount <sup>(2)</sup> .....	50,320.3	53,246.6	68,713.7	76,533.6	80,887.3
Shares .....	3,165.4	2,091.2	3,365.0	4,772.6	4,976.6
Corporate bonds .....	977.4	863.9	2,233.9	2,915.7	1,871.5
Public bonds .....	31,385.7	36,475.5	49,062.2	58,013.4	56,403.5
Others <sup>(1)</sup> .....	U.S.\$ 14,791.8	U.S.\$ 13,816.0	U.S.\$ 14,052.7	U.S.\$ 10,831.9	U.S.\$ 17,635.7

(1) Includes mutual funds, index futures, options and others.

(2) Total traded amounts for each year.

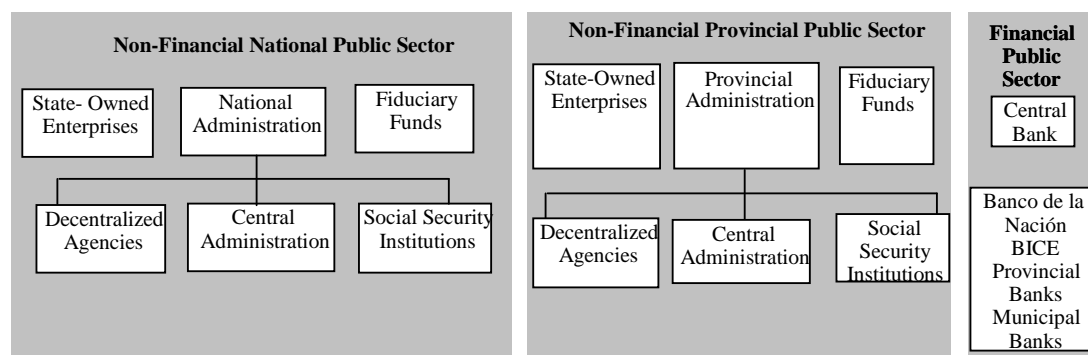
Source: Buenos Aires Stock Exchange.

## PUBLIC SECTOR FINANCES

### Introduction

Argentina’s public sector comprises national, provincial and municipal entities. These entities are divided into the non-financial public sector and the financial public sector. The non-financial public sector consists of national, provincial and municipal administrations, state-owned enterprises, certain public agencies and special-purpose fiduciary funds. The National Administration, in turn, is composed of the Central Administration, decentralized agencies and social security institutions (including former provincial pension funds). The financial public sector consists of the Central Bank, the Banco de la Nación Argentina, the BICE and ten other public financial entities (including provincial and municipal banks).

The chart below sets forth the organizational structure of Argentina’s public sector, excluding the non-financial municipal sector.



The Central Administration comprises the executive, legislative and judicial branches of the Government, including the public ministries. National decentralized agencies include governmental institutions, such as the AFIP with a budget, revenues and expenditures separate from the Central Administration. The national social security institutions consist of the ANSES, which is a self-governing entity, the Armed Forces Pension Fund and the Federal Police Pension Fund. As of the date of this document, ten provinces and the City of Buenos Aires have transferred their social security obligations to ANSES. See “—Social Security.” These former provincial obligations are currently managed by ANSES.

The national public accounts reflect the consolidated results of the non-financial national public sector. Transfers from the Central Bank and the FGS to the Government, however, were included in the Government’s current fiscal revenues through December 31, 2015. Starting in 2016 (and on a pro forma basis for 2015) the Macri administration has decided to present transfers to the Government from the Central Bank and the FGS separately below the primary fiscal balance. The Government will also present, as a separate line item under the heading of primary expenditures, the aggregate amount of obligations with suppliers that were not timely honored and deferred to a subsequent fiscal year.

Argentina’s provincial and local authorities are independent from the Government and maintain separate fiscal accounts. Accordingly, the fiscal results of the provinces and local governments are not reflected in the national public accounts. The Central Administration, however, is legally required to transfer a portion of its revenues to the provinces and from time to time has also provided other forms of financial assistance to the provinces. See “Public Sector Finances—Fiscal Relations with the Provinces.”

Except as otherwise specified in the discussion below, the national public accounts are presented using a cash-basis method, which computes revenues and expenditures in the period in which cash flows take place, regardless of the period in which they were accrued. In the discussion of the National Public Accounts below and throughout this document, the non-financial national public sector is referred to as the “Government.” Additionally, we refer to the fiscal balance of the non-financial national public sector as the “primary fiscal balance.” This primary fiscal balance does not reflect the issuance of Bocones, a debt instrument issued by the

Government to discharge a portion of its payment obligations (e.g., with suppliers) or interest payments. The overall balance of the non-financial national public sector includes interest payments unless otherwise specified.

On November 20, 2008, Congress approved Law No. 26,425, which took effect on December 9, 2008 and nationalized the private pension system. Under this law, the former private pension system was absorbed and replaced by the Argentine Integrated Pension System, structured as a “pay as you go” system. As a result, all of the resources administered by the private pension funds, including significant equity interests in a wide range of listed companies, were transferred to a separate fund, the FGS, to be administered by the ANSES. The assets held in the FGS may only be used to make advances to the Government to cover unexpected budget deficits that prevent the Government (through ANSES) from honoring its obligation to make social security and pension payments through the Argentine Integrated Pension System. As of December 2015, the Fund was valued at Ps. 664.0 billion.

Decree N. 2103/08 requires that the proceeds of the FGS shall be invested in the acquisition of financial assets that include, among other instruments, public bonds or local securities of recognized solvency. The Administración Nacional de la Seguridad Social (The Argentine National Social Security Administration or “ANSES”) prioritizes investments that, besides of producing profitability, promote national infrastructure and that in turn stimulate the Argentine economy and generate formal employment.

The FGS has decision making bodies and control bodies. The first is composed by the Executive Director of ANSES, who manages the FGS with the assistance of the Executive Committee (composed of the Secretary of Finance, Treasury and Economic Policy of the Ministry of Economy and Public Finance). In addition, the Deputy Director of Operations of the FGS is the Executive Secretary of the Executive Committee and also its Operating Manager. Decisions are taken by simple majority and the Executive Director of ANSES has the veto rights. Control bodies are comprised of the Council of the FGS (which includes representatives of workers, retirees, businessmen, legislators, the cabinet of ministers and of the ANSES), the Bicameral Commission for Control of Funds, the Audit of the FGS, the General Audit Office of the Nation, the General Audit of the Nation and the Office of the Ombudsman of the Nation.

### **National Public Accounts**

From 2011 to 2015, the Government recorded deficits in both the primary fiscal balance and the overall balance, which primarily resulted from an increase in Government expenditures aimed at stimulating private consumption, including through the funding of social programs and increases in social security benefits. Expenditures grew during this period, as the Government significantly increased social security payments, public benefits and transfers to the provinces.

In 2011, Argentina recorded a primary fiscal surplus of 0.2% of nominal GDP, decreasing from a surplus of 1.5% in 2010, and the overall balance of the non-financial public sector recorded a deficit of 1.4% of nominal GDP, compared to a surplus of 0.2% of GDP in 2010. In 2012, the primary fiscal balance recorded a deficit of 0.2% of nominal GDP and the overall balance of the non-financial public sector recorded a deficit of 2.1% of nominal GDP. In 2013, the primary fiscal balance recorded a deficit of 0.7% of nominal GDP and the overall balance of the non-financial public sector recorded a deficit of 1.9% of GDP. In 2014, the primary balance recorded a deficit of 0.8% of nominal GDP and the overall balance of the non-financial public sector recorded a deficit of 2.4% of nominal GDP. In 2015, the primary balance recorded a deficit of 1.8% of nominal GDP and the overall balance of the non-financial public sector recorded a deficit of 3.9% of nominal GDP.

#### ***Evolution of Fiscal Results: 2011 to 2015***

#### **National Public Accounts (in millions of pesos)**

	2011	2012	2013	2014	2015
<b>Fiscal revenue</b>					

	2011	2012	2013	2014	2015
Current revenue:					
National Administration taxes <sup>(1)</sup> .....	Ps. 264,005	Ps. 329,553	Ps. 404,461	Ps. 563,416	Ps. 708,801
Social security tax <sup>(1)</sup> .....	133,680	174,388	229,890	300,889	419,419
Net operating result from state-owned enterprises .....	(2,814)	(6,583)	(10,025)	(26,012)	(24,627)
Other non-tax revenue <sup>(2)</sup> .....	37,102	46,249	83,504	158,489	194,516
Capital revenue <sup>(3)</sup> .....	56	211	59	426	457
Total fiscal revenues <sup>(4)</sup> .....	Ps. 432,029	Ps. 543,818	Ps. 707,889	Ps. 997,208	Ps. 1,298,566
<b>Primary expenditures<sup>(5)</sup></b>					
Current expenditures:					
National Administration wages .....	61,196	79,133	101,643	143,182	199,066
Goods and services .....	20,673	25,051	35,760	51,289	69,469
Social security <sup>(6)</sup> .....	147,085	204,617	272,066	363,385	535,697
Transfers to provinces .....	11,961	12,344	14,605	18,333	27,614
Other transfers <sup>(7)</sup> .....	121,983	143,637	183,748	284,304	374,174
Other expenditures .....	10,704	21,627	31,799	44,008	36,456
Capital expenditures .....	53,507	61,784	90,747	131,268	160,887
Total primary expenditures .....	427,109	548,193	730,368	1,035,769	1,403,363
Primary fiscal balance .....	Ps. 4,920	Ps. (4,375)	Ps. (22,479)	Ps. (38,562)	Ps. (104,797)
Interest payments <sup>(8)</sup> .....	(35,584)	(51,190)	(41,998)	(71,158)	(120,840)
Privatization proceeds .....	1	1	—	—	—
Overall balance of non-financial public sector .....	Ps. (30,663)	Ps. (55,563)	Ps. (64,477)	Ps. (109,720)	Ps. (225,637)

- (1) Figures presented in this table differ from those presented in the tables titled "Composition of Tax Revenues" because they exclude revenues (and transfers) co-participated with the provinces and because they are published after the figures in the "Composition of Tax Revenues" table and thus reflect updated information.
- (2) Includes sale of goods and services of the public administration, operational revenues, transfers from the Central Bank and the FGS, current transfers and other transfers.
- (3) Excludes revenues from privatization.
- (4) Includes pension contributions mandated by the Argentine Integrated Pension System.
- (5) The Government discharges certain of its payment obligations (e.g., with suppliers) by issuing bonds known as Bocones. Bocones constitute bonds to be paid in the future rather than cash payments, and were not recorded as primary expenditures in the periods presented in this table or reflected as part of the overall balance of the non-financial public sector. See the table below titled "National Public Accounts (New Presentation)" for a description of the treatment of Bocones under the new presentation. The amount of such Bocones issued in 2011, 2012, 2013, 2014 and 2015 was Ps. 0.93 billion, Ps. 1.1 billion, Ps. 1.6 billion, Ps. 1.3 billion and Ps. 1.6 billion, respectively. For a description of these securities, see "Public Sector Debt—Debt Management Following the 2001 Debt Crisis."
- (6) Amounts presented under "Social security" in this table are calculated on a cash basis and therefore differ from those presented in the table entitled "Composition of National Public Expenditures," which are calculated using the accrual method of accounting and correspond to the National Administration.
- (7) Includes transfers to the private sector (including subsidies), to the public sector (e.g., transfers to universities), to the Heads of Households Program and to state-owned companies.
- (8) Includes interest payments on bonds issued pursuant to the 2005 Debt Exchange and the 2010 Debt Exchange.

Source: Ministry of the Treasury.

### National Public Accounts (as a percentage of GDP)

	2011 <sup>(8)</sup>	2012 <sup>(8)</sup>	2013 <sup>(8)</sup>	2014	2015
<b>Fiscal revenue</b>					
Current revenue:					
National Administration taxes <sup>(1)</sup> .....	12.1%	12.5%	12.1%	12.3%	12.1%
Social security tax <sup>(1)</sup> .....	6.1	6.6	6.9	6.6	7.2
Net operating result from state-owned enterprises .....	(0.1)	(0.2)	(0.3)	(0.6)	(0.4)
Other non-tax revenue <sup>(2)</sup> .....	1.7	1.8	2.5	3.5	3.3
Capital revenue <sup>(3)</sup> .....	—	—	—	—	—
Total fiscal revenues <sup>(4)</sup> .....	19.8	20.6	21.1	21.8	22.2
<b>Primary expenditures<sup>(5)</sup></b>					
Current expenditures:					
National Administration wages .....	2.8	3.0	3.0	3.1	3.4
Goods and services .....	0.9	0.9	1.1	1.1	1.2
Social security <sup>(6)</sup> .....	6.8	7.8	8.1	7.9	9.2
Transfers to provinces .....	0.5	0.5	0.4	0.4	0.5
Other transfers <sup>(7)</sup> .....	5.6	5.4	5.5	6.2	6.4
Other expenditures .....	0.5	0.8	0.9	1.0	0.6
Capital expenditures .....	2.5	2.3	2.7	2.9	2.7

	<u>2011<sup>(8)</sup></u>	<u>2012<sup>(8)</sup></u>	<u>2013<sup>(8)</sup></u>	<u>2014</u>	<u>2015</u>
Total primary expenditures.....	19.6	20.8	21.8	22.6	24.0
Primary fiscal balance .....	0.2	(0.2)	(0.7)	(0.8)	(1.8)
Interest payments <sup>(8)</sup> .....	1.6	1.9	1.3	1.6	2.1
Privatization proceeds .....	—	—	—	—	—
Overall balance of non-financial public sector .....	<u>(1.4)%</u>	<u>(2.1)%</u>	<u>(1.9)%</u>	<u>(2.4)%</u>	<u>(3.9)%</u>

- (1) Figures presented in this table differ from those presented in the tables titled “Composition of Tax Revenues” because they exclude revenues (and transfers) co-participated with the provinces and because they are published after the figures in the “Composition of Tax Revenues” table and thus reflect updated information.
- (2) Includes sale of goods and services of the public administration, operational revenues, transfers from the Central Bank and the FGS, current transfers and other transfers.
- (3) Excludes revenues from privatization.
- (4) Includes pension contributions mandated by the Argentine Integrated Pension System.
- (5) The Government discharges certain of its payment obligations (e.g., with suppliers) by issuing bonds known as Bocones. Bocones constitute bonds to be paid in the future rather than cash payments, and were not recorded as primary expenditures in the periods presented in this table or reflected as part of the overall balance of the non-financial public sector. See the table below titled “National Public Accounts (New Presentation)” for a description of the treatment of Bocones under the new presentation. The amount of such Bocones issued in 2011, 2012, 2013, 2014 and 2015 was Ps. 0.93 billion, Ps. 1.1 billion, Ps. 1.6 billion, Ps. 1.3 billion and Ps. 1.6 billion, respectively. For a description of these securities, see “Public Sector Debt—Debt Management Following the 2001 Debt Crisis.”
- (6) Amounts presented under “Social security” in this table are calculated on a cash basis and therefore differ from those presented in the table entitled “Composition of National Public Expenditures,” which are calculated using the accrual method of accounting and correspond to the National Administration.
- (7) Includes transfers to the private sector (including subsidies), to the public sector (e.g., transfers to universities), to the Heads of Households Program and to state-owned companies.
- (8) Includes interest payments on bonds issued pursuant to the 2005 Debt Exchange and the 2010 Debt Exchange.

Source: *Ministry of the Treasury.*

In March 2016, the Macri administration adopted a new methodology intended to increase transparency in the reporting of fiscal results. The main modifications introduced in the new presentation of fiscal results consist of excluding transfers from the Central Bank and FGS to the Government from total current fiscal revenues and excluding interest payments on public debt made by the Government from total current fiscal expenditures.

The following table sets forth the national public accounts for 2014 and 2015, on a pro forma basis, based on the new presentation that has been adopted by the Macri administration. In addition, it includes an estimate of the increase in the amount of deferred current obligations. Since the expenditures of the non-financial public sector are recorded at the time of payment in accordance with the cash method of accounting, expenditures relating to the consumption of goods and services incurred in a given period are recorded in a subsequent period if payment is deferred as a result of the Government's discretionary power to do so. Recording the non-financial public sector's accrued expenditures is a way to monitor the discrepancy between expenditures associated with actual consumption during a period which will be actually paid for during subsequent periods.

**National Public Accounts (New Presentation)**  
(in millions of pesos, except percentages)

	<u>Pro forma 2014</u>	<u>Pro forma 2015</u>	<u>% Change</u>
<b>Fiscal revenue</b>			
Total current fiscal revenues .....	Ps. 906,260	Ps. 1,192,870	31.6%
<b>Primary expenditures</b>			
Total current primary expenditures .....	(1,061,780)	(1,427,990)	34.5%
Deferred current obligations <sup>(1)</sup> .....	(12,890)	(56,540)	338.6%
Primary fiscal balance .....	(168,410)	(291,660)	73.2%
Transfers on capital <sup>(2)</sup> .....	45,800	9,480	(79.3)%
Overall balance of non-financial public sector .....	Ps. (122,610)	Ps. (282,180)	130.1%

(1) Includes the aggregate amount of the Government's obligations with suppliers that were not timely honored and deferred to a subsequent fiscal year. These payment obligations previously were not recorded as primary expenditures.

(2) Includes transfers from the Central Bank and FGS to the Government and interest payments on public debt made by the Government.  
Source: Ministry of the Treasury.

Amounts in the discussion of fiscal results below are those presented in the immediately preceding tables, with the exception of revenues from social security taxes, value-added taxes ("VAT"), income taxes, taxes on goods and services and taxes on fuel, each of which refers to data presented in the table titled "Composition of Tax Revenues" presented in "—Tax Regime," which include revenues (and transfers) "co-participated" with the provinces (see "Public Sector Finances—Fiscal Relations with the Provinces") and pension contributions mandated by the Argentine Integrated Pension System.

***Fiscal Result of 2011 Compared to Fiscal Result of 2010***

*Primary fiscal balance.* The primary surplus decreased by 80.4%, from Ps. 25.1 billion in 2010 to Ps. 4.9 billion in 2011. While total revenues increased by 23.9% in 2011, primary expenditures increased by 32.0%. Total revenues and primary expenditures increased in excess of the amount initially budgeted for 2011, resulting in a lower but still positive primary balance.

*Fiscal revenues.* In 2011, fiscal revenues increased by 23.9% to Ps. 432.0 billion from Ps. 348.7 billion in 2010.

This increase was mainly driven by an increase in social security taxes, VAT, income tax and taxes on foreign trade, which accounted for approximately 94.1% of the total increase. The increase in fiscal revenues includes:

- an increase in revenues from social security contributions, which accounted for approximately 39.3% of the total increase;
- an increase in revenues from VAT, which accounted for approximately 23.6% of the total increase;



- an increase in revenues from income tax, which accounted for approximately 20.3% of the total increase; and
- an increase in revenues from taxes on foreign trade, which accounted for approximately 11.0% of the total increase, mainly due to increases in foreign trade activity, agricultural commodities prices and nominal peso-U.S. dollar exchange rate depreciation.

This increase in fiscal revenues was partially offset by a decrease in other non-tax revenues, which decreased by 13.9%, from Ps. 43.1 billion in 2010 to Ps. 37.1 billion in 2011. This decrease was primarily driven by transfers of profits from the Central Bank, which decreased from Ps. 20.3 billion in 2010 to Ps. 8.7 billion in 2011.

*Primary expenditures.* In 2011, primary expenditures (excluding interest payments) of the national public sector increased by 32.0%, from Ps. 323.6 billion in 2010 to Ps. 427.1 billion. This increase was mainly due to the following factors:

- social security outlays, which accounted for 38.7% of the overall increase, increased by 37.4%, from Ps. 107.1 billion in 2010 to Ps. 147.1 billion in 2011, mainly as a result of an increase in the number of retirees and successive increases in pension income. During 2011, pensions increased by an average of 37.0%;
- other transfers (including external sector transfers, private sector subsidies and transfers to autonomous public entities such as universities), which accounted for 31.3% of the overall increase, increased by 36.2%, from Ps. 89.6 billion in 2010 to Ps. 122.0 billion in 2011. This increase was mainly due to the increase in subsidies to the transport and electricity sectors. The increase in other transfers was also driven by an increase in social security payments, particularly through the Universal Child Allowance and Universal Pregnancy Allowance programs;
- National Administration wages, which accounted for 12.7% of the overall increase, increased by 27.4%, from Ps. 48.0 billion in 2010 to Ps. 61.2 billion in 2011, primarily as a result of the periodic adjustment to the salaries of public employees, which increased by an average of 21.2% in the aggregate, and a 5.1% increase in the number of national public sector employees from 351,144 as of December 31, 2010 to 368,996 as of December 31, 2011; and
- capital expenditures, which accounted for 7.6% of the overall increase, increased by 17.2%, from Ps. 45.6 billion in 2010 to Ps. 53.5 billion in 2011. This increase was primarily due to an increase in direct Government investment, principally for the purchase of computers to distribute to public school students through the *Programa Conectar Igualdad* (Connecting Equality Program) (see “Monetary System—Securities Markets—Mutual Funds”), and for the construction and maintenance of roads. In November 2011, to improve the equitable distribution of expenditures on subsidies, the Government eliminated subsidies on electricity, natural gas, drinking water and sewage systems for certain portions of the population that were considered capable of paying for such public services without the benefit of subsidies.

*Overall fiscal balance.* Due to a higher increase in primary expenditures than revenues, as well as higher interest payments during 2011, the overall fiscal balance recorded a deficit of Ps. 30.7 billion in 2011 compared to a surplus of Ps. 3.1 billion in 2010. For a discussion of interest payments in 2011, see “Public Sector Debt—Foreign Currency Denominated Debt—Foreign Currency Denominated Debt Services” and “Public Sector Debt—Peso-Denominated Debt—Peso-Denominated Debt Service.”

### ***Fiscal Result of 2012 Compared to Fiscal Result of 2011***

*Primary fiscal balance.* The primary fiscal balance in 2012 recorded a deficit of Ps. 4.4 billion in 2012, compared to a surplus of Ps. 4.9 billion in 2011. While total revenues increased by 25.9% in 2012, primary expenditures increased to a greater extent, by 28.3%. Total revenues and primary expenditures increased in excess of the amount initially budgeted for 2012.

*Fiscal revenues.* In 2012, fiscal revenues increased by 25.9% to Ps. 543.8 billion from Ps. 432.0 billion in 2011. This increase was mainly driven by social security taxes, VAT, income tax, taxes on foreign trade and other non-tax revenues, which accounted for approximately 89.4% of the total increase. The increase in fiscal revenues includes:

- an increase in revenues from social security contributions, which accounted for approximately 36.4% of the total increase;
- an increase in revenues from VAT, which accounted for approximately 20.6% of the total increase;
- an increase in revenues from income tax, which accounted for approximately 14.7% of the total increase;
- an increase in revenues from taxes on foreign trade, which accounted for approximately 9.5% of the total change increase, mainly due to increases in foreign trade activity, agricultural commodity prices, nominal peso-U.S. dollar exchange rate depreciation and an increase in the variable tax rate applicable to biodiesel exports; and
- an increase in other non-tax revenues, which accounted for approximately 8.2% of the total increase, primarily driven by an increase in profits generated by the Argentine Integrated Pension System, which was partially offset by an 11.5% decrease in the transfer of profits from the Central Bank.

*Primary expenditures.* In 2012, primary expenditures (excluding interest payments) of the national public sector increased by 28.3% from Ps. 427.1 billion in 2011 to Ps. 548.2 billion in 2012. This increase was mainly due to the following factors:

- social security outlays, which accounted for approximately 47.5% of the overall increase, increased by 39.1%, from Ps. 147.1 billion in 2011 to Ps. 204.6 billion in 2012, mainly as a result of an increase in the number of retirees and successive increases in pension income. During 2012, minimum pension income increased by an average of 31.1%;
- other transfers (including external sector transfers, private sector subsidies and transfers to autonomous public entities such as universities), which accounted for approximately 17.9% of the overall increase, increased by 17.8%, from Ps. 122.0 billion in 2011 to Ps. 143.6 billion in 2012. This increase was mainly due to the increase in subsidies to the transport and electricity sectors. The increase in other transfers was also driven by the increase in outlays to universities and social security payments, particularly through the Universal Child Allowance and Universal Pregnancy Allowance programs;
- National Administration wages, which accounted for approximately 14.8% of the total increase, increased by 29.3% from Ps. 61.2 billion in 2011 to Ps. 79.1 billion in 2012, primarily as a result of the periodic adjustment to the salaries of public employees during 2012, which increased by an average of 25.8% in the aggregate, and a 2.8% increase in the number of national public sector employees from 368,996 as of December 31, 2011 to 379,388 as of December 31, 2012; and
- capital expenditures, which accounted for approximately 6.8% of the overall increase, increased by 15.5% from Ps. 53.5 billion in 2011 to Ps. 61.8 billion in 2012. This increase was primarily due to an increase in direct Government investment, principally for the purchase of computers to distribute to public school students through the Connecting Equality program, the construction and maintenance of roads and capital transfers to provinces and private companies, primarily for infrastructure projects.

*Overall fiscal balance.* Due to a higher increase in primary expenditures than revenues, as well as higher interest payments during 2012, the overall fiscal deficit increased from Ps. 30.7 billion in 2011 to Ps. 55.6 billion in 2012. For a discussion of interest payments in 2012, see “Public Sector Debt—Foreign Currency Denominated

Debt—Foreign Currency Denominated Debt Services” and “Public Sector Debt—Peso-Denominated Debt—Peso-Denominated Debt Service.”

### ***Fiscal Result of 2013 Compared to Fiscal Results of 2012***

*Primary fiscal balance.* The primary deficit increased from Ps. 4.4 billion in 2012 to Ps. 22.5 billion in 2013. While total revenues increased by 30.2% in 2013, primary expenditures increased by 33.2%. Total revenues and primary expenditures increased in excess of the amount initially budgeted for 2013.

