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Reimbursement of expenses	- 213 - - - - -
Financial operations	- 3,23 - - - - -
Nuevo Puerto Santa Fe S.A. Reimbursement of expenses	- 223 - (72) - - -
Borrowings	- - - - - (71) -
Share-based payments	- 304 - - - - -
Leases' collections	- - - (18) - - -
Leases and/or rights of use	- - - (630) - - -
Management fees	- 1,338 - - - - -
Quality Invest S.A. Management fees	- 22 - (45) - - -
Reimbursement of expenses	- 64 - - - - -
Baicom Networks S.A. Management fees	- 2 - - - - -
Borrowings	1,143 - - - - -
Contributions to be paid in	- 10 - - - - -
Reimbursement of expenses	- 193 - - - - -
Cyrsa S.A. Borrowings	- - - - (133,314) - -
Reimbursement of expenses	- 140 - (9) - - -
Boulevard Norte S.A. Reimbursement of expenses	- 864 - - - - -
Borrowings	- 4 - - - - -
Entertainment Holding S.A. Reimbursement of expenses	- 165 - - - - -
Borrowings	- 20 - - - - -

Total Joint Ventures

97,412 6,990 - (774) (133,314) (71) -

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Cresud Sociedad Anónima,
Comercial, Inmobiliaria, Financiera y Agropecuaria

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

38. Related party transactions (Continued)

Related party	Description of transaction	Trade and other receivables Non-current	Trade and other receivables Current	Trade and other payables Non-current	Trade and other payables Current	Borrowings Non-current	Borrowings Current	Derivative financial instruments
Other related parties								
CAMSA	Advances to be recovered	-	1,468	-	-	-	-	-
	Management fees	-	11,595	-	(11,098)	-	-	-
	Reimbursement of expenses	-	4,713	-	(1)	-	-	-
Estudio Zang, Bergel & Viñes	Advances	-	4	-	-	-	-	-
	Legal services	-	-	-	(739)	-	-	-
	Reimbursement of expenses	-	75	-	-	-	-	-
Fundación IRSA Inversiones Financieras del Sur S.A.	Financial operations	-	54,724	-	(5)	-	-	-
	Reimbursement of expenses	-	767	-	(9)	-	-	-
Austral Gold	Reimbursement of expenses	-	8	-	(1)	-	-	-
Entretenimiento Universal S.A.	Reimbursement of expenses	-	103	-	-	-	-	-
	Borrowings	-	68	-	-	-	-	-
Ogden Argentina S.A.	Reimbursement of expenses	-	228	-	-	-	-	-
	Borrowings	-	4	-	-	-	-	-
IRSA Real Estate Strategies LP	Capital contribution	-	-	-	(8)	-	-	-
IRSA Developments LP	Capital contribution	-	-	-	(13)	-	-	-
EMP	Management fees	-	-	-	(31)	-	-	-
Total Other related parties		-	73,757	-	(11,905)	-	-	-
Directors and Senior Management								
	Fees	-	301	-	(23,830)	-	-	-

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Directors and
Senior Management

Guarantee deposits	-	-	(20)	-	-	-	-
Reimbursement of expenses	-	96	-	(10)	-	-	-
Total Directors and Senior Management	-	397	(20)	(23,84)	-	-	-
Total	97,412	86,000	(195)	(39,005)	(151,690)	(23,601)	(5,225)

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Cresud Sociedad Anónima,
Comercial, Inmobiliaria, Financiera y Agropecuaria

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

38. Related party transactions (Continued)

The following is a summary of the transactions with related parties for the year ended as of June 30, 2015:

Related party	Leases and/or rights to use	Administration and management fees	Sale of goods and/or services	Compensation of Directors and senior management	Legal services	Financial operations	Commissions	Donations
Associates								
Agro-Uranga S.A.	-	-	7,950	-	-	-	-	-
Tarshop S.A.	9,120	-	-	-	-	-	72	-
Banco Crédito y Securitización S.A.	4,459	-	-	-	-	-	-	-
Banco Hipotecario S.A.	2,105	-	(2)	-	-	(15,212)	5	-
Total Associates	15,684	-	7,948	-	-	(15,212)	77	-
Joint Ventures								
Cyrsa S.A.	-	-	-	-	-	(9,176)	-	-
Cresca S.A.	-	-	20	-	-	-	-	-
Baicom Networks S.A.	-	12	-	-	-	150	-	-
Nuevo Puerto Santa Fe S.A.	(712)	2,164	-	-	-	(1,400)	-	-
Puerto Retiro S.A.	-	-	-	-	-	563	-	-
Quality Invest S.A.	-	216	-	-	-	-	-	-
Entretenimiento Universal S.A.	-	-	-	-	-	13	-	-
Entertainment Holding S.A.	-	-	-	-	-	12	-	-
Total Joint Ventures	(712)	2,392	20	-	-	(9,838)	-	-
Other related parties								
CAMSA	342	(11,401)	-	-	-	-	-	-
Fundación IRSA	-	-	-	-	-	-	-	(4,731)
Estudio Zang, Bergel & Viñes	-	-	-	-	(4,663)	-	-	-
Hamonet S.A.	(425)	-	-	-	-	-	-	-
Austral Gold Argentina S.A.	-	418	-	-	-	-	-	-
Fibesa S.A.	-	-	-	-	-	-	-	-
Isaac Elsztein e Hijos S.C.A.	(813)	-	-	-	-	-	-	-
Boulevard Norte S.A.	-	-	-	-	-	1	-	-
Ogden Argentina S.A.	-	-	-	-	-	20	-	-
Condor Hospitality Trust Inc. (formerly Supertel Hospitality Inc. due to	-	-	-	-	-	161,002	-	-

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change of corporate name)									
Inversiones Financieras del Sur S.A.	-	-	-	-	-	227,467	-	-	
Total Other related parties	(896)	(10,983)	-	-	(4,663)	388,490	-	(4,731)	
Directors and Senior Management									
Directors	-	-	-	(133,967)	-	-	-	-	
Senior Management	-	-	-	(11,389)	-	-	-	-	
Total Directors and Senior Management	-	-	-	(145,356)	-	-	-	-	
Total	14,076	(8,591)	7,968	(145,356)	(4,663)	363,440	77	(4,731)	

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Cresud Sociedad Anónima,
Comercial, Inmobiliaria, Financiera y Agropecuaria

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

38. Related party transactions (Continued)

The following is a summary of the transactions with related parties for the year ended as of June 30, 2014:

Related party	Leases and/or rights to use	Administration and management fees	Sale of goods and/or services	Compensation of Directors and senior management	Legal services	Financial operations	Donations
Associates							
Agro-Uranga S.A.	-	-	8,365	-	-	-	-
Tarshop S.A.	8,172	(239)	-	-	-	-	-
Banco Crédito y Securitización S.A.	1,544	-	-	-	-	-	-
Banco Hipotecario S.A.	560	-	-	-	-	25,966	-
Total Associates	10,276	(239)	8,365	-	-	25,966	-
Joint Ventures							
Cyrsa S.A.	-	-	-	-	-	(20,897)	-
Cresca S.A.	-	46	77	-	-	2,216	-
Baicom Networks S.A.	-	12	-	-	-	136	-
Nuevo Puerto Santa Fe S.A.	(632)	1,124	-	-	-	-	-
Puerto Retiro S.A.	-	-	-	-	-	917	-
Quality Invest S.A.	-	216	-	-	-	-	-
Canteras Natal Crespo S.A.	-	-	-	-	-	-	-
Total Joint Ventures	(632)	1,398	77	-	-	(17,628)	-
Other related parties							
CAMSA	-	230	2	-	-	-	-
Fundación IRSA	-	-	1	-	-	-	(3,325)
Estudio Zang, Bergel & Viñes	-	-	-	-	(4,193)	-	-
Hamonet S.A.	(400)	-	-	-	-	-	-
Austral Gold Argentina S.A.	-	-	1	-	-	-	-
Fibesa S.A.	-	-	2	-	-	-	-
Isaac Elsztein e Hijos S.C.A.	(769)	-	-	-	-	-	-
Consortio de Propietarios Edificios							
Avda.. del Libertador 498	-	-	1	-	-	-	-
Inversiones Financieras del Sur S.A.	-	-	-	-	-	21,911	-
Total Other related parties	(1,169)	230	7	-	(4,193)	21,911	(3,325)
Directors and Senior Management							
Directors	-	-	-	(124,207)	-	-	-
Senior Management	-	-	-	(30,143)	-	-	-
Total Directors and Senior Management	-	-	-	(154,350)	-	-	-
Total	8,475	1,389	8,449	(154,350)	(4,193)	30,249	(3,325)

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Cresud Sociedad Anónima,
Comercial, Inmobiliaria, Financiera y Agropecuaria

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

38. Related party transactions (Continued)

The following is a summary of the transactions with related parties for the year ended as of June 30, 2013:

Related party	Leases and/or rights to use	Administration and management fees	Sale of goods and/or services	Corporate services	Compensation of Directors and senior management	Legal services	Financial operations	Donations
Associates								
Agro-Uranga S.A.	-	-	6,154	-	-	-	-	-
Tarshop S.A.	5,991	-	-	301	-	-	-	-
Banco Hipotecario S.A.	453	-	-	-	-	-	(1,378)	-
Total Associates	6,444	-	6,154	301	-	-	(1,378)	-
Joint Ventures								
Cyrsa S.A.	-	4,681	-	-	-	-	(8,724)	-
Cresca S.A.	-	1,108	-	-	-	-	510	-
Baicom Networks S.A.	-	-	-	-	-	-	96	-
Nuevo Puerto Santa Fe S.A.	(111)	888	-	-	-	-	-	-
Puerto Retiro S.A.	-	-	-	-	-	-	481	-
Quality Invest S.A.	-	216	-	-	-	-	28	-
Canteras Natal Crespo S.A.	-	96	-	-	-	-	11	-
Total Joint Ventures	(111)	6,989	-	-	-	-	(7,598)	-
Other related parties								
Inversiones Financieras del								
Sur S.A.	-	-	-	-	-	-	8,758	-
Fundación IRSA	-	-	-	-	-	-	-	(1,420)
Estudio Zang, Bergel & Viñes								
CAMSA	-	(5,736)	-	-	-	(3,285)	-	-
Dolphin Fund PLC (i)	-	-	-	-	-	-	(117,576)	-
Hamonet S.A.	(365)	-	-	-	-	-	-	-
Isaac Elsztain e Hijos S.C.A.	(468)	-	-	-	-	-	-	-
Total Other related parties	(833)	(5,736)	-	-	-	(3,285)	(108,818)	(1,420)
Directors and Senior Management								
Directors								
Directors	-	-	-	-	(82,060)	-	-	-
Senior Management								
Senior Management	-	-	-	-	(12,288)	-	-	-
Total Directors and Senior Management	-	-	-	-	(94,348)	-	-	-
Total	5,500	1,253	6,154	301	(94,348)	(3,285)	(117,794)	(1,420)

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Cresud Sociedad Anónima,
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Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

39. CNV General Resolution N° 622

As required by Section 1°, Chapter III, Title IV of CNV General Resolution N° 622, below there is a detail of the notes to the Separate Financial Statements that disclosure the information required by the Resolution in Exhibits.

Exhibit A - Property, plant and equipment	Note 10 - Investment properties
	Note 11 - Property, plant and equipment
Exhibit B - Intangible assets	Note 13 - Intangible assets
Exhibit C - Equity investments	Note 8 and 9 - Investments in associates and joint ventures
Exhibit D - Other investments	Note 16 - Financial instruments by category
	Note 17 - Restricted assets
Exhibit E - Provisions	Note 18 - Trade and other receivables
	Note 24 - Provisions
Exhibit F - Cost of sale and services	Note 40 - Cost of sales and services provided
Exhibit G - Foreign currency assets and liabilities	Note 41 - Foreign currency assets and liabilities

Cresud Sociedad Anónima,
Comercial, Inmobiliaria, Financiera y Agropecuaria

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

40. Cost of sales and services provided

Description	Agricultural business			Urban properties and investments business					Subtotal Urban properties and investments business	Total as of 06.30.15
	Biological assets	Inventories	Agricultural services	Subtotal Agricultural business	Services and other operating costs	Trading properties	Hotels	Others		
Inventories as of 06.30.14	345,771	420,387	-	766,158	-	137,151	6,011	-	143,162	(i) 909,3
Initial recognition and changes in the fair value of biological assets and agricultural produce at the point of harvest	174,787	7,388	-	182,175	-	-	-	-	-	182,175
Changes in the net realizable value of agricultural produce after harvest	-	(34,471)	-	(34,471)	-	-	-	-	-	(34,471)
Decrease due to harvest	-	1,227,881	-	1,227,881	-	-	-	-	-	1,227,881
Acquisitions and classifications	14,203	1,240,496	-	1,254,699	-	-	-	-	-	1,254,699
Consume	(753)	(604,107)	-	(604,860)	-	-	-	-	-	(604,860)
Additions	-	-	-	-	-	1,067	-	-	1,067	1,067
Disposals	-	-	-	-	-	(1,898)	1,328	-	(570)	(570)
Transfers	-	-	-	-	-	3,107	-	-	3,107	3,107
Expenses incurred	-	91,208	59,235	150,443	1,224,264	13,587	277,471	56	1,515,378	1,665,8
Exchange difference	-	(39,698)	-	(39,698)	-	(6,126)	-	-	(6,126)	(45,824)

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Inventories as of 06.30.15	(405,842)	(483,922)	-	(889,764)	-	(132,954)	(6,926)	-	(139,880)	(1,029,6
Costs as of 06.30.15	128,166	1,825,162	59,235	2,012,563	1,224,264	13,934	277,884	56	1,516,138	3,528,7
Costs as of 06.30.14	75,900	1,444,441	54,284	1,574,625	1,128,794	18,971	215,980	373	1,364,118	-
Costs as of 06.30.13	73,387	1,062,644	35,014	1,171,045	915,701	12,347	168,282	907	1,097,237	-

- (i) Includes Ps. (13,373) corresponding to materials of IRSA and FYO and Ps. (2,358) of meet due for slaughtering of Cactus as of June 30, 2014.
- (ii) Includes Ps. (10,358) corresponding to materials and inputs of IRSA as of June 30, 2013.
- (iii) Includes Ps. (10,867) corresponding to materials and inputs of IRSA as of June 30, 2012.
- (iv) Includes Ps. (18,056) corresponding to materials and inputs of IRSA and FYO and Ps. (2,446) of meet due for slaughtering of SACPSA as of June 30, 2015. Does not include Ps. 690 corresponding to fattening.

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Cresud Sociedad Anónima,
Comercial, Inmobiliaria, Financiera y Agropecuaria

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

41. Foreign currency assets and liabilities

Book amounts of foreign currency assets and liabilities are as follows:

Items (3)	Amount of foreign currency (2)	Prevailing exchange rate (1)	Total as of 06.30.15	Amount of foreign currency (2)	Prevailing exchange rate (1)	Total as of 06.30.14
Assets						
Restricted assets						
US Dollar	-	-	-	6,372	8.033	51,189
Total restricted assets			-			51,189
Trade and other receivables						
Uruguayan Peso	1,193	0.335	400	1,162	0.356	414
US Dollar	29,288	8.988	263,241	29,646	8.033	238,144
Euros	0.2998	10.005	3	2	10.991	26
Swiss francs	-	-	-	27	9.051	242
Trade and other receivables related parties						
US Dollar	10,284	9.088	93,463	-	-	-
Total trade and other receivables			357,107			238,826
Investment in financial assets						
US Dollar	26,618	8.988	239,246	67,062	8.033	538,710
New Israel Shekel	2,642	2.407	6,361	5	2.377	13
Uruguayan Peso	721	14.134	10,196	39,905	0.356	14,206
Total Investment in financial assets			255,803			552,929
Derivative financial instruments						
US Dollar	1,145	8.988	10,294	3,839	8.033	30,841
New Israel Shekel	94,880	2.407	228,415			
Financial instruments related parties						
US Dollar	3,169	9.088	28,798			
Total Derivative financial instruments			267,507			30,841
Cash and cash equivalents						
Uruguayan Peso	54	0.335	18	101	0.356	36
US Dollar	38,775	8.988	348,509	19,605	8.033	157,484
Euros	114	10.005	1,140	121	10.991	1,329
Swiss francs	-	9.728	1	1	9.051	1
New Israel Shekel	957	2.407	2,304	116,210	2.377	276,235
Pounds	2	14.134	32	2	13.913	32
Yenes	41	-	3	2	2.377	4
Brazilian Reais	12	3.000	35	3	3.550	9
Total Cash and cash equivalents			352,042			435,130

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Cresud Sociedad Anónima,
Comercial, Inmobiliaria, Financiera y Agropecuaria

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

41. Foreign currency assets and liabilities (Continued)

Items (3)	Amount of foreign currency (2)	Prevailing exchange rate (1)	Total as of 06.30.15	Amount of foreign currency (2)	Prevailing exchange rate (1)	Total as of 06.30.14
Liabilities						
Trade and other payables						
Uruguayan Peso	99	0.334	33	1,520	0.382	580
US Dollar	13,007	9.088	118,212	18,030	8.133	146,635
Euros	0.39	10.140	4	1	11.148	3
Trade and other payables related parties						
US Dollar	4	9.088	34			
Total trade and other payables			118,283			147,218
Borrowings						
US Dollar	616,036	9.088	5,598,537	712,773	8.133	5,796,986
Total borrowings			5,598,537			5,796,986
Derivative financial instruments						
US Dollar	944	9.088	8,580	-	-	-
Brazilian Reais	-	-	-	204	3.69	753
New Israel Shekel	208,825	2.407	502,641	134,984	2.377	320,847
Total Derivative financial instruments			511,221			321,600
Provisions						
US Dollar	10	9.088	91	200	8.133	1,627
Total provisions			91			1,627

(1) Exchange rate as of June 30, 2015 and 2014 according to Banco Nación Argentina records.

(2) Considering foreign currencies those that differ from each Company's functional currency at each year-end.

(3) The Company uses derivative instruments as complement in order to reduce its exposure to exchange rate movements. See Note 20.