*Fiscal revenues.* In 2013, fiscal revenues increased by 30.2% to Ps. 707.9 from Ps. 543.8 billion in 2012. This increase was mainly driven by social security taxes, VAT, income tax, taxes on foreign trade and other non-tax revenues, which accounted for approximately 91.4% of the total increase. The increase in fiscal revenues includes:

- an increase in revenues from social security contributions, which accounted for approximately 33.8% of the total increase;
- an increase in other non-tax revenues, which accounted for approximately 22.7% of the total increase, primarily driven by increase in profits generated by the Argentine Integrated Pension System and a 316.7% increase in the transfer of profits from the Central Bank;
- an increase in revenues from VAT, which accounted for approximately 18.7% of the total increase;
- an increase in revenues from income tax, which accounted for approximately 14.8% of the total increase; and
- an increase in revenues from taxes on foreign trade, which accounted for approximately 1.5% of the total increase.

*Primary expenditures.* In 2013, primary expenditures (excluding interest payments) of the national public sector increased by 33.2% from Ps. 548.2 billion in 2012 to Ps. 730.4 billion in 2013. This increase was mainly due to the following factors:

- social security outlays, which accounted for approximately 37.0% of the overall increase, increased by 33.0%, from Ps. 204.6 billion in 2012 to Ps. 272.1 billion in 2013, mainly as a result of successive increases in pension income. In 2013, minimum pension income increased by an average of 31.8%;
- other transfers (including external sector transfers, private sector subsidies and transfers to autonomous public entities such as universities), which accounted for approximately 22.0% of the overall increase, increased by 27.9%, from Ps. 143.6 billion in 2012 to Ps. 183.7 billion in 2013. This increase was mainly due to the raise in subsidies to the electricity and energy sectors. The increase in other transfers was also driven by the increase in outlays to universities and social security payments, particularly through the Universal Child Allowance and Universal Pregnancy Allowance programs;
- capital expenditures, which accounted for approximately 15.9% of the overall increase, increased by 46.9% from Ps. 61.8 billion in 2012 to Ps. 90.7 billion in 2013. This increase was primarily due to an increase in transfers to provinces for infrastructure projects through the *Fondo Federal Solidario* (Joint Federal Fund) (see “Public Sector Finances—Fiscal Relations with the Provinces—Revenue Transfers”) and direct Government investment, principally for housing projects under the *Plan Más Cerca, Más Municipio, Mejor País, Más Patria* program and financial assistance to railway service companies for the improvement and renewal of railway infrastructure; and
- National Administration wages, which accounted for approximately 12.4% of the total increase, increased by 28.4% from Ps. 79.1 billion in 2012 to Ps. 101.6 billion in 2013, primarily as a result

of two successive increases in the salaries of public employees during 2013, which increased by an average of 23.5%, and a 4.4% increase in the number of national public sector employees from 379,338 as of December 30, 2012 to 396,138 as of December 30, 2013.

*Overall fiscal balance.* Due to a higher increase in primary expenditures than revenues during 2013, the overall fiscal deficit increased from Ps. 55.6 billion in 2012 to Ps. 64.5 billion in 2013. For a discussion of interest payments in 2013, see “Public Sector Debt—Foreign Currency Denominated Debt—Foreign Currency Denominated Debt Services” and “Public Sector Debt—Peso-Denominated Debt—Peso-Denominated Debt Service.”

### ***Fiscal Result of 2014 Compared to Fiscal Results of 2013***

*Primary fiscal balance.* The primary deficit increased from Ps. 22.5 billion in 2013 to Ps. 38.6 billion in 2014. Total revenues and primary expenditures increased in excess of the amount initially budgeted for 2014. While total revenues increased by 40.9% in 2014, primary expenditures increased by 41.8%, resulting in a larger primary deficit.

*Fiscal revenues.* In 2014, fiscal revenues increased by 40.9% to Ps. 997.2 billion from Ps. 707.9 billion in 2013. This increase was mainly driven by social security taxes, VAT, income tax, taxes on foreign trade and other non-tax revenue, which accounted for approximately 93.5% of the total increase. The increase in fiscal revenues includes:

- an increase in revenues from social security contributions, which accounted for approximately 24.6% of the total increase;
- an increase in other non-tax revenues, which accounted for approximately 26.0% of the total increase, primarily driven by an increase in the transfer of profits from the Central Bank from Ps. 32.2 billion in 2013 to Ps. 78.4 billion in 2014, and an increase in profits generated by the Argentine Integrated Pension System;
- an increase in revenues from income tax, which accounted for approximately 15.6% of the total increase;
- an increase in revenues from VAT, which accounted for approximately 15.3% of the total increase; and
- an increase in revenues from taxes on foreign trade, which accounted for approximately 11.9% of the total change increase, mainly due to nominal peso-U.S. dollar exchange rate depreciation, which was partially offset by a decrease in taxes biodiesel exports, as a result of the impact of decreased oil and fuel commodity prices on the variable tax rate.

*Primary expenditures.* In 2014, primary expenditures (excluding interest payments) of the national public sector increased by 41.8% from Ps. 730.4 billion in 2013 to Ps. 1,035.8 billion in 2014. This increase was mainly due to the following factors:

- other transfers (including external sector transfers, private sector subsidies and transfers to autonomous public entities such as universities), which accounted for approximately 32.9% of the overall increase, increased by 54.7%, from Ps. 183.7 billion in 2013 to Ps. 284.3 billion in 2014. This increase was mainly due to the increase in subsidies to the electricity sector. The increase in other transfers was also driven by the increase in outlays to social security payments, particularly through the Universal Child Allowance and Universal Pregnancy Allowance;
- social security outlays, which accounted for approximately 29.9% of the overall increase, increased by 33.6%, from Ps. 272.1 billion in 2013 to Ps. 363.4 billion in 2014, mainly as a result of an increase in the number of retirees and successive increases in pension income. During 2014, pensions increased by an average of 30.5%, including as a result of the Government’s extension of the social security system in September 2014 to cover individuals who had reached, or were within two years of reaching, the eligible age to collect such benefits but have not

contributed to the system for the required number of years. This extension applied to the self-employed and those subject to the monotributo (self-employment tax) system.

- National Administration wages, which accounted for approximately 13.6% of the total increase, increased by 40.9% from Ps. 101.6 billion in 2013 to Ps. 143.2 billion in 2014, primarily as a result of the periodic adjustment to the salaries of public employees during 2014, which increased by an average of 35.8% in the aggregate, and a 3.8% increase in the number of national public sector employees from 396,138 as of December 31, 2013 to 411,045 as of December 31, 2014; and
- capital expenditures, which accounted for approximately 13.3% of the overall increase, increased by 44.7% from Ps. 90.7 billion in 2013 to Ps. 131.3 billion in 2014. This increase was primarily due to an increase in direct Government investment and transfers to the provinces and the City of Buenos Aires, principally for the construction and maintenance of roads, as well the purchase of equipment for investments in railway and other infrastructure projects and, to a lesser extent, the *Programa de Estímulo a la Inyección Excedente de Gas Natural* (Natural Gas Stimulus Plan), investments in electricity generation projects, the development of housing infrastructure through the *Techo Digno* program, mortgage lending through the *PRO.CRE.AR Bicentenario* program and the development of economic and social infrastructure in the provinces and municipalities through the Joint Federal Fund (see “Public Sector Finances—Fiscal Relations with the Provinces—Revenue Transfers”);

#### ***Fiscal Result of 2015 Compared to Fiscal Results of 2014***

*Primary fiscal balance.* The primary deficit increased from Ps. 38.6 billion in 2014 to Ps. 104.8 billion in 2015. Total revenues and primary expenditures increased in excess of the amount initially budgeted for 2015. While total revenues increased by 30.2% in 2015, primary expenditures increased by 35.5%, resulting in a larger primary deficit.

*Fiscal revenues.* In 2015, fiscal revenues increased by 30.2% to Ps. 1,299 billion from Ps. 997.2 billion in 2014. This increase was mainly driven by social security taxes, VAT, income tax, taxes on fuel, financial transactions and other non-tax revenue, which accounted for approximately 96.8% of the total increase. The increase in fiscal revenues includes:

- an increase in revenues from social security contributions, which accounted for approximately 37.7% of the total increase;
- an increase in other non-tax revenues, which accounted for approximately 11.4% of the total increase, primarily driven by an increase in profits generated by the Argentine Integrated Pension System and managed by the FGS;
- an increase in revenues from income tax, which accounted for approximately 19.7% of the total increase;
- an increase in revenues from VAT, which accounted for approximately 19.3% of the total increase; and an increase in revenues from taxes on foreign trade, mainly due to an increase in imports tax contribution, which was partially offset by a decrease in export tax revenues.

*Primary expenditures.* In 2015, primary expenditures (excluding interest payments) of the national public sector increased by 35.5% from Ps. 1,035.8 billion in 2014 to Ps. 1,403 billion in 2015. This increase was mainly due to the following factors:

- other transfers (including external sector transfers, private sector subsidies and transfers to autonomous public entities such as universities), which accounted for approximately 24.4% of the overall increase, increased by 31.6%, from Ps. 284.3 billion in 2014 to Ps. 374.2 billion in 2015. This increase was mainly due to the increase in subsidies to the electricity sector. The increase in

other transfers was also driven by the increase in outlays to social security payments, particularly through the Universal Child Allowance and Universal Pregnancy Allowance;

- social security outlays, which accounted for approximately 46.9% of the overall increase, increased by 47.4%, from Ps. 363.4 billion in 2014 to Ps. 535.7 billion in 2015, mainly as a result of an increase in the number of retirees and successive increases in pension income. During 2015, pensions increased by an average of 33.0%;
- National Administration wages, which accounted for approximately 15.2% of the total increase, increased by 39.0% from Ps. 143.2 billion in 2014 to Ps. 199.1 billion in 2015; and
- capital expenditures, which accounted for approximately 8.1% of the overall increase, increased by 22.6% from Ps. 131.3 billion in 2014 to Ps. 160.9 billion in 2015. This increase was primarily due to capital expenditures in energy, transport and housing infrastructure.

### **Tax Regime**

In Argentina, the legal authority to impose taxes is shared by Congress, the provincial legislatures and, within certain limits, the municipalities.

Federal taxes must be authorized by an act of Congress, although the executive branch is empowered to issue regulations and decrees necessary to implement congressional legislation. Argentina does not have a federal revenue code; instead, separate laws, which are amended frequently, govern different categories of taxes. The Ministry of the Treasury is responsible for the collection of federal fiscal revenues. The Ministry of the Treasury carries out this task mainly through the AFIP.

Figures presented in this section differ from those presented in “—National Public Accounts” section because they include revenues (and transfers) “co-participated” (see “Public Sector Finances—Fiscal Relations with the Provinces”) with the provinces.

#### ***Composition of Tax Revenues***

The Government levies the following taxes:

- VAT on goods and services;
- income taxes;
- social security taxes;
- taxes on foreign trade;
- taxes on capital;
- taxes on fuel; and
- other taxes on goods and services (such as consumption taxes and tax on financial transactions).

Traditionally, the Government derived most of its revenue from VAT, social security contributions and income taxes. See “—Tax Regime—Composition of Tax Revenues.”

Tax revenues for the year ended December 31, 2015 totaled Ps. 1,567 billion, an increase of 31.1% as compared to 2014. The increase was primarily the result of:

- an increase in nominal wages of the public and private sectors;
- an increase in prices of products and services;

- an increase in taxable income declared by companies and individuals; and
- continued improvements in tax collection mechanisms.

During 2015:

- income tax revenues increased by 42.8%, primarily due to larger income tax advance payments made by companies in 2015 and larger payments made by individuals resulting from an increase in salaries without any adjustment to the tax bracket base;
- duties on foreign trade decreased 1.9% as compared to 2014. Export taxes revenues decreased by 9.7% while import tax collection increased by 18.1%;
- social security taxes increased by 35.0%, mainly driven by increased taxable wages and the number of registered workers as compared to 2014, and changes in legislation, including the increase of the maximum taxable base for the calculation of contributions; and
- VAT revenues increased by 30.8% as a result of a 36.8% increase in the national tax bureau VAT and a 16.4% increase in customs VAT, in each case as compared to 2014, primarily as a result of an increase in nominal consumption, which was partially offset by increased returns and exchanges to grain exporters and producers, as well as a decrease in revenues generated under the VAT moratorium approved in 2015.

The following tables set forth the composition of the Government's tax revenues for the periods specified.

**Composition of Tax Revenues**  
(in millions of pesos)

	2011	2012	2013	2014	2015 <sup>(4)</sup>
VAT .....	Ps. 154,237	Ps. 190,496	Ps. 249,006	Ps. 331,203	Ps. 433,076
Social security taxes <sup>(1)</sup> .....	137,186	179,777	236,072	307,656	415,410
Taxes on income .....	108,598	138,440	183,599	267,075	381,463
Corporate income tax .....	66,767	80,490	97,614	129,881	183,207
Personal income tax .....	36,711	54,274	79,446	125,066	187,663
Others .....	5,121	3,676	6,539	12,128	10,593
Import and export taxes .....	69,338	78,677	79,940	115,283	113,053
Taxes on capital <sup>(2)</sup> .....	6,018	7,409	10,471	14,575	18,538
Taxes on fuel .....	18,131	25,785	31,010	44,490	56,478
Other taxes on goods and services .....	51,494	61,894	78,595	106,672	139,027
Others .....	5,214	6,428	5,200	8,333	10,004
Gross tax revenues <sup>(3)</sup> .....	<b>550,216</b>	<b>688,905</b>	<b>873,893</b>	<b>1,195,287</b>	<b>1,567,050</b>
Tax refunds .....	(4,690)	(1,987)	(5,394)	(11,215)	(8,831)
Net tax revenues .....	<b>Ps. 545,526</b>	<b>Ps. 686,918</b>	<b>Ps. 868,499</b>	<b>Ps. 1,184,072</b>	<b>Ps. 1,558,219</b>

(1) Revenues for 2011, 2012, 2013, 2014 and 2015 include pension contributions resulting from the Argentine Integrated Pension System.

(2) Includes tax on financial transactions, which generated revenues of Ps. 36.9 billion in 2011, Ps. 44.6 billion in 2012, Ps. 57.2 billion in 2013, Ps. 77.6 billion in 2014 and Ps. 97.5 billion in 2015.

(3) Gross tax revenues include certain tax revenues that are collected and later refunded, such as VAT and income tax, which are refundable in certain circumstances. Such refunds are deducted from gross tax revenues to calculate net tax revenues.

(4) Preliminary data.

Source: Ministry of the Treasury.

**Composition of Tax Revenues**  
(as a percentage of total Government fiscal revenues)

	2011	2012	2013	2014	2015 <sup>(4)</sup>
VAT .....	28.3%	27.7%	28.7%	28.0%	27.8%
Social security taxes <sup>(1)</sup> .....	25.1%	26.2%	27.2%	26.0%	26.7%
Taxes on income .....	19.9%	20.2%	21.1%	22.6%	24.5%
Corporate income tax .....	12.2%	11.7%	11.2%	11.0%	11.8%
Personal income tax .....	6.7%	7.9%	9.1%	10.6%	12.0%

	2011	2012	2013	2014	2015 <sup>(4)</sup>
Others .....	0.9%	0.5%	0.8%	1.0%	0.7%
Import and export taxes .....	12.7%	11.5%	9.2%	9.7%	7.3%
Taxes on capital .....	1.1%	1.1%	1.2%	1.2%	1.2%
Taxes on fuel .....	3.3%	3.8%	3.6%	3.8%	3.6%
Other taxes on goods and services <sup>(2)</sup> .....	9.4%	9.0%	9.0%	9.0%	8.9%
Others .....	1.0%	0.9%	0.6%	0.7%	n.a.
Gross tax revenues <sup>(3)</sup> .....	100.9%	100.3%	100.6%	100.9%	100.6%
Tax refunds .....	(0.9)	(0.3)	(0.6)	(0.9)	(0.6)
Net tax revenues .....	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Revenues for 2011, 2012, 2013, 2014 and 2015 include pension contributions resulting from the Argentine Integrated Pension System.

(2) Includes tax on financial transactions, which generated revenues of Ps. 36.9 billion in 2011, Ps. 44.6 billion in 2012, Ps. 57.2 billion in 2013, Ps. 77.6 billion in 2014 and Ps. 97.5 billion in 2015.

(3) Gross tax revenues include certain tax revenues that are collected and later refunded, such as VAT and income tax, which are refundable in certain circumstances. Such refunds are deducted from gross tax revenues to calculate net tax revenues.

(4) Preliminary Data.

n.a. = not available.

Source: Ministry of the Treasury.

The information below is a brief description of the principal taxes levied by the Government, except for social security taxes. For a description of social security taxes see "Social Security."

### Value Added Tax

VAT is levied on sales of goods and services within Argentina, and the rendering of services abroad when the effective use of those services takes place in Argentina and the provider of the service is registered as a VAT taxable person. VAT is also applied on imports.

As of the date of this document, the general VAT rate is 21.0%. An increased rate of 27.0% applies to the provision of gas, electricity, water, sewage and telecommunications services for non-residential purposes. A reduced rate of 10.5% applies in certain cases, including housing projects, the sale of livestock and other agricultural products, the sale of capital goods and certain financial revenues and expenses.

VAT revenues increased by 30.8% in 2015 as compared to 2014, primarily as a result of an increase in nominal consumption, which was partially offset by a decrease in revenues generated under the VAT moratorium approved in 2015.

The Government also levies certain taxes on the consumption of certain goods and services. The following table sets forth a sample of the tax rates applicable to certain products.

### Composition of Taxes on Goods and Services

Product	Rate (%)
<b>Goods</b>	
Tobacco products .....	20–75
Alcoholic beverages .....	8–20
Non-alcoholic beverages (including extracts, concentrates and mineral water) .....	4–8
Luxury items .....	20
Recreational sporting equipment (including private planes and yachts) .....	10
Electronic products .....	17
Cars, engines and motorcycles .....	10–20
<b>Services</b>	
Insurances .....	0.1–23
Satellite and Cell phones (mobile phones) .....	4

Source: Ministry of the Treasury.

Since 2010, the Government has collected a tax on mobile phones. The tax is equal to 1% of customers' payments (*abonos*) to cell phone companies (net of VAT). The proceeds of this tax are allocated to the promotion of Olympic sports through the *Ente Nacional de Alto Rendimiento Deportivo*, or *Enard* (National Board of High Performance Sports).



### ***Taxes on Income***

Argentine legal residents and corporations domiciled in Argentina are subject to income tax on their worldwide income. Nonresidents are subject to tax only on income from Argentine sources.

The income of national, provincial or local authorities, as well as non-profit organizations (including cooperatives, religious institutions and foundations), is exempt from income tax. The Government also exempts or creates special incentives (in the form of tax breaks) for projects carried out in certain locations, such as Tierra del Fuego, and for certain economic activities, such as public transportation and garbage collection.

There are three categories of taxes on income in Argentina:

- *Impuesto a las ganancias* (income tax). For Argentine resident individuals, the rate of this tax varies according to income level, ranging from 9% to 35%. A 15% tax rate applies to net income derived from trade of securities. In case the trade is conducted through certain markets, an exemption may apply for Argentine resident individuals. For all business entities, the rate is 35% applicable on worldwide net income. For non-resident individuals and entities the rate is 35%, however, it is generally applied on a presumed income portion contained in payments to non-residents (which usually causes the effective tax rate to be lower). A 13.5% rate on the gross sale price or 15% on actual net income applies for income obtained by non-Argentine residents from the sale of securities. Alternatively, self-employed individuals whose annual income is less than a statutorily provided limit (which is adjusted periodically) may opt to pay a *monotributo* (self-employment tax), which is a fixed amount calculated on the basis of gross turnover, which replaces both the income tax and the VAT.
- *Gravamen de emergencia sobre premios de determinados juegos de sorteos y concursos deportivos* (emergency tax on lotteries and gaming proceeds). The rate of this tax is 31% and it is levied on 90% of the net amount of gains from lotteries and games.
- *Impuesto a la ganancia mínima presunta* (notional minimum income tax). Subject to certain exceptions, such as stock and other equity interests in entities subject to income tax, a 1% tax is levied on the value of certain assets held by businesses and individuals at the end of each fiscal year to the extent their aggregate value exceeds a minimum threshold. Amounts paid on account of income tax are deductible from this tax to avoid double taxation. The minimum income tax rate supplements the income tax rate. The fiscal obligation in each year is set at the higher of both taxes. However, if the minimum income tax exceeds income tax, the excess can be credited against future income tax payment obligations for up to ten years. This tax has been abrogated for tax periods initiated after January 1, 2019.

Income tax accounted on average for 21.6% of total tax revenues from 2011 through 2015. In 2015, income tax accounted for 24.5% of total tax revenues.

In 2016, Congress abrogated the application of the 10% income tax withholding on dividends paid by Argentine companies.

### ***Taxes on Foreign Trade***

Taxes on foreign trade consist of export and import taxes. Import taxes are levied on goods and services imported into Argentina for consumption. They are assessed either *ad valorem* (i.e., on the actual value of the good or service) or based on CIF official prices (i.e., the cost of the good or service, plus insurance and freight to the destination), whichever is higher. Rates for import taxes range from 0% to 35%. Imports of capital goods that are not produced in Argentina are taxed at a 2% rate, while those produced in Argentina are subject to, in general, a 14% rate. Certain products, such as textiles, footwear and toys are taxed at a special rate. Export taxes were introduced in 2002. Export taxes became an important source of revenue for the Government beginning in 2003, primarily as a result of the high international prices for commodities and the devaluation of the peso, which during the initial years increased the competitiveness and value of Argentina's U.S. dollar exports in pesos. Domestic inflation and the real appreciation of the peso eroded the competitiveness of Argentine exports.

Set forth below are certain export tax rates that were in effect as of December 10 and as of December 31, 2015, after President Macri issued a decree significantly reducing export taxes.

- Exports of crude oil and fuels:
  - if the international price per barrel of crude oil and fuel is less than U.S.\$71.00, the applicable export tax is 1%; and
  - if international price per barrel of crude oil and fuel is higher than U.S.\$71.00, the export tax is calculated according to the following formula:

$$D = \frac{(PI - VC)}{VC} * 100$$

where D is export tax, PI is international price and VC is “price cut” (maximum net amount after taxes that an exporter can be paid; as of December 31, 2015, the Government set the “price cut” at U.S.\$70.00 per barrel);

- 0% on exports of oilseeds from sunflowers;
- 0% on exports of sunflower oils and other products derived from sunflowers;
- 0% on exports of certain regional products such as fruits, honey, rice and vegetables;
- 0% on exports of dairy products and meat;
- 0% on exports of organic products;
- 5% on exports of raw wool and sheared wool;
- 5% on exports of metal waste;
- 5%-10% on exports of hides and skins;
- 5%-10% on exports of natural cork;
- 5%-10% on exports of mineral products;
- 20% on exports of paper and cardboard for recycling;
- 27% on exports of soy oils and other products derived from soy;
- 30% on exports of oilseeds from soy;
- 100% on exports of natural gas;
- Biofuel. The export tax is calculated according to the following formula:

$$D (as \%) = (PR - CRCTE) * \frac{100}{CRCTE}$$

where

D is export tax, PR is reference price and CRCTE is equal to the sum of total costs and the return on total capital used.

In 2011, export taxes on agricultural products represented 41.7% of total export taxes, export taxes on food and beverages represented 24.6% of total export taxes and export taxes on fuel products represented 20.9% of total export taxes.

In 2012, export taxes on agricultural products represented 37.5% of total export taxes, export taxes on fuel products represented 25.4% of total export taxes, and export taxes on food and beverages represented 25.0% of total export taxes. The share of total export taxes stemming from fuel products increased in 2012 primarily as a result of an increase in crude oil exports. In addition, in August 2012, the Government replaced the fixed tax rate applicable to biodiesel exports with a variable rate determined by a governmental agency primarily on the basis of international prices and production costs.

In 2013, export taxes on agricultural products represented 36.3% of total export taxes, export taxes on food and beverages represented 35.2% of total export taxes and export taxes on fuel products represented 14.0% of total export taxes.

In 2014, export taxes on food and beverages represented 39.3% of total export taxes, export taxes on agricultural products represented 36.2% of total export taxes and export taxes on fuel products represented 10.7% of total export taxes.

During the first nine months of 2015, export taxes on food and beverages represented 38.1% of total export taxes, export taxes on agricultural products represented 47.5% of total export taxes and export taxes on fuel products represented 2.1% of total export taxes.

Import and export tax revenues decreased by 3.3%, from Ps. 115.3 billion in 2014 to Ps. 113.1 billion in 2015. Export taxes decreased by 9.7% in 2015 as compared to the previous year as a result of a decrease in agricultural products sales and a decrease in commodities prices. Import taxes increased by 18.1% due to an increase in the nominal exchange rate.

### ***Taxes on Capital***

Taxes on capital include taxes on the value of personal assets owned by individuals, taxes on the net worth of credit unions, a tax on the sales of real estate and a tax on financial transactions. The tax on financial transactions was introduced in 2001 and has become an important source of revenue for the Government. The tax is levied on the full amount of most financial transactions, with certain limited exemptions. The standard tax rate is 0.6% for credits and debits from checking accounts and 1.2% for transfers of funds and other cash transfers. The tax on financial transactions was originally scheduled to expire in December 2002, but Congress extended the expiration date on several consecutive occasions. As a result, the tax on credits and debits from checking accounts will remain in force until December 31, 2017.

### ***Taxes on Fuels***

The Government levies taxes on the sale of various fuels, including liquid fuels, such as gasoline and diesel, and compressed natural gas. Through 2015, the tax on the sale of liquid fuels was generally levied on importers, refineries and distributors and ranged from 17.1% to 63% of the net sales price depending on the type of fuel.

### ***Tax Enforcement***

Argentina historically had a low rate of tax collection. The Government has taken steps to improve its level of tax collection since 2003, when the *Plan Antievasión* (Anti-evasion Program) was approved by Congress. Recent initiatives introduced by the Government to improve tax collection include the following:

### ***Tax Cooperation Agreements***

Argentina and Uruguay have entered into a cooperation agreement to facilitate the sharing of tax information. Under this agreement, the tax authorities of both countries are able to share certain tax information to detect tax evasion.

Argentina has signed cooperation agreements with numerous countries to promote international cooperation in tax matters through the exchange of information and increase the transparency of cross-border commercial transactions. These agreements provide for the sharing of tax information in documentary form and, in certain circumstances, allow representatives of a country's competent authority to conduct interviews and examine records in the territory of a counterparty. In other cases, these agreements provide for mutual assistance in customs procedures.

Argentina is also a party to the Convention on Mutual Administrative Assistance in Tax Matters and to the Multilateral Competent Authority Agreement promoted by the Organization for Economic Co-operation and Development (OECD).

### ***Tax Regularization Program***

In May 2013, with the aim of directing undeclared foreign currency savings of Argentine residents for use in the development of infrastructure projects, as well as in the energy and real estate sectors, Congress passed a law authorizing the issuance of certain securities to be subscribed with undeclared foreign currency. This initiative has not been renewed since December 2015. For more information see "Monetary System—Foreign Exchange and International Reserves—Voluntary Declaration of Foreign Currency."

### **Composition of Public Expenditures**

Public sector expenditures include general administrative expenses, debt service payments, investments in public infrastructure and services, expenditures related to defense and security, administrative expenses of the judiciary and social program expenditures.

The following table sets forth the National Administration's public expenditures for the periods specified, calculated using an accrual method, which computes revenues and expenditures in the periods in which they are accrued, regardless of the period in which payments take place. This method differs from the cash-basis used to calculate national public accounts. See "—Introduction."

**Composition of National Public Expenditures<sup>(1)</sup>**  
(as a percentage of GDP)

	2011	2012	2013	2014	2015
General administration .....	1.0%	0.9%	1.0%	1.0%	1.2%
Defense and security .....	1.1	1.2	1.2	1.3	1.7
Justice.....	0.3	0.3	0.4	0.4	0.5
Social programs.....	11.7	12.5	13.4	13.4	17.3
Social security <sup>(2)</sup> .....	8.0	9.0	9.4	9.3	12.1
Culture, education, science and technology .....	1.8	1.8	1.9	1.9	2.5
Health .....	0.7	0.7	0.9	0.9	1.1
Housing.....	0.5	0.5	0.8	0.9	1.0
Social welfare .....	0.4	0.4	0.4	0.4	0.5
Labor .....	0.1	0.1	0.1	0.1	0.1
Public expenditures on economic infrastructure and services...	4.7	4.5	5.1	6.8	6.0
Public debt service <sup>(3)</sup> .....	1.9	1.8	1.3	1.9	2.3
<b>Total .....</b>	<b>20.7%</b>	<b>21.3%</b>	<b>22.4%</b>	<b>24.8%</b>	<b>22.7%</b>

(1) The budget figures contained in this table do not include amounts budgeted for entities that form part of Argentina's national non-financial public sector but are not part of the National Administration. Figures also do not include interest accrued on Untendered Debt, a portion of which was paid with a portion of the net proceeds of the debt securities issued by the Government on April 22, 2016. Untendered Debt has been defined to include only unpaid principal plus accrued and unpaid interest at contractual rates through its originally scheduled maturity. Such amounts do not include penalty or default interest. In settling outstanding disputes with holdout creditors pursuant to the Settlement Proposal, the Republic took into consideration interest accrued after the originally scheduled maturity of each defaulted series of securities, as well as default interest. For information regarding the Republic's Settlement Proposal to settle all claims on the Untendered Debt, see "Public Sector Debt—Legal Proceedings."

(2) Figures presented under "Social security" in this table differ from those presented in the table "National Public Accounts" because they were calculated using different methodologies.

(3) Based on performing debt.

Source: Ministry of the Treasury.

**Composition of National Public Expenditures<sup>(1)</sup>**  
(as a percentage of total Government expenditures)

	2011	2012	2013	2014	2015
General administration .....	5.0%	4.3%	4.4 %	3.9%	4.2%
Defense and security .....	5.4	5.4	5.5	5.4	5.5
Justice.....	1.5	1.6	1.6	1.4	1.6
Social programs.....	56.4	58.8	59.8	54.1	60.2
Social security <sup>(2)</sup> .....	38.9	42.1	41.9	37.5	42.7
Culture, education, science and technology .....	8.8	8.5	8.5	7.7	8.4
Health .....	3.4	3.5	3.8	3.5	3.9
Housing.....	2.5	2.3	3.5	3.4	3.2
Social welfare .....	2.1	1.9	1.7	1.7	1.5
Labor .....	0.7	0.6	0.5	0.4	0.4
Public expenditures on economic infrastructure and services .....	22.5	21.4	22.7	27.5	20.8
Public debt service <sup>(3)</sup> .....	9.2	8.5	6.0	7.7	7.7
Total .....	100.0%	100.0%	100.0%	100.0%	100.0%

(1) The budget figures contained in this table do not include amounts budgeted for entities that form part of Argentina’s national non-financial public sector, but are not part of the National Administration. Figures also do not include interest accrued on Untendered Debt, a portion of which was paid with a portion of the net proceeds of the debt securities issued by the Government on April 22, 2016. Untendered Debt has been defined to include only unpaid principal plus accrued and unpaid interest at contractual rates through its originally scheduled maturity. Such amounts do not include penalty or default interest. In settling outstanding disputes with holdout creditors pursuant to the Settlement Proposal, the Republic took into consideration interest accrued after the originally scheduled maturity of each defaulted series of securities, as well as default interest. For information regarding the Republic’s Settlement Proposal to settle all claims on the Untendered Debt, see “Public Sector Debt—Legal Proceedings.”

(2) Figures presented under “Social security” in this table differ from those presented in the table titled “National Public Accounts” because they were calculated using different methodologies.

(3) Based on performing debt.

Source: *Ministry of the Treasury.*

Expenditures for social programs, investments in public infrastructure and services and public debt service represented the largest portion of Government’s expenditures, accounting on average for 88.7% of total Government expenditures from 2011 through 2015.

***Expenditures on Social Programs***

The Government devotes a substantial portion of its revenues to social programs. From 2011 to 2015, social programs expenditures accounted on average for 57.9% of annual Government expenditures, of which social security payments alone accounted on average for 40.6%. These social programs include the social security system, cultural goods and services, education, science and technology programs, the health-care system, low-income housing programs, social welfare programs and labor subsidies. In addition, under current law, 6% of the Government’s annual budget must be allocated to education, science and technology. See “The Argentine Economy—Poverty and Income Distribution.”

***Public Infrastructure and Services***

The main projects in public infrastructure include the following:

- construction of railroads and roads;
- construction and improvements to power lines to transport electricity;
- extension of gas transportation systems for thermoelectric plants; and
- construction of water pipelines and drainage.

For more information see “—Infrastructure Development.”

### ***Public Debt Service***

The Government has only recorded interest paid on performing debt. The data discussed below does not include interest accrued on Untendered Debt, a portion of which was paid with a portion of the net proceeds of the debt securities issued by the Government in the April 2016 Transaction. Untendered Debt has been defined to include only unpaid principal plus accrued and unpaid interest at contractual rates through its originally scheduled maturity. Such amounts do not include penalty or default interest. In settling outstanding disputes with holdout creditors, the Government took into consideration interest accrued after the originally scheduled maturity of each defaulted series of securities, as well as default interest. For information regarding the Government's Settlement Proposal to settle all claims on the Untendered Debt, see "Public Sector Debt—Legal Proceedings." Interest paid on the new debt securities going forward will be reflected under Public Debt Service. In 2011, interest payments as a percentage of total expenditures increased to 9.2%, primarily due to payments under GDP-Linked Securities. In 2012, interest payments as a percentage of total expenditures decreased to 8.5%, but increased by 15.8% in nominal terms, mainly due to higher interest payments on Bonares and payments on GDP-Linked Securities, commercial bank debt and Treasury notes. In 2013, interest payments as a percentage of total expenditures decreased to 6.0%, and also decreased by 6.7% in nominal terms, primarily due to the fact that no payments under the GDP-Linked Securities were due. In 2014, interest payments as a percentage of total expenditures increased to 7.7%, and increased by 94.2% in nominal terms, mainly due to higher interest payments for Bonares, Discounts and interest payments on debt owed to multilateral agencies. In 2015, interest payments as a percentage of total expenditures remained stable at 7.7%, and increased by 26.0% in nominal terms, mainly due to payments on Bonares, Discounts and Treasury notes. See "Public Sector Debt—Foreign Currency—Denominated Debt—Foreign Currency—Denominated Debt Service."

### ***Defense and Security***

In 2011, government expenditures in defense and security decreased to 5.4% of total expenditures. From 2012 to 2014, government expenditures in defense and security remained relatively stable, representing 5.4% of total expenditures in 2012, 5.5% of total expenditures in 2013 and 5.4% of total expenditures in 2014. In 2015, government expenditures in defense and security increased to 5.5% of total expenditures.

### ***General Administration Expenses***

In 2011, general administration expenses as a percentage of total government expenditures decreased from 6.4% in 2010 to 5.0% in 2011. This decrease was mainly driven by a slower pace of growth of general administration expenses in 2011 as compared to other government expenditures. General administration expenses increased in 2011 in nominal terms as compared to 2010, albeit at a slower pace than other government expenditures, principally as a result of expenses associated with the primary and general elections held during the period and, to a lesser extent, the purchase of equipment and other expenses related to new passport issuance procedures.

In 2012, general administration expenses as a percentage of total government expenditures decreased from 5.0% in 2011 to 4.4% in 2012, but increased by 6.1% in nominal terms as compared to 2011. This decrease was mainly driven by a slower growth of general administration expenses in 2012 as compared to other government expenditures.

In 2013, general administration expenses as a percentage of total government expenditures remained 4.4%, but increased by 38.7% in nominal terms as compared to 2012.

In 2014, general administration expenses as a percentage of total government expenditures decreased from 4.3% in 2013 to 3.9% in 2014, but increased by 33.0% in nominal terms as compared to 2013. This decrease was mainly driven by a slower pace of growth of general administration expenses in 2014 as compared to other government expenditures.

In 2015, general administration expenses as a percentage of total government expenditures increased from 3.9% in 2014 to 4.2% in 2015, and increased by 36.4% in nominal terms as compared to 2014.

## Infrastructure Development

The following table sets forth the composition of the governments expenditure in infrastructure development for the years indicated.

### Composition of Public Expenditures (as a percentage of total expenditures)

	2011	2012	2013	2014	2015
Public expenditures on economic infrastructure.....	18.2%	21.4%	22.7%	27.5%	20.8%
Energy, fuels and mining.....	7.0	11.1	12.7	18.8	12.2
Communications .....	0.5	0.9	1.1	0.8	0.8
Transport .....	8.4	7.8	7.4	6.6	6.2
Ecology and environment.....	0.2	0.3	0.3	0.3	0.2
Agriculture .....	1.7	0.6	0.6	0.5	0.5
Industry .....	0.2	0.3	0.3	0.3	0.4
Trade, tourism and other services .....	0.2	0.3	0.3	0.2	0.3
Insurance and finances .....	—	0.1%	—	—	—

Source: Ministry of the Treasury.

### Composition of Public Expenditures (as a percentage of GDP)

	2011	2012	2013	2014	2015
Public expenditures on economic infrastructure.....	4.7%	4.5%	5.1%	6.8%	6.0%
Energy, fuels and mining.....	2.3	2.4	2.6	4.7	3.5
Communications .....	0.2	0.2	0.2	0.2	0.2
Transport .....	1.8	1.7	1.6	1.6	1.8
Ecology and environment.....	0.1	0.1	0.0	0.1	0.1
Agriculture .....	0.2	0.1	0.1	0.1	0.1
Industry .....	—	0.1	0.1	0.1	0.1
Trade, tourism and other services.....	0.1	0.1	0.1	—	0.1
Insurance and finances .....	—	—	—	—	—

Source: INDEC and Ministry of the Treasury.

## The Budget

The Chief of the Cabinet of Ministers is responsible for preparing the National Administration's budget, which must project the National Administration's fiscal results for the next three years. Although the budget is tri-annual, Congress only approves the budget for the following year. Once a budget is approved, the Government can supply the allocated amounts to the various agencies and to the provinces and the City of Buenos Aires on a quarterly basis. The *Auditoría General de la Nación* (National General Audit Agency) is responsible for supervising budgetary compliance by the National Administration and its agencies. The Public Sector Financial Administration Law prohibits the Government from borrowing to cover operating expenses.

The 2016 budget was approved on October 28, 2015 and the 2015 budget was approved on October 30, 2014.

The following tables set forth budgetary assumptions and principal fiscal targets for 2015 and 2016.

### Principal Budgetary Assumptions for 2015 and 2016

	2014	2015	Projected 2016 <sup>(1)</sup>
Real GDP growth .....	0.5%	2.3%	3.0%
Inflation <sup>(2)</sup> .....	24.0%	13.2%	10.4%
Average exchange rate <sup>(3)</sup> .....	8.12	9.12	10.60

(1) The annual projections for 2016 were estimated in the proposed 2016 budget.

(2) INDEC CPI growth.

(3) Average peso exchange rate against the U.S. dollar.

Source: INDEC and Ministry of the Treasury.

**Principal Fiscal Targets of the Non-Financial Public  
Sector for 2015 and 2016 <sup>(1)</sup>**  
(in millions of pesos, except percentages)

	<u>2015</u>	<u>Projected 2016</u>
Total revenues <sup>(1)(2)(3)</sup> .....	Ps. 1,691,273	Ps. 2,039,570
Total current revenues <sup>(1)</sup> .....	1,326,560	1,610,135
Tax revenues <sup>(1)(2)</sup> .....	1,132,653	1,420,341
Other revenues .....	193,907	189,794
Total capital revenues .....	395	738
Intra public sector transfer .....	364,319	428,697
Primary expenditures <sup>(1)(3)</sup> .....	1,731,062	2,028,437
Primary surplus (deficit) <sup>(2)</sup> .....	(39,789)	11,133
As a percentage of GDP <sup>(4)</sup> .....	(0.7)%	0.2%
Interest expenditures .....	97,985	105,337
As a percentage of GDP <sup>(4)</sup> .....	1.8%	1.6%
Overall fiscal balance <sup>(2)</sup> .....	Ps. (137,774)	Ps. (94,204)
As a percentage of GDP <sup>(4)</sup> .....	(2.6)%	(1.4)%

(1) The budget figures contained in this table reflect amounts budgeted for Argentina's National Public Sector.

These figures do not include co-participation transfers to the provinces.

(2) Includes projected revenues from the social security system.

(3) Figures include intra-public sector transfers.

(4) GDP figures are expressed in nominal terms.

Source: INDEC and Ministry of the Treasury.

The Government's budget and fiscal target for 2016 assumed an acceleration in the rate of growth of GDP as compared to 2015, annual inflation at 10.4% and an average U.S. dollar-peso exchange rate of Ps. 10.60 to U.S.\$1.00. The 2016 budget submitted to Congress by the Fernández de Kirchner administration was based on assumptions that have proven inconsistent with subsequent developments. In 2016, the Macri administration modified the 2016 budget to reflect changed economic circumstances.

### Fiscal Relations with the Provinces

Each of Argentina's 23 provinces and the City of Buenos Aires is a separate legal and fiscal entity, independent from one another and the Government. Argentina's federal system allocates significant responsibility for public services and other public expenditures to the provinces, but relies primarily on a centralized system of tax collection. The provinces rely on revenue transfers from the Government, primarily through the co-participation regime. See "—Revenue Transfers." Under the co-participation revenue-sharing system, the provinces delegate to the Government their constitutional authority to collect certain taxes, and the Government, in turn, agrees to transfer a portion of the revenues generated from such taxes to the provinces.

From 2011 to 2014, the aggregate annual expenditures of the provinces (including the City of Buenos Aires) averaged 14.4% of nominal GDP, while the provinces (including the City of Buenos Aires), on average, collected annual revenues of approximately 14.0% of nominal GDP (including co-participation amounts). Several provinces declared during the last quarter of 2009 that they were facing substantial fiscal deficits in 2009 and experiencing cash constraints. The growth rate of provincial expenditures exceeded the growth rate of tax revenues. As a result, in May 2010, the Government established a debt restructuring program for the debt owed by the Argentine provinces to the Government, including Bogars. Under this program, the Government would make contributions (*aportes del tesoro nacional*) to the provinces to be applied to cancel a portion of the debt owed to the Government. The balance of the outstanding debt would be repaid over the following 20 years, in pesos, at an annual interest rate of 6% and secured with co participation revenues. The first interest and principal payments were scheduled for January 2012. As of December 2011, 17 provinces had participated in the debt refinancing program representing approximately Ps. 58.4 billion of debt owed by the provinces to the Government.



The following table sets forth a summary of the changes in the aggregate fiscal results at the provincial level for the years specified.

**Summary of Revenues and Expenditures of the Provinces and the City of Buenos Aires  
(in millions of pesos)<sup>(1)</sup>**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Revenues</b>					
Current revenues:					
Administration taxes:					
Provincial taxes .....	Ps. 92,902	Ps. 121,213	Ps. 175,468	Ps. 241,076	Ps. 314,666
National taxes:					
Co-participation .....	106,396	135,050	175,827	240,385	329,946
Other national taxes .....	27,736	35,185	45,794	63,566	85,463
Total national taxes .....	134,132	170,235	221,620	303,951	415,408
Total administration taxes .....	227,034	291,448	397,089	545,027	730,074
Other non-tax revenue.....	17,004	21,768	27,283	39,878	45,432
Sale of goods and services of the public administration					
Property taxes .....	2,038	2,512	2,816	4,102	4,991
Property taxes .....	797	1,054	1,873	3,225	4,153
Current transfers .....	22,097	20,546	21,983	37,251	48,897
Total current revenues .....	268,970	337,327	451,043	629,483	833,547
Capital revenue.....	19,360	20,936	29,456	41,981	53,308
Total revenues .....	Ps. 268,970	Ps. 337,327	Ps. 451,043	Ps. 629,482	Ps. 883,547
<b>Expenditures</b>					
Current expenditures:					
Consumption expenditures:					
Provincial administration wages.....	153,262	198,435	255,621	351,760	500,574
Consumer goods .....	7,828	9,242	12,043	16,733	23,369
Services .....	21,491	25,654	32,958	44,945	66,636
Total consumption expenditures .....	182,580	233,331	300,622	413,438	590,579
Interest payments.....	4,049	5,684	7,464	11,590	15,853
Current transfers .....	72,227	87,536	115,478	158,025	211,961
Total current expenditures .....	258,857	326,552	423,564	583,054	818,393
<b>Capital expenditures</b>					
Direct investment.....	35,087	34,606	50,211	67,342	93,338
Capital transfers .....	8,790	7,881	11,220	18,754	22,292
Financial investment .....	3,317	3,487	5,303	6,154	9,100
Total capital expenditures .....	47,193	45,974	66,734	92,251	124,729
Total expenditures .....	306,050	372,525	490,299	675,305	943,122
Fiscal balance.....	Ps. (17,720)	Ps. (14,263)	Ps. (9,799)	Ps. (3,841)	Ps. (56,267)

(1) Figures calculated using the accrual method.

Source: Ministry of the Treasury.

The following table sets forth a summary of the aggregate fiscal results at the provincial level for the years specified, in percentage terms.

**Summary of Revenues and Expenditures of the Provinces and the City of Buenos Aires**  
(% change from the previous year)<sup>(1)</sup>

	As of December 31,				
	2011	2012	2013	2014	2015
<b>Revenues</b>					
Current revenues:					
Administration taxes:					
Provincial taxes .....	35.2%	30.5%	44.8%	37.4%	30.5%
National taxes:					
Co-participation .....	33.0	26.9	30.2	36.7	37.3
Other national taxes .....	29.2	26.9	30.2	38.8	34.4
Total national taxes.....	32.2	26.9	30.2	37.1	36.7
Total administration taxes.....	33.4	28.4	36.2	37.3	34.0
Other non-tax revenue.....	14.1	28.0	25.3	46.2	13.9
Sale of goods and services of the public administration.....	33.1	23.3	12.1	45.7	21.7
Property taxes .....	47.7	32.3	77.7	72.2	28.8
Current transfers .....	(10.0)	(7.0)	7.0	69.4	31.3
Total current revenues .....	27.1	25.4	33.7	39.6	32.4
Capital revenue .....	9.0	8.1	40.7	42.5	27.0
Total revenues .....	27.1%	25.4%	33.7%	39.6%	32.4%
<b>Expenditures</b>					
Current expenditures:					
Consumption expenditures:					
Provincial administration wages.....	39.7	29.5	28.8	37.6	42.3
Consumer goods .....	24.0	18.1	30.3	38.9	39.7
Services .....	35.2	19.4	28.5	36.4	48.3
Total consumption expenditures .....	38.4	27.8	28.8	37.5	42.8
Interest payments <sup>(3)</sup> .....	5.6	40.4	31.3	55.3	36.8
Current transfers .....	35.7	21.2	31.9	36.8	34.1
Total current expenditures.....	36.9	26.2	29.7	37.7	40.4
<b>Capital expenditures</b>					
Direct investment.....	44.7	(1.4)	45.1	34.1	38.6
Capital transfers .....	14.7	(10.3)	42.4	67.1	18.9
Financial investment .....	(15.2)	5.1	52.1	16.1	47.9
Total capital expenditures .....	31.8	(2.6)	45.2	38.2	35.2
Total expenditures.....	36.1	21.7	31.6	37.7	39.7
Fiscal balance.....	(483.3)%	(19.5)%	(31.3)%	(60.8)%	1,364.9%

(1) Figures calculated using the accrual method.  
Source: Ministry of the Treasury.

**Summary of Revenues and Expenditures of the Provinces and the City of Buenos Aires  
(as percentage of GDP)<sup>(1)</sup>**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015<sup>2</sup></u>
<b>Revenues</b>					
Current revenues:					
Administration taxes:					
Provincial taxes .....	4.3%	4.6%	5.2%	5.3%	5.4%
National taxes:					
Co-participation .....	4.9	5.1	5.3	5.2	5.6
Other national taxes .....	1.3	1.3	1.4	1.4	1.5
Total national taxes .....	<u>6.2</u>	<u>6.5</u>	<u>6.6</u>	<u>6.6</u>	<u>7.1</u>
Total administration taxes .....	10.4	11.0	11.9	11.9	12.5
Other non-tax revenue .....	0.8	0.8	0.8	0.9	0.8
Sale of goods and services of the public administration .....	0.1	0.1	0.1	0.1	0.1
Property taxes .....	—	—	0.1	0.1	—
Current transfers .....	1.0	0.8	0.7	0.8	0.8
Total current revenues .....	<u>12.3</u>	<u>12.8</u>	<u>13.5</u>	<u>13.7</u>	<u>14.2</u>
Capital revenue .....	0.9	0.8	0.9	0.9	0.9
Total revenues .....	<u><u>13.2</u></u>	<u><u>13.6</u></u>	<u><u>14.4</u></u>	<u><u>14.7</u></u>	<u><u>15.1</u></u>
<b>Expenditures</b>					
Current expenditures:					
Consumption expenditures:					
Provincial administration wages .....	7.0	7.5	7.6	7.7	8.6
Consumer goods .....	0.4	0.4	0.4	0.4	0.4
Services .....	1.0	1.0	1.0	1.0	1.1
Total consumption expenditures .....	8.4	8.8	9.0	9.0	10.1
Interest payments .....	0.2	0.2	0.2	0.3	0.3
Current transfers .....	3.3	3.3	3.4	3.5	3.6
Total current expenditures .....	<u>11.9</u>	<u>12.4</u>	<u>12.7</u>	<u>12.7</u>	<u>14.0</u>
<b>Capital expenditures</b>					
Direct investment .....	1.6	1.3	1.5	1.5	1.6
Capital transfers .....	0.4	0.3	0.3	0.4	0.4
Financial investment .....	0.2	0.1	0.2	0.1	0.2
Total capital expenditures .....	<u>2.2</u>	<u>1.7</u>	<u>2.0</u>	<u>2.0</u>	<u>2.1</u>
Total expenditures .....	<u>14.0</u>	<u>14.1</u>	<u>14.6</u>	<u>14.7</u>	<u>16.1</u>
Fiscal balance .....	<u>(0.8)%</u>	<u>(0.5)%</u>	<u>(0.3)%</u>	<u>(0.1)%</u>	<u>(1.6)%</u>

(1) Figures calculated using the accrual method.

(2) Figures correspond to GDP values for the first nine months of the year.

Source: INDEC and Ministry of the Treasury.

### **Revenue Transfers**

The Co-Participation Law of 1988, as amended in 2002 (the “1988 Co-Participation Law”) governs the current co-participation regime. Originally intended as a temporary measure, the 1988 Co-Participation Law has been automatically renewed every year since it was due to expire at the end of 1989. Although the 1994 amendments to the Constitution called for the adoption of a new co-participation law by 1996, none has been adopted. Since the mid-1980s, the executive branches of the Government and the provinces and the City of Buenos Aires have maintained consensual agreements concerning revenue transfers, which Congress has routinely ratified. The *Comisión Federal de Impuestos* (Federal Tax Commission), a federal agency created pursuant to the 1988 Co-Participation Law, monitors compliance with the co-participation regime.

Since 2002, under the 1988 Co-Participation Law, unless otherwise specified, the Government has been required to transfer certain tax revenues to a co-participation fund and allocate such revenues as follows:

- 54.7% to the provinces;

- 42.3% to the Government;
- 2.0% to be divided among certain provinces to compensate them for losses suffered as a result of fiscal imbalances caused by prior co-participation arrangements; and
- 1.0% to the *Aportes del Tesoro Nacional* fund (the “ATN Fund”) created in 1998 to correct provincial fiscal imbalances or grant emergency aid to the provinces by making transfers from the Government to an affected province.