Cresud Sociedad Anónima,
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Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

42. Barter transactions

The Group generally enters into barter transactions with third party developers in the ordinary course of business. By virtue of these transactions, the Group generally exchanges undeveloped plots of land for properties to be developed and received in the future. Following is a description of pending transactions that have not yet been perfected by the third parties as of June 30, 2015:

Caballito plot of land

On June 29, 2011, the Group and TGLT, entered into an agreement to barter a plot of land located in Méndez de Andes street in the neighborhood of Caballito in the city of Buenos Aires for cash and future residential apartments to be constructed by TGLT on the mentioned land. The transaction was agreed upon at US\$ 12.8 million. TGLT plans to construct an apartment building with residential offices and parking space. In consideration, TGLT paid US\$ 0.2 million in cash and will transfer to IRSA: (i) a number of apartments to be determined representing 23.10% of total square meters of residential space; (ii) a number to be determined of parking space representing 21.10% of total square meters of parking space; and (iii) in case TGLT builds complementary storage rooms, a number to be determined, representing 21.10% of square meters of storage space. TGLT is committed to build, finish and obtain authorization for the three buildings making up the project within 36 to 48 months from that date and TGLT mortgaged the land in favor of IRSA as guarantee. A neighborhood association named Asociación Civil y Vecinal SOS Caballito Por Una Mejor Calidad de Vida secured a preliminary injunction which suspended the works to be carried out by TGLT in the abovementioned property. Once said preliminary injunction was deemed final, the Government of the City of Buenos Aires and TGLT were served notice of the complaint. IRSA is not involved in these proceedings and has not been sued or summoned as a third party by any of the parties involved in the legal action.

Beruti plot of land

On October 13, 2010, the Group and TGLT entered into an agreement to barter a plot of land located at Beruti Street 3351/59 in the Autonomous City of Buenos Aires for cash and future residential apartments to be constructed by TGLT on the mentioned land. The transaction, which was subject to certain precedent conditions including the completion by TGLT of its initial public offering, was agreed at US\$ 18.8 million. TGLT plans to construct an apartment building with residential and commercial parking space. In consideration, TGLT will transfer IRSA CP (i) a number of apartments to be determined representing 17.33% of total square meters of residential space; (ii) a number of parking spaces to be determined representing 15.82% of total square meters of parking space; (iii) all spaces reserved for commercial parking in the future building and (iv) the amount of US\$ 10.7 million payable upon delivering the deeds of title on the land. TGLT perfected its initial public offering on the Stock Exchange of Buenos Aires on October 29, 2010 and therefore, the precedent condition to the transaction was completed on that date. TGLT paid US\$ 10.7 million on November 5, 2010. On December 16, 2010, the title deed to the Beruti plot of land was executed.

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Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

42. Barter transactions (Continued)

To secure performance of obligations assumed by TGLT under the deed of sale, a mortgage was granted in favor of IRSA CP.

An association named Asociación Amigos Alto Palermo presented an injunction requesting that the construction is prohibited and obtained a suspension interim measure for this purpose. Later, the Court of Appeals from the Autonomous City of Buenos Aires ordered the lifting of such interim measure. Currently, the “amparo” (judicial action for the protection of constitutional rights) is going through the trial stage, and no decision has been made on the merits of the case.

Rosario plot of land

The Group, through IRSA CP, subscribed with Condominios del Alto S.A. a barter contract in connection with an own plot of land (plot 2 H), located in the City of Rosario, Province of Santa Fe for a total amount of US\$ 2.3 million. On November 27, 2008, the title deed was recorded.

As partial consideration for the above mentioned barter, Condominios del Alto S.A. agreed to transfer the full property, possession and ownership in favor of IRSA CP of the following future real estate: (i) 42 functional housing units (apartments), which represent and will further represent jointly 22% of the own covered square meters of housing (apartments) of the building that Condominios del Alto S.A. will construct in the plot; and (ii) 47 parking spaces, which represent and will further represent jointly 22% of the own covered square meters of parking space units in the same building.

On April 14, 2011 IRSA CP and Condominios del Alto S.A. subscribed a supplementary deed which specifies the Functional Housing Units (apartments) in the barter transaction agreement that should be transferred to the Company and the ownership title of the 45 parking spaces and 5 storage rooms.

As a consequence of the co-bartering parties having fulfilled with obligations assumed with ADIF, the Argentine National State has determined, through Resolution No, 31-ADIF-P-2013, the compliance with the charge regarding the lot 2 H, has been verified upon reaching the minimum investment fixed for the cited lot, in conformity with ONABE Provision No, 07/2009 and Resolution N° 65-ADIF-P-2010, and has proceeded to release IRSA Propiedades Comerciales S.A. and Condominios del Alto SA from any obligation as to ADIF with respect the lot 2 H.

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Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

42. Barter transactions (Continued)

Furthermore, on May 17, 2013, the property was reported as condominium property, and on November 14, 2013, the title deed was executed in favor of IRSA CP.

As of June 30, 2015 works have been concluded, and all of the units involved in the swap have been received.

Conil

On November 5, 2014, the Group executed a conveyance deed evidencing a barter and mortgage transaction in favor of Darío Palombo (acting as Trustee of “Fideicomiso Esquina Guemes”) to convey title on four plots of land located in Avellaneda district. The agreement provides for the development by the Trust of two building construction undertakings. In consideration for such work, the compensation agreed included the amount of US\$ 0.01 million and delivery, within 24 months as from such agreement execution, of two functional units for commercial purposes and one functional unit for office purposes (the non-monetary compensation was valued at US\$ 0.7 million).

43. CNV General Ruling N° 629/14 – Storage of documentation

On August 14, 2014, the CNV issued General Resolution N° 629 whereby it introduced amendments to rules related to storage and conservation of corporate books, accounting books and commercial documentation. In this sense, it should be noted that the Group has entrusted the storage of certain non-sensitive and old information to the following providers:

Documentation storage provider	Location
Bank S.A.	Gral. Rivas 401, Avellaneda, Province of Buenos Aires
	Ruta Panamericana Km 37.5, Garín, Province of Buenos Aires
	Av. Fleming 2190, Munro, Province of Buenos Aires
Iron Mountain Argentina S.A.	Av. Amancio Alcorta 2482, Autonomous City of Buenos Aires
	Pedro de Mendoza 2143, Autonomous City of Buenos Aires
	Saraza 6135, Autonomous City of Buenos Aires
	Azara 1245, Autonomous City of Buenos Aires
	Polígono industrial Spegazzini, Autopista Ezeiza Km 45, Cañuelas, Province of Buenos Aires

It is further noted that a detailed list of all documentation held in custody by providers, as well as documentation required in section 5 a.3) of section I, Chapter V, Title II of the RULES (2013 as amended) are available at the registered office.

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43. CNV General Resolution N° 629/14 – Storage of documentation (Continued)

On February 5, 2014 there was a widely known fire in Iron Mountain's warehouse. To the date of these financial statements, the Group is waiting for the company that experienced the fire to report whether the documentation submitted has been actually affected by the fire and its condition after the accident. Nevertheless, based on the internal review carried out by the Group, duly reported to the CNV on February 12, 2014, the information kept at the Iron Mountain premises that were on fire do not appear to be sensitive or capable of affecting normal operations.

44. Groups of assets and liabilities held for sale

Assets and liabilities related to the operation of the building located in 183 Madison Av., NY, United States, owned by the subsidiary of the Group, Rigby 183 LLC, and that form part of the international business segment, have been reported in the consolidated financial statements as of June 30, 2014 as available for sale as per the contract for the sale of the building entered into with Tishman Speyer Development Corporation on May 16, 2014. The transaction is subject to compliance with certain conditions which are expected to be complied with in September 2014.

Pursuant to IFRS 5, assets and liabilities available for sale have been valued at the lower of their book value or fair value less selling cost. Since fair value is higher than book value of the pool of assets available for sale including some goodwill related to the acquisition, no impairment has been recorded.

The following table shows the main assets and liabilities held for sale:

Group's assets held for sale

Investment properties	1,098,990
Intangible assets - Goodwill	77,086
Restricted assets	163,501
Trade and other receivables	17,990
Derivative financial instruments	299
Total	1,357,866

Group's liabilities directly associated to assets classified as held for sale

Trade and other payables	170,245
Deferred income tax liabilities	33,346
Borrowings	603,021
Total	806,612

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45. Subsequent events

- On July 13, 2015, Cresud took a loan granted by Banco Provincia in the amount of Ps. 83 million. Principal shall accrue interest at a fixed rate of 23%. The interests will be paid monthly. Principal will be settled within 6 months.
- On August 12, 2015, Cresud issued Class XI Non-Convertible Notes for an aggregate principal amount of up to Ps. 150 million, which may be extended for up to Ps. 700 million in two classes:
 - Class XXI Non-Convertible Notes, for a face value of Ps. 192.2 million and falling due 18 months after the issuance date, will accrue interest at mixed rate. Fixed rate of 27.5% during the first 9 months and floating rate (Badlar plus 375 basis points). Interest will be payable quarterly in arrears whereas the principal will be amortized in one payment at due date. The issuance price was 100.0% of the nominal value.
 - Class XXII Non-Convertible Notes, for a face value of US\$ 22.7 million, with an issuance price of 97.65% of the nominal value resulting US\$ 22.2 equivalent to Ps. 204.3 million and falling due 48 months after the issuance date, will accrue interest at fixed annual rate of 4%. Interest will be payable quarterly in arrears whereas the principal will be amortized in two payments.
- Regarding the allocation of the Hilton quota for fiscal year 2015 - 2016 Carnes Pampeanas S.A. has made the presentation of all documentation required by the Assessment and Coordination Unit of subsidies for domestic consumption (UCESI, as per its spanish acronym), under the Ministry of Economy and Public Finance. Although we do not have information about the allocation of that quota for the period before mentioned as of the date of these financial statements.
- As described in Note 7, on August 28, 2015, Carnes Pampeanas S.A.'s shareholders decided to increase the Company's capital stock by swapping a receivable from Cresud in the amount of Ps. 36,308,250 for equity in order to offset its negative shareholder's equity as of June 30, 2015.
- On July 10, 2015, the Group through IRSA signed the transfer deed for the sale of the 16th floor of the building Maipú 1300. The transaction Price was set at Ps. 13.9 million, which will result in an approximately Ps. 12.0 million gain before tax.
- On July 24, 2015, the Group through IRSA signed the transfer deed for the sale of the 4th floor of the building Maipú 1300. The transaction Price was set at Ps. 21.7 million, which will result in an approximately Ps. 19.7 million gain before tax.

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45. Subsequent events (Continued)

- On July 30, 2015, our associate Tarshop S.A. issued non-convertible notes Class XXII for a nominal value of Ps. 126,666. On July 21, 2015, this issuance was authorized by the Issue Activity Department of the CNV, for a total nominal value of Ps. 20,000 that can be extended up to the total authorized amount of Ps. 300,000. CN Class XXII will accrue interest from the date of issue at a nominal fixed annual rate of 29%, until the end of the sixth month, and at a nominal floating annual rate equal to BADLAR Private rate plus 500 basis points, beginning on the seventh month until its maturity date. Payment dates of mentioned interests will be: October 30, 2015, January 30, 2016, April 30, 2016, July 30, 2016, October 30, 2016 and January 30, 2017. The payment date of the principal will be: January 30, 2017.
- On July 31, 2015, the Group through IRSA signed the transfer deed for the sale of the 18th floor of the building Maipú 1300. The price of the transaction was Ps. 14.9 million. Such transaction will generate a gain before tax of approximately Ps. 12.6 million.
- On July 31, 2015, the Group through Dolphin, granted a loan to IFISA in the amount of US\$7.2 million, with maturity one year after beginning date. The loan accrues interest at 1-month Libor plus a 3% margin.
- On August 24, 2015, the Group through IRSA signed the transfer deed for the sale of the 3rd floor of the building Maipú 1300. The price of the transaction was Ps. 13.4 million. Such transaction will generate a gain before tax of approximately Ps. 11.6 million.
- On August 25, 2015, the Group, through IRSA, acquired Class V Non-convertible Notes nominal value 113,762,000 for an amount of Ps. 120.5 million.
- On September 3, 2015, the Group through IRSA signed the transfer deed for the sale of the "Isla Sirgadero" plot of land. The price of the transaction was Ps. 10.7 million. Such transaction will generate a gain before tax of approximately Ps. 6.0 million.
- On September 10, 2015 the Group signed the transfer deed for the sale of 5,963 square meters corresponding to seven offices floors, 53 parking units and 3 storage rooms of Intercontinental Plaza building, remaining 7,159 sqm of the building under the society ownership. The amount of the transaction was Ps. 324.5 million, which has already been paid in full by the purchaser. Such transaction will generate a gain before tax of approximately Ps. 297.7 million to be recognized in our financial statements during the first quarter of 2016.
- On September 18, 2015, the Group through IRSA CP issued Series I Notes under our Global Note Program for up to the sum of USD 500,000 for an amount of Ps.407,260 (equivalent to USD 43,441). Series I Notes have a maturity of 18 months from its issue date, and will bear a mixed interest rate of 26,5% per year during the first three months, and Private Badlar Rate (Tasa Badlar Privada) plus 400 bps per year during the remaining period, payable on a quarterly basis.

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45. Subsequent events (Continued)

- On October 9, 2015, the Group through IRSA, granted a loan to IFISA in the amount of US\$ 40 million, with maturity one year after beginning date. The loan accrues interest at 1-month Libor plus a 3% margin. As a guaranty of the loan, 73.169.991 common shares of IDBD owned by IFISA were pledged.

- During October 2015, the escrow deposit related to the sale of the Madison Building was released and delivered to the parties: the Group, through Rigby, received US\$ 0.91 million, the buyer received US\$ 0.06 million, and the remaining balance was used for some costs related to the transaction.

- On October 30, 2015, the Company's Annual Shareholders' Meeting corresponding to fiscal year ended June 30, 2015, appointed the new members of the Supervisory Committee and Boards of Directors; approved the Board's compensation, decided not to pay compensation to the Supervisory Committee; approved the amount to pay related to the Shareholder's property tax, delegated to the Board of Directors the implementation of a new Shared Service Agreement, approved the Board of Directors capacity related to the Global Program for issuing Non Convertible Notes, with or without guaranty or guaranteed by third parties; and for a maximum amount of up to US\$ 300 million. It was decided to put on hold until November 26th 2015 to consider the following: (i) consideration of the year's results, (ii) consideration of the Especial Financial Statements of merger / merger-demerger.

- On October 30, 2015, our subsidiary IRSA CP in the Annual Shareholder's Meeting corresponding to the fiscal year ended June 30, 2015, decided, among others, the following issues: (i) destinate Ps 283.580 to pay cash dividends; (ii) approved the advance dividend approved by the June 13, 2015 Shareholders' Meeting in the amount of Ps 298.500; (iii) approved the Board of Directors compensation in the amount of Ps 76.440 and (iv) approved the increase of the amount of the Global Program for issuing Non Convertible Notes for a maximum amount of up to US\$ 500 million, for an additional amount of up to US\$ 100 million.

- On November 5, 2015, the Group through IRSA signed the transfer deed for the sale of the 7th and 8th floor of the building Maipú 1300. The price of the transaction was US\$ 3.0 million. Such transaction will generate a gain before tax of approximately Ps. 25.9 million.

- As of the date of issuance of these financial statements, Cresud have sold, through various market transactions, 410,181 ADR's of IRSA, representing 10 common shares of IRSA (N.V. Ps. 1 per share) for the amount of US\$ 7.1 million. Thus, the Group's investment in IRSA would decrease by 1.1%.

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45. Subsequent events (Continued)

IDBD

On July 9 and 16, 2015, as mentioned in Note 9 to these Financial Statements, Dolphin submitted clarifications on the Proposal to IDBD and DIC dated June 29, 2015.

On July 9, 2015, the main clarifications were as follows:

- The termination or expiration of the Proposal to IDBD and DIC would not repeal the commitments undertaken by Dolphin under the proposal submitted by Dolphin to IDBD on May 6, 2015 (described in Note 9 to these Financial Statements) always provided that such commitments continued in full force and effect subject to the proposed terms, or Dolphin's remaining commitment to inject NIS 8.5 million in IDBD pursuant to its irrevocable proposal dated December 29, 2014.
- A further condition would be added to the Proposal to IDBD and DIC whereby if Dolphin's interest in the rights public offering were lower than NIS 8.5 million, Dolphin would remain obliged vis-à-vis IDBD to inject the remaining amount arising from subtracting NIS 8.5 million and the amount effectively injected at this instance by Dolphin.
- IDBD would replace its commitment to exercise DIC's Series 1 warrants for NIS 92.5 million with the commitment to exercise the Series 1 warrants for at least the amount that results from subtracting (a) the Capital Contribution Amount (as defined in Note 9 to these Financial Statements); minus (b) NIS 100 million, always provided that such amount does not exceed NIS 92.5 million.

On July 13, 2015, Dolphin extended the maturity of the Proposal to IDBD and DIC until July 16, 2015.

In addition, on July 16, 2015, Dolphin submitted additional clarifications on the Proposal to IDBD and DIC dated June 29, 2015 and July 9, 2015, which provided as follows:

- Dolphin agrees that the new shares to be acquired by Dolphin or any entity controlled by Eduardo Sergio Elsztain under the public offering of shares to be made by IDBD during October 2015 (as disclosed in note 3 to these Financial Statements) would not grant to it the right to participate in the Tender Offer (as such term is defined in note 3 to these Financial Statements) always provided that such new shares are still held by Dolphin or an entity controlled by Eduardo Sergio Elsztain. Notwithstanding, nothing will prevent Dolphin and/or the entity controlled by Eduardo Sergio Elsztain that holds such new shares to be acquired under the public offering to be made in October 2015 by IDBD from freely disposing of them.

45. Subsequent events (Continued)

On July 16, 2015, IDBD's Board of Directors approved a capital increase by means of a public offering pursuant to the terms proposed by Dolphin in the Proposal to IDBD and DIC, and to exercise DIC's warrants, all based on Dolphin's irrevocable commitment to participate in the referred capital increase. IDBD plans to carry out the public offering between October 1 and November 15 2015, subject to the company's corporate approvals, other statutory consents required and the fact that the exercise of DIC's warrants can be made pursuant to the terms and conditions set forth in Dolphin's proposal.

On July 16, 2015, DIC's Board of Directors accepted the Proposal to IDBD and DIC and instructed its management to take such steps as necessary in order to make a rights offering pursuant to Dolphin's proposal. On August 27, 2015, DIC published a shelf offering report for the issuance of rights to its shareholders. On September 6, 2015, DIC completed the rights offering process, issuing four series of warrants to its shareholders, which are exercisable into DIC shares. As of the date of these financial statements, IDBD has not completed the capital injection in DIC.