Until recently, 15% of total tax revenues subject to the co-participation regime were withheld by the Government to fund the social security system.

A 1992 agreement among the Government, the provinces and the City of Buenos Aires that permitted this 15% deduction was extended and later codified in 2006 under Article 76 of Law No. 26,078, *Presupuesto de Gastos y Recursos de la Administración Nacional para el Ejercicio 2006* (the “2006 National Budget Law”). In November 2015, the Supreme Court of Argentina declared Article 76 unconstitutional as applied to the provinces of Córdoba, San Luis and Santa Fe, and ordered the Government to return the funds that had been withheld from these provinces since 2006, plus accrued interest. Later that month, President Fernández de Kirchner issued an emergency decree expanding the Supreme Court’s ruling to funds that were withheld from all provinces and the City of Buenos Aires under Article 76. This decree was repealed shortly after President Macri took office.

In addition to the co-participation regime, several other revenue-distribution arrangements exist between the Government and the provinces. These special distribution arrangements include the following:

- *Income tax.* Income tax revenues are allocated as follows:
  - 20% to the national social security system;
  - the lesser of 10% and Ps. 650 million to the Province of Buenos Aires (any revenues exceeding Ps. 650 million up to the 10% limit are distributed among the remaining provinces);
  - 4% to the provinces (other than the Province of Buenos Aires);
  - 2% to the ATN Fund; and
  - 64% to be distributed as provided in the 1988 Co-Participation Law, as amended in 2002.
- *VAT.* VAT revenues are allocated as follows: 11% to the national social security system and the remaining 89% as provided in the 1988 Co-Participation Law.
- *Taxes on personal goods.* Revenues from taxes on personal goods are allocated as follows: 6.27% to the provinces and the City of Buenos Aires and 93.73% as provided in the 1988 Co-Participation Law.
- *Taxes on fuels.* Revenue from most taxes on fuels are allocated to the national social security system, except for revenues from taxes on naphtha and natural gas, which are divided among the national social security system, the Government, the provinces and the *Fondo Nacional de la Vivienda* (National Housing Fund).
- *Tax on financial transactions.* Revenues from taxes on financial transactions are allocated as follows: 70% to the Government; and 30% as provided in the 1988 Co-Participation Law.
- *Monotributo* (self-employment tax). Revenue from the self-employment tax is divided into a tax component and a social security component. The tax component is allocated as follows: 70% to the national social security system and 30% as provided in the 1988 Co-Participation Law. The social security component is entirely allocated to the national social security system.

- *Fondo Federal Solidario* (Joint Federal Fund). In March 2009, the Government created the Joint Federal Fund for infrastructure expenditures in the provinces and municipalities, which is financed by 30% of the tax revenues from soy exports. These funds are distributed among the provinces according to the 1988 Co-Participation Law.

#### ***Other Arrangements with the Provinces***

Since the late 1990s, the Government entered into different arrangements with the provinces to regularize their fiscal situation. Under these arrangements, the government provides financial assistance to the provinces in various forms and subject to various conditions. Some of these programs are highlighted below.

*Bogars.* Between 2002 and 2004, the Government restructured the debts of a number of provinces through a new bond, known as Bogar, which replaced the outstanding debt of provinces participating in this restructuring. These bonds (subject to indexation via CER) were issued by the Provincial Development Fund in an aggregate principal amount of Ps. 21.7 billion, and their payment is secured through a Government guarantee. The Government's guarantee is, in turn, secured through a pledge of the province's share of revenues from the tax on financial transactions and co-participation taxes. In practice, the Government deducted payments due by the Provinces under the Bogar from transfers of co-participation taxes to the provinces. As of December 31, 2012, Ps. 35.6 billion, or 94.6%, of Bogar were refinanced under the program established in 2010 to refinance the debt owed by the Provinces to the Government. The increase in the amount outstanding since the first refinancing, in December, 2012, was due to the CER indexation adjustments. See "Public Sector Finances—Fiscal Relations with the Provinces."

*Fiscal Responsibility Law.* The Fiscal Responsibility Law was enacted in 2004 and is only binding on those provinces and the City of Buenos Aires, that approved it. To date, 21 of the 23 provinces have approved the Fiscal Responsibility Law. In 2009, the City of Buenos Aires voluntarily abandoned the Fiscal Responsibility Law. This law implements important reforms to the fiscal framework for Argentina's national, provincial and municipal public sectors. Some of its key features include the following:

- the Government and the provinces must prepare annual fiscal programs for each upcoming year setting forth certain fiscal policies, targets and projections, and regularly publish their fiscal results on their respective websites;
- the growth rate of the primary expenditures of the national and provincial governments may not exceed the projected nominal GDP growth rate;
- the Government and the provinces must maintain balanced budgets;
- the Government and the provinces must create special anti-cyclical funds to reduce volatility in the fiscal cycle;
- the provinces may not incur debt service obligations in excess of 15% of provincial current revenues net of co-participation transfers to the municipal governments (other than in connection with expenditures for the promotion of economic activity, employment and social assistance). Any province in breach of this limit would be precluded, with certain exceptions, from incurring additional debt;
- the Government must commit to reduce its outstanding debt as a percentage of nominal GDP following its debt restructuring;
- the provinces must seek approval from the Government's Ministry of the Treasury to incur debt or issue guarantees; and
- the Ministry of the Treasury must base its approval of provincial debt issues or guarantees on the parameters set forth in the law.

The Fiscal Responsibility Law, however, does not implement any amendments to the revenue-sharing regime between the Government and the provinces (including the City of Buenos Aires).

Since 2009, Congress has approved amendments to the Fiscal Responsibility Law to grant flexibility to the fiscal regulation. This increased flexibility refers both to public expenditure growth and to the level of financial results. In addition, the provinces may incur debt service obligations in excess of 15% of current provincial revenues net of co-participation transfers to the municipal governments during the relevant year. In light of the effects of the global financial crisis on provincial finances and the pressure on provincial governments to maintain provincial public spending at budgeted levels, these amendments seek to aid provincial governments in addressing their fiscal deficits.

## **Social Security**

### ***Nationalization of the Pension Funds System***

On November 20, 2008, Congress approved Law No. 26,425, which took effect on December 9, 2008 and nationalized the private pension system. Under this law, the former private pension system was absorbed and replaced by the Argentine Integrated Pension System, structured as a “pay as you go” system. As a result, all of the resources administered by the private pension funds, including significant equity interests in a wide range of listed companies, were transferred to a separate fund, the FGS, to be administered by the ANSES. The assets held in the FGS may only be used to make advances to the Government to cover unexpected budget deficits that prevent the Government (through ANSES) from honoring its obligation to make social security and pension payments through the Argentine Integrated Pension System. See “Public Sector Finances—Introduction.”

### ***Social Security Framework***

ANSES is a self-governing entity with its own legal status, distinct from that of the National Government, and enjoys financial and economic autonomy.

Three separate institutions manage Argentina’s national public pension system:

- ANSES, which oversees the pension funds of the general public;
- the *Instituto de Ayuda Financiera para Pago de Retiros y Pensiones Militares* (Armed Forces Pension Fund), which manages a special pension fund for the armed forces; and
- the *Caja de Retiros, Jubilaciones y Pensiones de la Policía Federal* (Federal Police Pension Fund), which manages a special pension fund for federal law enforcement personnel.

A significant portion of ANSES’s investments portfolio includes government issued debt.

Between 1994 and 1996, the Government assumed responsibility for operating the provincial pension systems of 10 provinces and the City of Buenos Aires. The Government merged these provincial pension funds into ANSES.

The current public social security system provides the following main benefits for retirees and for eligible individuals:

- *Prestación básica universal* (Basic pension). ANSES provides a basic pension to all individuals who have paid social security contributions for a majority of their working lives and have reached retirement age, regardless of the amount of the contributions made. The amount of this benefit is fixed by law and bears no relation to the amount of the contributions.
- *Prestación compensatoria* (Compensatory pension). ANSES also provides a compensatory pension to recipients of the basic pension in proportion to any social security contributions made by or on behalf of such recipient prior to July 1994. The amount of this supplemental pension is

determined based on an individual's social security contributions and the length of time during which contributions were made.

- *Prestación adicional por permanencia* (Additional pension). Recipients of the basic pension and compensatory pension also receive an additional pension. The amount of this benefit is equivalent to 1.5% of the average yearly salary during the ten years before retirement, multiplied by each service year for which an individual made social security contributions.
- *Retiro por invalidez* (Disability retirement). Allowance granted to disabled individuals under the age of 65.
- *Jubilación por edad avanzada* (Pension for the elderly). Allowance granted to individuals over the age of 70 who do not qualify for a basic retirement pension.
- *Pensión por fallecimiento* (Death pension). Allowance granted to certain dependents of a deceased retiree, if at the time of the retiree's death, such dependents were unable to work due to a disability.
- Universal Child Allowance: ANSES provides a monthly pension of Ps. 837 per child under the age of 18 and Ps. 2,730 per disabled child (with no age limit) of workers in the informal sector of the economy, employees with income below the minimum monthly wage and the unemployed.
- *Asignación Universal por Embarazo* (Universal Pregnancy Allowance). ANSES provides a monthly allowance to pregnant women, who have no medical insurance, from the twelfth week of pregnancy.

In September 2014, the Government extended the social security system to cover individuals who had reached, or were within two years of reaching, the eligible age to collect such benefits but have not contributed to the system for the required number of years. This extension contributed to the 30.5% average increase in pensions during 2014. See "The Argentine Economy—Economic History and Background—Macri Administration: 2015 Present."

Argentina's social security system also includes the following two unemployment programs:

- unemployment insurance that provides one-time or monthly benefits to terminated employees and their dependents who meet certain requirements; and
- the Heads of Households program, sponsored by the World Bank, under which unemployed heads of households receive benefit payments in exchange for community service. Heads of Households program beneficiaries may opt for a new plan called *Más y Mejor Empleo* (More and Better Jobs), as well as the *Seguro de Capacitación y Empleo* (Training and Employment Insurance) and the *Programa Familias por la Inclusión Social* (Families for Social Inclusion Program).

Currently, the national social security system is funded primarily through the following taxes:

- payroll taxes based on employee wages (usually 11% for employees and between 17% and 21% for employers, depending on the employer's line of business);
- mandatory employee contributions to the *Instituto Nacional de Servicios Sociales para Jubilados y Pensionados* (National Institute of Pensioner and Retiree Social Services) (equal to 3% of the employee's wages);
- the employee health system tax based on employee wages (3% for employees and 6% for employers); and

- the *monotributo* (self-employment tax) system applicable to self-employed individuals (under which amounts are determined on an individual basis according to assumed income ranges for various lines of work).

Other fiscal revenues currently allocated to cover costs of the social security system include the following:

- Ps. 120 million from income tax revenues plus an additional 20% of income tax revenues in excess of Ps. 580 million;
- 11% of VAT revenues;
- 100% of revenues from taxes on diesel fuel, kerosene and compressed natural gas, and 21% of revenues from taxes on naphtha and natural gas;
- 70% of revenues from the *monotributo* (self-employment tax); and
- 30% of gross revenues from privatizations.

Until recently, 15% of total tax revenues subject to the co-participation regime were also withheld by the Government to fund the social security system. See “Public Sector Finances—Fiscal Relations with the Provinces—Revenue Transfers.”

### ***Evolution of Social Security Revenues and Expenditures***

From 2011 to 2015, the social security system decreased its surplus from Ps. 16.2 billion to a deficit of Ps. 342.2 million. This deficit increase was primarily due to a net increase in social security expenditures. During this period, social security expenditures increased by 255%, primarily due to an increase in the number of beneficiaries and the automatic increase in benefit amounts provided under the *Ley de Movilidad Previsional* (Social Security Mobility Law).

*Social security revenues.* In 2011, social security revenues increased 33.9% as compared to 2010, from Ps. 102.5 billion in 2010 to Ps. 137.2 billion in 2011, primarily as a result of an increase in nominal wages paid to registered workers in the formal sector of the economy. In 2012, social security revenues increased 31.0% as compared to 2011 from Ps. 137.2 billion in 2011 to Ps. 179.8 billion, primarily as a result of an increase in nominal wages and the number of registered workers. In 2013, social security revenues increased 31.3% as compared to 2012 from Ps. 179.8 billion in 2012 to Ps. 236.1 billion, primarily as a result of an increase in nominal wages and the number of registered workers. In 2014, social security revenues increased 30.3% as compared to 2013 from Ps. 236.1 billion in 2013 to Ps. 307.7 billion. In 2015, social security revenues increased 35.6% as compared to 2014 from Ps. 307.7 billion to Ps. 417.1 billion.

*Social security expenditures.* Law No. 26,417 was enacted in October 2008 to address the mobility of public social security regimes. This law guarantees a minimum pension, which is adjusted semi-annually by reference to changes in both the wage index published by INDEC and tax revenues. In 2011, social security expenditures increased 33.0% to Ps. 175.1 billion as a result of further increases in pension payments to retirees. In 2012, social security expenditures increased 35.1% to Ps. 236.5 billion primarily as a result of increases in pension payments to retirees. In 2013, social security expenditures increased 33.1% to Ps. 314.8 billion primarily as a result of increases in pension payments to retirees. In 2014, social security expenditures increased 35.1% to Ps. 425.3 billion primarily as a result of increases in pension payments to retirees. In 2015, social security expenditures increased 29.9% to Ps. 552.6 billion primarily as a result of increases in pension payments to retirees.



## PUBLIC SECTOR DEBT

### Overview

Unless otherwise specified, all amounts of the Republic's outstanding securities included in this section "Public Debt" were calculated as of December 31, 2015.

The Republic's total gross public debt consists of foreign currency-denominated and peso-denominated debt owed directly by the Government and indirect debt consisting of Government guarantees of obligations of other national public institutions, the provinces (including the City of Buenos Aires) and private sector entities. It does not include direct debt of the provinces or other entities that is not guaranteed by the Government. Except where indicated, foreign currency-denominated debt and peso-denominated debt is comprised of performing and non-performing debt (including Untendered Debt). Untendered Debt has been defined to include unpaid principal plus accrued and unpaid interest at contractual rates through December 31, 2015 plus compensatory or default interest. In settling outstanding disputes with holdout creditors pursuant to the Settlement Proposal, the Republic took into consideration interest accrued after the originally scheduled maturity of each defaulted series of securities, as well as default interest. For information regarding the Republic's Settlement Proposal to settle all claims on the Untendered Debt, see "—Legal Proceedings."

As of December 31, 2015, Untendered Debt, as registered in the public accounts of the Ministry of the Treasury, totaled U.S.\$6.1 billion of past due principal amounts and principal that had not become due.

The Republic's total gross public debt, including Untendered Debt, for the years 2011 through 2015, was:

- U.S.\$197.2 billion, as of December 31, 2011;
- U.S.\$216 billion, as of December 31, 2012;
- U.S.\$223.4 billion, as of December 31, 2013;
- U.S.\$239.3 billion, as of December 31, 2014; and
- U.S.\$240.7 billion, as of December 31, 2015.

A significant portion of the Untendered Debt was subject to legal proceedings in courts of various international jurisdictions and monetary judgments against the Republic were entered in many proceedings. These monetary judgments include penalty interest and interest on interest depending on the applicable legislation of each jurisdiction. A significant portion of the Untendered Debt was settled following the Republic's Settlement Proposal.

As of December 31, 2015, the Republic's total gross public debt was U.S.\$240.7 billion. Peso-denominated debt totaled Ps. 960.1 billion (U.S.\$73.9 billion), representing 30.7% of the Republic's total gross public debt, of which 6.7% corresponded to CER-index linked debt. Foreign currency-denominated debt totaled U.S.\$166.8 billion, representing 69.3% of the Republic's total gross public debt.

As of December 31, 2015, total gross public debt (including non-performing debt and Untendered Debt) by type of creditor was as follows:

- 78% of total gross public debt, or U.S.\$187.7 billion, primarily consisted of Public Debt held by National Public Sector Agencies.
- 30.7% of total gross public debt, or U.S.\$74.0 billion, was Public Debt held by the Private Sector.
- 12.0% of total gross public debt, or U.S.\$29.0 billion, primarily consisted of Public Debt held by Other Creditors.

As of December 31, 2015, total gross public debt (including non-performing debt and Untendered Debt) by type of instrument was as follows: 70.8%, or U.S.\$170.4 billion, in bonds; 13.8%, or U.S.\$33.2 billion temporary advances from the Central Bank and Treasury notes; 12.0%, or U.S.\$28.9 billion, in loans from multilateral and bilateral lenders; 2.5% or U.S.\$5.9 billion, in loans from commercial banks and suppliers; and 0.9%, or U.S.\$2.1 billion, in National Guaranteed Loans (after the exchanges of National Guaranteed Loans that occurred prior to October 2009. See “—Debt Management Following the 2001 Debt Crisis—Other Restructurings and Liability Management Transactions”).

As of December 31, 2015, non-performing debt (excluding Untendered Debt) totaled U.S.\$104.4 million, or 0.04% of total gross public debt, of which U.S.\$60.5 million represented non-performing debt not yet due and U.S.\$43.9 million corresponded to non-performing debt subject to restructuring or in arrears.

Between 2011 and 2015, the Government borrowed against freely available international reserves from the Central Bank to fund the repayment of public debt. Through a 2010 emergency decree, the Argentine Debt Repayment Fund) was established to fund the repayment of debt held by private creditors. Additionally, the Central Bank advanced funds to service debt with international financial institutions and bilateral official sector creditors. For each amount borrowed, the Central Bank receives a non-transferrable 10-year Treasury note. See “Monetary System—Foreign Exchange and International Reserves.”

The following table shows the amounts borrowed from the Central Bank specifically to fund the repayment of public debt for the periods indicated.

	2011	2012	2013	2014	2015
Payments to Official Sector .....	U.S.\$ 2.1	U.S.\$ 2.1	U.S.\$ 2.3	U.S.\$ 3.0	U.S.\$ —
Debt Repayment Fund .....	7.5	5.7	7.1	7.9	10.6
Total .....	U.S.\$ 9.6	U.S.\$ 7.8	U.S.\$ 9.4	U.S.\$ 10.9	U.S.\$ 10.6

(1) Temporary advances in local currency by the Central Bank to the Government are not included.  
Source: *Ministry of the Treasury*.

## Debt Record

### Introduction

From time to time, the Republic carries out debt restructuring transactions in accordance with Section 65 of Law No. 24,156 and other applicable legislation. During the past 23 years, the Republic has entered into three restructurings of external and domestic debt in default: the Brady Plan, the 2005 Debt Exchange and the 2010 Debt Exchange. In 2001, in an effort to avoid a default, the Republic conducted a major voluntary exchange, referred to as the “Mega Canje,” of existing Government bonds for new bonds with longer maturities. However, the debt exchange provided only temporary relief and failed to contain the surge in the Government’s borrowing costs. In 2014, the Republic reached a settlement agreement with the members of the Paris Club, a group of official sector creditors, in connection with outstanding debt owed to Paris Club members on which the Republic had defaulted during the 2001-2002 economic crisis. See “—Debt Record—Paris Club.”

*The Brady Plan.* In April 1992, the Republic announced a refinancing agreement under the Brady Plan relating to medium- and long-term debt owed to commercial banks. The Brady Plan:

- applied to an estimated U.S.\$28.5 billion in debt, including an estimated U.S.\$9.3 billion in interest arrears. This amount represented over 96% of the commercial bank debt then outstanding; and
- effected a reduction of approximately U.S.\$3 billion in the nominal amount of the Republic’s foreign debt.

For further discussion of the Brady Plan, see “—Prior Debt Restructurings—The Brady Plan.”

### *2001 Debt Crisis, 2005 Debt Exchange and 2010 Debt Exchange*

On December 24, 2001, the Government (under the temporary administration of President Rodríguez Saá) declared a moratorium on a substantial portion of the Republic's public debt. President Duhalde, his successor, endorsed the moratorium when he took office several days later. The Public Emergency Law, enacted on January 6, 2002 (which has been extended until December 31, 2017), authorized the Government to take the measures necessary to create conditions for an economic recovery and to restructure the Republic's public debt.

On February 6, 2002, the Government issued Decree No. 256, which officially suspended payments on the Republic's public debt and authorized the Ministry of the Treasury to undertake a restructuring of these obligations. Subsequently, the Government issued Resolution No. 73 (April 2002), Resolution No. 350 (September 2002), Resolution No. 449 (October 2002) and Resolution No. 158 (March 2003), pursuant to which it refined the scope of the suspension of debt payments. As a result of these measures, the Government continued to meet its debt obligations to the following creditors:

- multilateral official lenders;
- creditors that agreed to the pesification of their National Guaranteed Loans;
- holders of new bonds (such as Boden) issued after the Government announced the suspension of debt payments; and
- certain other categories of public debt.

*2005 Debt Exchange.* In 2005, the Government offered to restructure public external and domestic debt affected by the 2001 moratorium pursuant to an exchange offer. The 2005 Debt Exchange:

- pertained to approximately U.S.\$81.8 billion of defaulted debt (including the nominal value of the eligible securities and accrued past-due interest accumulated as of December 31, 2001);
- did not recognize accrued past due interest accumulated from December 31, 2001 to December 31, 2003, which would have increased the amount of this portion of debt to at least U.S.\$102.6 billion; and
- resulted in the tendering of securities with an aggregate value of approximately U.S.\$62.3 billion, representing 76.2% of the aggregate value of eligible securities.

For further discussion of the 2005 Debt Exchange, see “—Debt Management Following the 2001 Debt Crisis—2005 Debt Exchange.”

*2010 Debt Exchange.* On April 30, 2010, the Republic extended a debt restructuring invitation (the “April Invitation”) to the holders of 149 different series of securities on which it had defaulted in 2001 to exchange such debt for 2033 Discount Bonds (2010), 2038 Par Bonds (2010), 2017 Globals, 2035 GDP-Linked Securities (2010) and, in certain cases, a cash payment. In December 2010, the Republic reopened the April Invitation in the domestic market (the “December Invitation”), and the December Invitation closed on December 31, 2010. In accordance with a contractual commitment contained in the securities issued in the 2005 Debt Exchange, which granted holders of such securities the right to participate in any offer by the Republic to repurchase, exchange or amend any of the Untendered Debt, the securities issued in the 2005 Debt Exchange were eligible to participate in the 2010 Debt Exchange. The aggregate eligible amount of securities in default tendered in the 2010 Debt Exchange, including the April Invitation, the December Invitation, and the offer conducted by the Republic in Japan concurrently with the April Invitation, totaled approximately U.S.\$12.4 billion, representing approximately 66.2% of the aggregate eligible amount of eligible securities. As a result of the 2005 and 2010 Debt Exchanges, the Republic restructured approximately 92% of the defaulted debt eligible for the 2005 and 2010 Debt Exchanges.

For further discussion of the 2010 Debt Exchange, see “—Debt Management Following the 2001 Debt Crisis—2010 Debt Exchange.”

### ***Prior Debt Restructurings***

*Paris Club.* The Republic restructured debt due to members of the Paris Club, a group of sovereign creditors, through five separate agreements in 1985, 1987, 1989, 1991 and 1992. During the debt crisis that began in 2001, the Republic defaulted on its outstanding debt owed to Paris Club members. As of April 30, 2014, the total outstanding debt owed to members of the Paris Club amounted to U.S.\$9,690 million, which consisted of U.S.\$4,955 million in principal, U.S.\$1,102 million in interest and U.S.\$3,633 million in penalty interest. On May 29, 2014, the Republic reached a settlement agreement with the Paris Club to cancel the total outstanding debt in five years. Under the terms of the settlement agreement, the Republic made an initial principal payment of U.S.\$650 million in July 2014 and an additional principal payment of U.S.\$500 million in May 2015, in each case together with accrued and unpaid interest. The outstanding balance accrues interest at a rate of 3.00% per annum.

For further discussion of debt owed to Paris Club lenders, see “—Debt Owed to Financial Institutions—Bilateral Debt and Private Creditors’ Debt.”

*Commercial Banks.* In 1985 and 1987, the Republic negotiated the restructuring of U.S.\$34.7 billion in debt owed to international commercial bank creditors. In addition to the banks extending new loans in the aggregate amount of approximately U.S.\$3.0 billion, two bond issuances formed part of this restructuring: “new money bonds” and “alternative participation instruments,” or “APIs.” Interest payments to bank creditors were suspended in April 1988 and resumed on a partial basis until the refinancing of medium- and long-term commercial bank debt under the Brady Plan (as described below).

*The Brady Plan.* In April 1992, the Republic announced a refinancing agreement under the Brady Plan relating to medium- and long-term debt owed to commercial banks. The Brady Plan applied to an estimated U.S.\$28.5 billion in debt, including an estimated U.S.\$9.3 billion in interest arrears, representing over 96.0% of the commercial bank debt then outstanding. The Brady Plan effected a reduction of approximately U.S.\$3 billion in the nominal amount of the Republic’s foreign debt.

Over 96.0% of the commercial bank debt was refinanced pursuant to the Brady Plan. The Brady Plan provided for the issuance of par bonds, discount bonds and floating rate bonds, or “FRBs,” and a cash payout of U.S.\$700 million in exchange for previously outstanding commercial bank debt of U.S.\$28.5 billion, which included U.S.\$9.3 billion of interest in arrears.

The Republic serviced the Brady Bonds until its default in 2001. Approximately 95.7% of the then outstanding U.S. dollar-denominated Brady Bonds and 81.3% of the then-outstanding euro-denominated Brady Bonds were exchanged in the 2005 Debt Exchange.