On August 16, 2015, the Arrangement Trustees submitted a petition to the Tel Aviv Jaffo Court for it to determine that: (a) IFISA would be subject to the commitments in the Arrangement jointly and severally with Dolphin; (b) the shares held by any other company controlled by Eduardo Sergio Elsztain (including Dolphin) would not be eligible to take part in the Tender Offer; and (c) the shares held by any company controlled by any of the controlling shareholders of IDBD, including any corporations controlled by Eduardo Sergio Elsztain (including Dolphin) and transferred to other entities would not be eligible to take part in the Tender Offer.

On August 31, 2015, the competent court asked the Arrangement Trustees to make a supplementary filing to the one dated August 16, 2015, identifying the parties to whom such request was addressed, which filing was made on the above mentioned date. On September 7, 2015 the court dismissed the Arrangement Trustees' filing for failure to submit the supplementary filing requested by the competent court on August 31, 2015.

On August 17, 2015, the Arrangement Trustees submitted to IDBD, its Board of Directors, Dolphin and ETH (among others) and alternative scheme to the one proposed by Dolphin on May 27, 2015 as part of Dolphin's and ETH's obligations under the Tender Offer (the "Trustees' Proposal") which was filed with the competent court. The Trustees' Proposal provided as follows:

- Replacement of the obligation to carry out Tender Offers for a total of NIS 512 million with the obligation by Dolphin and ETH (and/or their related parties) to inject NIS 512 million in IDBD against the issuance of bonds. The NIS 512 million would be injected in two tranches of NIS 256 million each (the "First Tranche" and the "Second Tranche", respectively).

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45. Subsequent events (Continued)

- The First Tranche would be completed by December 31, 2015, and against its injection IDBD would issue in favor of such investors other than Dolphin, ETH and/or any of their related parties (the “Minority Investors”) bonds for a principal amount of NIS 256 million, by reopening Series 9 (“Series 9”), or by issuing a new series of bonds under terms and conditions replicating those of Series 9 (“IDBD’s New Bonds”).
 - The Second Tranche would be completed by January 31, 2016 and against its injection the Minority Investors would receive IDBD’s New Bonds for a principal amount of NIS 256 million.
 - Following the exercise of the First Tranche and Second Tranche, Minority Investors would deliver 64 million shares to the obligors under the Tender Offer.
 - In addition, on January 31, 2016, Dolphin and ETH (or any of their related parties) would purchase the remaining shares held by the Minority Investors for a total of NIS 90 million, payable on that same date.
- If the sale of Clal is consummated, IDBD will carry out a partial bond repurchase offering at par value among all series of bonds.
 - The Trustees’ Proposal would be carried out before IDBD launches a new issuance of shares or rights or, alternatively, each new share or right issued would not be part of the proposal as submitted.
 - The Trustees’ Proposal hasn’t been already approved by the Minority Investors; and such approval would be sought after the proposal is accepted by IDBD, Dolphin and ETH.

On August 30, 2015, IDBD sent a request on Dolphin and ETH for them to express their position on the Trustees’ Proposal, without setting a specific date for their response.

On September 3, 2015 Dolphin rejected the Trustees’ Proposal and, therefore, it is not valid as of the date of issuance of these Financial Statements.

On August 19, 2015, the Arrangement Trustees filed with the competent court an application for it to order an attachment or lien on any funds receivable by ETH from Dolphin by operation of the BMBY clause, and for it to order the transfer of such funds to the Arrangement Trustees as security for the performance of ETH’s joint and several obligations under the Tender Offers.

On August 26, 2015, the Arrangement Trustees and ETH executed an agreement in connection with the item mentioned in the previous paragraph whereby it was agreed that the Arrangement Trustees would suspend the above mentioned application until the arbitration decision concerning the BMBY; to such end, ETH promised to give notice to the Arrangement Trustees as soon as the arbitrator rules on the subject. Notice has been given to the competent court of the referred agreement between ETH and the Arrangement Trustees.

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45. Subsequent events (Continued)

On September 9, 2015, The Arrangement Trustees filed to the Tel Aviv District Court an amended application for instructions (the “Application of the Arrangement Trustees”), to which Dolphin, IFISA, ETH and others were added as parties, requesting the Court to instruct that: (i) IFISA is obligated to all the Investors' obligations under the Arrangement; (ii) the IDBD shares held by any entity controlled by Mr. Elsztain (including Dolphin) are not entitled to participate in the Tender Offers; and (iii) IDBD shares held by Mr. Elsztain and Mr Ben Moshe and/or by any other entity controlled by them, and were transferred or will be transferred to others, are also not entitled to participate in the Tender Offers.

On September 24, 2015, the arbitrator rendered an arbitration award concerning the BMBY process according to which Dolphin and IFISA are the buyers in the BMBY process, and ETH is the seller. ETH is committed to sell all the shares of the Company that it holds at the price proposed in the BMBY proposal (NIS 1.64 per share). Dolphin will pledge in favor of the Arrangement Trustees all the shares used as collateral for the performance of the Tender Offers, and Dolphin has to perform ETH's obligations included in the Arrangement, including the commitment to carry out Tender Offers and the obligation to participate in rights offerings.

On October 11, 2015, the BMBY process concluded and IFISA purchased all ETH's shares in IDBD (92,665,925 shares), at a price per share of NIS 1.64, for a total consideration of approximately NIS 152 million (equivalent to US\$ 39.7 million as of the date of the transaction). Upon the closing of the transaction, all ETH's directors in IDBD presented their irrevocable resignation to IDBD's Board of Directors and the Shareholders Agreement automatically terminated in accordance with its terms. Furthermore, on the same date, Dolphin pledged additional shares as security of the performance of the Tender Offers, rising the number to 64,067,710 pledged shares.

On October 19, 2015, Dolphin and IFISA submitted their response to Court regarding the Application of the Arrangement Trustees in which, among other things, Dolphin clarified that as the offeror in the Tender Offers, it does not intend and will not participate as an offeree in the Tender Offers. Notwithstanding, according to Dolphin's position, it has the right to offer to any other shareholder of IDBD, including entities controlled by Eduardo S. Elsztain, to purchase shares within the Tender Offers and also to sell shares to third parties (including those controlled by Eduardo S. Elsztain), and the shares being sold are able to participate as offerees in the Tender Offers, without derogating from Dolphin's undertakings according to which 106.6 million shares held by it will not participate in the Tender Offers, as long as they are held by entities controlled by Eduardo S. Elsztain).

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45. Subsequent events (Continued)

On October 20, 2015, the Court decided to grant declaratory remedies requested in the Application of the Arrangement Trustees, according to which:

- The shares held by Dolphin and any other company controlled by Eduardo S. Elsztain are not entitled to participate as offerees in the Tender Offers
- the shares held or that were held by Dolphin and/or by companies controlled by Mr. Elsztain and which were transferred or will be transferred by them to other parties, will not be entitled to participate in the Tender Offers
- These remedies will not apply to shares which were acquired from the minority shareholders within the framework of the trade in the stock exchange and which came into the possession of IFISA.

On October 26, 2015, and following the court decision dated on October 20, 2015 and the declaratory remedies submitted Dolphin and IFISA have sent a letter that, according to their position, and as detailed in the letter: (a) The reservation prescribed by the court vis-à-vis the shares which were acquired from the minority shareholders in trading on the stock exchange and which came into the possession of IFISA, applies to the 127,441,396 shares of the Company held by IFISA and 131,600 shares of the Company held by Dolphin, which should be entitled to participate as offerees in the Tender Offers; and (b) with respect of the 51,760,322 additional shares of IDBD presently held by Dolphin, originating in acquisitions from minority shareholders in IDBD, DN and IFISA believe that, according to that state in the Court decision, these shares cannot participate as an offeree in the tender offers, so long as they are held by Dolphin, however Dolphin is not estopped from selling these shares to any third parties, and that in such a case, that third party shall have the right to participate in the Tender Offers for these shares.

On October 29, 2015, the Arrangement Trustees filed an urgent application for a contempt of court order against Dolphin and IFISA and to enforce them to follow the court's instructions of October 20, 2015, alleging that the letter of Dolphin and IFISA, published by IDBD on October 27, 2015, which informed of the quantity of shares purchased from the minority shareholders within the framework of the trade in the stock exchange is contrary to the court's decision and thus Dolphin and IFISA are acting in contempt of court. The Arrangement Trustees further argued that since Dolphin and IFISA are ignoring the court's decision and since the damage to the public, including to the Arrangement creditors, accumulating daily, the court is requested to impose a fine, in a material amount set by the court, for each day that they ignore the court decision and as long as they do not take action that the Company will amend its reports so that they reflect the court decision. According to the court's decision dated October 30, 2015, Dolphin and IFISA are requested to submit their response within three days.

On October 29, 2015, Dolphin and IFISA filed an appeal to the Supreme Court, with respect to the court decision of October 20, 2015, also requesting to hold an urgent hearing on the appeal. The hearing on the appeal was scheduled for December 16, 2015.

On November 2, 2015, Dolphin and IFISA submitted their response to the Application for Contempt, requesting court to dismiss the application as the Contempt of Court Ordinance does not apply to declaratory remedies and as Dolphin and IFISA did not violate any court order.

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On November 4, 2015, the Arrangement Trustees filed a rejoinder to Dolphin's and IFISA's response to the Application for Contempt, requesting the Court to clarify that the Reservation (as defined below) determined in the Court's decision dated October 20, 2015 shall apply exclusively in the case the following

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45. Subsequent events (Continued)

conditions apply: (1) that the shares were acquired in the market from the public; (2) the acquisition was made within the framework of trading on the TASE; and (3): that the shares are currently held by IFISA; accordingly, the Court was requested to clarify that the Dolphin's and IFISA's position as filed in the letter dated October 26, 2015 is not and cannot be the correct interpretation of the Judgment.

On November 4, 2015, Dolphin and IFISA filed their response to the rejoinder of the Arrangement Trustees, requesting the Court to dismiss the Arrangement Trustees' request to clarify the judgment.

On November 5, 2015, the Court decided to deny the Application for Contempt filed by Arrangement Trustees. However, the Court stated that Dolphin and IFISA's interpretation of the Reservation in the Decision dated October 20, 2015, within Dolphin and IFISA's letter, stand in contradiction insofar as with regard to the scope of the Reservation.

On November 5, 2015, the Arrangement Trustees sent a letter to Dolphin and IFISA, demanding them, in light of the Court's decision of the same day, to amend Dolphin and IFISA's letter and to inform the Securities Authority and IDBD that all the tender offers will be addressed to the minority shareholders of IDBD and that Dolphin and/or IFISA and any corporation under the control of Mr. Elsztain, will not be offerees in the tender offers and that every share which will be transferred by them to third party, if transferred, will also not be entitled to be an offeree in the tender offer.

On November 5, 2015, the Arrangement Trustees sent a letter to IDBD, demanding it, in light of the Court's decision of the same day, to amend Dolphin and IFISA's letter and to inform the public and the Securities Authority immediately that Dolphin and IFISA's Letter as published by IDBD, is inconsistent with the court's decision and that all the shares held by Dolphin and IFISA or any corporation within the Elsztain Group or which shall be purchased from those corporations, shall not carry a right to participate in the tender offers as an offeree.

On November 10, 2015, following the request of the ISA to IDBD, IDBD approached Dolphin and IFISA in order to obtain their position with regard to the amount of shares held by corporations controlled by Mr. Eduardo Sergio Elsztain and which are entitled to participate in the Tender Offers according to the Reservation in the Court's decision dated October 20, 2015 (the "First Decision"; the "Reservation") and following the Court's decision dated November 5, 2015 (the "Second Decision"). In response to this request, Dolphin and IFISA notified IDBD that their position, as expressed in Dolphin and IFISA's letter, remains unchanged.

On November 10, 2015, Dolphin and IFISA filed an application to the Supreme Court to schedule the hearing on the appeal, which was scheduled for December 16, 2015, to an earlier date, due to the fact that Dolphin has to publish a Tender Offer by December 31, 2015, in order to have a high level of certainty regarding the legal situation as soon as possible.

On November 12, 2015, IDBD reported that, at its request, Dolphin extended the validity of its commitment with regard to the public offering so that it will be performed no later than November 17, 2015

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45. Subsequent events (Continued)

(instead of the original date of November 15, 2015), which was further extended until December 1, 2015. There is no certainty at this time for the execution of the offering or to its terms. In addition, IDBD was notified by Dolphin, that discussions are being held between Dolphin and the Arrangement Trustees for a potential amendment to the Arrangement with regard to the Tender Offers. IDBD further reported that the Arrangement Trustees sent a letter stating that the amendments to the Arrangement regarding the Tender Offers are not acceptable for the bondholders, and that the bondholders may convoke a bondholders' meeting to discuss such issues if IDBD's Board of Directors do not disapprove such proposal.

The Company is assessing its defense strategy, as well as the impact of the closing of the BMBY process with IFISA as the purchaser of the shares of IDBD by Extra.

On November 11, the lock-up under the TASE regulations expired, and therefore there are no shares restricted under this item as of the date of issuance of these financial statements.

Condor

On July 23, 2015, RES, IRSA and Condor entered into an agreement in relation to a potential exchange of preferred shares Series A, Series B and Series C for ordinary shares.

RES has accepted that, if Condor gets acceptance of at least 80% of the preferred shares Series A and B, then RES will convert pro rata its convertible preferred shares Series C.

The agreement specifies that the conversion price for preferred shares A and B into ordinary shares is US\$ 2.3254 per share, while the price for Series C is US\$ 1.60 per share. Furthermore, in consideration for cumulative unpaid dividends, holders of such shares will receive an amount of additional ordinary shares at a share price of US\$ 2.3254.

45. Subsequent events (Continued)

The agreement further provides that, if the exchange is carried out, Condor's bylaws will be amended upon prior approval of shareholders in order to:

- eliminate the limitation that bans RES from holding more than 34% of issued and outstanding ordinary shares;
- eliminate the obligation to exchange preferred shares Series B if a person or group holds more than 35% of voting shares of Condor; and
- Authorize the issuance of non-voting ordinary shares.

As regards warrants previously issued to RES, 50% would be extended till January 31, 2018, and the other 50% until January 31, 2019.

RES would receive a combination of voting and non-voting shares so that its voting power in no event exceeds 49%.

On August 31, the exchange process was extended until October 12, 2015.

On September 2015, Condor terminated its offer to exchange preferred shares to common and cancelled its special meeting of shareholders scheduled for October 8, 2015 to obtain shareholder approvals to the conditions of the exchange offer.

- On July 20, 2015 Brazil Federal Revenue Office approved and refunded Brasilagro for the amount included in the petition in relation to CSLL accumulated receivables with negative balance for calendar year 2012 and the income tax negative balance for fiscal year 2013 in the amount of Rs. 239 (Ps. 700) and Rs. 1,600 (Ps. 4,688), respectively, and the value of Rs. 165 (Ps. 483) regarding the request made by its controlled company Jaborandi Agrícola. In addition, on July 20, 2015 Brazil Federal Revenue Office approved and refunded the value included in the petition related to cumulative receivables related to PIS and COFINS (Social Integration Program and Social Security Financing Lev in November 2014. Total sum of money refunded by the Federal Revenue Office amounted to Rs. 39 (Ps. 114) and is available in the current account of Brasilagro.

- Pursuant to share repurchase program, Brasilagro may repurchase up to 698,310 shares or 2% of the ordinary shares issued and outstanding. In July 2015, total shares repurchased by Brasilagro was 209,200 shares for a total amount of Rs. 2,334 (Ps. 6,839).

45. Subsequent events (Continued)

- Brasilagro and Jaborandi Ltda. will pay the rural harvest financing agreements entered into with Banco do Nordeste – BNB, after the balance sheet date (June 30, 2015). On July 31 2015, principal was repaid in the amount of Rs. 23,733 (Ps. 69,538) and on August 1, 2015 interest was paid in an amount of Rs. 2,022 (Ps. 5,924).
- On August 7, 2015, the directors of Brasilagro exercised their call options for 233,689 shares at an exercise price of Rs. 2,006 (Ps. 5,878) referring to the First Share Option Program.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
BancoHipotecario S.A.

We have audited the accompanying consolidated balance sheets of BancoHipotecario S.A. and its subsidiaries (collectively referred to as the “Bank”) as of June 30, 2015 and 2014 and the related consolidated statements of income, of changes in shareholders' equity and of cash flows for each of the three twelve-month periods in the period ended June 30, 2015. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BancoHipotecario S.A. and its subsidiaries at June 30, 2015 and 2014, and the results of their operations and their cash flows for each of the three twelve-month periods in the period ended June 30, 2015 in conformity with accounting rules prescribed by the Banco Central de la República Argentina (the “BCRA”).

The Bank's consolidated financial statements have been prepared in accordance with Argentine Banking GAAP, which differs in certain significant respects from U.S. GAAP. Such differences involve methods of measuring the amounts shown in the consolidated financial statements, as well as additional disclosures required by U.S. GAAP and regulations of the SEC. These consolidated financial statements include solely a reconciliation of net income and shareholders' equity to U.S. GAAP. Pursuant to Item 17 of Form 20-F, this reconciliation does not include disclosure of all information that would be required by U.S. GAAP and regulations of the SEC. Information relating to the nature and effect of the differences between accounting rules prescribed by the BCRA and U.S. GAAP is presented in Note 34 to the consolidated financial statements.

Buenos Aires, Argentina
August 7, 2015, except for notes 34 and 36 as to which the date is November 17, 2015

Price Waterhouse & Co.
S.R.L.

By: /s/ Marcelo Trama
Name Marcelo Trama
Title Partner

BANCO HIPOTECARIO SA AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEET

As of June 30, 2015 and 2014

(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)

	June 30, 2015	2014
ASSETS		
Cash and due from banks	Ps. 492,233	Ps. 610,106
Banks and correspondents	2,709,342	2,398,062
	3,201,575	3,008,168
Government and corporate securities (Note 4)	5,271,583	3,395,192
Loans (Note 5)		
Mortgage loans	2,413,401	2,197,336
Credit card loans	8,500,601	5,950,266
Other loans	8,334,879	7,277,967
	19,248,881	15,425,569
Plus: Accrued interest receivable	218,089	150,676
Less: Allowance for loan losses (Note 6)	(433,825)	(356,267)
	19,033,145	15,219,978
Other receivables from financial transactions (Note 7)		
Collateral receivable under repurchase agreements	35,621	60,196
Amounts receivable under derivative financial instruments	4,785	45,817
Loans in trust pending securitization	10,301	10,776
Amounts receivable under reverse repurchase agreements of government and corporate securities	94,597	498,000
Other (Note 7)	3,247,013	1,961,678
	3,392,317	2,576,467
Plus: Accrued interest receivable	8,440	8,165
Less: Allowance for Other receivables from financial transactions	(22,611)	(11,189)
	3,378,146	2,573,443
Assets under financial leases	125,461	71,907
Investments in other companies	70,806	19,241
Miscellaneous receivables (Note 8)	1,559,217	1,117,890
Bank premises and equipment (Note 9)	186,320	150,489
Miscellaneous assets (Note 10)	60,413	50,483
Intangible assets (Note 11)	426,148	244,540

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Items pending allocation	8,542	4,254
Total Assets	Ps. 33,321,356	Ps. 25,855,585

The accompanying notes are an integral part of these consolidated financial statements.