As of December 31, 2015:

- U.S.\$418.3 million (including interest accrued at contractual rates but excluding penalty interest) of par Brady Bonds that had not been tendered in the 2005 and 2010 Debt Exchanges remained outstanding and consisted of: (i) U.S.\$235.5 million of past due principal amounts and principal that had not become due and (ii) U.S.\$182.8 million of past due interest amounts;
- U.S.\$113.7 million (including interest accrued at contractual rates but excluding penalty interest) of discount Brady Bonds that had not been tendered in the 2005 and 2010 Debt Exchanges remained outstanding and consisted of: (i) U.S.\$86.3 million of past due principal amounts and principal that had not become due and (ii) U.S.\$27.4 million of past due interest amounts; and
- U.S.\$38.6 million (including interest accrued at contractual rates but excluding penalty interest) of FRBs that had not been tendered in the 2005 and 2010 Debt Exchanges remained outstanding and consisted of: (i) U.S.\$36.5 million of past due principal amounts and principal that had not become due and (ii) U.S.\$2.1 million of past due interest amounts.

Principal payments and a portion of interest payments on the par and discount Brady Bonds are secured by collateral. For a description of these security arrangements, see “—Debt Management Following the 2001 Debt Crisis—Secured or Guaranteed Debt.”

## Debt Management Following the 2001 Debt Crisis

### *2005 Debt Exchange*

On January 14, 2005, the Republic invited holders of 152 different series of securities on which it had defaulted in 2001 to exchange their defaulted debt for 2038 Par Bonds, 2045 Quasi-Par Bonds, 2033 Discount Bonds and 2035 GDP-Linked Securities. The aggregate eligible amount of securities that were eligible to participate in the exchange (including principal of the eligible securities plus accrued but unpaid interest accumulated through December 2001) was approximately U.S.\$81.8 billion. The aggregate eligible amount of securities tendered in the 2005 Debt Exchange was (in each case together with past due interest) approximately U.S.\$62.3 billion, representing 76.2% of the aggregate eligible amount of eligible securities.

Depending on the security tendered and the time of tender, holders of eligible securities who participated in the 2005 Debt Exchange were entitled to receive, in exchange for their securities, different combinations of the following:

- the 2038 Par Bonds due December 31, 2038;
- the 2033 Discount Bonds due December 31, 2033;
- the 2045 Quasi-Par Bonds due December 31, 2045; and
- the 2035 GDP-Linked Securities with a notional amount of GDP-linked securities expiring no later than December 15, 2035.

Until December 31, 2014, participants in the 2005 Debt Exchange had the right to participate in any future offer by the Republic to repurchase, exchange or amend any of the Untendered Debt.

Mandatory repurchase clauses require the Republic to allocate defined amounts to the repurchase of bonds issued in the 2005 Debt Exchange and certain other indebtedness. In addition, the Republic is required to repurchase bonds issued in the 2005 Debt Exchange if the Republic's GDP exceeds a pre-established threshold.

The terms of the securities issued in the 2005 Debt Exchange were as follows.

The 2038 Par Bonds:

- were issued in an aggregate principal amount of U.S.\$15.0 billion;
- mature in 2038; and
- bear interest at fixed rates rising from 1.33% to 5.25% (for 2038 Par Bonds denominated in U.S. dollars), from 1.20% to 4.74% (for 2038 Par Bonds denominated in euros), from 0.24% to 0.94% (for 2038 Par Bonds denominated in Japanese yen), and from 0.63% to 2.48% (for 2038 Par Bonds denominated in pesos).

The 2033 Discount Bonds:

- were issued in an aggregate principal amount of U.S.\$11.9 billion;
- mature in 2033; and
- bear interest at a fixed rate of 8.28% (for 2033 Discount Bonds denominated in U.S. dollars), 7.82% (for 2033 Discount Bonds denominated in euros), 4.33% (for 2033 Discount Bonds denominated in Japanese yen), and 5.83% (for 2033 Discount Bonds denominated in pesos).

The 2045 Quasi-Par Bonds:

- were issued in an aggregate principal amount of Ps. 24.3 billion (approximately U.S.\$8.3 billion);

- mature in 2045; and
- bear interest at a fixed rate of 3.31%.

The 2035 GDP-Linked Securities:

- were issued in a notional amount of approximately U.S.\$62.3 billion;
- were issued originally as a single unit with the underlying 2038 Par Bonds, 2033 Discount Bonds and 2045 Quasi-Par Bonds;
- expire no later than December 15, 2035; and
- provide for payments in respect of any given reference year only if a number of conditions are met relating to the performance of the Republic's GDP in such year; the total amount to be paid during the life of the 2035 GDP-Linked Securities, per unit of 2035 GDP-Linked Security, cannot exceed 0.48 minus payments made under 2035 GDP-Linked Securities issued in the 2005 Debt Exchange through 2010, measured per unit of currency.

The outstanding principal amount of all 2038 Par Bonds, 2033 Discount Bonds and 2045 Quasi-Par Bonds denominated in pesos is adjusted for inflation based on the CER, a unit of account whose value in pesos is indexed to consumer price inflation in Argentina, as measured by changes in the CPI. See "Presentation of Statistical and Other Information—Certain Methodologies."

Brady bondholders tendered Brady Bonds for an aggregate principal amount of approximately U.S.\$2.8 billion and €235 million and received their present value in cash from the redemption of the Brady Bonds' principal collateral.

### ***2010 Debt Exchange***

On April 30, 2010, the Republic launched the April Invitation, an invitation to holders of the securities issued in the 2005 Debt Exchange and of 149 different series of securities on which it had defaulted in 2001 to exchange such debt for the new securities described below and, in certain cases, a cash payment.

Holders of eligible securities who participated in either the April Invitation or in the offer conducted by the Republic in Japan concurrently with the April Invitation were entitled to receive, in exchange for their securities, different combinations of the following:

- the 2033 Discount Bonds (2010) due December 2033 and denominated in U.S. dollars, euros, Japanese yen and pesos;
- the 2038 Par Bonds (2010) due December 2038 and denominated in U.S. dollars, euros, Japanese yen and pesos;
- the 2017 Globals due 2017 and denominated in U.S. dollars; and
- the 2035 GDP-Linked Securities (2010) expiring no later than December 2035 and denominated in U.S. dollars, euros, Japanese yen and pesos.

In December 2010, the Republic launched the December Invitation as a reopening of the April Invitation in the domestic market. The December Invitation closed on December 31, 2010.

Holders of eligible securities who participated in the December Invitation were entitled to receive, in exchange for their securities, different combinations of the following:

- 2033 Discount Bonds (2010) denominated in U.S. dollars and pesos;
- 2017 Globals; and

- 2035 GDP-Linked Securities (2010) denominated in U.S. dollars and pesos.

The terms of the securities issued in the 2010 Debt Exchange were as follows:

The 2038 Par Bonds (2010):

- were issued in an aggregate principal amount of approximately U.S.\$2.0 billion;
- mature in 2038; and
- bear interest at fixed rates rising from 2.50% to 5.25% (for 2038 Par Bonds (2010) denominated in U.S. dollars), from 2.26% to 4.74% (for 2038 Par Bonds (2010) denominated in euros), from 0.45% to 0.94% (for 2038 Par Bonds (2010) denominated in Japanese yen) and from 1.18% to 2.48% (for 2038 Par Bonds (2010) denominated in pesos).

The 2033 Discount Bonds (2010):

- were issued in an aggregate principal amount of approximately U.S.\$3.4 billion;
- mature in 2033 ; and
- bear interest at a fixed rate of 8.28% (for 2033 Discount Bonds (2010) denominated in U.S. dollars), 7.82% (for 2033 Discount Bonds (2010) denominated in euros), 4.33% (for 2033 Discount Bonds (2010) denominated in Japanese yen) and 5.83% (for 2033 Discount Bonds (2010) denominated in pesos).

The 2017 Globals:

- were issued in an aggregate principal amount of approximately U.S.\$950 million;
- mature in 2017; and
- bear interest at a fixed rate of 8.75%.

The 2035 GDP-Linked Securities (2010):

- were issued in a notional amount of approximately U.S.\$12.2 billion;
- expire no later than December 15, 2035; and
- provide for payments in respect of any given reference year only if a number of conditions relating to the performance of the Republic's GDP in such year are met; the total amount to be paid during the life of the 2035 GDP-Linked Securities (2010), per unit of 2035 GDP-Linked Security (2010), cannot exceed 0.48 minus payments made under 2035 GDP-Linked Securities issued in the 2005 Debt Exchange through 2010, measured per unit of currency.

The aggregate eligible amount of securities in default tendered in the 2010 Debt Exchange, totaled approximately U.S.\$12.4 billion, representing approximately 66.2% of the aggregate eligible amount of eligible securities.

### ***Brady Bond Invitation***

During December 2010, the Republic announced an invitation to the holders of the Brady Bonds, or the "Brady Invitation," to tender their Brady Bonds in exchange for a combination of 2033 Discount Bonds (2010), 2017 Globals, 2035 GDP-linked Securities (2010) and cash payment. The Brady Invitation was, however, subject to the requirement that the Court of Appeals affirm the lower court's ruling allowing the release, liquidation and transfer to the tendering holders of the proceeds of the collateral securing the tendered Brady Bonds. On July 20, 2011, the Court of Appeals reversed the lower court. As a result, on August 5, 2011, the Republic cancelled the

Brady Invitation without accepting any tenders. All tenders under the Brady Invitation were automatically deemed rejected.

### **The *Pari Passu* Litigation**

Following the Republic's default on its debt at the end of 2001, certain of its creditors filed numerous lawsuits against the Republic in several jurisdictions, including the United States. For additional information regarding litigation in the United States, including the *pari passu* litigation and the Republic's Settlement Proposal to settle all claims on the Untendered Debt, see "Public Sector Debt—Legal Proceedings."

### **Indirect Debt**

The Government guarantees—in part or in full—principal and interest payments on certain debt obligations of the provinces and other national and private entities. A portion of these Government guarantees is secured by assets or tax receivables of the Government.

As of December 31, 2015, the Government guaranteed third-party obligations for an aggregate amount of U.S.\$2.5 billion (including past due principal and interest) as compared to U.S.\$2.8 billion as of December 31, 2014, consisting of the following obligations:

- U.S.\$1.6 billion in provincial debt (including the City of Buenos Aires), all of which was secured by assets of the issuer;
- U.S.\$0.9 billion in debt owed by public sector entities other than the Government (such as Banco de la Nación Argentina); and
- U.S.\$14.2 million in debt of private sector entities; none of these debts were secured by assets of the Republic.

On May 10, 2010, the Government created a federal program for the refinancing of provincial debt. See "Public Sector Finances—Fiscal Relations with the Provinces."

### **Secured or Guaranteed Debt**

Certain of the Government's debt obligations are secured by pledges of specific assets, including tax receivables and other forms of collateral. A description of these security arrangements follows:

*National Guaranteed Loans.* These peso-denominated loans are secured by a pledge of the Government's share of the revenue derived from the tax on financial transactions and co-participation taxes (i.e., taxes the Government is required to share with the provinces under the 1988 Co-Participation Law). As of December 31, 2015, the outstanding principal amount of National Guaranteed Loans was approximately U.S.\$2.1 billion. See "—Debt Management Following the 2001 Debt Crisis—Other Restructurings and Liability Management Transactions."

*Brady Bonds.* The full principal amount of par and discount Brady Bonds is secured, in the case of U.S. dollar-denominated bonds, by zero-coupon U.S. Treasury notes and, in the case of euro-denominated bonds (which were originally denominated in deutsche marks), by zero-coupon bonds issued by *Kreditanstalt für Wiederaufbau* (Germany's development bank). The collateral securing these bonds cannot be drawn upon until the maturity date of these bonds in 2023. As of December 31, 2015, the value of the collateral was U.S.\$191.2 million. A portion of the interest payable on Brady Bonds was also collateralized.

*Spanish Bonds.* In 1993, as part of the Brady restructuring, the Government issued unsecured bonds maturing in 2008 (instead of 30-year Brady Bonds) to Spanish banks. These bonds are guaranteed by the Spanish government, which performed under its guarantee following the Government's suspension of debt payments in 2001. In 2014, the Government settled on all amounts owed to the Spanish government for a total payment of U.S.\$93.7 million. As December 31, 2015, the amounts outstanding under these loans totaled U.S.\$82.5 million.



## Evolution of Public Debt

From 2011 through 2015, the Republic's total gross public debt (including Untendered Debt) increased by 22.1% from U.S.\$ 197.2 billion as of December 31, 2011 to U.S.\$240.7 billion as of December 31, 2015, mainly as a result of higher issuances than amortization payments, inflation adjustments and compounding interest. These factors were partially offset by the nominal depreciation of the euro, which reduced euro-denominated debt when expressed in U.S. dollars, and the nominal depreciation of the peso, which reduced peso-denominated debt when expressed in U.S. dollars.

As of December 31, 2015, foreign currency-denominated debt represented 69.3% of total gross public debt compared to 67.4% of total gross public debt as of December 31, 2014. The increase in foreign currency-denominated debt as of December 31, 2015 as compared to December 31, 2014 was mainly due to the issue of U.S.\$5.8 billion of bonds in connection with the compensation of Repsol for the nationalization of 51% of the shares of YPF.

From 2011 to 2015, the Republic had limited access to international capital markets and as a result, most of the new debt incurred in this period represented domestic debt issued in pesos and U.S. dollars. Moreover, during this period, a substantial portion of the domestic debt issued by the Government was acquired by the public sector. As of December 31, 2015, 57.2% of the Republic's total public debt was held by public sector. In addition, 45.3% of the Republic's total foreign currency-denominated debt was held by public sector as of December 31, 2015.

The following table sets forth information on the Republic's total gross public debt as of the dates indicated.

		<b>Total Gross Public Debt<sup>(1)</sup></b>									
		<b>(in millions of U.S. dollars)</b>									
		<b>2011</b>		<b>2012</b>		<b>2013</b>		<b>2014</b>		<b>2015</b>	
<b>Peso-denominated Debt:<sup>(2)</sup></b>											
Performing .....	U.S.\$	71,324	U.S.\$	80,960	U.S.\$	77,152	U.S.\$	77,876	U.S.\$	73,819	
Non-performing debt not yet due <sup>(3)</sup> .....		105		92		—		—		—	
Non-performing principal arrears .....		7		6		5		4		3	
Non-performing interest arrears.....		1		—		—		—		—	
Untendered Debt		154,0		148,1		111,9		106,6		81,2	
Total peso-denominated debt.....		71,591		81,207		77,269		77,987		73,903	
As a % of total gross public debt .....		36.3%		37.4%		34.6%		32.6%		30.7%	
<b>Foreign currency-denominated debt:<sup>(4)</sup></b>											
Performing .....		101,035		110,071		119,330		143,763		148,780	
Non-performing debt not yet due <sup>(3)</sup> .....		257		232		213		60		60	
Non-performing principal arrears .....		5,188		5,065		4,901		36		33	
Non-performing interest arrears.....		1,047		1,037		1,030		9		8	
Non-performing compensatory interest		3,024		3,268		3,504		0		0	
Untendered Debt		15,013		16,040		17,194		17,471		17,881	
Total foreign currency-denominated debt.....		125,564		135,714		146,171		161,338		166,762	
As a % of total gross public debt .....		63.7%		62.6%		65.4%		67.4%		69.3%	
<b>Total gross public debt (including arrears)<sup>(5)</sup></b>											
<sup>(6)</sup>		197,154		216,920		223,440		239,325		240,665	
Collateral and other credits.....		(11,229)		(9,372)		(7,136)		(1,734)		(7,723)	
Total public debt less collateral and other credits (including arrears) <sup>(5)</sup> .....		185,926		207,548		216,304		237,591		232,942	
<b>Memorandum items:</b>											
Total gross public debt (including arrears) as a % of GDP <sup>(7)</sup> .....		38.9%		40.5%		43.5%		44.7%		53.5%	
Total gross public debt (including arrears) as a % of annual Government revenues		196.4%		196.2%		205.8%		205.2%		241.0%	
Exchange rate <sup>(8)</sup> .....		4.30		4.92		6.52		8.55		13.01	
CER <sup>(8)</sup> .....		2.88		3.18		3.52		4.38		5.04	

- (1) Total debt was calculated using the exchange rate at the end of each period.
- (2) Includes public debt denominated in local currency (public bonds, National Guaranteed Loans, Bogars (except for 2014 and 2015), temporary advances from the Central Bank, Treasury notes, commercial-bank debt, promissory notes and others). Includes debt instruments initially issued in U.S. dollars but converted into pesos. For a list of these instruments, see “—Debt Management Following the 2001 Debt Crisis.” Beginning in 2014, Bogars are not included in the total gross public debt.
- (3) For a definition of non-performing debt, see “Certain Defined Terms and Conventions—Certain Defined Terms.”
- (4) Includes public debt denominated in foreign currencies (multilateral and bilateral debt, public bonds, commercial-bank debt and others).
- (5) Untendered Debt has been defined to include unpaid principal plus accrued and unpaid interest at contractual rates through December 31, 2015 plus penalty or default interest. In settling outstanding disputes with holdout creditors pursuant to the Settlement Proposal, the Republic took into consideration interest accrued after the originally scheduled maturity of each defaulted series of securities, as well as default interest. For information regarding the Republic’s Settlement Proposal to settle all claims on the Untendered Debt, see “—Legal Proceedings.”
- (6) Includes collateral and other credits representing an obligation from the main obligor to reimburse the Republic for amounts paid.
- (7) GDP figures are expressed in nominal terms.
- (8) Exchange rate and CER used to calculate public debt totals for end of each period.

n.a. = not available.

Source: INDEC and Ministry of the Treasury.

In 2011, the Republic’s total gross public debt increased by 8.6% to U.S.\$197.2 billion (38.9% of nominal GDP). The increase in total gross public debt was primarily a result of:

- the issuance of U.S.\$25.7 billion in peso-denominated debt;
- the issuance of U.S.\$22.4 billion in foreign currency-denominated debt;
- compounding of U.S.\$1.3 billion in interest; and
- CER linked debt adjustments of U.S.\$0.4 billion.

These factors were partially offset by principal payments that totaled U.S.\$27.2 billion and exchange rate fluctuations that reduced debt by U.S.\$2.9 billion.

In 2012, the Republic’s total gross public debt increased 10.0% to U.S.\$216.9 billion (40.5% of nominal GDP). The increase in total gross public debt was primarily a result of:

- the issuance of U.S.\$36.8 billion in peso-denominated debt;
- the issuance of U.S.\$16.2 billion in foreign currency-denominated debt; and
- compounding of U.S.\$1.1 billion in interest

These factors were partially offset by principal payments that totaled U.S.\$28.4 billion, exchange rate fluctuations that reduced debt by U.S.\$5.3 billion and CER linked debt adjustments of U.S.\$1.2 billion.

In 2013, the Republic’s total gross public debt increased by 3.0% to U.S.\$223.4 billion (43.5% of nominal GDP). The increase in total gross public debt was primarily a result of:

- the issuance of U.S.\$41.6 billion in peso-denominated debt;
- the issuance of U.S.\$15.4 billion in foreign currency-denominated debt; and
- compounding of U.S.\$1.1 billion in interest.

These factors were partially offset by principal payments that totaled U.S.\$33.8 billion, exchange rate fluctuations that reduced debt by U.S.\$13.3 billion and CER linked debt adjustments of U.S.\$5.7 billion.

In 2014, the Republic’s total gross public debt increased by 7.1% to U.S.\$239.3 billion (44.7% of nominal GDP). The increase in total gross public debt was primarily a result of:

- the issuance of U.S.\$57.0 billion in peso-denominated debt;

- the issuance of U.S.\$36.9 billion in foreign currency-denominated debt; and
- compounding of U.S.\$0.03 billion in interest.

These factors were partially offset by principal payments that totaled U.S.\$52.8 billion, exchange rate fluctuations that reduced debt by U.S.\$15.3 billion, inflation adjustments of U.S.\$1.2 billion and a methodological adjustment that excluded obligations due between 2018 and 2020 under Bogar by a total of U.S.\$5.6 billion.

In 2015, the Republic's total gross public debt increased by 0.6% to U.S.\$240.7 billion (53.5% of nominal GDP). The increase in total gross public debt was primarily a result of:

- the issuance of U.S.\$61.8 billion in peso-denominated debt; and
- the issuance of U.S.\$33.8 billion in foreign currency-denominated debt.

These factors were partially offset by principal payments that totaled U.S.\$62.6 billion, exchange rate fluctuations that reduced debt by U.S.\$26.9 billion and CER linked debt adjustments of U.S.\$5.1 billion.

The following table sets forth information on intra-public sector issuances between January 1, 2011 and December 31, 2015, which provided new financing to the Treasury.

**Intra-Public Sector Issuances <sup>(1)</sup>**  
(in millions of U.S. dollars)

	For the year ended December 31,				
	2011	2012	2013	2014	2015
<b>Temporary advances<sup>(2)</sup></b> .....	U.S.\$ 15,985	U.S.\$ 27,150	U.S.\$ 24,567	U.S.\$ 28,068	U.S.\$ 32,181
Peso-denominated debt.....	15,985	27,150	24,567	28,068	32,181
Foreign currency-denominated debt .....	—	—	—	—	—
<b>Nontransferable notes Central Bank</b> .....	<b>9,625</b>	<b>7,758</b>	<b>9,425</b>	<b>10,940</b>	<b>10,640</b>
Peso-denominated debt.....	—	—	—	—	—
Foreign currency-denominated debt <sup>(3)</sup> .....	9,625	7,758	9,424	10,940	10,640
<b>Treasury notes</b> .....	<b>1,366</b>	<b>3,262</b>	<b>1,143</b>	<b>5,293</b>	<b>6,437</b>
Peso-denominated debt <sup>(4)</sup> .....	1,253	2,680	548	4,672	5,796
Foreign currency-denominated debt <sup>(5)</sup> .....	113	582	595	621	641
<b>Loans from BNA</b> .....	<b>3,236</b>	<b>3,695</b>	<b>3,668</b>	<b>2,307</b>	<b>3,506</b>
Peso-denominated debt <sup>(6)</sup> .....	3,244	3,695	3,501	2,307	3,506
Foreign currency-denominated debt .....	—	—	—	—	—
<b>Bonars</b> .....	<b>2,815</b>	<b>1,259</b>	<b>7,411</b>	<b>3,437</b>	<b>2,527</b>
Peso-denominated debt <sup>(7)</sup> .....	217	—	7,411	2,537	1,070
Foreign currency-denominated debt <sup>(8)</sup> .....	2,599	1,259	—	900	1,456
<b>Bonads</b> .....	—	—	—	<b>347</b>	<b>2,157</b>
Peso-denominated debt <sup>(9)</sup> .....	—	—	—	347	2,157
Foreign currency-denominated debt .....	—	—	—	—	—
<b>Promissory notes</b> .....	—	<b>152</b>	—	—	<b>1,140</b>
Peso-denominated debt <sup>(10)</sup> .....	—	152	—	—	1,140
Foreign currency-denominated debt .....	—	—	—	—	—
<b>Bonacs</b> .....	—	—	—	—	<b>457</b>
Peso-denominated debt <sup>(11)</sup> .....	—	—	—	—	457
Foreign currency-denominated debt .....	—	—	—	—	—
<b>2033 Discount Bonds</b> .....	<b>5,140</b>	—	—	—	—
Peso-denominated debt.....	—	—	—	—	—
Foreign currency-denominated debt <sup>(12)</sup> .....	5,140	—	—	—	—
<b>Total Argentine securities issued</b> .....	<b>U.S.\$ 38,167</b>	<b>U.S.\$ 43,276</b>	<b>U.S.\$ 46,213</b>	<b>U.S.\$ 50,391</b>	<b>U.S.\$ 59,045</b>

(1) The figures in the table show the amount in U.S. dollars of financings entered into with Argentine public agencies, which provided new financing to the Treasury in each of the periods indicated in the table. The total amount for each period set forth in the table does not purport to show the outstanding amount with respect to such financings as of any specified date, but rather purports to show the total amount in U.S. dollars of such financings between January 1 and December 31 for each of the years in the period 2011 to 2015.

(2) Financing from the Central Bank..

(3) Includes nontransferable notes issued to the Central Bank. The applicable rate of these notes is the lesser of LIBOR minus 1% and the yield of international reserves and maturity dates between January 3, 2016 and June 1, 2025.

(4) Treasury notes with an interest rate ranging from 0% to 18.5% and maturity dates between February 2, 2011 and November 30, 2017.

(5) Treasury notes with an interest rate ranging from 0% to 5% and maturity dates between February 2, 2011 and December 5, 2016.

- (6) These loans bear interest at an annual floating rate equal to BADLAR plus 100 basis points. Principal will amortize in 24 consecutive monthly installments starting on the fifth business day of January 2011, 2012, 2013, 2014, 2015 and 2016, and March 2016, or the fifth business day of the month following 6 months of disbursement to be met, and thereafter on the fifth business day of each month.
- (7) Bonars with an interest rate ranging from BADLAR plus 325 basis points to BADLAR plus 200 basis points and maturity dates between March 18, 2016, and December, 23, 2020.
- (8) Bonars with a fixed interest rates ranging from 7% to 9% and maturity dates between April 17, 2017 and May 7, 2024.
- (9) Bonads with a fixed interest rate ranging from 0.75% to 2.50% and maturity dates February 22, 2017 and June 4, 2018.
- (10) Promissory notes with a maturity date on February 28, 2016 and March 8, 2016
- (11) Bonacs with a floating interest rate (LEBACs and others) and maturity dates March 31, 2016 and September 30, 2016.
- (12) Amortizing bond with an 8.3% interest rate and maturity in December 31, 2033.

Source: Ministry of the Treasury.

### Debt by Interest Rate

The following tables set forth information on the Republic's total gross public debt by type of interest rates.