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BANCO HIPOTECARIO SA AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEET – (Continued)

As of June 30, 2015 and 2014

(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)

	June 30 2015	2014
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits		
	Ps.	Ps.
Checking accounts	3,151,296	2,800,899
Saving accounts	2,953,065	1,662,444
Time deposits	11,898,186	9,049,574
Other deposit accounts	188,604	178,426
	18,191,151	13,691,343
Plus: Accrued interest payable	237,680	215,811
	18,428,831	13,907,154
Other liabilities from financial transactions		
Other banks and international entities (Note 14)	297,357	558,449
Bonds (Note 15)	4,926,694	3,501,712
Argentine Central Bank	115	81
Amounts payable under derivative financial instruments	334,874	300,099
Borrowings under repurchase agreements collateralized by government securities	93,660	384,117
Obligation to return securities acquired under reverse repurchase agreements of government and corporate securities (Note 13)	34,481	140,804
Other	1,867,191	1,083,892
	7,554,372	5,969,154
Plus: Accrued interest payable	135,471	97,156
	7,689,843	6,066,310
Miscellaneous liabilities		
Taxes	326,154	352,988
Sundry creditors (Note 20)	1,468,191	724,210
Other (Note 20)	272,415	178,649
	2,066,760	1,255,847
Reserve for contingencies (Note 12)	221,950	152,789
Subordinated bonds (Note 16)	100,452	-
Items pending allocation	44,847	208,293
Non-controlling interest	67,957	59,849
Total Liabilities	28,620,640	21,650,242
SHAREHOLDERS' EQUITY		

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Common stock	1,463,365	1,463,365
Treasury stock	54,149	54,149
Paid in capital	834	834
Inflation adjustment on common stock	699,601	699,601
Reserves	1,842,198	1,292,226
Retained earnings	640,569	695,168
Total Shareholders' Equity	4,700,716	4,205,343
	Ps.	Ps.
Total Liabilities and Shareholders' Equity	33,321,356	25,855,585

The accompanying notes are an integral part of these consolidated financial statements.

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BANCO HIPOTECARIO SA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME

For the twelve-month periods ended June 30, 2015, 2014 and 2013

(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)

	June 30, 2015	2014	2013
Financial income			
Interest on loans and other receivables from financial transactions	Ps. 4,326,324	Ps. 3,779,073	Ps. 1,961,272
Income from government and corporate securities.	1,191,396	904,985	456,004
Other	6,250	12,186	6,906
	5,523,970	4,696,244	2,424,182
Financial expenses			
Interest on deposits and other liabilities from financial transactions	2,801,201	2,063,512	1,120,480
Contributions and taxes on financial income	442,814	339,676	163,794
	3,244,015	2,403,188	1,284,274
Gross brokerage margin	Ps. 2,279,955	Ps. 2,293,056	Ps. 1,139,908
Provision for loan losses (Note 6)	375,270	303,348	233,376
Income from services			
Insurance premiums	1,255,436	895,129	417,368
Commissions (Note 21)	1,295,325	866,616	670,213
Other (Note 21)	733,262	356,153	307,398
	3,284,023	2,117,898	1,394,979
Expenses for services			
Insurance claims	149,871	174,715	57,583
Commissions (Note 21)	540,542	446,257	194,064
Contributions and taxes on income from services	78,457	61,666	39,261
	768,870	682,638	290,908
Administrative expenses			
Salaries and social security contributions	1,775,548	1,284,840	844,965
Advertising expenses	179,542	118,277	88,538
Value added tax and other taxes	167,249	113,917	115,353
Directors' and Syndics' fees	65,788	71,027	31,774
Fees for administrative services	406,690	258,668	189,428
Maintenance and repairs	96,821	53,981	37,186
Electricity and communications	116,907	71,942	56,515
Depreciation of bank premises and equipment	35,267	20,992	15,830
Rent	97,482	69,774	49,895
Other	425,595	277,361	182,718
	3,366,889	2,340,779	1,612,202
Net income from financial transactions	Ps. 1,052,949	Ps. 1,084,189	Ps. 398,401

The accompanying notes are an integral part of these consolidated financial statements.

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BANCO HIPOTECARIO SA AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME – (Continued)

For the twelve-month periods ended June 30, 2015, 2014 and 2013

(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)

	June 30, 2015	2014	2013
Miscellaneous income			
Penalty interest	86,874	59,281	54,833
Loans recoveries	171,781	82,104	100,834
Other (Note 22)	58,875	47,543	37,755
	317,530	188,928	193,422
Miscellaneous expenses			
Provision for other contingencies and miscellaneous receivables	132,614	67,564	31,058
Other (Note 22)	336,720	220,430	130,966
	469,334	287,994	162,024
Income before income taxes and Non-controlling interest	Ps. 901,145	Ps. 985,123	Ps. 429,799
Income taxes (Note 24)	377,613	369,127	76,529
Non-controlling interest	13,658	11,031	(14,148)
Net income for the period	Ps. 537,190	Ps. 627,027	Ps. 339,122

The accompanying notes are an integral part of these consolidated financial statements.

BANCO HIPOTECARIO SA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the twelve-month periods ended June 30, 2015, 2014 and 2013
(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)

	Common stock (Note 26)	Paid in capital (Note 26)	Treasury stock (Note 26)	Inflation adjustment of common stock (Note 26)	Reserves		Retained earnings	Total shareholders' equity
					Legal (Note 26)	Voluntary (Note 26)		
Balance as of June 30, 2012	Ps. 1,463,365	Ps. 834	Ps. 54,149	Ps. 699,601	Ps. 526,828	Ps. 367,601	Ps. 256,816	Ps. 3,369,194
Distribution of retained earnings approved by the General Shareholders' Meeting held on 04/13/11. Approval of BCRA on 09/20/12	-	-	-	-	-	-	(100,000)	(100,000)
Net income for the period	-	-	-	-	-	-	339,122	339,122
Balance as of June 30, 2013	Ps. 1,463,365	Ps. 834	Ps. 54,149	Ps. 699,601	Ps. 526,828	Ps. 367,601	Ps. 495,938	Ps. 3,608,316
Distribution of retained earnings approved by the General Shareholders' Meeting held on 08/23/13	-	-	-	-	68,721	244,886	(343,607)	(30,000)
Distribution of retained earnings approved by the General Shareholders' Meeting held	-	-	-	-	84,190	-	(84,190)	-

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on 04/24/14								
Net income for the period	-	-	-	-	-	-	627,027	627,027
Balance as of June 30, 2014	Ps. 1,463,365	Ps. 834	Ps. 54,149	Ps. 699,601	Ps. 679,739	Ps. 612,487	Ps. 695,168	Ps. 4,205,343
Distribution of retained earnings approved by the General Shareholders' Meeting held on 04/24/14. Approval of BCRA on 12/23/14	-	-	-	-	-	-	(41,817)	(41,817)
Distribution of retained earnings approved by the General Shareholders' Meeting held on 03/21/15.	-	-	-	-	109,994	439,978	(549,972)	-
Net income for the period	-	-	-	-	-	-	537,190	537,190
Balance as of June 30, 2015	Ps. 1,463,365	Ps. 834	Ps. 54,149	Ps. 699,601	Ps. 789,733	Ps. 1,052,465	Ps. 640,569	Ps. 4,700,716

The accompanying notes are an integral part of these consolidated financial statements

BANCO HIPOTECARIO SA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

For the twelve-month periods ended June 30, 2015, 2014 and 2013

(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)

	2015	2014	2013
Cash flows from operating activities:			
Net income	Ps. 537,190	Ps. 627,027	Ps. 339,122
Adjustments to reconcile net income to net cash provided by Cash Flows from operating activities:			
Provision for loan losses and for contingencies and miscellaneous receivables, net of reversals	258,567	273,423	163,600
Net gain on investment government securities	(179,430)	(89,484)	(8,802)
Gain / (loss) on derivative financial instruments	(63)	-	(46)
Depreciation and amortization	114,799	66,103	39,152
Net gain on sale of premises and equipment and miscellaneous assets	(578)	(2,944)	(1,160)
Net Indexing (CER and CVS) and interest of loans and deposits incurred but not paid	(177,558)	(19,112)	(127,277)
Non-controlling interest	(13,658)	(11,031)	14,148
Net change in trading securities	1,269,136	(858,189)	907,867
Net change in other assets	(2,850,499)	(661,376)	(136,396)
Net change in other liabilities	1,179,439	1,391,036	(482,324)
Net cash (used in) operating activities	137,345	715,453	707,884
Cash flows from investing activities:			
(Increase)/Decrease in loans, net	(4,502,150)	(5,780,425)	(2,692,773)
Proceeds from securitization of consumer loans	401,331	749,589	380,415
Proceeds from maturities of available for sale securities	808,876	81,100	345,961
Purchases of investments in other companies	(45,000)	(10,013)	(5,012)
Proceeds from sales, net of payments for purchases, of available for sale securities	(2,082,693)	(1,166,729)	25,697
Proceeds from sale of premises and equipment	8,491	1,874	1,029
Purchases of premises and equipment, miscellaneous and intangible assets	(350,659)	(212,026)	(117,240)
Net cash provided by investing activities	(5,761,804)	(6,336,630)	(2,061,923)
Cash flows from financing activities:			
Increase in deposits, net	4,499,808	4,792,123	2,093,107
Principal payments on bonds, notes, and other debts	(626,754)	(853,108)	(584,601)
Proceeds from issuance of bonds, notes and other debts	1,934,019	1,435,183	653,781
Payments of debt issuance cost	(19,406)	(12,855)	(8,425)
Distribution of dividends	(41,817)	(29,968)	(99,895)
(Decrease)/Increase in borrowings, net	(23,518)	806,185	89,175
Net cash provided by financing activities	5,722,332	6,137,560	2,143,142
Net increase/(decrease) in cash and cash equivalents	97,873	516,383	789,103
Cash and cash equivalents at the beginning of the period	3,008,168	2,217,327	1,352,474
Effect of foreign exchange changes on cash and cash equivalents	95,534	274,458	75,750
Cash and cash equivalents at the end of the period	Ps. 3,201,575	Ps. 3,008,168	Ps. 2,217,327

Supplemental disclosure of cash flow information:

Cash paid for interest	Ps. 2,525,829	Ps. 1,555,976	Ps. 939,573
Cash paid for presumptive minimum income tax and income tax.	343,504	113,576	71,481
Non-cash transactions involving securitizations	151,576	165,249	87,925

The accompanying notes are an integral part of these consolidated financial statements.

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BANCO HIPOTECARIO SA AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of and for the twelve-month periods ended June 30, 2015, 2014 and 2013

(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)

1. General

a. Description of business

Banco Hipotecario SA (herein after referred to as the “Bank” or “BHSA”), is a commercial bank, organized under the laws of Argentina.

The Bank historically has provided general banking services, focused on individual residential mortgage loans and construction-project loans directly to customers as well as indirectly through selected banks and other financial intermediaries throughout Argentina. In 2004, as part of its business diversification strategy, the Bank resumed the mortgage lending and expanded its product offerings, beginning to offer personal loans, credit card loans and also engaging in mortgage loan securitizations, mortgage loan servicing, other corporate loans and mortgage-related insurance in connection with its lending activities.

b. Basis of presentation

The consolidated financial statements of the Bank have been prepared in accordance with the rules of Banco Central de la República Argentina (“Argentine Central Bank” or “BCRA”) which prescribe the accounting reporting and disclosure requirements for banks and financial institutions in Argentina (“Argentine Banking GAAP”). Argentine Banking GAAP differ in certain significant respects from generally accepted accounting principles in the United States of America (“U.S. GAAP”). Such differences involve methods of measuring the amounts shown in the consolidated financial statements, as well as additional disclosures required by U.S. GAAP and regulations of the Securities and Exchange Commission (“SEC”). These consolidated financial statements include solely a reconciliation of net income and shareholders’ equity to U.S. GAAP. Pursuant to Item 17 of Form 20-F, this reconciliation does not include disclosure of all information that would be required by U.S. GAAP and Regulation S-X of the SEC. See note 34 for details.

Certain disclosures required by the Argentine Banking GAAP have not been presented herein since they are not required under U.S. GAAP or the SEC and are not considered to be relevant to the accompanying consolidated financial statements taken as a whole.

Certain reclassifications of prior year’s information have been made to conform to current year presentation. Such reclassifications do not have a significant impact on the Bank financial statements.

c. Principles of consolidation

The consolidated financial statements include the accounts of the Bank and its subsidiaries over which the Bank has effective control. The percentages directly or indirectly held in those companies’ capital stock as of June 30, 2015 and 2014 are as follows:

Issuing Company	June 30,	
	2015	2014
BHN Sociedad de Inversión Sociedad Anónima	99.99 %	99.99 %

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BHN Seguros Generales Sociedad Anónima	99.99	%	99.99	%
BHN Vida Sociedad Anónima	99.99	%	99.99	%
BACS Banco de Crédito y Securitización Sociedad Anónima	87.50	%	87.50	%
BACS Administradora de activos S.A. S.G.F.C.I.	85.00	%	85.00	%
Tarshop S.A. (*)	80.00	%	80.00	%
BH Valores SA	100.00	%	100.00	%

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BANCO HIPOTECARIO SA AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of and for the twelve-month periods ended June 30, 2015, 2014 and 2013

(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)

(*) On October 22, 2014, the Board of Directors of Banco Hipotecario S.A. unanimously approved an irrevocable capital contribution to Tarshop S.A. in the amount of Ps. 110,000 to be made by shareholders Banco Hipotecario S.A. and IRSA Propiedades Comerciales S.A. pro rata of their shareholdings so that Tarshop S.A. should have sufficient resources for its operational activities and to be able to execute its 2015 Business Plan. On December 15, 2014, the General and Extraordinary Shareholder's Meeting unanimously approved such capitalization

All significant intercompany accounts and transactions have been eliminated in consolidation.

d. Presentation of financial statements in constant Argentine pesos

The financial statements have been adjusted for inflation in conformity with the guidelines set in Communication "A" 551 of the Argentine Central Bank up to the financial year ended December 31, 1994, and prepared in accordance with the standards laid down by CONAU 1 Circular. As from January 1, 1995, and according to the authorization accorded by Resolution N° 388 of the Argentine Central Bank's Superintendency of Financial and Exchange Institutions, the Bank discontinued the adjustment for inflation of its financial statements until December 31, 2001. As from January 1, 2002, as a result of the application of Communication "A" 3702 which established the repeal of any legal and regulatory rule that did not allow companies to restate their accounting balances at period-end currency values, the Bank resumed the application of the adjustment for inflation in accordance with the rules issued in due time by the Argentine Central Bank using the adjustment coefficient derived from the domestic wholesale price index published by the National Statistics and Census Institute (INDEC). Furthermore, it has been considered that the accounting measurements derived from the changes in the purchasing power of the currency between December 31, 1994 and 2001 are stated in the currency value as of the latter date.

On March 25, 2003, the Executive Branch issued Decree 664 establishing that the financial statements for years ending as from that date are to be stated in nominal currency. Consequently, in accordance with Communication "A" 3921 of the BCRA, the restatement of the financial statements was discontinued as from March 1, 2003.

2. Significant Accounting Policies

The following is a summary of significant accounting policies used in the preparation of the consolidated financial statements.

2.1. Foreign Currency Assets and Liabilities

US dollar assets and liabilities have been valued at the rate of exchange between the peso and the US dollar published by the Argentine Central Bank. Assets and liabilities valued in foreign currencies other than the US dollar were converted into the latter currency using the swap rates communicated by the Argentine Central Bank's operations desk, in force at the close of operations on the last business day of the fiscal period end.

Foreign currency transactions net gains or losses are recorded within "Financial income" or "Financial expenses" in the accompanying unaudited consolidated statements of income.

2.2. Interest accruals and adjustments of principal amounts (CER and CVS)

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Interest accruals were determined using the exponential method for all lending and certain borrowing transactions in local and foreign currency, and interest accruals for loans overdue more than ninety days were discontinued.

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BANCO HIPOTECARIO SA AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of and for the twelve-month periods ended June 30, 2015, 2014 and 2013

(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)

Adjustments of principal amounts from application of the CER (Reference Stabilization Index), and CVS were accrued as established by Argentine Central Bank regulations, and interest accruals on loans overdue more than ninety days were discontinued.

2.3. Government and Corporate Securities

Securities classified as "Holdings booked at fair market value", "Investment in listed corporate securities" and "Securities issued by the BCRA" with volatility published by the BCRA, have been valued at period-end or year-end market quotation.

As of June 30, 2015, the Bank maintains in its portfolio overdue income coupons from the DICY and PARY bonds to be collected.

Securities classified as "Holdings booked at cost plus return" and "Securities issued by the BCRA" with no volatility published by the BCRA or with volatility but which the Entity decides to book under the first category, have been valued at their acquisition cost subject to an exponential increase based on the internal rate of return, net of contra accounts, if applicable.

2.4. Loans

The portfolio of performing loans and loans due ninety days or less has been valued in terms of the principal amounts actually lent, plus capitalized interest, net of principal amortization collected and debt balance refinancing, plus adjustments (from the application of the CER, and CVS where applicable) and accrued interest receivable and less the estimated reserve for loan losses.

Other loans to the public sector:

i) those loans were valued at cost plus return, taking as cost their book value as of December 31, 2010.

ii) those originally granted in foreign currency have been converted into Ps. at the exchange rate of \$1.40 per US dollar, as established by Law 25561, Decree 214 and complementary rules and amendments. Since February 3, 2002, the CER has been applied to the amount of those loans and maximum rates have been established, in accordance with Decree 1579/02, if those assets were subjected to the Exchange of Provincial Public Debt.

Loans to the non-financial private sector originally granted in foreign currency have been converted into pesos at the exchange rate of \$1.00 per US dollar, as established by Law 25561, Decree 214 and complementary rules and amendments. Since February 3, 2002, the CER and CVS have been applied to the amount of those loans and maximum rates have been established, depending on the borrower.

2.5. Other receivables for financial transactions

The individual mortgage loans the trustee ownership of which was transferred by the Bank and recorded in this caption have been valued and converted into pesos following the criterion described in points 2.2. and 2.4.

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The rights arising from currency swap transactions have been valued at the quotation of that currency following the criterion described in point 2.1.

The financial trust participation certificates have been valued according to the equity method of accounting. Financial trust debt securities have been stated at cost plus return, index-adjusted by applying the CER to the appropriate instruments.

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BANCO HIPOTECARIO SA AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of and for the twelve-month periods ended June 30, 2015, 2014 and 2013

(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)

The interest rate swap transactions carried out for the purposes of hedging assets and liabilities with fixed and floating rates have been valued in accordance with the unsettled balances of agreed upon lending and borrowing interests rates.

Interest rate swaps for agreed-upon fixed rate have been valued in accordance with the balances pending settlement. Futures transactions agreed upon that are mainly closed as hedging for the position in foreign currency have been valued in accordance with the balances pending settlement. Changes in these values, for all derivative instruments, are recognized as a gain or loss under the caption “Financial Income – Interest on loans and other receivables from financial transactions” or “Financial Expenses – Interest on deposits and other liabilities from financial transactions”, respectively.

Unlisted negotiable obligations have been valued at acquisition cost exponentially increased according to the internal rate of return.

Securities issued by the BCRA and government securities held as collateral for OTC transactions are valued as explained in item 2.3 of this note.

Repo transactions are carried at the value originally agreed upon, plus accrued premiums.

2.6. Receivables for financial leases

Receivables for financial leases are carried at the current value of the periodic installments and the residual value previously agreed upon, calculated as per the conditions set forth in the respective lease agreements, applying the internal rate of return and net of allowances for loan losses.

2.7. Investments in Other Companies

Permanent equity investments in companies where corporate decision are not influenced, are accounted for the lower of cost and the equity method. As of June 30, 2015 and December 31, 2014 these investments were recorded at cost.

This caption mainly includes the equity investments held in: Mercado Abierto Electrónico Sociedad Anónima, ACH Sociedad Anónima, Mercado de Valores de Buenos Aires Sociedad Anónima, and SUPER-CARD S.A..

Additionally the Bank has participations as protecting partner in mutual guarantee companies and has made contributions to the companies’ risk fund. These companies are: Confederar NEA S.G.R., Don Mario S.G.R., Los Grobos S.G.R. and Intergarantías S.G.R.

2.8. Miscellaneous receivables

Miscellaneous receivables have been valued at the amounts actually transacted, plus interest accrued and net of allowances for loan losses or impairment, if applicable.

2.9. Bank Premises and Equipment and Miscellaneous Assets

Bank premises and equipment are recorded at cost, adjusted for inflation (as described in note 1.d), less accumulated depreciation.

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Depreciation is computed under the straight-line method over the estimated useful lives of the related assets. The estimated useful lives for bank premises and equipment are as follows:

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Buildings	50 years
Furniture and fixtures	10 years
Machinery and equipment	5 years
Other	5 years

The cost of maintenance and repairs of these properties is charged to expense as incurred. The cost of significant renewals and improvements is added to the carrying amount of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statement of income.

The Bank has recorded under "Miscellaneous assets" - properties received in lieu of payment of loans. These assets are initially recognized at the lower of market value or the value of the loan, net of allowances and subsequently, adjusted for inflation (as described in note 1.d), and depreciation. Depreciation of Miscellaneous assets is also computed under the straight-line method over the estimated useful of the related assets.

2.10. Intangible Assets, Net

Software expenses as well as start-up costs are carried at cost, adjusted for inflation (as described in note 1.d), less accumulated amortization. These intangible assets are amortized under the straight-line method over their estimated useful life.

Goodwill is recorded by the difference between the purchase price and the book value of the net assets acquired in accordance with Argentine Central Bank rules, and subsequently amortized in a straight line basis over the estimated useful life of 60 months.

Given BHSA's role as Trustee of the PROCREAR Administrative and Financial Trust, the Bank has capitalized increased direct expenses incurred in the mortgage loan origination process, which disbursements would not have been incurred by it had it not been for the grant of the related loans in accordance with the provisions of Communication "A" 5392. Such origination expenses are amortized in 60 monthly installments.

2.11 Housing, life and unemployment insurance premiums in lending transactions and other transactions originated in its capacity of insurer, in accordance with the franchise granted by the privatization law

The Bank's policy is to recognize the premium income when the corresponding loan installment accrues, except for those loans that are more than ninety days in arrears, and allocate the expenditures for claims to the net income/(loss) for the year in which they occur.

The Bank has set up an insurance claim reserve for Ps.1,181 as of June 30, 2015 and 2014, which is shown in the "Provisions" caption under Liabilities.

2.12. Deposits

Deposits have been valued at their placement value, plus adjustments from application of the CER and accrued interest, where applicable. The fixed return on each transaction is accrued on an exponential basis, while the variable return on time deposits adjusted by applying the CER and included in "Investment Accounts" is accrued at the pro rata agreed upon rate of return based on the improvement in the price of the financial asset or financial asset indicator, between the time the transaction is arranged and the end of the month.

2.13. Other liabilities from financial transactions

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Unsubordinated negotiable obligations have been valued at their residual value plus accrued interest.

Foreign currency-denominated obligations under swap transactions carried out as a hedge have been converted into Argentine pesos according to the criterion described in note 2.1.

The interest rate swap transactions carried out for the purposes of hedging assets and liabilities with fixed and floating rates have been valued in accordance with the unsettled balances of agreed upon lending and borrowing interests rates. In addition, following a prudent criterion, the Bank creates provisions for these transactions when the value stated above exceeds its fair value.

Interest rate swaps for agreed-upon fixed rate have been valued in accordance with the balances pending settlement of the agreed-upon lending and borrowing interest rates.

2.14. Miscellaneous liabilities

They are valued at the amounts actually transacted, plus accrued interest as of fiscal period or year end.

2.15. Provisions

The Bank estimates contingencies and records them in Provisions, under Liabilities, if applicable according to the estimated likelihood of occurrence. These provisions cover various items, such as insurance risk, provisions for lawsuits, provisions for taxes, other contingencies, etc..

In addition, the Bank has created the allowance required under Communication "A" 5689 issued by the Argentine Central Bank in order to provide for the total amount of administrative and/or disciplinary sanctions and criminal penalties supported by first instance rulings, applied or pursued by the Argentine Central Bank, the Financial Information Unit, the Argentine Securities Commission and the Argentine Superintendence of Insurance.

2.16. Dismissal indemnities

The Bank does not set up any provisions to cover the risk of dismissal indemnities involving the staff. The disbursements in respect thereof are charged to the results for the period or year in which they occur.

2.17. Personnel benefits

The Bank has set up provisions for its employees' retirement plans.

2.18. Subordinated Bonds

Subordinated negotiable obligations have been recorded at their residual value plus interests accrued.

2.19. Non-controlling interest

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The breakdown of supplementary equity interests recorded in “Non-controlling interest” in the accompanying consolidated balance sheets is as follows:

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June 30,
2015 2014

BACS Banco de Crédito y Securitización S.A.	Ps.32,536	Ps.28,383
BHN Sociedad de Inversión S.A.	74	63
Tarshop S.A.	35,347	31,403
Total	Ps.67,957	Ps.59,849

2.20. Income Tax

Pursuant to Article 28 of Law 24855, Banco Hipotecario Sociedad Anónima is subject to income tax, except for all the housing loan transactions carried out prior to October 23, 1997, date of registration of its by-laws with the Superintendence of Corporations.

The Bank charges to income and sets up a provision under Liabilities for the income tax determined on its taxable transactions in the fiscal year in which those transactions are carried out.

The Bank recognizes income tax charges and liabilities on the basis of the tax returns corresponding to each fiscal year at the statutory tax rates. For all the periods contemplated in these financial statements, the corporate tax rate was 35%. Under Argentine Banking GAAP the Bank does not recognize deferred income taxes.

2.21. Minimum notional income tax

In view of the option granted by the BCRA by means of Communication "A" 4295, as of June 30, 2015 the Bank capitalized as a minimum notional income tax credit the tax amount paid in fiscal year 2012, on the basis of projections prepared and the possibility of recovering it and raising allowances when appropriate.

2.22. Shareholders' Equity

a. Capital stock, treasury shares, non-capitalized contributions, reserves, and capital adjustment:

The Shareholders' Equity account activity and balances prior to December 31, 1994 have been stated in the currency values prevailing at that date, following the method mentioned in this Note. The transactions carried out subsequent to that date have been recorded in currency values of the period or year to which they correspond. The balances of the Shareholders' Equity accounts as of June 30, 2015 have been restated up to February 28, 2003 as explained in the third paragraph. The adjustment derived from the restatement of the balance of "Capital Stock" was allocated to "Equity Adjustments". The issued treasury shares added due to the termination of Total Return Swap transaction are carried at nominal value.

b. Results:

Income and expenses have been recognized against the results for the fiscal year, regardless of whether they have been collected or paid.

The preparation of the financial statements requires that the Bank's Board of Directors perform estimates affecting assets and liabilities, the net income/ (loss) for the fiscal period or year and the determination of contingent assets and liabilities at the date thereof, such as allowances for loan losses and impairment, the recoverable value of assets and provisions. Since these estimates involve value judgments regarding the probability of occurrence of future events, the actual net income/ (loss) may differ from the estimated amount and thus generate losses or profits affecting

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subsequent periods or years. All legal and regulatory rules in force at the date of presentation of these financial statements have been considered.

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The financial statement figures for the previous fiscal period or year, presented for comparative purposes, include certain reclassifications and adjustments that contemplate specific disclosure criteria so as to present them on a consistent basis with those of the current fiscal period or year.

2.23. Statements of Cash Flows

The consolidated statements of cash flows were prepared using the measurement methods prescribed by the BCRA, but in accordance with the presentation requirements of ASC 230.

For purposes of reporting cash flows, “Cash and cash equivalents” include “Cash and due from banks”.

2.24. Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the financial statement dates and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include those required in the accounting of allowances for loan losses and the reserve for contingencies. Since management’s judgment involves making estimates concerning the likelihood of future events, the actual results could differ from those estimates which would have a positive or negative effect on future period results.

3. Restricted Assets

Certain of the Bank's assets are pledged or restricted from use under various agreements. The following assets were restricted at each balance sheet date:

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	June 30, 2015	2014
Banco Hipotecario S.A.		
Securities issued by the BCRA as collateral for OCT transactions	Ps. 70,464	Ps. -
Government securities as collateral for OCT transactions	40,200	275,370
Deposits in pesos as collateral for visa credit card transactions	117,723	59,610
Securities issued by the BCRA as collateral for the custody of securities	162,759	-
Government securities as collateral for the custody of securities.	-	173,600
Deposits in pesos and in US\$ as collateral for leases	754	1,028
	Ps. 391,900	Ps. 509,608
Tarshop S.A.		
Deposits in pesos and in US\$ as collateral for leases	Ps. 505	Ps. 497
Certificates of participation in Financial Trusts granted as commercial pledge for a loan received	32,203	32,202
Time deposits pledged for tax obligations arising from Financial Trusts	4,891	3,736
Deposits in pesos related to Financial Trusts transactions	16,182	24,542
Receivable in trust to secure a syndicated loan received	-	83,229
Deposits in pesos as collateral for visa credit card transactions	512	-
Government securities as collateral for visa credit card transactions	1,038	-
	Ps. 55,331	Ps. 144,206
BACS Banco de Crédito y Securitización S.A.		
Deposits in pesos as collateral for repurchase agreements	Ps. -	Ps. 4,170
	Ps. -	Ps. 4,170
BH Valores S.A.		
Mercado de Valores de Buenos Aires SA's share pledged on behalf of Chubb Argentina de Seguros SA.	Ps. 4,000	Ps. 4,000
Total	Ps. 451,231	Ps. 661,984

4. Government and Corporate securities

Government and Corporate Securities held by the Bank consist of the following balances:

	June 30, 2015	2014
Holding booked at fair value		
Government securities in pesos	Ps. 1,581,383	Ps. 439,798
Government securities in US\$	340,053	844,014
Bills issued by Provincial Governments in US\$	297,137	-
Bills issued by Provincial Governments in pesos	7,133	-

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Holding booked at cost plus return		
Government securities in pesos	Ps. -	Ps. 29,275
Bills issued by Provincial Governments in pesos	66,916	-
Bills issued by Provincial Governments in US\$	125,862	39,573
	Ps. 192,778	Ps. 68,848
Investment in listed corporate securities		
Corporate securities denominated in pesos	Ps. 430,855	Ps. 345,565
	Ps. 430,855	Ps. 345,565
Securities issued by the BCRA		
Quoted bills and notes issued by the BCRA	Ps. 672,239	Ps. 354,542
Unquoted bills and notes issued by the BCRA	1,750,005	1,342,425
	Ps. 2,422,244	Ps. 1,696,967
Total	Ps. 5,271,583	Ps. 3,395,192

As of June 30, 2015, several bonds sold under repurchase agreements amounted to Ps. 9,624 and were recorded under the caption "Other Receivables from Financial Transactions".

The bank recorded in their financial statements income from government and corporate securities for an amount of Ps. 1,191,396 and Ps. 904,985 as of June 30, 2015 and 2014, respectively.

5. Loans

Descriptions of the categories of loans in the accompanying balance sheets include:

- Mortgage loans:
- Construction project loans - loans made to various entities for the construction of housing units
- Individual residential mortgage loans - mortgage loans made to individuals to finance the acquisition, construction, completion, enlargement, and/or remodeling of their homes
- Other loans:
- Certain financial and non-financial sector loans including loans to credit card holders and to individuals
- Public Loans – loans to National Government and Provinces

Under Argentine Central Bank regulations, the Bank must disclose the composition of its loan portfolio by non-financial public, financial and non-financial private sector. Additionally, the Bank must disclose the type of collateral pledged on non-financial private sector loans. The breakdown of the Bank's loan portfolio in this regard is as

follows:

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	June, 2015	2014
Non-financial public sector	Ps. 89,132	Ps. 129,023
Financial sector	348,549	373,078
Non-financial private sector		
With preferred guarantees (a)	2,413,401	2,197,328
Without preferred guarantees		
Personal loans	2,650,127	2,040,282
Credit Card Loans	8,500,601	5,950,266
Overdraft facilities	685,978	1,139,629
Other loans (b)	4,561,093	3,595,963
Accrued interest receivable	218,089	150,676
Reserve for loan losses (see note 6)	(433,825)	(356,267)
Total	Ps. 19,033,145	Ps. 15,219,978

(a) Preferred guarantees include first priority mortgages or pledges, cash, gold or public sector bond collateral, certain collateral held in trust, or certain guarantees by the Argentine government.

(b) Comprised of:

	June 30, 2015	2014
Short term loans in pesos	Ps. 2,729,892	Ps. 2,256,595
Short term loans in US dollars	692,190	693,809
Loans for the financing of manufacturers	61,234	24,805
Export prefinancing	406,621	278,720
Other loans	671,156	342,034
Total	Ps. 4,561,093	Ps. 3,595,963

6. Allowance for loan losses

The activity in the allowance for loan losses for the periods presented is as follows:

	June 30, 2015	2014
Balance at beginning of period	Ps. 356,267	Ps. 296,633
Provision charged to income	375,270	303,348
Loans charged off	(297,712)	(243,714)
Balance at end of period	Ps. 433,825	Ps. 356,267

7. Other receivables from financial transactions

The breakdown of other receivables from financial transactions, by type of guarantee for the periods indicated, is as follows:

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	June 30,	
	2015	2014
Preferred guarantees, including deposits with the Argentine Central Bank	Ps. 434,689	Ps. 507,836
Unsecured guarantees (a)	2,966,068	2,076,796
Subtotal	3,400,757	2,584,632
Less: Allowance for losses	(22,611)	(11,189)
Total	Ps. 3,378,146	Ps. 2,573,443

(a) Includes Ps. 4,785 and Ps. 45,817 of Amounts receivable under derivative financial instruments, as of June 30, 2015 and 2014, respectively, and Ps. 35,621 and Ps. 60,196 of Amounts receivable under repurchase agreements, as of June 30, 2015 and 2014, respectively.

The breakdown of the caption "Other" included in the balance sheet is as follows:

	June 30,	
	2015	2014
Subordinated bonds (a)	Ps. 1,452,436	Ps. 424,548
Certificates of participation (see note 19)	388,250	330,855
Bonds held in the Bank's portfolio (b)	-	46,036
Bonds unquoted	192,621	333,330
Collateral for OTC transactions	114,034	275,370
Amounts receivable from spot and forward sales pending settlement	524,785	202,617
Other	574,887	348,922
Total	Ps. 3,247,013	Ps. 1,961,678

(a) Includes Ps. 269,243 and Ps. 268,111 of debt securities related to securitizations made by the bank and described in note 19, as of June 30, 2015 and 2014, respectively.

(b) The Bank carries some of its negotiable obligations as of June 30, 2014.

8. Miscellaneous receivables

Miscellaneous receivables are comprised of the following for the periods indicated:

	June 30,	
	2015	2014
Withholdings, credits and prepaid income tax	Ps. 33,812	Ps. 21,569
Recoverable expenses, taxes, and advances to third parties	60,935	58,414
Attachments for non-restructured ON	7,526	8,703
Guarantee deposit (*)	171,891	179,296
Guarantee deposit for credit card transactions	117,723	59,610

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Presumptive minimum income – Credit tax (see note 25)	61,561	183,668
Receivables from master servicing activities	787	899
Other Directors fees	13,749	11,323
Loans to Bank staff	179,588	178,260
Other	925,623	430,126
Subtotal	1,573,195	1,131,868
Less: Allowance for collection risks	(13,978)	(13,978)
Total	Ps. 1,559,217	Ps. 1,117,890

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(*) As of June 30, 2015 and 2014 includes Ps. 162,759 and Ps. 173,600 as collateral for the custody of securities.