#### Total Gross Public Debt by Type of Interest Rate<sup>(1)</sup> (in millions of U.S. dollars)

	As of December 31,				
	2011	2012	2013	2014	2015
Fixed rate <sup>(2)</sup> .....	116,901.2	124,713.5	117,321.9	116,641.2	127,622.0
Variable rate.....	64,224.7	65,133.6	76,032.3	89,626.8	85,427.2
BADLAR.....	16,883.5	18,513.7	18,478.1	21,378.0	18,573.9
LIBOR.....	16,455.5	8,070.3	9,225.8	9,667.7	9,910.3
LIBOR minus 1% <sup>(3)</sup> .....	25,724.5	33,482.1	42,907.1	53,846.9	48,387.8
IADB.....	434.4	295.2	398.3	556.4	298.8
Term deposit interest rate <sup>(4)</sup> .....	0.0	0.0	0.0	0.0	0.0
Others <sup>(5)</sup> .....	4,726.8	4,772.4	5,023.0	4,177.8	8,256.4
Zero rate <sup>(6)</sup> .....	16,028.4	27,073.0	30,084.8	33,058.2	27,615.9
Total gross public debt.....	197,154.3	216,920.1	223,439.0	239,326.1	240,665.0

- (1) Includes past due principal and interest.
- (2) Includes bonds, the principal amount of which is adjusted for inflation in the Republic as measured by CER. The amount of such CER-linked debt (including past due principal and interest payments) was U.S.\$16.0 billion as of December 31, 2015.
- (3) Nontransferable notes issued to the Central Bank (BCRA 2016, 2020, 2021, 2022, 2023, 2024 and 2025), which were issued as compensation for the cancellation of debt with the IMF, private debt holders, multilateral agencies and bilateral lenders. The applicable rate of these notes is the minimum of LIBOR minus 1% and the yield of international reserves.
- (4) Daily average for peso and dollar term deposits as reported by the Central Bank.
- (5) Includes savings accounts interest rate and others.
- (6) Includes temporary advances from the Central Bank and promissory notes. As of December 31, 2015, the aggregate amount outstanding under temporary advances from the Central Bank was U.S.\$25.5billion. As of December 31, 2014, the amount of temporary advances from the Central Bank was U.S.\$29.4 billion. As of December 31, 2013, the amount of temporary advances from the Central Bank was U.S.\$28.0 billion and the amount of promissory notes in foreign currency was U.S.\$130 million. As of December 31, 2012, the amount of temporary advances from the Central Bank was U.S.\$26.0 billion and the amount of promissory notes in foreign currency was U.S.\$130 million. As of December 31, 2011, the amount of temporary advances from the Central Bank was U.S.\$15.6 billion and the amount of promissory notes in foreign currency was U.S.\$502 million.

Source: Ministry of the Treasury.

#### Total Gross Public Debt by Type of Interest Rate<sup>(1)</sup> (as a percentage of total gross public debt)

	As of December 31,				
	2011	2012	2013	2014	2015
Fixed rate <sup>(2)</sup> .....	59.3%	57.5%	52.5%	48.7%	53.0%
Variable rate.....	32.6%	30.0%	34.0%	37.4%	35.5%
BADLAR.....	8.6%	8.5%	8.3%	8.9%	7.7%
LIBOR.....	8.3%	3.7%	4.1%	4.0%	4.1%
LIBOR minus 1% <sup>(3)</sup> .....	13.0%	15.4%	19.2%	22.5%	20.1%
IADB.....	0.2%	0.1%	0.2%	0.2%	0.1%
Term deposit interest rate <sup>(4)</sup> .....	0.0%	0.0%	0.0%	0.0%	0.0%
Others <sup>(5)</sup> .....	2.4%	2.2%	2.2%	1.7%	3.4%
Zero rate <sup>(6)</sup> .....	8.1%	12.5%	13.5%	13.8%	11.5%
Total gross public debt.....	100.0%	100.0%	100.0%	100.0%	100.0%

- (1) Includes past due principal and interest.
- (2) Includes bonds, the principal amount of which is adjusted for inflation in the Republic as measured by CER. The amount of such CER-linked debt (including past due principal and interest payments) was U.S.\$16.0 billion as of December 31, 2015.
- (3) Nontransferable notes issued to the Central Bank (BCRA 2016, 2020, 2021, 2022, 2023, 2024 and 2025), which were issued as compensation for the cancellation of debt with the IMF, private debt holders, multilateral agencies and bilateral lenders. The applicable rate of these notes is the minimum of LIBOR minus 1% and the yield of international reserves.
- (4) Daily average for peso and dollar term deposits as reported by the Central Bank.
- (5) Includes savings accounts interest rate and others.
- (6) Includes temporary advances from the Central Bank and promissory notes. As of December 31, 2015, the amount of temporary advances from the Central Bank was U.S.\$25.5 billion. As of December 31, 2014, the amount of temporary advances from the Central Bank was U.S.\$29.4 billion. As of December 31, 2013, the amount of temporary advances from the Central Bank was U.S.\$28.0 billion and the amount of promissory notes in foreign currency was U.S.\$130 million. As of December 31, 2012, the amount of temporary advances from the Central Bank was U.S.\$26.0 billion and the amount of promissory notes in foreign currency was U.S.\$130 million. As of December 31, 2011, the amount of temporary advances from the Central Bank was U.S.\$15.6 billion and the amount of promissory notes in foreign currency was U.S.\$502 million.

Source: *INDEC and Ministry of the Treasury.*

As of December 31, 2015, the composition of the public debt (excluding Untendered Debt) by interest rate included:

- fixed rate peso-denominated debt, such as 2045 Quasi-Par Bonds, 2033 Discount Bonds, National Guaranteed Loans, Treasury notes, 2038 Par Bonds, Bonad 2016, Bonad 2017, Bonad 2018 and Bocones;
- fixed rate foreign currency-denominated debt, such as 2038 Par Bonds, 2033 Discount Bonds, Bonar X, Bonar XVIII, Bonar XIX, Bonar XXIV, Bonar XX, Bonar XVI, Bonar XXII, Bonar XXV, Bonar XXVII, Baade, bilateral debt, multilateral debt and Treasury notes;
- zero rate peso-denominated debt, such as temporary advances from the Central Bank, Treasury notes and Promissory Notes;
- zero rate foreign currency-denominated debt, such as promissory notes, Treasury notes and multilateral debt;
- floating rate peso-denominated debt, such as Treasury notes, Bonar Pesos 2016, Bonar Pesos 2017, Bonar Pesos 2018, Bonar Pesos 2019, Bonar Pesos 2020, Promissory Notes Pesos 2019, Bonacs 2016, Bocones, loans from Banco de la Nación Argentina, Treasury bonds due 2016 and all debt issued at BADLAR, savings, LEBACs or term deposit interest rates; and
- floating rate foreign currency-denominated debt, such as LIBOR rate instruments including loans from multilateral organizations and bilateral debt, nontransferable issued to the Central Bank (BCRA 2021, 2022, 2023 and 2024, in compensation for advances applied to cancel the debt with private creditors, multilateral organizations and bilateral lenders), a portion of the bilateral debt and IADB rate loans.

### ***Maturity Profile***

For purposes of its debt maturity profile, the Republic divides its debt into three categories: short-term debt, medium- and long-term debt, arrears and Untendered Debt. Principal and interest arrears, having already matured, are not included in the amount of short-term or medium- and long-term debt but are included in the total amount of debt outstanding. Compensatory and default interest and Untendered Debt are also included in the total amount of debt.

The following tables set forth the Republic's total public debt by term as of the dates indicated.

**Total Gross Public Debt by Term  
(in millions of U.S. dollars)**

	As of December 31,									
	2011		2012		2013		2014		2015	
Short-term <sup>(1)</sup> .....	U.S.\$	17,518	U.S.\$	31,272	U.S.\$	31,737	U.S.\$	38,135	U.S.\$	33,204
Medium-term and long-term <sup>(2)</sup> .....		155,204		160,083		164,957		183,564		189,455
Arrears: .....										
Principal.....		5,194		5,071		4,906		40		36
Interest .....		1,047		1,038		1,030		9		8
Compensatory Interest (3) .....		3,024		3,268		3,504		0		0
Total arrears .....		9,266		9,377		9,440		49		44
Untendered Debt (4) .....		15,167		16,188		17,305		17,578		17,962
Total gross public debt .....		197,154		216,920		223,439		239,326		240,665

(1) Debt with original maturity of one year or less.

(2) Debt with original maturity of more than one year.

(3) Compensatory interest is estimated by reference to contractual rates.

(4) Amounts include Untendered For information regarding the Republic's Settlement Proposal to settle all claims on the Untendered Debt, see "—Legal Proceedings."

Source: Ministry of the Treasury.

**Total Gross Public Debt by Term  
(as a percentage of total gross public debt)**

	As of December 31,				
	2011	2012	2013	2014	2015
Short-term <sup>(1)</sup> .....	8.9%	14.4%	14.2%	15.9%	13.8%
Medium-term and long-term <sup>(2)</sup> .....	78.7	73.8	73.8	76.7	78.7
Arrears: .....	—	—	—	—	—
Principal .....	2.6	2.3	2.2	—	—
Interest .....	0.5	0.5	0.5	—	—
Compensatory Interest(3) .....	1.5	1.5	1.6	—	—
Total arrears .....	4.7	4.3	4.2	—	—
Untendered Debt(4) .....	7.7	7.5	7.7	7.3	7.5
Total gross public debt <sup>(3)</sup> .....	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Debt with original maturity of one year or less.

(2) Debt with original maturity of more than one year.

(3) Compensatory interest is estimated by reference to contractual rates.

(4) Amounts include Untendered Debt. For information regarding the Republic's Settlement Proposal to settle all claims on the Untendered Debt, see "—Legal Proceedings."

Source: Ministry of the Treasury.

The Republic's short-term debt increased to 13.8% of total gross public debt as of December 31, 2015 from 8.9% as of December 31, 2011, primarily due to the increase in temporary advances from the Central Bank from U.S.\$15.6 billion in 2011 to U.S.\$25.5 billion in 2015.

In 2015, the Republic's short-term debt decreased by 12.9% to U.S.\$33.2 billion from U.S.\$38.1 billion in 2014. This decrease was primarily due to:

- a decrease in temporary advances from the Central Bank from U.S.\$29.4 billion in 2014 to U.S.\$25.5 billion in 2015, as a result of the effect of the devaluation of the peso on peso-denominated loans made in accordance with the Central Bank's amended charter, which permits short-term advances to the Government in an amount at any given point in time of up to 20% of the revenue that the Government recorded in the previous twelve months (10% for ordinary advances and an additional 10% for extraordinary loans) plus 12% of the monetary base;

- the effect of the devaluation of the peso on the peso-denominated Treasury notes, including those issued to the Fondo Fiduciario del Programa de Crédito Argentino del Bicentenario para la Vivienda Única Familiar (Trust Fund for the Argentine Credit Program for the Single Family Housing) (PRO.CRE.AR), Fondo Fiduciario de Reconstrucción de Empresas (Trust Fund for the Reconstruction of Companies) and Instituto Nacional de Servicios Sociales para Jubilados y Pensionados (National Institute of Social Services for Retirees), among others, from U.S.\$8.7 billion in 2014 to U.S.\$7.7 billion in 2015.

The Republic's medium- and long-term debt decreased in relative terms at 85.1% of total gross public debt (excluding non-performing and Untendered Debt) as of December 31, 2015 compared to 89.9% of total gross public debt as of December 31, 2011, but increased in absolute terms by U.S.\$34.3 billion to U.S.\$189.5 billion as of December 31, 2015 from U.S.\$155.2 billion as of December 31, 2011, primarily due to:

- higher issuances than amortization payments;
- debt issuances in connection with the 2010 Debt Exchange;
- inflation adjustments; and
- compounding interest.

These factors were partially offset by the nominal depreciation of the euro, which reduced euro-denominated debt when expressed in U.S. dollars, the nominal depreciation of the peso, which reduced peso-denominated debt when expressed in U.S. dollars.

#### *Distribution of Total Gross Public Debt by Type of Creditor*

The following tables set forth information relating to the Republic's performing and non-performing public debt (including Untendered Debt) by creditor.

#### **Total Gross Performing and Non-Performing Public Debt by Creditor (in millions of U.S. dollars)**

	As of December 31,									
	2011		2012		2013		2014		2015	
<b>Performing debt</b>										
Medium-term and long-term debt:										
Official debt:										
Multilateral debt:										
Inter-American Development Bank .....	U.S.\$	10,650	U.S.\$	10,766	U.S.\$	10,994	U.S.\$	11,341	U.S.\$	11,207
World Bank .....		5,555		5,626		6,122		6,007		5,852
Corporación Andina de Fomento .....		1,625		1,851		2,191		2,419		2,590
FONPLATA .....		77		63		53		53		81,8
European Investment Bank .....		17		14		9		5		—
International Fund for the Development of Agriculture.....		10		15		25		32		38
Total multilateral debt .....		17,935		18,335		19,394		19,857		19,768
Paris Club.....								8,124		7,272
Bilateral debt.....		1,213		677		615		1,059		1,994
Total bilateral debt .....		1,213		677		615		9,183		9,266
Total official debt.....		19,148		19,011		20,009		29,040		29,034
Suppliers.....		1,489		1,811		1,565		1,262		1,898
Commercial banks .....		6,525		7,213		6,005		4,282		3,923
Bonds:										
Peso-denominated bonds .....		35,080		33,398		32,618		34,332		34,512
Foreign currency-denominated bonds .....		79,571		86,915		95,942		111,711		117,952
Total bonds .....		114,651		120,313		128,559		146,043		152,463
National Guaranteed Loans.....		4,121		3,753		3,035		2,877		2,076
Bogars .....		8,907		7,657		5,571		—		—
Total medium-term and long-term debt.....		154,841		159,759		164,744		183,504		189,395
Short-term debt:										
Treasury notes .....		1,833		5,244		3,679		8,732		7,687
Temporary advances from the Central Bank .....		15,597		25,972		28,002		29,402		25,517
Promissory notes.....		88		56		56		—		—

	As of December 31,				
	2011	2012	2013	2014	2015
Total short-term debt .....	17,518	31,272	31,737	38,135	33,204
Total performing debt .....	172,359	191,031	196,481	221,639	222,599
<b>Non-performing debt<sup>(1)</sup></b>					
Non-performing debt not yet due:					
Medium-term and long-term debt:					
Bilateral debt <sup>(2)</sup> .....	196	172	152	—	—
Suppliers .....	105	92	—	—	—
Commercial banks .....	61	60	60	60	60
Total non-performing debt not yet due.....	362	324	213	60	60
Non-performing principal and interest arrears:					
Paris Club .....	3,150	3,113	3,074	—	—
Other bilateral debt .....	2,369	2,266	2,182	—	—
Commercial banks .....	640	648	667	38	34
Suppliers.....	82	82	13	11	10
Compensatory interest	3,024	3,268	3,504	—	—
Total non-performing principal and interest arrears .....	9,266	9,377	9,440	49	44
Total non-performing debt .....	9,628	9,701	9,653	109	104
Untendered Debt	15,167	16,188	17,305	17,578	17,962
Total gross public debt including arrears <sup>(3)</sup> .....	197,154	216,920	223,439	239,326	240,665

(1) For a definition of non-performing debt, see “Certain Defined Terms and Conventions—Certain Defined Terms.”

(2) Bilateral debt is debt with sovereign governments.

(3) Figures include Untendered Debt. For information regarding the Republic’s Settlement Proposal to settle all claims on the Untendered Debt, see “—Legal Proceedings.”

Source: Ministry of the Treasury.

### Total Gross Performing and Non-Performing Public Debt by Creditor (as a % of total gross public debt)

	As of December 31,				
	2011	2012	2013	2014	2015
<b>Performing debt</b>					
Medium-term and long-term debt:					
Official debt:					
Multilateral debt:					
Inter-American Development Bank.....	5.4%	5.0%	4.9%	4.7%	4.7%
World Bank.....	2.8%	2.6%	2.7%	2.5%	2.4%
Corporación Andina de Fomento .....	0.8%	0.9%	1.0%	1.0%	1.1%
FONPLATA .....	0.0%	0.0%	0.0%	0.0%	0.0%
European Investment Bank .....	0.0%	0.0%	0.0%	0.0%	0.0%
International Fund for the Development of Agriculture	0.0%	0.0%	0.0%	0.0%	0.0%
Total multilateral debt.....	9.1%	8.5%	8.7%	8.3%	8.2%
Paris Club .....	0.0%	0.0%	0.0%	3.4%	3.0%
Bilateral debt.....	0.6%	0.3%	0.3%	0.4%	0.8%
Total bilateral debt	0.6%	0.3%	0.3%	3.8%	3.9%
Total official debt.....	9.7%	8.8%	9.0%	12.1%	12.1%
Suppliers.....	0.8%	0.8%	0.7%	0.5%	0.8%
Commercial banks .....	3.3%	3.3%	2.7%	1.8%	1.6%
Bonds:					
Peso-denominated bonds.....	17.8%	15.4%	14.6%	14.3%	14.3%
Foreign currency-denominated bonds .....	40.4%	40.1%	42.9%	46.7%	49.0%
Total bonds.....	58.2%	55.5%	57.5%	61.0%	63.4%
National Guaranteed Loans .....	2.1%	1.7%	1.4%	1.2%	0.9%
Bogars.....	4.5%	3.5%	2.5%	0.0%	0.0%
Total medium-term and long-term debt.....	78.5%	73.6%	73.7%	76.7%	78.7%
Short-term debt:					
Treasury notes.....	0.9%	2.4%	1.6%	3.6%	3.2%
Temporary advances from the Central Bank .....	7.9%	12.0%	12.5%	12.3%	10.6%
Promissory notes.....	0.0%	0.0%	0.0%	0.0%	0.0%
Total short term debt.....	8.9%	14.4%	14.2%	15.9%	13.8%
Total performing gross public debt .....	87.4%	88.1%	87.9%	92.6%	92.5%
<b>Non-performing debt<sup>(1)</sup></b>					
Non-performing debt not yet due:					
Medium-term and long-term debt:					
Bilateral debt <sup>(2)</sup> .....	0.1%	0.1%	0.1%	0.0%	0.0%
Suppliers .....	0.1%	0.0%	0.0%	0.0%	0.0%
Commercial banks .....	0.0%	0.0%	0.0%	0.0%	0.0%
Total non-performing debt not yet due.....	0.2%	0.1%	0.1%	0.0%	0.0%
Non-performing principal and interest arrears:					



	As of December 31,				
	2011	2012	2013	2014	2015
Paris Club .....	1.6%	1.4%	1.4%	0.0%	0.0%
Other bilateral debt .....	1.2%	1.0%	1.0%	0.0%	0.0%
Commercial banks .....	0.3%	0.3%	0.3%	0.0%	0.0%
Suppliers .....	0.0%	0.0%	0.0%	0.0%	0.0%
Compensatory interest .....	1.5%	1.5%	1.6%	0.0%	0.0%
Total non-performing principal and interest arrears .....	5%	4%	4%	0%	0%
Total non-performing debt .....	4.9%	4.5%	4.3%	0.05%	0.04%
Untendered Debt .....	7.7%	7.5%	7.7%	7.34%	7.46%
Total gross public debt <sup>(3)</sup> .....	100.0%	100.0%	100.0%	100.0%	100.0%

(1) For a definition of non-performing debt, see “Certain Defined Terms and Conventions—Certain Defined Terms.”

(2) Bilateral debt is debt with sovereign governments.

(3) Includes Untendered Debt. For information regarding the Republic’s Settlement Proposal to settle all claims on the Untendered Debt, see “—Legal Proceedings.”

Source: *Ministry of the Treasury.*

### **Performing Debt**

Medium-term and long-term debt decreased to 85.1% of total performing debt as of December 31, 2015, from 89.9% as of December 31, 2011, but increased in absolute terms by U.S.\$34.6 billion to U.S.\$189.4 billion as of December 31, 2015 from U.S.\$154.8 billion as of December 31, 2011, as a result of higher issuances than amortization payments, issuances of new bonds, the Paris Club settlement agreement and inflation adjustments. These factors were partially offset by the nominal depreciation of the euro, which reduced euro-denominated debt when expressed in U.S. dollars, the nominal depreciation of the peso, which reduced peso-denominated debt when expressed in U.S. dollars and liability management transactions during 2009.

Multilateral debt decreased to 8.9% of total performing debt as of December 31, 2015, from 10.4% as of December 31, 2011, but increased in absolute terms by U.S.\$1.8 billion to U.S.\$19.8 billion as of December 31, 2015 from U.S.\$17.9 billion as of December 31, 2011, primarily as a result of higher disbursements than amortization payments.

Bilateral debt increased to 4.2% of total performing debt as of December 31, 2015, from 0.7% as of December 31, 2011, and increased in absolute terms by U.S.\$8.1 billion to U.S.\$9.3 billion as of December 31, 2015 from U.S.\$1.2 billion as of December 31, 2011, primarily as a result of higher disbursements than amortization payments.

Bond debt increased to 68.5% of total performing debt as of December 31, 2015, from 66.5% as of December 31, 2011, and increased in absolute terms by U.S.\$37.8 billion to U.S.\$152.5 billion as of December 31, 2015 from U.S.\$114.7 billion as of December 31, 2011. This increase was primarily a result of:

- higher issuances than amortization payments;
- inflation adjustments; and
- compounding interest.

This increase was partially offset by exchange rate fluctuations (the nominal depreciation of the euro, which reduced euro-denominated debt when expressed in U.S. dollars and the nominal depreciation of the peso, which reduced peso-denominated debt when expressed in U.S. dollars).

Short-term debt increased to 14.9% of total performing debt as of December 31, 2015, from 10.2% as of December 31, 2011, primarily as a result of increases in the amount of temporary advances from the Central Bank. This increase was partially offset by amortization payments of the Treasury notes and Promissory notes to public sector entities.

National Guaranteed Loans debt decreased to 0.9% of total performing debt as of December 31, 2015, from 2.4% as of December 31, 2011, primarily as a result of amortization payments and liability management transactions.

### ***Non-Performing Debt (excluding Untendered Debt)***

As of December 31, 2015, commercial banks debt represented 90.0% of total non-performing debt (excluding Untendered Debt), and suppliers debt represented 10.0% of non-performing debt.

### ***Changes in Total Gross Performing Public Debt by Creditor in 2015***

In 2015, bond debt, bilateral debt and suppliers debt increased as a percentage of the Republic's total gross public debt as compared to 2014.

The Republic's bond debt increased to 68.5% of the Republic's total gross public debt from 65.9% in 2014, and increased in absolute terms by U.S.\$6.4 billion to U.S.\$152.5 billion from U.S.\$146.0 billion in 2014. This increase resulted primarily from:

- the issuance of non-transferable notes to the Central Bank, Bonar XVI, Bonar XVII, Bonar XVIII, Bonar XX, Bonar XXII, Bonar XXV, Bonar XXVII, Bonac 2016, Bonad 2017 and Bonad 2018;
- an increase in debt amounts due to CER adjustments; and
- compounding of interest.

These effects were partially offset by amortization payments, depreciation of the peso, which reduced peso-denominated debt when expressed in U.S. dollars, and depreciation of the euro, which reduced euro denominated debt when expressed in U.S. dollars.

In 2015, the Republic's suppliers debt increased by 0.3 percentage points in relative terms as a percentage of the Republic's total gross public debt from 0.5% in 2014 to 0.8% in 2015, and increased by U.S.\$636.4 million in absolute terms to U.S.\$1.9 billion in 2015 from U.S.\$1.3 billion in 2014

The Republic's bilateral debt increased in relative terms to 3.9% of the Republic's total gross public debt in 2015 from 3.8% in 2014, and increased in absolute terms by U.S.\$82.8 million to U.S.\$9.3 billion in 2015 from U.S.\$9.2 billion in 2014.

The debt increase in the above-mentioned categories was partially offset by decreases in the following categories:

- The Republic's short-term debt decreased to 13.8% in relative terms as a percentage of the Republic's total gross performing public debt from 15.9% in 2014, and decreased by U.S.\$4.9 billion in absolute terms to U.S.\$33.2 billion in 2015 from U.S.\$38.1 billion in 2014. The decrease in the Republic's short-term debt was mainly due to a U.S.\$1.0 billion decrease in Treasury Notes to U.S.\$7.7 billion in 2015 as compared to U.S.\$8.7 billion in 2014 and a U.S.\$3.9 billion decrease in temporary advances from the Central Bank from U.S.\$29.4 billion in 2014 to U.S.\$25.5 billion in 2015.
- The Republic's National Guaranteed Loans decreased as a percentage of the Republic's total gross performing public debt. National Guaranteed Loans decreased in relative terms to 0.9% of total gross public debt from 1.2% in 2014 and decreased by U.S.\$801.3 million in absolute terms to U.S.\$2.1 billion in 2015 as compared to U.S.\$2.9 billion in 2014. These effects were partially offset by an increase in debt amounts due to CER adjustments.
- The Republic's commercial bank debt decreased in relative terms to 1.6% of the Republic's total gross performing public debt, and decreased by U.S.\$358.3 million in absolute terms. This decrease was mainly due to a decrease in bank loans, which was partially offset by the depreciation of the peso, which reduced peso-denominated debt when expressed in U.S. dollars.

- The Republic's multilateral debt decreased in relative terms to 8.2% of the Republic's total gross performing public debt from 8.3% in 2014 and increased in absolute terms by U.S.\$89.1 million. This decrease in absolute terms resulted primarily from higher disbursements than amortizations.

### Foreign Currency-Denominated Debt

The following tables set forth information regarding the Republic's total foreign currency-denominated debt, including past due principal and interest and compensatory and default interest, as of the dates indicated.