9. Bank Premises and Equipment

The book values of major categories of bank premises and equipment and total accumulated depreciation as of the periods indicated are as follows:

	June 30, 2015	2014
Land and buildings	Ps. 117,090	Ps. 117,090
Furniture and fixtures	63,915	49,421
Machinery and equipment	185,369	145,416
Other	40,106	25,007
Accumulated depreciation	(220,160)	(186,445)
Total	Ps. 186,320	Ps. 150,489

10. Miscellaneous assets

Miscellaneous assets consist of the following as of the end of each period:

	June 30, 2015	2014
Properties held for sale	Ps. 33,587	Ps. 30,297
Assets leased to others	22,656	19,947
Stationery and supplies	23,349	18,244
Other	1,688	2,164
Accumulated depreciation	(20,867)	(20,169)
Total	Ps. 60,413	Ps. 50,483

11. Intangible Assets

Intangible assets, net of accumulated amortization, as of the end of periods indicated are as follows:

	June 30, 2015	2014
Third parties fees, re-engineering, restructuring and capitalized software costs	Ps. 131,714	Ps. 79,064
Goodwill (*)	18,508	21,938
Mortgage loan origination expenses related to Pro.Cre.Ar (see note 31)	275,926	143,538
Total	Ps. 426,148	Ps. 244,540

(* Goodwill is mainly related to the acquisition of Tarshop, which has been allocated to the Credit card segment - Tarshop.

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12. Reserve for contingencies

The reserve for contingencies as of the end of each period is as follows:

	June 30, 2015	2014
Legal Contingencies (a)	Ps. 78,863	Ps. 79,559
Incurred but not reported and pending insurance claims (b)	1,181	1,181
Contingency risks	112,043	47,292
Tax Provision	11,401	11,912
Bonds subject to lawsuits (c)	14,290	12,845
Allowance for administrative-disciplinary-criminal penalties (d).	4,172	-
Total	Ps. 221,950	Ps. 152,789

(a) Includes legal contingencies and expected legal fees.

(b) As of June 30, 2015 and 2014, it is composed of: Debts to insured for Ps. 1,181 (outstanding claims for Ps. 559 and IBNR for Ps. 622).

(c) Includes negotiable obligations past due whose holders did not enter to the comprehensive financial debt restructuring which ended on January, 2004.

(d) Includes a charge relating to a sanction for Ps. 4,040 imposed on BHSA by the Superintendent of Financial and Foreign Exchange Institutions through Resolution No. 685 in connection with the Financial Summary Proceedings No. 1320 (Note 30). At the close of these Financial Statements, this amount was deposited as resolved by the Executive Committee and the Bank's Board of Directors.

13. Other Liabilities from Financial Transactions - Obligation to return securities acquired under reverse repurchase agreements of government and corporate securities

The amounts outstanding corresponding to the Obligation to return securities acquired under reverse repurchase agreements of government and corporate securities, as of the end of the twelve-month periods are as follows:

	June 30, 2015	2014
Reverse repurchase agreements collateralized by securities issued by the BCRA (*)	Ps. 11,114	Ps. 13,078
Reverse repurchase agreements collateralized by other government securities (*)	23,367	127,726
Total	Ps. 34,481	Ps. 140,804

(*) The transactions' maturity date is July, 2015.

14. Other Liabilities from Financial Transactions - Other Banks and International Entities

The breakdown of the bank debt is as follows:

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Description	Average Annual interest rate	Average Maturity date	2015	2014
Interbank loans in pesos	23.02 %	August, 2015	Ps. 297,357	Ps. 558,449
Total			Ps. 297,357	Ps. 558,449

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15. Other Liabilities from Financial Transactions – Negotiable obligations

The balance of the negotiable obligations has been included in the “Other liabilities for financial transactions” caption. The residual face values of the different negotiable obligation series issued are as follows:

					June 30,	
	Issue date	Maturity date	2015	Annual interest rate	2014	2014
Banco Hipotecario S.A.						
Series 5 (US\$ 250,000 thousand)	04/27/06	04/27/16	a	9.750%	1,914,484	1,709,848
Series IX (Ps. 258,997)	04/25/13	01/25/15	b/c	Badlar +280bp	-	202,413
Series X (Ps. 34,523)	08/14/13	08/09/14	a	22.0%	-	32,465
Series XI (Ps. 146,137)	08/14/13	05/14/15	b/c	Badlar +375bp	-	130,998
Series XII (US\$. 44,508 thousand)	08/14/13	08/14/17	a	3.95%	358,989	361,970
Series XIII (Ps. 55,510)	11/11/13	11/06/14	a	23.50%	-	55,510
Series XIV (Ps. 115,400)	11/11/13	11/11/15	b/c	Badlar +375bp	115,400	115,400
Series XV (Ps. 12,340)	01/31/14	01/26/15	a	27.00%	-	12,340
Series XVI (Ps. 89,683)	01/31/14	01/31/16	b/c	Badlar +425bp	89,683	89,683
Series XVIII (Ps. 20,046)	05/16/14	02/16/15	a	27.0%	-	20,046
Series XIX (Ps. 275,830)	05/16/14	11/16/15	b/c	Badlar +375bp	275,830	270,001
Series XXI (Ps. 222,345)	07/30/14	01/30/16	b/c	Badlar +275bp	222,345	-
Series XXII (Ps. 253,152)	11/05/14	08/05/15	b/d	LEBACx0.95	253,152	-
Series XXIII (Ps. 119,386)	11/05/14	05/08/16	b/c	Badlar +325bp	119,386	-
Series XXIV (Ps. 27,505)	02/05/15	01/31/16	b	LEBACx0.95	27,505	-
Series XXV (Ps. 308,300)	02/05/15	08/05/16	a/b	Mixed (e)	298,496	-
Series XXVII (Ps. 281,740)	05/22/15	11/22/16	a/b	Mixed (e)	260,096	-
Tarshop S.A.						
Series VIII (Ps. 79,589)	01/28/13	07/30/14	b/c	Badlar+445bp	-	74,007
Series X (Ps. 72,592)	05/23/13	11/23/14	b/c	Badlar+475bp	-	70,532
Series XI (Ps. 10,837)	05/23/13	05/23/16	b/c	Badlar+580bp	10,775	9,729
Series XII (Ps. 83,588)	08/09/13	08/09/15	a	15.0%	83,112	74,822
Series XIV (Ps. 30,245)	04/21/14	01/21/15	a	30.0%	-	28,442
Series XV (Ps. 119,755)	04/21/14	10/21/15	b/c	Badlar+490bp	113,967	117,203
Series XVII (Ps. 41,066)	11/26/14	08/26/15	b/d	LEBACx0.95	40,832	-
Series XVIII (Ps. 69,291)	11/26/14	05/26/16	b/c	Badlar+425bp	68,896	-
Series XIX (Ps. 6,314)	11/26/14	11/26/17	b/c	Badlar+525bp	6,280	-
Series XX (Ps. 69,100)	04/24/15	01/24/16	a	27.5%	68,707	-
Series XXI (Ps. 80,500)v	04/24/14	10/24/16	a	28.5%	80,043	-
BACS Banco de Crédito y Securitización S.A.						
Series I (Ps. 130,435)	02/19/14	08/19/15	b/c	Badlar+450bp	130,435	126,303
Series III (Ps. 132,726)	08/19/14	05/19/16	b/c	Badlar +275bp	132,726	-

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Series IV (Ps. 105,555)	11/21/14	08/21/16	b/c Badlar +350bp	105,555	-
Series V (Ps. 150,000)	04/17/15	01/17/17	a/b Mixed (d)	150,000	-
				4,926,694	3,501,712

(a) Fixed interest rate

(b) Variable interest rate.

(c) As of June 30, 2015 Badlar rate was 20.81%

(d) As of June 30, 2015 LEBAC rate was 26.04%

(e) Fixed rate on the first nine months (between 27.48% and 28.0%) and variable interest rate of Badlar+450bps from that moment on.

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The contractual maturities of the negotiable obligations are as follows as of June 30, 2015:

June 30, 2016	Ps. 3,667,236
June 30, 2017	900,469
June 30, 2018	358,989
Thereafter	-
Total	Ps. 4,926,694

The General Shareholders' Meeting held on May 23, 2008, approved the creation of a new Global Program for issuing Negotiable Obligations, not convertible into shares, with or without collateral, for an amount of up to two billion US dollars (US\$ 2,000,000,000) or the equivalent thereof in pesos.

On March 27, 2012, the General Ordinary Shareholders' Meeting approved the extension of the Global Program for the issuance of notes referred above. In addition, the meeting resolved to delegate on the Board of Directors the broadest powers to determine the time, amount, as well as the other terms and conditions of each Series to be issued. Additionally, on April 24, 2014, the General Ordinary Shareholders' Meeting renewed such delegation of powers.

On February 11, 2015 the Bank's Board of Directors approved the increase in the Program amount for up to US Dollars seven hundred million (US\$ 700,000,000) or its equivalent in pesos.

On May 6, 2015, the Bank's Board of Directors approved the increase in the Program amount for up to US dollars eight hundred million (US\$ 800,000,000) or its equivalent in pesos.

16. Subordinated Negotiable obligations

At the Extraordinary General Shareholders' Meeting of BACS Banco de Crédito y Securitización S.A., dated December 12, 2013, the issuance of Convertible Subordinated Negotiable Obligations through private offering was approved for an amount of up to Ps.100,000.

On June 22, 2015, BACS issued negotiable obligations that are convertible into the Company's ordinary and book-entry shares for a principal amount of Ps.100,000.

The private offering of the convertible negotiable obligations was solely addressed to the Company's shareholders. As of June 30, 2015, IRSA Inversiones y Representaciones Sociedad Anónima subscribed all the convertible negotiable obligations.

17. Level I American Depositary Receipts Program

On March 27, 2006 the US Securities and Exchange Commission (SEC) has made effective the Level I American Depositary Receipts, "ADR" program.

This program allows foreign investors to buy the Bank's stock through the secondary market where ADRs are traded freely within the United States. The Bank of New York has been appointed as depositary institution.

18. Derivative Financial Instruments

The Bank has carried out its financial risk management through the subscription of several derivative financial instruments. Derivative instruments are recorded under the captions “Other receivable from financial transactions – Amounts receivable under derivative financial instruments” or Liabilities: “Other liabilities from financial transactions – Amounts payable under derivative financial instruments” in the Consolidated Balance Sheet, and the related gain or loss

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under the captions “Financial Income – Interest on loans and other receivables from financial transactions” or: “Financial Expenses – Interest on deposits and other liabilities from financial transactions”, respectively, in the Consolidated Statement of Income.

The following are the derivative financial instruments outstanding as of June 30, 2015 and 2014:

Type of Contract	Notional amount		Net Book Value		Fair Value		
	2015	2014	Asset/(Liabilities)	2015	2014	2015	2014
Forwards (1)(a)	-	427,849	-	34,670	-	33,794	
Futures (2)							
Purchases (a)	2,405,951	3,540,782					
Sales (a)	(1,519,307)	2,456,907	(505)	(1,145)	(505)	(1,145)	
Interest rate swaps (3)(b)	30,000	-	63	-	63	-	
			(442)	33,525	(442)	32,649	

(a) Underlying: Foreign currency.

(b) Underlying: Interest rate.

1. Forwards: US dollar forward transactions have been carried out, the settlement of which, in general, is made without delivery of the underlying asset but by means of the payment in Pesos of currency differences. These transactions were performed mainly as hedge for foreign currency positions. Transactions with settlement in Pesos were made upon maturity.

For these transactions, as of June 30, 2015 and 2014 the Bank has recognized losses for Ps. 34,646 and Ps. 12,593, respectively.

2. Futures: Future currency transactions have been carried out through which the forward purchase and sale of foreign currencies (US dollar) was agreed upon. These transactions were performed as hedge for foreign currency position. Settlement is carried on a daily basis for the difference.

For these transactions, as of June 30, 2015 and 2014, the Bank has recognized losses for Ps.51,899 and gains for Ps. 657,996, respectively.

3. On February 18, 2015, OTC Transactions – Badlar rate swaps for agreed upon fixed interest rate were conducted. These are settled by paying the difference in Pesos. Income has been accounted for in the amount of Ps. 391 as of June 30, 2015.

19. Securitization of mortgage loans, consumer loans and credit card loans

The Bank created separate trusts under its US securitization program and “Cédulas Hipotecarias Argentina – program”; and a consumer trust under BACS’s Global Trust Securities Program. For each mortgage or consumer trust, the Bank transfers a portfolio of mortgages or consumer loans originated by banks and other financial institutions in trust to the

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relevant trustee. The trustee then issues Class A senior Bonds, Class B subordinated bonds and certificates of participation. The trust's payment obligations in respect of these instruments are collateralized by, and recourse is limited to, the trust's assets consisting of the portfolio of mortgage or consumer loans and any reserve fund established by the Bank for such purpose. The securitizations were recorded as sales, and accordingly, the mortgage and consumer loans conveyed to the trusts are no longer recorded as assets of the Bank.

At the date of these financial statements the following trust funds are outstanding:

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	Debt Securities Class A1/AV	Debt Securities Class A2/AF	Debt Securities Class B	Certificates of Participation	Total
BHN II – Issued on 05.09.97 (*)					
Face value in Ps.	44,554	51,363	3,730	6,927	106,574
Declared Maturity Date	03.25.2001	07.25.2009	03.25.2012	05.25.2013	
BHN III – Issued on 10.29.97 (*)					
Face value in Ps.	14,896	82,090	5,060	3,374	105,420
Declared Maturity Date	05.31.2017	05.31.2017	05.31.2018	05.31.2018	
BHN IV – Issued on 03.15.00 (*)					
Face value in Ps.	36,500	119,500	24,375	14,625	195,000
Declared Maturity Date	03.31.2011	03.31.2011	01.31.2020	01.31.2020	
BACS I – Issued on 02.15.2001 (*)					
Face value in Ps.	30,000	65,000	12,164	8,690	115,854
Declared Maturity Date	05.31.2010	05.31.2010	06.30.2020	06.30.2020	
BACS III – Issued on 12.23.2005					
Face value in Ps.	77,600		1,200	1,200	80,000
Declared Maturity Date	03.20.2013		09.20.2013	08.20.2015	
BACS Funding I Issued on 11.15.2001 (*)					
Face value in Ps.	-	-	-	29,907	29,907
Declared Maturity Date				11.15.2031	
BACS Funding II Issued on 11.23.2001 (*)					
Face value in Ps.	-	-	-	12,104	12,104
Declared Maturity Date				11.23.2031	
BHSA I Issued on 02.01.2002					
Face value in Ps.	-	-	-	43,412	43,412
Declared Maturity Date				02.01.2021	
CHA VI Issued on 04.07.2006					
Face value in Ps.	56,702	-	-	12,447	69,149
Declared Maturity Date	12.31.2016			12.31.2026	
CHA VII Issued on 09.27.2006					
Face value in Ps.	58,527	-	-	12,848	71,375

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Declared Maturity Date	08.31.2017			02.28.2028	
CHA VIII Issued on 03.26.2007					
Face value in Ps.	61,088	-	-	13,409	74,497
Declared Maturity Date	08.31.2024			08.31.2028	
CHA IX Issued on 08.28.2009					
Face value in Ps.	192,509	-	-	10,132	202,641
Declared Maturity Date	02.07.2027			07.07.2027	
CHA X Issued on 08.28.2009					
Face value in Ps.	-	-	-	17,224	17,224
Face value en US\$	85,001	-	-	-	85,001
Declared Maturity Date	01.07.2027			06.07.2028	
CHA XI Issued on 12.21.2009					
Face value in Ps.	204,250	-	-	10,750	215,000
Declared Maturity Date	03.10.2024			10.10.2024	
CHA XII Issued on 07.21.2010					
Face value in Ps.	259,932	-	-	13,680	273,612
Declared Maturity Date	11.10.2028			02.10.2029	
CHA XIII Issued on 12.02.2010					
Face value in Ps.	110,299	-	-	5,805	116,104
Declared Maturity Date	12.10.2029			04.10.2030	
CHA XIV Issued on 03.18.2011					
Face value in Ps.	119,876	-	-	6,309	126,185
Declared Maturity Date	05.10.2030			08.10.2030	

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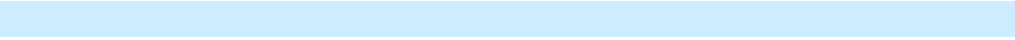
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(*)Trusts subject to the pesification of foreign currency assets and liabilities at the \$1.00=US\$1 rate established by Law 25561 and Decree 214, as they were created under Argentine legislation. Certain holders of Class A debt securities have started declarative actions against the trustee pursuant to the application of the pesification measures set forth in Law 25561 and Decree 214, in order to maintain the currency of origin of said securities. In these declarative actions, the Bank acted together with BACS as third party. The trustee has duly answered to this claim, being the final resolution to this situation is still pending.

Tarshop SA has created several financial trusts under its securitization program (“Valores Fiduciarios Tarjeta Shopping – Global program”) destined to assure its long-term financing accessing directly to the capital market. The assets included in the trusts relate to credit card coupons and advances in cash. The table below presents the trusts issued and outstanding as of June 30, 2015:

	Debt Securities	Certificates of Participation	Total
Series LXXVIII– Issued on 01.22.14			
Face value in Ps.	153,087	49,100	202,187
Estimated Maturity Date	06.05.2015	06.05.2015	
Series LXXIX– Issued on 03.18.14			
Face value in Ps.	151,750	49,659	201,409
Estimated Maturity Date	08.05.2015	08.05.2015	
Series LXXXI– Issued on 10.17.14			
Face value in Ps.	81,450	28,231	109,681
Estimated Maturity Date	09.10.2015	09.10.2015	
Series LXXXII– Issued on 01.19.15			
Face value in Ps.	87,450	33,489	120,939
Estimated Maturity Date	03.07.2016	03.07.2016	
Series LXXXIII– Issued on 05.27.15			
Face value in Ps.	111,222	42,591	153,813
Estimated Maturity Date	08.05.2016	08.05.2016	
Series LXXXIV– Privately issued on 03.15.15			
Face value in Ps.	61,273	23,829	85,102
Estimated Maturity Date	09.15.2016	09.15.2016	
Series LXXXV– Privately issued on 06.15.15			
Face value in Ps.	60,265	23,436	83,701
Estimated Maturity Date	12.15.2016	12.15.2016	



BACS Banco de Crédito y Securitización S.A. (BACS) has created separate trusts which have personal loans, primary originated by cooperatives and later acquired by BACS, as assets. The mentioned trusts have been issued under the "Fideicomisos Financieros BACS – Global program" for the securitization for a face value up to Ps. 300,000. As of June 30, 2015 and 2014 there are no trusts outstanding.