#### Foreign Currency-Denominated Public Debt<sup>(1)</sup> (in millions of U.S. dollars)

	As of December 31,									
	2011		2012		2013		2014		2015	
	U.S.\$		U.S.\$		U.S.\$		U.S.\$		U.S.\$	
Performing debt										
Non-transferable notes to the BCRA										
2016, 2020, 2021, 2022, 2023,										
2024 and 2025.....		25,724		33,482		43,907		53,847		48,388
Bonar.....		11,363		12,733		11,176		16,526		35,418
Multilateral debt.....		17,935		18,335		19,394		19,857		19,768
2033 Discount Bonds.....		12,877		13,253		13,739		14,970		14,585
2038 Par Bonds.....		13,329		13,409		13,645		12,790		12,167
Bilateral debt.....		1,213		677		615		9,183		9,266
2033 Discount Bonds (2010).....		4,748		4,916		5,175		4,733		4,404
2038 Par Bonds (2010).....		2,046		2,076		2,154		1,915		1,737
2017 Globals.....		966		966		966		966		966
Treasury notes.....		613		2,215		1,695		1,687		699
Baade.....		—		—		220		249		272
Commercial banks.....		128		62		62		62		50
Bocones.....		3		3		3		3		3
Boden.....		8,501		6,063		5,945		5,700		—
Promissory notes.....		502		130		130		—		—
Other.....		1,087		1,750		1,504		1,274		1,057
Non-performing debt.....		9,515		9,602		9,648		105		101
Non-performing debt not yet due.....		257		232		213		60		60
Non-performing debt arrears.....		6,234		6,102		5,931		44		41
Compensatory Interest.....		3,024		3,268		3,504		—		—
<b>Untendered debt</b> .....		<b>15,013</b>		<b>16,040</b>		<b>17,193</b>		<b>17,472</b>		<b>17,881</b>
Total foreign currency-denominated debt.....		<b>125,564</b>		<b>135,713</b>		<b>146,170</b>		<b>161,339</b>		<b>166,762</b>

(1) Includes performing and non-performing debt (including Untendered Debt). For information regarding the Republic's Settlement Proposal to settle all claims on the Untendered Debt, see "Public Sector Debt—Legal Proceedings."

Source: Ministry of the Treasury.

#### Gross Foreign Currency-Denominated Public Debt<sup>(1)</sup> (in millions of U.S. dollars)

	As of December 31,									
	2011		2012		2013		2014		2015	
Foreign currency-denominated debt <sup>(2)</sup> .....		125,564		135,713		146,170		161,339		166,762
As a % of GDP.....		23.8%		23.4%		23.9%		28.6%		26.4%
As a % of Government revenues.....		120.0%		113.6%		113.1%		131.4%		119.0%
As a % of exports.....		127.6%		142.6%		161.2%		196.1%		235.4%
As a % of international reserves.....		270.8%		313.5%		477.7%		513.1%		652.4%
As a % of total gross public debt.....		63.7%		62.6%		65.4%		67.4%		69.3%

(1) Includes performing and non-performing (including Untendered Debt)

(2) Includes Untendered For information regarding the Republic's Settlement Proposal to settle all claims on the Untendered Debt, see "—Legal Proceedings."

n.a. = not available.

Source: INDEC and Ministry of the Treasury.

### **Foreign Currency-Denominated Debt in 2015**

In 2015, the Republic's foreign currency-denominated debt, increased by 3.4% to U.S.\$166.8 billion as compared to December 31, 2014, primarily as a result of the issuance of, U.S.\$18.9 billion in Bonar XVI, Bonar XVII, Bonar XXVIII, Bonar XXIX, Bonar XX, Bonar XXII, Bonar XXIV, Bonar XXV and Bonar XXVII, U.S.\$82.8 million in bilateral debt. This increase was partially offset by principal amortizations that amounted to approximately U.S.\$8.5 billion and the nominal depreciation of the Euro against the dollar, which reduced Euro-denominated debt by U.S.\$2.2 billion when expressed in U.S. dollars.

The following table sets forth information regarding the Republic's total foreign currency-denominated debt by type of currency as of the dates indicated.

#### **Gross Foreign Currency-Denominated Public Debt, by Currency<sup>(1)</sup> (in millions of U.S. dollars)**

	As of December 31,				
	2011	2012	2013	2014	2015
U.S. dollars.....	97,122	106,569	115,818	134,754	142,811
Euro.....	24,615	25,579	27,205	23,936	21,453
Japanese yen.....	3,171	2,894	2,443	2,043	1,937
Other <sup>(2)</sup> .....	655	671	704	606	561
Foreign currency-denominated debt.....	<u>125,564</u>	<u>135,713</u>	<u>146,170</u>	<u>161,339</u>	<u>166,762</u>

(1) Includes Untendered Debt. For information regarding the Republic's Settlement Proposal to settle all claims on the Untendered Debt, see "—Legal Proceedings."

(2) Figures include Danish crown, Swedish crown, Canadian dollar, Australian dollar and Kuwaiti dinar.

Source: Ministry of the Treasury.

As of December 31, 2015, the Republic's total gross foreign currency public debt was denominated as follows:

- 85.6% in U.S. dollars;
- 12.9% in euro;
- 1.2% in Japanese yen; and
- 0.3% in other foreign currencies.

### **Performing Foreign Currency-Denominated Debt Service**

In 2011, the Republic's interest expense on its foreign currency-denominated debt was U.S.\$5.0 billion (0.9% of nominal GDP for 2011). In 2012, the Republic's interest expense on its foreign currency-denominated debt was U.S.\$6.6 billion (1.1% of nominal GDP for 2012). In 2013, the Republic's interest expense on its foreign currency-denominated debt was U.S.\$3.3 billion (0.5% of nominal GDP for 2013). In 2014, the Republic's interest expense on its foreign currency-denominated debt was U.S.\$3.5 billion (0.6% of nominal GDP for 2014). In 2015, the Republic's interest expense on its foreign currency-denominated debt was U.S.\$5.8 billion (0.9% of nominal GDP for 2015).

Interest expense on performing foreign currency denominated debt increased by U.S.\$817 million to U.S.\$5.8 billion in 2015 from U.S.\$5.0 billion in 2011. This increase occurred primarily as a result of the issuance of Bonares which increased interest payments by U.S.\$854 million for the period, the increase in payments on 2033 discount Bond by U.S.\$1.7 billion, and interest payments on other debt instruments which increased by U.S.\$443 million. These increases were partially offset by the absence of payment made under GDP-Linked Securities in 2015 as compared to 2011, when the Republic made payments totaling U.S.\$2.0 billion, 2038 Par Bonds (U.S.\$51 million), Boden (U.S.\$43 million) and treasury notes (U.S.\$22 million).

Interest expense on performing foreign currency denominated debt increased in 2015 by U.S.\$2.3 billion, from U.S.\$3.5 billion in 2014 to U.S.\$5.8 billion. This increase resulted primarily from a U.S.\$1.6 billion increase in interest paid under 2033 Discount Bond, the increase in payments on Bonares by U.S.\$418 million and interest paid on Paris Club by U.S.\$247 million.

The following table sets forth information regarding the Republic's projected debt service obligations on its performing foreign currency-denominated debt for the periods indicated, as of December 31, 2015.

**Projected Performing Foreign Currency-Denominated Public Debt Service by Creditor<sup>(1)(2)</sup>**  
(in millions of U.S. dollars)

	2016		2017		2018		2019	
	Capital	Interest	Capital	Interest	Capital	Interest	Capital	Interest
<i>Multilateral debt:</i>								
Inter-American Development Bank	U.S.\$ 865	U.S.\$ 413	U.S.\$ 879	U.S.\$ 376	U.S.\$ 832	U.S.\$ 341	U.S.\$ 803	U.S.\$ 308
World Bank	737	113	616	97	654	81	463	67
Corporación Andina de Fomento	238	63	283	58	293	51	302	43
FONPLATA	12	3	10	2	11	2	12	2
European Investment Bank	—	—	—	—	—	—	—	—
International Fund for Agricultural Development	5	—	5	—	5	—	5	—
Total multilateral debt	1,858	593	1,794	534	1,795	475	1,585	421
Bilateral debt	163	73	89	72	86	69	123	65
Paris Club	1,916	260	1,916	203	1,916	146	1,525	88
Total Bilateral debt	2,078	333	2,005	275	2,001	215	1,648	153
Total official debt	3,936	926	3,799	809	3,797	690	3,233	574
<b>Suppliers</b>	210	43	139	37	146	31	150	25
Commercial banks	12	—	12	—	12	—	12	—
<i>Bonds:</i>								
Bonds	1,337	4,768	8,312	4,413	3,374	4,113	3,104	3,753
Treasury notes	699	20	—	—	—	—	—	—
Promissory notes	—	—	—	—	—	—	—	—
Total bonds	2,036	4,788	8,312	4,413	3,374	4,113	3,104	3,753
Total performing foreign currency-denominated debt service	6,195	5,756	12,262	5,258	7,329	4,834	6,500	4,351
	2020		2021		2022		2023	
	Capital	Interest	Capital	Interest	Capital	Interest	Capital	Interest
<i>Multilateral debt:</i>								
Inter-American Development Bank	U.S.\$ 766	U.S.\$ 278	U.S.\$ 726	U.S.\$ 247	U.S.\$ 645	U.S.\$ 221	U.S.\$ 626	U.S.\$ 198
World Bank	397	60	338	54	215	48	160	45
Corporación Andina de Fomento	304	36	273	30	246	24	175	19
FONPLATA	4	1	4	1	4	1	4	1
European Investment Bank	—	—	—	—	—	—	—	—
International Fund for Agricultural Development	5	—	4	—	3	—	2	—
Total multilateral debt	1,477	375	1,345	332	1,113	294	966	262
Bilateral debt	158	61	177	54	154	47	144	41
Paris Club	—	—	—	—	—	—	—	—
Total Bilateral debt	158	61	177	54	154	47	144	41
Total official debt	1,635	435	1,522	386	1,268	341	1,110	303
<b>Suppliers</b>	151	18	143	10	102	2	1	—
Commercial banks	—	—	—	—	—	—	—	—
<i>Bonds:</i>								
Bonds	2,023	3,643	10,830	3,472	13,460	3,367	10,629	2,913
Treasury notes	—	—	—	—	—	—	—	—
Promissory notes	—	—	—	—	—	—	—	—
Total bonds	2,023	3,643	10,830	3,472	13,460	3,367	10,629	2,913

Total performing foreign currency-denominated debt service .....	3,809	4,096	12,494	3,868	14,830	3,710	11,741	3,216
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(1) Calculated based on total debt, exchange and interest rates as of December 31, 2015.

(2) Includes payments made by the Government to comply with judgments obtained by private parties through *acciones de amparo*. See “—Legal Proceedings—Litigation in Argentina.”

Source: INDEC and Ministry of the Treasury.

## Peso-Denominated Debt

The following table sets forth information regarding the Republic’s total peso-denominated debt as of the dates indicated.

	Peso-Denominated Debt <sup>(1)</sup> (in millions of U.S. dollars)									
	As of December 31,									
	2011		2012		2013		2014		2015	
Performing .....	U.S.\$	71,324	U.S.\$	80,960	U.S.\$	77,152	U.S.\$	77,876	U.S.\$	73,819
Temporary advances from the										
Central Bank.....		15,597		25,972		28,002		29,402		25,517
Bonar.....		11,284		9,774		12,447		13,512		10,178
2045 Quasi-Par Bonds.....		14,001		13,997		12,058		11,432		8,649
Treasury notes .....		1,220		3,029		1,984		7,045		6,988
Bonad .....		—		—		—		2,000		6,526
Commercial banks.....		6,397		7,150		5,943		4,219		3,873
Bonac.....		—		—		—		—		3,845
2033 Discount Bonds.....		5,899		5,809		4,928		4,672		3,535
National Guaranteed Loans		4,121		3,753		3,035		2,877		2,076
Bocones.....		1,996		1,946		1,671		1,461		880
2038 Par Bonds.....		1,314		1,271		1,059		1,004		760
2033 Discount Bonds (2010).....		71		70		59		56		42
2038 Par Bonds (2010).....		5		5		4		4		3
Bogar.....		8,907		7,657		5,571		—		—
Boden .....		308		198		81		—		—
Promissory notes .....		—		—		—		—		—
Other.....		202		329		309		191		948
Non-performing debt		266		247		117		111		84
Non-performing debt not yet due.....		105		92		—		—		—
Non-performing debt arrears.....		7		6		5		4		3
Untendered debt		154		148		112		107		81
Total peso-denominated debt .....		<b>71,591</b>		<b>81,207</b>		<b>77,269</b>		<b>77,987</b>		<b>73,903</b>

(1) Includes performing and non-performing (including Untendered Debt). For information regarding the Republic’s Settlement Proposal to settle all claims on the Untendered Debt, see “—Legal Proceedings.”

Source: Ministry of the Treasury.

Total peso-denominated debt, increased 3.3% to Ps. 961.1 billion (U.S.\$73.9 billion, or 30.7% of gross public total debt) as of December 31, 2015 from Ps.308.1 billion (U.S.\$71.6 billion, or 36.3% of gross public total debt) as of December 31, 2011, primarily as a result of:

- the increase in temporary advances from the Central Bank;
- the issuance of peso-denominated debt in the domestic market;
- the increase in treasury notes;
- adjustments to inflation since a portion of the peso-denominated debt is subject to adjustment for inflation based on CER; and
- compounding interest.

### *Performing Peso-Denominated Debt Service*

In 2011, interest on the Republic's peso-denominated debt increased by 45.3% from Ps. 10.3 billion in 2010 to Ps. 14.9 billion (U.S.\$3.6 billion, or 41.9% of total interest). This increase was primarily due to the fact that Ps. 2.3 billion became payable under the GDP-Linked Securities in 2011 based on the level of GDP growth for the 2010 reference year, compared to 2010, when no payments were required under the GDP-Linked Securities. Additionally, interest payments increased with respect to debt with commercial banks (Ps. 1.4 billion in 2011), Bonar (Ps. 1.1 billion in 2011), 2033 Discount Bonds and 2033 Discount Bonds (2010) (Ps. 514 million in 2011). This increase was partially offset by reductions in interest payments for Bogar (Ps. 277 million in 2011), Treasury notes (Ps. 189 million in 2011) and Boden (Ps. 25 million in 2011).

In 2012, interest on the Republic's peso-denominated debt increased by 42.6% from Ps. 14.9 billion in 2011 to Ps. 21.2 billion (U.S.\$4.7 billion, or 41.5% of total interest). This increase was primarily due to higher interest payments on Bonares (Ps. 2.4 billion in 2012), payments made under GDP-Linked Securities (Ps. 1.0 billion in 2012) and higher interest payments on debt with loans from BNA (Ps. 735 million in 2012), Treasury notes (Ps. 615 million in 2012), Bocones (Ps. 91 million in 2012) and National Guaranteed Loans (Ps. 78 million in 2012). This increase was partially offset by reductions in interest payments on Bogars (Ps. 11 million in 2012).

In 2013, interest on the Republic's peso-denominated debt increased by 11.6% from Ps. 21.2 billion in 2012 to Ps. 23.7 billion (U.S.\$4.3 billion, or 56.5% of total interest). This increase was primarily due to higher interest payments on Bonares (Ps. 3.5 billion in 2013), loans from BNA (Ps. 1.1 billion in 2013), Treasury Notes (Ps. 1.0 billion in 2013), Bocones (Ps. 79 million in 2013) and National Guaranteed Loans (Ps. 65 million in 2013). This increase was partially offset mainly by reductions in interest payments on 2005 and 2010 Exchange Bonds (Ps. 3.8 billion in 2013), Bodenenes (Ps. 23 million in 2013), Bogars (Ps. 16 million in 2013) and other peso-denominated debt (Ps. 1.8 billion in 2013).

In 2014, interest on the Republic's peso-denominated debt increased by 78.8% from Ps. 23.7 billion in 2013 to Ps. 42.4 billion (U.S.\$5.2 billion, or 59.6% of total interest). This increase was primarily due to higher interest payments on Bonares (Ps. 12.0 billion in 2014), 2005 and 2010 Exchange Bonds (Ps. 2.5 billion in 2014), loans from BNA (Ps. 2.3 billion in 2014), Bocones (Ps. 618 million in 2014), Treasury notes (Ps. 519 million in 2014) and National Guaranteed Loans (Ps. 155 million in 2014). This increase was partially offset by reductions in interest payments on Bogars (Ps. 750 million in 2014) and Bodenenes (Ps. 9 million in 2014).

In 2015, interest on the Republic's peso-denominated debt increased by 57.6% from Ps. 42.4 billion in 2014 to Ps. 66.8 billion (U.S.\$7.2 billion, or 55.3% of total interest). This increase was primarily due to higher interest payments on Treasury notes (Ps. 7.7 billion in 2015), Bonac (Ps. 7.4 billion in 2015), 2005 and 2010 Exchange Bonds (Ps. 5.9 billion in 2015), Bonar (Ps. 3.3 billion in 2015), Bonad (Ps. 337 million in 2015), Bocones (Ps. 322 million in 2015) and National Guaranteed Loans (Ps. 270 million in 2015). This increase was partially offset by reductions in interest payments on other peso denominated debt (Ps. 445 million in 2015), loans from BNA (Ps. 376 million in 2015) and Bodenenes (Ps. 9 million in 2015).

The following table sets forth information regarding the Republic's projected debt service on its performing peso-denominated public debt for the periods indicated.

#### **Projected Performing Peso-Denominated Public Debt Service by Creditor<sup>(1)(2)</sup>** (in millions of U.S. dollars)

	2016		2017		2018		2019	
	Capital	Interest	Capital	Interest	Capital	Interest	Capital	Interest
Bonds .....	U.S.\$6,756	U.S.\$3,517	U.S.\$6,167	U.S.\$2,484	U.S.\$3,272	U.S.\$2,025	U.S.\$3,041	U.S.\$1,252
National guaranteed loans .....	371	100	701	66	192	46	17	40
Commercial banks.....	1,824	505	1,249	226	43	96	364	29
Suppliers .....	854	—	—	—	—	—	—	—
Temporary Advances from the Central Bank .....	20,177	—	5,340	—	—	—	—	—
Treasury notes .....	4,535	1,133	2,122	151	330	10	—	—
Promissory notes .....	—	—	—	—	—	—	—	—

	2020		2021		2022		2023	
	Capital	Interest	Capital	Interest	Capital	Interest	Capital	Interest
	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$
Total performing peso-denominated debt service.....	34,517	5,254	15,579	2,927	3,838	2,176	3,422	1,321
Bonds .....	1,848	992	141	542	158	524	63	509
National guaranteed loans .....	21	39	—	39	—	39	—	39
Commercial banks.....	5	8	—	7	—	7	—	7
Suppliers .....	—	—	—	—	—	—	—	—
Temporary Advances from the Central Bank.....	—	—	—	—	—	—	—	—
Treasury notes .....	—	—	—	—	—	—	—	—
Promissory notes .....	—	—	—	—	—	—	—	—
Total performing peso-denominated debt service.....	1,874	1,039	141	588	158	570	63	555

(1) Calculated based on the stock of debt, exchange rate and interest rates as of December 31, 2015.

(2) Includes payments made by the Government to comply with judgments obtained by private parties through *acciones de amparo*. See “—Legal Proceedings—Litigation in the Republic.

Source: Ministry of the Treasury.

### Debt Owed to Financial Institutions

Historically, the IMF, the IADB and the World Bank have provided the Republic with financial support subject to the Government’s compliance with stabilization and reform policies. The financial support of the World Bank and the IADB include sector-specific and structural loans intended to finance social programs, public works and structural projects at the national and provincial levels. From 2011 to 2015, outstanding amounts owed by the Government to multilateral creditors increased by U.S.\$1.8 billion (or 10.2%) to U.S.\$19.8 billion, mainly as a result of higher disbursements than amortization payments.

- During 2011, the Government made principal payments to multilateral lenders of U.S.\$1.6 billion, compared to disbursements by multilateral lenders to the Government of U.S.\$2.6 billion.
- During 2012, the Government made principal payments to multilateral lenders of U.S.\$1.7 billion, compared to disbursements by multilateral lenders to the Government of U.S.\$2.1 billion.
- During 2013, the Government made principal payments to multilateral lenders of U.S.\$1.7 billion, compared to disbursements by multilateral lenders to the Government of U.S.\$2.8 billion.
- During 2014, the Government made principal payments to multilateral lenders of U.S.\$1.8 billion, compared to disbursements by multilateral lenders to the Government of U.S.\$2.3 billion.
- During 2015, the Government made principal payments to multilateral lenders of U.S.\$2.0 billion, compared to disbursements by multilateral lenders to the Government of U.S.\$1.9 billion.

From 2011 to 2015, the total amount of interest payments to multilateral lenders (including the IADB, the World Bank and other institutions) was U.S.\$2.7 billion. The Government also guarantees multilateral debt owed by the provinces. These obligations totaled U.S.\$950 million as of December 31, 2015.



The following table sets forth the disbursements from, and payments to, multilateral lenders as of the dates indicated.

**Disbursements/Payments - Multilateral Lenders**  
(in millions of U.S. dollars)

	As of December 31,				
	2011	2012	2013	2014	2015
<b>World Bank:</b>					
Disbursements.....	U.S.\$ 841	U.S.\$ 753	U.S.\$ 1,155	U.S.\$ 571	U.S.\$ 642
Principal payments.....	(630)	(685)	(665)	(670)	(790)
Disbursements, net of principal payments.....	211	69	490	(99)	(148)
Interest payments.....	(130)	(131)	(139)	(129)	(138)
Payment of commissions.....	(2)	(1)	—	—	(1)
Net (outflows) inflows.....	78	(64)	350	(227)	(287)
<b>Inter-American Development Bank:</b>					
Disbursements.....	1,267	1,017	1,121	1,277	770
Principal payments.....	(895)	(908)	(901)	(936)	(990)
Disbursements, net of principal payments.....	373	108	220	340	(220)
Interest payments.....	(322)	(310)	(366)	(366)	(420)
Payments of commissions.....	(8)	(7)	(9)	(10)	(9)
Net (outflows) inflows.....	42	(209)	(155)	(35)	(649)
<b>FAD:<sup>(1)</sup></b>					
Disbursements.....	11	14	18	14	14
Principal payments.....	(8)	(9)	(5)	(4)	(4)
Disbursements, net of principal payments.....	3	5	12	9	10
Interest payments.....	—	—	—	—	—
Payments of commissions.....	—	—	—	—	—
Net (outflows) inflows.....	3	5	12	9	10
<b>FONPLATA:<sup>(2)</sup></b>					
Disbursements.....	5,0	1	—	11	41
Principal payments.....	(7)	(15)	(11)	(11)	(16)
Disbursements, net of principal.....	(2)	(14)	(11)	—	24
Interest payments.....	(3)	(3)	(2)	(2)	(2)
Payments of commissions.....	—	—	—	—	(1)
Net (outflows) inflows.....	(5)	(17)	(13)	(2)	21
<b>Corporación Andina de Fomento:</b>					
Disbursements.....	454	348	477	408	420
Principal payments.....	(75)	(122)	(136)	(180)	(217)
Disbursements, net of principal.....	379	226	340	228	202
Interest payments.....	(30)	(43)	(47)	(50)	(61)
Payments of commissions.....	(1)	(2)	(3)	(4)	(5)
Net (outflows) inflows.....	347	180	290	173	136
<b>The European Investment Bank</b>					
Disbursements.....	—	—	—	—	—
Principal payments.....	(4)	(4)	(4)	(5)	(5)
Disbursements, net of principal.....	(4)	(4)	(4)	(5)	(5)
Interest payments.....	(2)	(1)	(1)	(1)	(1)
Payments of commissions.....	—	—	—	—	—
Net (outflows) inflows.....	(5)	(5)	(5)	(5)	(5)
Total disbursements.....	2,578	2,132	2,770	2,280	1,886
Total principal payments.....	(1,618)	(1,742)	(1,723)	(1,805)	(2,022)
Disbursements, net of principal.....	960	390	1,048	475	(136)
Total interest payments.....	(487)	(489)	(555)	(548)	(622)
Total commissions.....	(12)	(11)	(13)	(15)	(15)
Total net (outflows) inflows.....	U.S.\$ 460	U.S.\$ (110)	U.S.\$ 479	U.S.\$ (88)	U.S.\$ (774)

(1) International Fund for Agricultural Development.

(2) Financial Fund for the development of the Plata Valley.

Source: Ministry of the Treasury.

### ***International Monetary Fund***

The IMF organized two separate financial aid packages for the Republic during the years leading up to the collapse of the Convertibility Regime—one in December 2000, and the other in August 2001. As part of these packages, the IMF increased the amount available to the Republic under its credit facilities and secured for the Republic other sources of funding (including loan commitments from the World Bank, the IADB and the Spanish government).

Between 2001 and 2005, the Republic reduced its outstanding IMF debt from U.S.\$14.0 billion as of December 31, 2001, to U.S.\$9.5 billion as of December 31, 2005. In August 2004, the IMF suspended disbursements under the 2003 Stand-By Arrangement after the Government indefinitely postponed the scheduled review of its performance under the arrangement. Since July 28, 2006, the date of the IMF's most recent consultation report under Article IV of the IMF's Articles of Agreement, the Republic and the IMF have not agreed to any further Article IV review and consultation.

On January 3, 2006, the Government repaid all of its outstanding debt owed to the IMF in a single payment of U.S.\$9.5 billion. The payment to the IMF represented 7.4% of the total Argentine public debt and saved U.S.\$568 million in interest. The Government borrowed funds from the Central Bank to make the payment, which resulted in a 33.3% reduction of the Central Bank's reserves from U.S.\$28.1 billion to U.S.\$18.6 billion. The Government issued a 10-year U.S. dollar-denominated non-transferable Treasury note to repay the Central Bank for this financing. Given that the IMF liability was exchanged for Central Bank liability of the same value, the IMF repayment did not affect the Government's total debt.

The last consultation by the Executive Board of the IMF with Argentina was on July 28, 2006. Since then, documents on economic developments in Argentina were prepared by Fund staff for informal Board briefings in 2013–15. The documents were prepared pursuant to the Fund's policy on excessive delays in the completion of Article IV consultations and mandatory financial stability assessments, which requires that staff informally brief Executive Directors every 12 months on the economic developments and policies of relevant members. At Argentina's request, the documents prepared by the IMF's staff have been published. Argentina has also indicated its intention to resolve the consultation delay.

### ***World Bank***

Between 2011 and 2015, the World Bank disbursed approximately U.S.\$4.0 billion in loans to the Government partly for activities designed to foster economic recovery, both at the national and provincial levels, including for infrastructure and education projects, as well as for various social development programs such as health and the environment. As of December 31, 2015, the aggregate outstanding principal amount of World Bank loans to the Republic was U.S.\$5.9 billion, while approximately U.S.\$1.5 billion of committed loans from the World Bank remained undisbursed.

Between 2011 and 2015, the Republic made principal payments in an aggregate amount of U.S.\$3.4 billion under World Bank loans, and a total of U.S.\$667 million on account of interest.

### ***IADB***

Between 2011 and 2015, the IADB disbursed approximately U.S.\$5.5 billion in loans to the Republic, partly for activities designed to foster economic growth and partly for various social development programs such as health and education. As of December 31, 2015, the aggregate outstanding principal amount of IADB loans to the Republic was U.S.\$11.2 billion, while approximately U.S.\$3.5 billion of IADB committed loans remained undisbursed.

Between 2011 and 2015, the Republic made principal payments in an aggregate amount of U.S.\$4.6 billion under IADB loans and U.S.\$1.8 billion on account of interest.

### ***FONPLATA and CAF***

Between 2011 and 2015, the *Fondo Financiero para el Desarrollo de la Cuenca del Plata* (Financial Fund for the Development of the Plata Valley or “FONPLATA”) disbursed an aggregate amount of U.S.\$57.7 million to the Republic for economic development and social programs. During this period, the Republic made principal payments to FONPLATA in an aggregate amount of U.S.\$59.1 million, and the aggregate principal amount outstanding under loans made by FONPLATA was U.S.\$81.8 million as of December 31, 2015, while U.S.\$92.9 million in approved loans from FONPLATA remained undisbursed, including a U.S.\$42.7 million loan to the Republic to improve the province of Buenos Aires’s ports approved in 2008.

Between 2011 and 2015, CAF disbursed approximately U.S.\$2.1 billion to the Republic mostly in loans for infrastructure programs. During this period, the Republic made principal payments to CAF in an aggregate amount of U.S.\$729.9 million, of which U.S.\$217 million were paid in 2015. The aggregate principal amount outstanding under loans made by CAF was U.S.\$2.6 billion as of December 31, 2015, while U.S.\$1.6 billion in approved loans from CAF remain undisbursed.

### ***Bilateral Debt and Private Creditors’ Debt***

Bilateral debt is composed of debt that is referred to as Paris Club debt and other bilateral debt. Paris Club debt includes all debt with country members of the Paris Club that has been restructured in negotiation rounds with members of the Paris Club. See “—Debt Record—Paris Club.” Other bilateral debt includes all other debt with sovereign governments. Substantially all of the Republic’s bilateral debt relates to debt owed to country members of the Paris Club and is treated under the Paris Club framework.

Private creditors’ debt is composed of debt with suppliers and debt with commercial banks. A portion of private creditors’ debt is guaranteed by export credit insurance granted by foreign government agencies and is treated under the Paris Club framework. On May 28, 2014, the Republic reached an agreement with the members of the Paris Club for the cancellation of the debt owed by the Republic, amounting to U.S.\$9,690 million (U.S.\$4,955 million in principal U.S.\$1,102 million in interest and U.S.\$3,633 million in penalty interest).

## **Legal Proceedings**

### ***Litigation in the United States***

Following the Republic’s default on its debt at the end of 2001, certain of its creditors filed numerous lawsuits against the Republic in several jurisdictions, including the United States. Plaintiffs in these actions generally have asserted that the Republic failed to make timely payments of interest and/or principal on their bonds, and have sought judgments for the face value of and accrued interest on those bonds.

As discussed in greater detail under “—The Settlement,” to date, the Republic has reached agreements with most of its creditors, and stipulations of dismissal and orders of satisfaction of judgment have been filed and approved by the courts in numerous actions. The Republic continues to seek to resolve its outstanding litigation, and has reached agreements in principle with many additional creditors.

### ***Individual litigation in the United States***

As of January 31, 2016, judgments for U.S.\$6.7 billion had been rendered against Argentina in cases brought by individual plaintiffs in New York.

Certain claimants represented by Task Force Argentina, TFA, that filed three suits in the District Court for an unspecified amount are also claimants in an arbitration against the Republic before the ICSID concerning the same securities. These three suits had been stayed pending the outcome of the arbitration, and on January 31, 2016, the Republic entered into an agreement in principle with TFA to settle the claims of these claimants, which was superseded by a settlement agreement entered into on April 21, 2016, subject to certain conditions. The parties agreed to the dismissal with prejudice of all discharged claims upon the consummation of the closing of the settlement agreement, which occurred on July 14, 2016. The claims were dismissed with prejudice in accordance

with the terms of a consent award dated December 29, 2016. See “—The Settlement.” For a discussion of the arbitration, see “—ICSID Arbitration.”

As of the date of this document, judgments in a total amount of approximately U.S.\$578 million, including principal and interest, remained outstanding in the United States, as well as claims for approximately U.S.\$307 million in principal, plus interest, in individual suits in the District Court in which no judgment has been entered.

### ***Class litigation in the United States***

As of the date of this document, 15 actions filed against the Republic on behalf of a class of holders of defaulted bonds were pending before the District Court. Class certification had been granted in 13 of these 15 actions.

On May 27, 2016, the District Court issued an order preliminarily approving the settlement agreements reached by the Republic and representatives of nine of these classes. The settlement agreement provides for the settlement with class members on a claims-made basis, under the same terms as the standard option (as defined below) made by the Republic. See “—The Settlement.” On November 10, 2016, the District Court held a fairness hearing on whether to give final approval to the settlement. The Court set a deadline of November 15, 2016 for the submission of all claims and supporting documentation for inclusion in the settlements. The Republic expects that, if approved by the District Court, the principal amount to be settled in these 9 class actions will be approximately U.S.\$17.4 million.

### ***Pari passu litigation***

In February 2012, plaintiffs in 13 actions in New York, involving claims for bonds issued under the 1994 Fiscal Agency Agreement (the “1994 FAA Bonds”) for U.S.\$428 million in principal, plus interest, obtained an order of the District Court enjoining the Republic from making scheduled interest payments on the 2005 and 2010 Exchange Bonds unless the Republic paid the plaintiffs in full. The order was stayed pending appeals and became effective on June 18, 2014, after the U.S. Supreme Court denied the Republic’s petition for a writ of certiorari of the Court of Appeal’s order affirming the *pari passu* injunctions.

On October 30, 2015, the District Court issued new *pari passu* injunctions (“me too” injunctions), substantially similar to the ones already in effect, in 49 additional proceedings, involving claims for over U.S.\$2.1 billion under the 1994 FAA Bonds, plus billions more in pre- and post-judgment interest. Numerous additional motions seeking to extend the reach of the *pari passu* injunctions were filed and were pending in January 2016, when the Republic approached holders of Untendered Debt to settle outstanding disputes. As part of the Settlement, the *pari passu* injunctions were lifted.

On August 10, 2016, the District Court denied plaintiffs’ 2015 motions for *pari passu* relief in two separate actions without prejudice, indicating that such requests were moot given the changed circumstances that rendered the *pari passu* injunctions no longer necessary.

On December 22, 2016, in a case involving certain creditors that had not responded to the February 2016 settlement proposal and alleged a continued violation of the *pari passu* clause, the District Court found that no continued *pari passu* violation existed although the plaintiffs’ bonds remained unpaid while Argentina was paying its consenting creditors as well as the newly issued bonds. In its ruling, the District Court also found that under New York law claims relating to Untendered Debt governed by New York law become time-barred after six years. See “—The Settlement.”

### ***The Settlement***

On February 5, 2016, the Republic published on the Ministry of Finance’ website the Settlement Proposal to settle all claims on Untendered Debt, including bonds in litigation in the United States, subject to two conditions: first, obtaining approval by the Argentine Congress, and second, lifting the *pari passu* injunctions. The Settlement Proposal contemplated two frameworks for settlement. The “*pari passu* option,” which was extended as an option to plaintiffs holding *pari passu* injunctions, provided for payment equal to the full amount of money judgment or an accrued claim value less a specified discount. The “standard option,” which remains open to all holders of

Untendered Debt, whether or not they had *pari passu* injunctions, provides for payment equal to 100% of the principal amount of the relevant debt securities plus up to 50% of that original principal as interest. Any eligible holder of Untendered Debt may agree to the terms of the standard option, in accordance with the procedures set forth and published by the Ministry of the Treasury and, in accordance with such terms, becomes party to a binding agreement in principle with the Republic once the agreement is countersigned by the Republic.

On February 19, 2016, the District Court entered an indicative ruling in the “me too” actions providing that if the Court of Appeals were to remand those cases (which were then on appeal), the District Court would grant the Republic’s motion to vacate the “me too” injunctions. Following remand by the Court of Appeals, the District Court, on March 2, 2016, issued an order indicating it would vacate all *pari passu* injunctions, including the “me too” injunctions, subject to two conditions: first, the repeal of all legislative obstacles to settlement with holders of Untendered Debt, and second, full payment to holders of *pari passu* injunctions with whom the Republic had entered into an agreement in principle on or before February 29, 2016, in accordance with the specific terms of such agreements. On April 13, 2016, the District Court’s order was affirmed by the Second Circuit Court of Appeals.

On March 31, 2016, the Argentine Congress passed the Debt Authorization Law, thereby repealing the legislative obstacles to the settlement and approving the Settlement Proposal. On April 22, 2016, Argentina issued U.S.\$16.5 billion of new debt securities in the international capital markets, and applied U.S.\$9.3 billion of the net proceeds to satisfy settlement payments on agreements with holders of approximately U.S.\$4.2 billion principal amount of Untendered Debt. Upon confirmation that the conditions set forth in its March 2, 2016 order had been satisfied, the District Court, on April 22, 2016, ordered the vacatur of all *pari passu* injunctions. As of the date of this document, agreements in principle have been executed with holders of approximately 83 % of principal amount of Untendered Debt (outstanding as of December 31, 2015).

On May 5, 2016, interest payments on 2005 and 2010 Exchange Bonds payable to the trustee were transferred by the trustee to holders of such bonds.

On July 20, 2016, the Republic announced and published settlement procedures for holders of eligible German law-governed bonds. Per the instructions released by the Ministry of Finance, the procedures contemplate two different settlement avenues: “Fast Track Settlement” and “Individual Settlement.”

Between the time the Republic published the Settlement Proposal and the first payment to settling bondholders on April 22, 2016, it executed numerous settlement agreements involving Untendered Debt in an aggregate principal amount of approximately U.S.\$4.2 billion. As of the date of this document, payments of these settlement agreements had resulted in the dismissal of claims in approximately 100 cases with claims for an aggregate principal amount of approximately U.S.\$3 billion, plus interest, and judgments in the amount of approximately U.S.\$5 billion. The Republic is currently in the process of paying additional settlement agreements, and processing additional settlement options, which will result in the dismissal of additional cases in an amount yet to be determined. Creditors who settled their claims have agreed, upon payment, to dismiss with prejudice all litigation against the Republic, including all enforcement proceedings.

The Republic has reached agreements in principle with nine class actions to settle their litigation. In accordance with the agreements in principle, the settlement amount will be calculated based on class members that demonstrate that they have owned their beneficial interest in the relevant bond continuously since the outset of each case, and who have otherwise not been a party to an individual legal action against the Republic or have not opted out from the classes.

One pending class action, where no agreement in principle has been reached, sought to enjoin the Republic from communicating and settling with holders of the bond series at issue. On April 21, 2016 the District Court denied that plaintiff’s motion. Plaintiff appealed and on December 22, 2016 the Court of Appeals dismissed the appeal. On January 5, 2017, plaintiff filed a petition for rehearing en banc, which remains pending.

On July 20, 2016, the Republic published settlement procedures for holders of eligible German law governed bonds implementing the Settlement Proposal for those bonds. As of the date of this document, the Republic has received tenders by numerous holders.

### ***Post-settlement litigation in the United States***

On March 3, 2016, certain plaintiffs filed suit against the Republic in the District Court based on their ownership of bonds governed by Italian law, German law, and English law. The Republic moved to dismiss the claims that were based on Italian law and German law on the grounds of lack of jurisdictional and/or insufficient service of process. The District Court granted the Republic's motion to dismiss on August 2, 2016. On September 22, 2016 the District Court denied plaintiffs' request to reconsider the portion of its opinion dismissing the German law claims.

On March 25, 2016, a group of Argentine creditors filed suit against the Republic in the District Court, seeking a declaration that the settlement-related documents sent to the Republic—which the Republic had not countersigned—were binding settlement agreements. The District Court granted the Republic's motion to dismiss plaintiffs' complaint on April 12, 2016, concluding that in the absence of a countersignature by the Republic, no binding contracts with the plaintiffs had been formed. Plaintiffs appealed this dismissal and the appeal remains pending as of the date of this document.

On June 1, 2016, an Argentine creditor filed suit against the Republic in the District Court based on its ownership of Argentine bonds governed by New York, German, English, and Italian law. The Republic and plaintiff requested that the Republic's response to plaintiff's complaint be due 60 days after plaintiff has filed proof that it served the Republic via the Hague Service Convention. The District Court granted that request on July 28, 2016.

On June 22, 2016, plaintiffs in three actions amended their complaints against the Republic, seeking damages for breach of contract, injunctive relief and specific performance based on the Republic's alleged breach of the *pari passu* clause, and damages based on the Republic's alleged breach of the *pari passu* clause. On July 20, 2016, the Republic moved to dismiss plaintiffs' claims alleging breach of the *pari passu* clause as well as plaintiffs' money damages claims to the extent plaintiffs sought to recover principal and/or interest that had come due more than six years prior to the filing of the complaint. On December 22, 2016, the District Court found that no continued *pari passu* violation existed although the plaintiffs' bonds remained unpaid while Argentina was paying its consenting creditors as well as the newly issued bonds. In its ruling, the District Court also found that under New York law claims relating to Untendered Debt governed by New York law become time-barred after six years.

On September 9, 2016, an Argentine creditor filed suit against the Republic in the District Court based on its ownership of Argentine bonds governed by New York and German law. The Republic's response to the complaint is pending.

On November 4, 2016, an Argentine creditor filed suit against the Republic in the District Court based on its ownership of Argentine bonds governed by New York law. The Republic's response to the complaint is pending.

Beginning in November 2016, creditors of the Republic holding judgments totaling approximately \$216.7 million served discovery requests on the Republic and subpoenas on multiple third parties, including certain financial institutions. The discovery requests and subpoenas demanded the production of documents and information relating to the assets of the Republic and of entities allegedly related to the Republic. The Republic has objected to the discovery demands served on it.

### ***Efforts to attach or execute Argentine property in U.S. Litigation***

In the United States, creditors' execution remedies against a foreign state are limited by the United States Foreign Sovereign Immunities Act of 1976 (the "FSIA") to assets of such foreign state that are used for a commercial activity in the United States. The FSIA also provides special protection from attachment and execution to reserves of foreign central banks and military and diplomatic property. While most attempts to execute property of the Republic or of alleged alter egos of the Republic have been rejected by the courts in most cases, in a few instances plaintiffs seeking payment under the Republic's Untendered Debt had succeeded in attaching and restraining assets of the Republic.

On May 26, 2016, the District Court denied a motion brought by judgment creditors in two actions seeking to attach and execute the proceeds from the bond issuance that accompanied the settlement that are not being used to pay settlements, which the plaintiffs allege to be property of the Republic. On June 15, 2016, plaintiffs in one of

these actions appealed the District Court order denying its motion. The Court of Appeals granted plaintiffs' motion to expedite the appeal, which remains pending as of the date of this document.

#### ***Proceedings for foreign recognition of U.S. judgments***

Certain plaintiffs have sought, and in some instances obtained, recognition of their U.S. judgments in foreign courts, including in the United Kingdom, Luxembourg, France, Belgium, Switzerland, Ghana and Argentina. These plaintiffs have settled their claims against the Republic, and the proceedings in these jurisdictions are in the process of being dismissed.

#### ***Litigation in Germany***

As of September 20, 2016, in Germany, final judgments were entered in a total amount of approximately €174 million in principal plus interest and costs in suits brought against the Republic relating to defaulted bonds. As of such date, there were also claims seeking approximately €19.4 million in principal on defaulted debt, plus interest, in suits pending in Germany in which no final judgment has yet been entered.

Several bondholders commenced proceedings in Germany seeking to obtain *pari passu* relief similar to the relief granted by New York Courts. German courts at both the trial and appellate level have declined to grant such relief, although such decisions are subject to further appeals.

Plaintiffs who try to execute on their judgments may not attach assets used for diplomatic or consular purposes, such as bank accounts of the Republic's embassy and consulates. To the Republic's knowledge, plaintiffs in Germany have succeeded in attaching monies of the Republic held with paying agents (for the payment of interest on other Government debt). Some creditors have also attached the Republic's claims against other plaintiffs (i.e., those who withdrew their claims against the Republic or lost their actions in whole or in part), who are liable for the Republic's costs (statutory attorneys' fees and, if applicable, court fees) under Germany's "losing party pays" system, to the extent the amount of such claims had not been set off by those plaintiffs.

Certain plaintiffs have sought recognition of their German judgments in foreign courts, including the United States and Luxembourg.

#### ***Litigation in Italy***

All bondholders proceedings against the Republic in Italy were dismissed, mostly on jurisdictional grounds.

#### ***Litigation in Japan***

On February 10, 2010, the Republic was served with a complaint filed by the commissioned companies for bondholders in Japan and claiming approximately ¥11 billion in principal, plus interest, in connection with four series of defaulted bonds issued by the Republic under Japanese law. Plaintiffs withdrew most of their claim as a result of their participation in the 2010 Debt Exchange. In January 2013 a Tokyo court dismissed the complaint, finding that the commissioned companies for bondholders lacked standing to bring the complaint. In January 2014, the High Court affirmed the District Court's ruling and the plaintiffs then appealed to the Supreme Court. On June 2, 2016, the Supreme Court reversed the High Court and remanded the case to the Tokyo District Court for further proceedings. As of the date of this document, the outstanding claim in litigation amounted to ¥2.8 billion in principal, plus interest.

#### ***Litigation in France***

Following the agreement reached by the Republic with plaintiffs holding U.S. judgments, these plaintiffs voluntarily released all attachments and had taken steps to have dismissed all proceedings in France seeking to enforce their U.S. judgments. These include attempts to seize certain Argentine diplomatic and military accounts and to attach taxes payable by French companies to the Republic.

### ***Litigation in Luxemburg***

Beginning in January 2009, plaintiffs holding German judgments totaling approximately €80 million obtained court orders in Luxemburg to attach assets of the Republic held by local banks. No assets of the Republic were attached as a result of these court orders. As of the date of this document, the Republic's challenges to these court orders were pending before the local courts.

### ***Litigation in Spain***

On April 10, 2014, a plaintiff who obtained a judgment in Germany initiated proceedings before a court in Madrid in order to attach the Republic's assets located in Spain. On May 14, 2015, the court permitted that plaintiff to execute its German judgment on the Republic's property in Spain. In December 2015, the court denied the Republic's request to vacate that order. The Republic's appeal of that ruling remains pending as of the date of this document.

### ***Litigation in Argentina***

Since the 2001 economic crisis, the Republic has been sued in Argentina on claims relating to steps it took during the crisis, seeking, among other things, payment on defaulted bonds. These lawsuits generally have been unsuccessful. The Supreme Court of Argentina has issued several decisions in which it consistently upheld the constitutionality of the emergency measures adopted as a result of the 2001 economic crisis, including the deferral of payment on bonds. Most of these local lawsuits have been dismissed.

*Recognition and enforcement of foreign judgments in Argentina.* Argentine law permits the enforcement in Argentina of a final judgment issued by a competent foreign court, provided that the defendant's right to an adequate defense is guaranteed, the judgment or award does not contravene principles of Argentine public order, and the judgment or award is not incompatible with another judgment previously or simultaneously issued by an Argentine court. Foreign creditors have generally not brought suits or sought to enforce their foreign judgments or awards in Argentina.

In Argentina, plaintiffs in four actions have sought recognition of U.S. judgments totaling approximately U.S.\$24 million. In three of these cases the proceedings reached the Supreme Court, which confirmed the respective Court of Appeals decisions dismissing the claims for recognition of the foreign judgment. As of the date of this document, the fourth case is pending before the lower court. In all cases in which Argentine courts dismissed a claim for recognition and enforcement of the U.S. judgments, the courts held, as the Republic had argued, that although the Republic's issuance of the bonds in which plaintiff had an interest constituted a commercial activity, the Republic's declaration of a default as a consequence of an economic and social emergency constituted an exercise of its sovereign powers and should have been given deference by the foreign court.

*Enforcement of arbitration awards in Argentina.* In order for a creditor to collect on an award against the Republic in Argentina, the creditor must first notify the competent authorities and request payment with funds from the current fiscal year's budget. If there are no such funds available, the creditor may request that the payment of the award be included in the budget for the following fiscal year. In order for the award to be included in the budget for the following fiscal year, which the Executive Power must present to Congress before September 15 of the previous year, the creditor must notify the competent authorities before July 31 of the previous year. If the creditor complies with these requirements but the Republic does not include the award in the following fiscal year's budget or fails to make payment during the following fiscal year, then the creditor is entitled to attempt to execute upon assets of the Republic in order to satisfy the award.

In addition, there are cases regarding bonds which are subject to Argentine law.

### ***ICSID Arbitration***

Argentina has been a party to arbitration proceedings under the 1965 Convention on the Settlement of Investment Disputes between States and Nationals of Other States ("ICSID Convention"), including as a result of measures implemented in 2001 and 2002 to address Argentina's economic crisis.



As of the date of this document, there are four final awards issued by ICSID tribunals against Argentina for an aggregate total of U.S.\$467.4 million, and Argentina is seeking the annulment of three additional awards for an aggregate total of U.S.\$805.5 million. There are four ongoing cases against Argentina before ICSID with claims totaling U.S.\$1.65 billion, and in one of these cases (with aggregate claims totaling U.S.\$1.6 billion) the ICSID tribunal has already ruled that it has jurisdiction. There are seven additional cases with claims totaling U.S.\$3.1 billion in which the parties agreed to suspend the proceedings pending settlement discussions. A successful completion of these negotiations could lead additional ICSID claimants to withdraw their claims, although the Republic can offer no assurance to this effect. Two additional awards were recently rendered in an aggregate amount of U.S.\$14.5 million and as of the date of this offering memorandum, the deadline for applications for annulment has not yet passed.

On October 8, 2013, the Republic settled with four ICSID claimants and paid with bonds an aggregate amount of U.S.\$406 million. On May 13, 2016, the Republic settled one additional case and paid with bonds an aggregate amount of U.S.\$51.97 million. See “—Other Arbitration.”

On June 28, 2016, the Republic and TFA commenced the closing of a settlement agreement to settle the claims of the Italian bondholders, which was finalized on July 14, 2016. Payments to settling holders were made on July 14, 2016. The case was dismissed with prejudice in accordance with the terms of a consent award dated December 29, 2016. See “—The Settlement” above.

#### ***Other Arbitration***

Claimants have also filed claims before arbitral tribunals under the rules of the United Nations Commission on International Trade Law (“UNCITRAL”) and under the rules of the International Chamber of Commerce (“ICC”).

As of the date of this document there was one final outstanding UNCITRAL award against Argentina for a total of U.S.\$7.39 million and Argentina is seeking the annulment of two additional awards for an aggregate amount of U.S.\$21.05 million. As of such date, there were three ongoing cases against Argentina before UNCITRAL and ICC tribunals with claims totaling U.S.\$625.43 million, including one case with a U.S.\$508.70 million claim in which the tribunal had already ruled that it has jurisdiction. There was one additional case with a claim of U.S.\$168.69 million in which the parties agreed to suspend the proceedings pending settlement discussions.

In October 2013 and May 2016, Argentina settled two final awards issued by an UNCITRAL tribunal that awarded a claim against Argentina for U.S.\$104.00 million and U.S.\$189.46 million, respectively.

#### ***Other Non-Creditor Litigation in the U.S.***

On April 8, 2015, Petersen Energía Inversora, S.A.U. and Petersen Energía, S.A.U. (the “Petersen Entities”) filed a claim against the Republic in relation to the 2012 expropriation of YPF in the District Court.

The Petersen Entities seek compensatory damages (in an amount to be determined) arising out of an alleged breach of the bylaws of YPF by the Republic that allegedly occurred when it expropriated 51% of Class D shares of YPF. In September 2015, the Republic moved to dismiss the complaint, asserting, among other things, that the District Court lacks jurisdiction under the FSIA. On September 9, 2016, the District Court granted in part and denied in part the Republic’s motion to dismiss plaintiffs’ complaint. As of the date of this document, the Republic and YPF have appealed this decision to the Second Circuit Court of Appeals, which remains pending.

On November 3, 2016, Eton Park Capital Management, L.P., Eton Park Master Fund, Ltd. and Eton Park fund, L.P. (the “Eton Park Entities”) filed a claim against the Republic in relation to the 2012 expropriation of YPF in the District Court.

The Eton Park Entities seek compensatory damages (in an amount to be determined) arising out of an alleged breach of the bylaws of YPF by the Republic that allegedly occurred when it expropriated 51% of Class D shares of YPF. The Republic has not yet been formally notified and has the right to request the dismissal of the complaint.

**ISSUER**

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1310 City of Buenos Aires  
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**Procuración del Tesoro de la Nación**

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**TRUSTEE, PRINCIPAL TRUSTEE PAYING AGENT, TRANSFER AGENT AND REGISTRAR**

**The Bank of New York Mellon**

Attention: Corporate Trust  
101 Barclay Street, 7th Floor East  
New York, NY 10286  
United States of America

**LUXEMBOURG LISTING AGENT, TRUSTEE PAYING AGENT AND TRANSFER AGENT**

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## **The Republic of Argentina**

**U.S.\$3,250,000,000 5.625% Bonds Due 2022**

**U.S.\$3,750,000,000 6.875% Bonds Due 2027**

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### **OFFERING MEMORANDUM**

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*Joint Book-Running Managers*

**BBVA  
HSBC**

**Citigroup  
J.P. Morgan**

**Deutsche Bank Securities  
Santander**

January 26, 2017

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