As of June 30, 2015 and 2014, the Bank held in its portfolio the following securities corresponding to the abovementioned trusts:

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	June 30,	
	2015	2014
Class B debt securities – BHN II	Ps. 7,000	Ps. -
Class B debt securities – BHN III	7,203	7,203
Class B debt securities – BHN IV	79,351	79,351
Class A debt securities – BHN IV	44	45
Class A debt securities – CHA VI to CHA XIV	75,417	53,549
Class A debt securities – BACS I	20,234	20,234
Class B debt securities – BACS I	1,081	1,081
Debt securities – BACS III	15,768	18,107
Debt securities – Tarshop Series LXXV	-	88,541
Debt securities – Tarshop Series LXXIX	2,042	-
Debt securities – Tarshop Series LXXXII	7,198	-
Debt securities – Tarshop Series LXXXIII	13,530	-
Debt securities – Tarshop Series LXXXIV	20,927	-
Debt securities – Tarshop Series LXXXV	19,448	-
Subtotal	Ps. 269,243	Ps. 268,111

	June 30,	
	2015	2014
Certificates of participation – BHN II	Ps. 41,722	Ps. 41,722
Certificates of participation – BHN III	14,970	14,970
Certificates of participation – CHA VI	13,592	13,708
Certificates of participation – CHA VII	953	4,427
Certificates of participation – CHA VIII	-	2,769
Certificates of participation – CHA IX	10,677	11,493
Certificates of participation – CHA X	26,085	24,908
Certificates of participation – CHA XI	14,488	14,613
Certificates of participation – CHA XII	18,298	19,198
Certificates of participation – CHA XIII	5,330	5,985
Certificates of participation – CHA XIV	5,401	6,404
Certificates of participation – BHSA I	9,192	7,013
Certificates of participation – BACS III	1,003	1,003
Certificates of Participation – Tarshop Series LXXIV	-	15,844
Certificates of Participation – Tarshop Series LXXV	-	25,282
Certificates of Participation – Tarshop Series LXXVI	-	21,779
Certificates of Participation – Tarshop Series LXXVII	-	30,996
Certificates of Participation – Tarshop Series LXXVIII	-	39,885
Certificates of Participation – Tarshop Series LXXIX	48,523	12,065
Certificates of Participation – Tarshop Series LXXX	47,053	16,791

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Certificates of Participation – Tarshop Series LXXXI	23,782	-
Certificates of Participation – Tarshop Series LXXXII	24,551	-
Certificates of Participation – Tarshop Series LXXXIII	34,032	-
Certificates of Participation – Tarshop Series LXXXIV	23,486	-
Certificates of Participation – Tarshop Series LXXXV	25,112	-
Subtotal	Ps. 388,250	Ps. 330,855
Total	Ps. 657,493	Ps. 598,966

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20. Miscellaneous Liabilities

Sundry creditors and other miscellaneous liabilities consist of the following as of the end of each period:

	June 30,	
	2015	2014
Sundry creditors:		
Accrued fees and expenses payable	Ps. 1,291,772	Ps. 655,475
Summary proceedings in financial matters N° 1320 (*)	53,632	-
Unallocated collections	9,464	14,845
Withholdings and taxes payable	96,350	39,347
Other	16,973	14,543
Total	Ps. 1,468,191	Ps. 724,210

(*) At the close of these Financial Statements, the Bank's Board of Directors granted its approval to the actions undertaken by the Executive Committee concerning the deposit of the penalties imposed on directors, former directors, managers, former managers and statutory auditors and the fact that such amounts were charged against the statement of income in the framework of Financial Summary Proceedings No. 1320 (Note 30).

	June 30,	
	2015	2014
Other:		
Directors and Syndics accrued fees payable	Ps. 47,829	Ps. 38,145
Payroll withholdings and contributions	91,217	51,898
Gratifications	68,810	39,166
Salaries and social securities	64,559	49,440
Total	Ps. 272,415	Ps. 178,649

21. Income from Services and Expenses on Services

Income from Services

Commissions earned consist of the following for each period:

	June 30,		
	2015	2014	2013
Loan servicing fees from third parties	Ps. 37,240	Ps. 30,854	Ps. 26,548
Commissions from FONAVI	-	-	11,361
Commissions for credit cards	1,048,855	705,143	555,128
Other	209,230	130,619	77,176
Total	Ps. 1,295,325	Ps. 866,616	Ps. 670,213

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Other income from services is comprised of the following for each period:

	June 30, 2015	2014	2013
Reimbursement of loan expenses paid by third parties	Ps. 19,547	Ps. 37,289	Ps. 68,731
Income from services from PROCREAR (note 31)	106,619	30,947	9,863
Other (*)	607,096	287,917	228,804
Total	Ps. 733,262	Ps. 356,153	Ps. 307,398

(*)For the twelve-month periods ended June 30, 2015, 2014 and 2013, includes Ps. 525,516, Ps. 235,379 and Ps. 191,680, respectively, related to other income services granted by Tarshop.

Expenses on Services

Commissions expensed consist of the following for each period:

	June 30, 2015	2014	2013
Structuring and underwriting fees	Ps. 16,466	Ps. 14,254	Ps. 8,200
Retail bank originations	7,690	6,327	1,958
Collections	181	159	158
Aerolíneas Argentinas co-branding	27,329	11,398	469
Services on loans	452,188	373,412	154,930
Commissions paid to real estate agents	36,688	40,707	28,349
Total	Ps. 540,542	Ps. 446,257	Ps. 194,064

22. Other Miscellaneous Income and Miscellaneous Expenses

Other miscellaneous income is comprised of the following for each period:

	June 30, 2015	2014	2013
Income on operations with premises and equipment and miscellaneous assets	Ps. 578	Ps. 2,944	Ps. 1,158
Rental income	2,267	2,290	1,603
Interest on loans to bank staff	31,447	26,601	20,668
Income from equity investments	6,641	-	-
Other	17,942	15,708	14,326
Total	Ps. 58,875	Ps. 47,543	Ps. 37,755

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Other miscellaneous expenses are comprised of the following for each period:

	June 30, 2015	2014	2013
Depreciation of miscellaneous assets	Ps. 340	Ps. 388	Ps. 350
Gross revenue tax	7,126	4,395	2,445
Other taxes	117,464	78,784	23,835
Debit card discounts	20,624	14,285	12,052
Credit card and others discounts	40,577	43,422	55,130
Benefits prepayments	9,268	6,008	4,166
Donations	39,842	24,325	18,048
Amortization of goodwill	3,430	3,430	3,429
Payment Summary proceedings in financial matters N° 1320 (*)	53,632	-	-
Other	44,417	45,393	11,511
Total	Ps. 336,720	Ps. 220,430	Ps. 130,966

(*)At the close of these Financial Statements, the Bank's Board of Directors granted its approval to the actions undertaken by the Executive Committee concerning the deposit of the penalties imposed on directors, former directors, managers, former managers and statutory auditors and the fact that such amounts were charged against the statement of income in the framework of the Financial Summary Proceedings No. 1320 (Note 30).

23. Balances in Foreign Currency

The balances of assets and liabilities denominated in foreign currency (principally in US dollars and Euros) are as follows:

	US\$ (in Pesos)	Euro	Yen	Total
Assets:				
Cash and due from banks	732,799	18,561	5	751,365
Government and corporate securities	797,684	-	-	797,684
Loans	1,223,758	-	-	1,223,758
Other receivables from financial transactions	471,249	-	-	471,249
Miscellaneous receivables	28,059	30	-	28,089
Total as of June 30, 2015	3,253,549	18,591	5	3,272,145
Total as of June 30, 2014	3,888,459	19,472	5	3,907,936
Liabilities:				
Deposits	609,328	-	-	609,328
Other liabilities from financial transactions	2,470,533	101,460	-	2,571,993
Miscellaneous liabilities	2,286	12	-	2,298
Items pending allocation	177	18	-	195

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Total as of June 30, 2015	3,082,324	101,490	-	3,183,814
Total as of June 30, 2014	3,448,283	55,890	-	3,504,173

24. Income Tax

In accordance with Section 28 of Law 24,855, Banco Hipotecario Sociedad Anónima is subject to income tax, except with respect to housing loan transactions made before October 23, 1997, the date of registration of its bylaws with the Superintendency of Corporations.

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The Bank records the charges to income, when applicable, and a provision in its liabilities for the tax applicable to its taxable transactions in the fiscal year to which they refer.

As of December 31, 2014 and 2013, the Bank estimated income tax by applying the 35% tax rate to its taxable income. The amount determined as income tax was charged against income for the fiscal period under "Income Tax". The provision for income tax is recorded under "Miscellaneous Liabilities – Other".

The Bank has a tax net operating loss carry forward of Ps. 56,690 and Ps. 87,692 at June 30, 2015 and 2014, respectively.

25. Presumptive Minimum Income Tax

The Bank is subject to presumptive minimum income tax. Pursuant to this tax regime, the Bank is required to pay the greater of the income tax or the presumptive minimum income tax. Any excess of the presumptive minimum income tax over the income tax may be carried forward and recognized as a tax credit against future income taxes payable over a 10-year period. The presumptive minimum income tax provision is calculated on an individual entity basis at the statutory asset tax rate of 1% and is based upon the taxable assets of each company as of the end of the year, as defined by Argentine law. For financial entities, the taxable basis is 20% of their computable assets.

As of June 30, 2015 the Bank recorded the Ps. 61,561 tax credit.

26. Shareholders' Equity

The following information relates to the statements of changes in the Bank's shareholders' equity.

(a) Common Stock

Prior to June 30, 1997, the Bank's capital stock consisted of assigned capital with no par value owned 100% by the Argentine government. In accordance with the by-laws approved as a result of the conversion of the Bank to a sociedad anónima, the Bank's capital stock was established at Ps.1,500,000 and divided into four classes of ordinary common shares.

As of June 30, 2015, the Bank's capital stock consists of:

Shareholder	Class of Shares	Number of Shares	Total % Ownership	Voting Rights
Argentine government (through FFFRI) (b)	A	668,711,843	44.6	% 1 vote
Banco Nación, as trustee for the Bank's Programa de Propiedad Participada (a)	B	57,009,279	3.8	% 1 vote
Argentine government (through FFFRI)	C	75,000,000	5.0	% 1 vote
Public investors (c) (d)	D	699,278,878	46.6	% 3 votes
		1,500,000,000	100.0	%

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- (a) The Bank's Programa de Propiedad Participada (“PPP”) is the Bank's employee stock ownership plan. Under Decree 2127/2012 and Resolution 264/2013 issued by the Ministry of Economy and Public Finance, the PPP was implemented. Under this plan, in a first stage, out of a total of 75,000,000, 17,990,721 Class B shares were converted into Class A shares, to be allocated among the employees that have withdrawn from the Bank in accordance with the implementation guidelines. Upon delivery to the former employees, the 17,990,721 shares will

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- (b) become Class D shares. The shares allocated to the Bank's current employees are designated as Class B shares, representing the PPP.
- (c) Under the Bylaws, the affirmative vote of the holders of Class A Shares is required in order to effectuate: (i) mergers or spin-offs; (ii) an acquisition of shares (constituting a Control Acquisition or resulting in the Bank being subject to a control situation); (iii) the transfer to third parties of a substantial part of the loan portfolio of the Bank, (iv) a change in the Bank's corporate purpose; (v) the transfer of the Bank's corporate domicile outside of Argentina, and (vi) the voluntary dissolution of the Bank.
- (d) For so long as Class A Shares represent more than 42% of the Bank's capital, the Class D Shares shall be entitled to three votes per share, except that holders of Class D Shares will be entitled to one vote per share in the case of a vote on: (i) a fundamental change in the Bank's corporate purpose; (ii) a change of the Bank's domicile to be outside of Argentina; (iii) dissolution prior to the expiration of the Bank's corporate existence; (iv) a merger or spin-off in which the Bank is not the surviving corporation; and (v) a total or partial recapitalization following a mandatory reduction of capital.
 - (e) By reason of the expiration on January 29, 2009 of the Total Return Swap that had been executed and delivered on January 29, 2004, Deutsche Bank AG transferred to the Bank 71,100,000 ordinary Class "D" shares in Banco Hipotecario Sociedad Anónima with face value \$ 1 each, which are available for the term and in the conditions prescribed by the Argentine Companies Law, in its Section 221. The General Ordinary Shareholders' Meeting held on April 30, 2010 resolved to extend for a year, counted as from January 31, 2010, the term for realizing the treasury shares held by the Bank.

On April 30, 2010, the General Extraordinary Shareholders' Meeting resolved to delegate upon the Board of Directors the decision to pay with the treasury shares in portfolio the Stock Appreciation Rights (StAR) coupons resulting from the debt restructuring as advisable based on the contractually agreed valuation methods and their actual market value after allowing the shareholders to exercise their preemptive rights on an equal footing.

On June 16, 2010, the Board of Directors resolved to launch a preemptive offer to sell a portion of the Bank's treasury shares, for a total of 36.0 million class D shares. The remaining shares would be delivered in payment to the holders of Stock Appreciation Rights (StAR) coupons arising from the debt restructuring, which fell due on August 3, 2010. On July 26, 2010, within the framework of the referred offer, the Bank sold approximately 26.9 million of the shares mentioned above.

On August 3, 2010 the proceeds of the offer and the balance of the shares referred in the preceding paragraph were made available to the holders of the Stock Appreciation Rights (StAR) coupons. With the above-mentioned offering, 999,312 Class D shares were sold in excess of those required to pay off the obligation previously mentioned. In connection with such excess sale, Ps. 554 thousand were recorded as retained earnings to reflect the addition of the shares to the entity's equity, which took place on January 29, 2009 as detailed in this note, and a further Ps. 834 thousand were booked as Additional paid-in capital for the difference between the value as added to the entity's equity and the sales value.

The General Ordinary Shareholders' Meeting held on April 24, 2013 resolved to allocate 35,100,000 Class D shares held by the Bank to a compensation program for the personnel under the terms of Section 67 of Law 26831. This

decision is pending approval of CNV.

On April 24, 2014 the General Ordinary Shareholders' Meeting acknowledged the incentive or compensation program described in the preceding paragraph and its extension to the personnel

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employed by the subsidiaries BACS Banco de Crédito y Securitización S.A., BH Valores S.A., BHN Sociedad de Inversión S.A., BHN Vida S.A. and BHN Seguros Generales S.A.

The Class B shares have been set aside for sale to the Bank's employees in the future pursuant to the PPP on terms and conditions to be established by the Argentine government. Any Class B shares not acquired by the Bank's employees at the time the Bank implements the PPP will automatically convert into Class A shares. The Class C shares are eligible for sale only to companies engaging in housing construction or real estate activities. Any Class B shares transferred by an employee outside the PPP will automatically convert to Class D shares or Class C shares transferred to persons not engaged in construction or real estate activities will automatically convert into Class D shares.

(b) Distribution of profits

No profits may be distributed when any financial year does not produce profits.

Argentine Central Bank Communication "A" 4152 dated June 2, 2004 left without effect the suspension of the distribution of profits established by Communication "A" 3574. However, those banks that proceed to such distribution must be previously authorized by the Financial and Exchange Institutions Superintendency.

Through Communiqué "A" 4526 dated April 24, 2006, the BCRA established that when the Legal Reserve is used to absorb losses, earnings shall not be distributed until the reimbursement thereof. Should the balance prior to the absorption exceed 20% of the Capital Stock plus the Capital Adjustment, profits may be distributed once the latest value is reached.

For purposes of determining distributable balances, the net difference arising from the book value and the market quotation shall be deducted from retained earnings, in the event the Entity records government debt securities and/or debt securities issued by the BCRA not recorded at market prices, with volatility published by such entity.

Pursuant to its Communication "A" 5072, BCRA established that no dividend distribution shall be admitted in so far as: a) the amounts deposited as minimum cash requirements on average – in Pesos, foreign currency or in Government securities – were less than the requirements pertaining to the most recently closed position or the position as projected taking into account the effect of the distribution of dividends, and/or b) the amounts deposited as minimum capital requirements were less than the requirements recalculated as previously mentioned plus a 30% increase, and/or c) the Entity has received financial aid from the BCRA on grounds of illiquidity as set forth in Section 17 of BCRA's Charter.

On January 27, 2012, the BCRA issued Communication "A" 5272 whereby it established that for the calculation of the minimum capital requirement, the minimum capital for operational risk shall be included. On the same date, Communication "A" 5273 was also issued, whereby the BCRA resolved to increase the percentage referred to in the preceding paragraph, subsection b), from 30% to 75%.

Communication "A" 5369 provided that as from January 1, 2013, for the purposes of calculating the position of minimum capitals, the capital requirement for credit risk due to securitizations must be computed over all the transactions outstanding as of the computation date.

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On September 23, 2013 the Argentine Congress enacted Law N° 26,983 which amends the Income Tax Law and sets forth that dividends or earnings in money or in kind shall be levied with Income Tax at a 10% tax rate payable in a final and lump sum.

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The Ordinary General Shareholders' Meeting, held on April 13, 2011, resolved to distribute the income for the year ended on December 31, 2010 as follows: Ps. 39,063 (20%), to be applied to the legal reserve Ps. 100,000 (61.59%), to be paid out as cash dividends on ordinary shares, and the balance, after the Board's remuneration, to be maintained as retained earnings. On September 20, 2012, the BCRA reported that there were no objections against the Bank's distribution of cash dividends for Ps. 100,000 thousand, as requested. For such reason, on October 10, 2012 such cash funds were made available to the shareholders.

The Ordinary General Shareholders' Meeting, held on August 23, 2013, resolved to distribute the income for the year ended on December 31, 2012 as follows: Ps. 68,721, to be applied to the legal reserve; Ps. 30,000, to be paid out as cash dividends on ordinary shares; and Ps. 244,886 to be maintained as retained earnings. This decision has been approved by BCRA.

On April 24, 2014, the Ordinary General Shareholders' Meeting resolved to distribute the income for the year ended on December 31, 2013 as follows: Ps. 84,190, to be applied to the legal reserve; Ps. 42,000, to be paid out as cash dividends on ordinary shares; and Ps. 294,760 to be maintained as retained earnings. Through Note 314/43/14 dated December 23, 2014, the Argentine Central Bank authorized the Bank to distribute cash dividends for Ps. 42,000. At its meeting dated January 7, 2015, the Board of Directors of Banco Hipotecario S.A. resolved that these dividends should be made available to the shareholders as of January 16, 2015.

27. Employee Benefit Plan

The Bank is obligated to make employer contributions to the National Pension Plan System determined on the basis of the total monthly payroll. These expenses are recorded in "Salaries and social security contributions" under the "Administrative expenses" caption in the accompanying consolidated statements of income.

28. Financial Instruments with Off-Balance Sheet Risk

In the normal course of its business the Bank is party to financial instruments with off-balance sheet risk in order to meet the financing needs of its customers. These instruments expose the Bank to credit risk in addition to amounts recognized in the balance sheets. These financial instruments include commitments to extend credit.

	June 30,	
	2015	2014
Commitments to extend credit		
Mortgage loans and other loans (a)	Ps. 291,342	Ps. 132,180
Credit card loans (b)	14,049,429	11,913,152
Clearing items in process (c)	137,944	163,304
Other guarantees (d)	57,739	46,646

(a) Commitments to extend credit are agreements to lend to a customer at a future date, subject to such customers meeting of pre-defined contractual milestones. Typically, the Bank will commit to extend financing for construction project lending on the basis of the certified progress of the work under construction. Most arrangements require the borrower to pledge the land or buildings under construction as collateral. In the opinion of management, the Bank's outstanding commitments do not represent unusual credit risk. The Bank's exposure to

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credit loss in the event of nonperformance by the other party is represented by the contractual notional amount of those commitments.

- (b) The Bank has a unilateral and irrevocable right to reduce or change the credit card limit, thus it considered there is no off-balance sheet risk. In the opinion of management, the

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Bank's outstanding commitments do not represent unusual credit risk. The Bank's exposure to credit loss in the event of nonperformance by the other party is represented by the contractual notional amount of those commitments.

- (c) The Bank accounts for items drawn on other banks in memorandum accounts until such time as the related item clears or is accepted. In the opinion of management, the Bank's risk of loss on these clearing transactions is not significant as the transactions primarily relate to collections on behalf of third parties.
- (d) Mainly includes the amounts given as collateral for transactions held by customers.

29. Adoption of International Financial Reporting Standards

By virtue of its General Resolution No. 562, the Argentine Securities Commission (CNV) has decided to enforce the provisions under the Technical Pronouncement No. 26 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) that adopts the International Financial Reporting Standards (IFRS) for all the companies overseen by CNV as from the fiscal years beginning on January 1, 2012.

The Bank is not obligated to apply these standards insofar as the CNV has excluded all the entities for which CNV is empowered to accept the accounting criteria laid down by other regulatory and/or oversight authorities (financial institutions, insurance companies, etc.) from using the IFRS.

On February 12, 2014, BCRA issued its Communication "A" 5541 whereby it provides a roadmap to convergence between the informational and accounting regime and IFRS. Pursuant to this Communication, the entities and institutions must start to account for their financial transactions and changes in accordance with the rules issued by BCRA following the above-mentioned convergence regime as from the fiscal years beginning on January 1, 2018. This roadmap includes the following steps:

- First half of 2015

Financial institutions must prepare and file their own convergence plan and provide the name of the compliance officer appointed to such end.

Disclosure of guidelines to be observed by institutions regarding reconciliations are to be filed with the BCRA.

- Second half of 2015

The institutions shall file with the BCRA, together with the financial statements as of the fiscal year's closing date, a reconciliation of the main asset, liability and shareholders' equity captions with the amounts that would result from applying the rules issued by the BCRA under the scope of the IFRS convergence process. This information shall include a special report by the independent auditor and will be used exclusively by the BCRA for supervision and regulation purposes, and will qualify as non-public. Institutions shall report on the degree of progress made in the IFRS Convergence Plan.

- Year 2016

According to the method and frequency established in due course, institutions shall continue to report to the BCRA the degree of progress made by them in the IFRS convergence process. In addition, they shall continue to disclose in their published financial statements that they are progressing in the IFRS Convergence Plan. There will be an issuance

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of a CONAU Circular to communicate the new Minimum Accounts Plan and Form of Financial Statements (New Informational and Accounting Regime for Quarterly / Annual Publication).

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· Year 2017

As of January 1, 2017, institutions shall prepare the opening financial statements that will serve as basis for preparing their comparative financial statements. In each quarterly statement, they shall include a reconciliation of the main asset, liability and shareholders' equity captions and results with the amounts that would result from applying the rules issued by the BCRA under the scope of the IFRS convergence process. Such reconciliations shall be supported by a special report by the independent auditor. The quantitative information and the degree of progress of the IFRS Convergence Plan will be disclosed in a note to the published financial statements.

• Year 2018

As from the financial statements starting on January 1, 2018, financial institutions shall be required to record their transactions and equity changes in accordance with the rules issued by the BCRA under the IFRS convergence process. Therefore, as from the closing of the first quarter, they shall prepare and submit their published financial statements according to the above mentioned rules; the independent auditor shall issue an opinion thereon and such financial statements will be the ones used by the institutions for all legal and corporate purposes.

On March 31, 2015 the Bank's Board of Directors has approved (i) the Implementation Plan for Convergence towards the International Financial Reporting Standards dictated by the Communication "A" 5541 for Financial Entities subject to supervision of the BCRA; and (ii) the designation of the coordinators which will have the obligation to inform the Board of Directors the status and degree of progress of the project.

The plan contains the creation of a work team; coordination with the management of the related companies in which permanent investments are held, controlled companies or companies in which significant influence is exercised; design and communication of a training plan; identifying impacts on operations and the information to be submitted that requires the implementation of specific actions (adapting information systems, internal control, etc.).

Half-yearly reports must be made to the BCRA, showing the progress made in the Implementation Plan. The first due date of this presentation operated on September 30, 2015. Each half-yearly report shall include a report issued by the Internal Audit Department.

30. Commencement of summary proceedings

I – Pending Summary Proceedings:

1. On September 13, 2013, the Bank was notified of Resolution No. 611 handed down by the Superintendent of Financial and Foreign Exchange Institutions, whereby it ordered to commence summary proceedings against the Bank and the manager Christian Giummarra and the former manager Aixa Manelli (Summary Proceedings No. 5469 on Foreign Exchange Matters) charging them with alleged violation of the foreign exchange laws in selling foreign currency to persons prohibited from trading foreign currency by the Argentine Central Bank. The cumulative amount derived from the alleged violation in the sale of foreign currency is around US\$ 39.9 thousand and Euro 1.1 thousand. The relevant defenses and arguments have been filed and evidence has been offered in support of all the defendants subject to the summary proceedings. Due to its related subject matter, the record of this case was joined with Summary Proceedings No. 5529 on Foreign Exchange Matters (File 101,327/10). Therefore, its procedural status is described together with the latter.

2. On October 8, 2013, the Bank was notified of Resolution No. 720 handed down by the Superintendent of Financial and Foreign Exchange Institutions, ordering to commence summary proceedings against the Bank and its Organization and Procedures Manager, Mr. Christian Giummarra, and the former Systems Manager, Ms. Aixa Manelli (Summary

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Proceedings No. 5529 on Foreign Exchange Matters) in accordance with Section 8 of the Criminal Foreign Exchange Regime Law (*Ley de Régimen Penal Cambiario*) –as amended by Decree 480/95- charging them with alleged violation of the foreign exchange laws in selling foreign currency to persons prohibited from trading foreign currency by the Argentine Central Bank. The cumulative amount derived from the alleged violation in the sale of foreign currency is around US\$ 86.4 thousand. The relevant defenses and arguments were filed and evidence was offered in support of all the defendants subject to the summary proceedings. The BCRA opened the discovery stage, and evidence was produced in due time. Once the discovery stage came to a conclusion, the attorneys submitted their closing arguments. The Argentine Central Bank now is expected to send the case file to the competent courts.

In the legal counsel's opinion, at the current status of the proceedings, there are legal and factual arguments that generate reasonable expectations that the physical persons named defendants and Banco Hipotecario S.A. will be acquitted and that therefore, there are low chances that the Bank will be subject to the economic sanctions set forth by the Criminal Foreign Exchange Regime Law (*Ley de Régimen Penal Cambiario*). For such reason, no allowances have been created in this regard.

3. On February 19, 2014, the Bank was notified of Resolution No. 209/13 handed down by the Chairman of the Financial Information Unit (UIF), whereby it ordered to commence summary proceedings against the Bank, its directors (Messrs. Eduardo S. Elsztain; Mario Blejer; Ernesto M. Viñes; Jacobo J. Dreizzen; Edgardo L. Fornero; Carlos B. Písula; Gabriel G. Reznik; Pablo D. Vergara del Carril; Mauricio E. Wior; Saul Zang); the Risk and Controlling Manager, Mr. Gustavo D. Efkhanian and the Manager of the Money Laundering Prevention and Control Unit Manager, Mr. Jorge Gimeno. In these proceedings, an investigation is made into the defendants' liability for alleged violation of the provisions of Section 21 of Law 25,246, as amended, and Resolution UIF No. 228/2007 due to certain defaults detected by the BCRA in the inspection of the organization and in internal controls implemented for the prevention of money-laundering derived from illegal activities. On March 25, 2014, the relevant defenses and arguments were filed in support of the Bank and the individuals subject to the summary proceedings.

In the legal counsel's opinion, at the current stage of the proceedings and based on the precedents existing at the UIF in connection with similar cases, it is estimated that there are chances of imposing an administrative penalty. For such reason, the bank has estimated allowances of Ps. 20.

4. On August 26, 2014, the Bank was notified of the Resolution passed by the Superintendent of Financial and Foreign Exchange Institutions No. 416 dated August 7, 2014 ordering the start of Summary Proceedings No. 5843 in the terms of Section 8 of the Foreign Exchange Criminal Regime Law No. 19,359 (as signed into law pursuant to Decree No. 480/95). In the above-mentioned summary proceedings, Banco Hipotecario, its directors (Messrs. Eduardo S. Elsztain; Jacobo J. Dreizzen; Edgardo L. Fornero; Carlos B. Písula; Gabriel G. Reznik; Pablo D. Vergara del Carril; Ernesto M. Viñes; Saul Zang; and Mauricio E. Wior) and former directors (Ms. Clarisa D. Lifsic de Estol and Mr. Federico L. Bensadón), and two former managers (Messrs. Gabriel G. Saidón and Enrique L. Benitez), are charged with failure to comply with the rules disclosed by Communication "A" 3471 (paragraphs 2 and 3) and by Communication "A" 4805 (Paragraph 2.2.) due to certain transfers of currency made abroad between August and October 2008 to guarantee the "CER Swap Linked to PG08 and External Debt" swap transaction for a total of US\$ 45,968 thousand, without the authorization of the Argentine Central Bank. BHSA has been allowed to review the proceedings (case file No. 100.308/10) which are being handled by the Argentine Central Bank's Department of Foreign Exchange Contentious Matters. The relevant defenses and

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arguments were filed in support of the subjects to the summary proceedings. The BCRA opened the discovery stage on March 16, 2015.

In the legal counsel's opinion, at the current stage of the proceedings there are legal and factual arguments that generate reasonable expectations that the physical persons named defendants and Banco Hipotecario S.A. will be acquitted and that therefore, there are low chances that the Bank will be subject to the economic sanctions set forth by the Criminal Foreign Exchange Regime Law (Ley de Régimen Penal Cambiario). For such reason, no allowances have been created in this regard.

5. On December 29, 2014, the Bank was notified of the Resolution passed by the Superintendent of Financial and Foreign Exchange Institutions No. 824 dated December 1, 2014 ordering the start of Summary Proceedings No. 6086 on Foreign Exchange Matters (File 101.534/11) against Banco Hipotecario S.A. and a former Manager (Mr. Gabriel Cambiasso) and five assistants (Claudio H. Martin; Daniel J. Sagray; Rubén E. Perón; Marcelo D. Buzetti and Pablo E. Pizarro) at the Cordoba Branch, in the terms of Section 8 of the Foreign Exchange Criminal Regime Law (as signed into law pursuant to Decree No. 480/95). In the above-mentioned summary proceedings, an investigation is made in connection with excesses in the limits for selling foreign currency to two entities in the City of Cordoba (for a combined amount of US\$ 701,270), which allegedly violate the provisions of Communication "A" 5085, paragraph 4.2.1.

In the legal counsel's opinion, at the current stage of the proceedings there are legal and factual arguments that generate reasonable expectations that the physical persons named defendants will be acquitted. For such reason, no allowances have been created in this regard.

- Banco de Crédito y Securitización S.A. has been notified of Resolution No. 738 dated October 22, 2013
6. (Summary Proceedings No. 1406/201 on Financial Matters, File 100,553/12) handed down by the BCRA's Superintendent of Financial and Exchange Institutions, ordering to start summary proceedings against this Bank, its Chairman, Mr. Eduardo S. Elsztain, and the Vice-Chairman, Mr. Ernesto M. Viñes, due to the late filing of documentation related to the appointment of the Bank's authorities. On November 8, 2013, the defenses in support of the Bank's rights were filed, and the proceedings are pending an administrative decision by the BCRA.

In connection with these proceedings, the Company has deemed that there are low chances that the Bank be imposed any of the monetary sanctions contemplated by the Financial Institutions Law and applicable regulations issued by the BCRA. For such reason, no allowances have been recorded in the financial statements in this regard.

- On November 25, 2014, Tarshop S.A. was notified by the Financial Information Unit that summary proceedings
7. had been filed, identified under Resolution No. 234/14, for potential formal violations derived from the alleged non-compliance with Section 21, paragraph a) of Law 25,246 and UIF Resolutions No. 27/11 and 2/12. Summonses were sent to the Company (Tarshop S.A.), its Compliance Officer (Mauricio Elías Wior) and the Directors then in office (Messrs. Eduardo Sergio Elsztain, Saúl Zang, Marcelo Gustavo Cufre and Fernando Sergio Rubín) for them to file their defenses. In the legal counsel's opinion, at the current stage of the proceedings and based on the precedents existing at the UIF in similar cases, it is likely that a penalty be imposed under the scope of the administrative proceedings. For such reason, allowances have been recorded in this regard. In the framework of the summary proceedings described above, the evidence offered by the defendants in the summary proceedings was produced and the next stage is the submission of closing arguments.

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II –Summary Proceedings pending Court Decision

1. On May 4, 2012 the Bank was notified of Resolution No. 186, dated April 25, 2012 issued by the Superintendent of Financial and Foreign Exchange Institutions whereby Summary Proceedings No. 4976 on Foreign Exchange Matters were commenced against the Bank, its directors (Messrs. Eduardo S. Elsztain; Gabriel G. Reznik; Pablo D. Vergara del Carril; Ernesto M. Viñes; Saul Zang; Carlos B. Písula; Edgardo L. Fornero; Jacobo J. Dreizzen); former directors (Ms. Clarisa D. Lifsic de Estol; Messrs. Julio A. Macchi; Federico L. Bensadón; and Jorge M. Grouman) and the former Finance Manager Gabriel G. Saidón, under section 8 of the Foreign Exchange Criminal Regime Law (as signed into law by Decree No. 480/95).

In such proceedings, charges were pressed for alleged violations of the provisions of Communications “A” 3640, 3645, 4347 and supplementary rules, due to the acquisition of good delivery silver bars during the 2003-2006 period with funds arising from its General Exchange Position.

The defenses to which the Bank is entitled were raised in due time. Within the period granted to such end, the Bank and the other defendants produced the evidence previously offered. As soon as that stage in the procedure came to a conclusion, the counsel for the defense presented their closing arguments and in August 2014, the Argentine Central Bank sent the case file to the competent court (therefore, at present the case is being heard by the Court with Jurisdiction over Criminal Economic Matters No. 7 presided by Judge Juan Galvan Greenway).

In the legal counsel’s opinion, at the current status of the proceedings, there are legal and factual arguments that generate reasonable expectations that the physical persons named defendants and Banco Hipotecario S.A. will be acquitted and that therefore, there are low chances that the Bank will be subject to the economic sanctions set forth by the Foreign Exchange Criminal Regime Law (Ley de Régimen Penal Cambiario). For such reason, no allowances have been created in this regard.

2. On October 7, 2014, BHSA was notified of Resolution No. 513 dated August 16, 2014 handed down by the Superintendent of Financial and Foreign Exchange Institutions in the summary proceedings in financial matters No. 1365 (on grounds of alleged failure to comply with the minimum requirements in terms of internal controls under Communication “A” 2525) whereby Banco Hipotecario S.A. was imposed a fine for Ps. 112 and its directors (Messrs. Pablo D. Vergara del Carril; Carlos B. Písula, Eduardo S. Elsztain, Jacobo J. Dreizzen, Gabriel G. Reznik; Edgardo L. Fornero; Ernesto M. Viñes; and Saul Zang) and former directors (Ms. Clarisa D. Lifsic de Estol and Messrs. Jorge L. March; and Federico L. Bensadón) were fined for different amounts.

As required by Section 42 of the Law of Financial Institutions, the fines were paid and the relevant appeal was lodged with the National Appellate Court with Federal Jurisdiction over Contentious and Administrative Matters against the above-mentioned resolution. The fine for Ps. 112 paid by the Bank was booked in an allowance.

3. On October 31, 2014, BHSA was notified of Resolution No. 685 dated October 29, 2014 handed down by the Superintendent of Financial and Foreign Exchange Institutions in the summary proceedings in financial matters No. 1320 whereby the Bank and its authorities had been charged, on one hand, with the violation of the rules governing financial aid to the Non-Financial Public Sector, with excess over the limits of fractioned exposure to credit risk from the non-financial public sector, with excess in the allocation of assets to guarantee, with failure to satisfy minimum capital requirements and with objections against the accounting

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treatment afforded to the “Cer Swap Linked to PG08 and External Debt” transaction and on the other hand, with delays in communicating the appointment of new directors and tardiness in the provision of documentation associated to the directors recently elected by the shareholders’ meetings.

Resolution No. 685 then fined Banco Hipotecario S.A. with Ps. 4,040 and also fined BHSA’s directors (Eduardo S. Elsztain; Jacobo J. Dreizen; Carlos B. Písula; Edgardo L. Fornero; Gabriel G. Reznik; Pablo D. Vergara del Carril; Ernesto M. Viñes; Saul Zang; Mauricio E. Wior), former directors (Clarisa D. Lifsic de Estol; Federico L. Bensadón; Jorge L. March and Jaime A. Grinberg), statutory auditors (Messrs. Ricardo Flammini; José D. Abelovich; Marcelo H. Fuxman; Alfredo H. Groppo; and Martín E. Scotto), the Area Manager Gustavo D. Efkhanian and former managers (Gabriel G. Saidón and Enrique L. Benitez) for an aggregate amount of Ps.51,581.8. Under this decision, former Statutory Auditor Ms. Silvana M. Gentile was acquitted.

On November 25, 2014, Banco Hipotecario and the other individuals affected by the adverse decision lodged an appeal under Section 42 of the Financial Institutions Law, that was sent by the BCRA to the National Appellate Court with Federal Jurisdiction over Contentious and Administrative Matters. Therefore, at present the case is being heard by Panel I of such Appellate Court. Moreover, on December 30, 2014, the Bank and the individuals against whom sanctions were imposed requested the levying of separate injunctions by such court against the enforcements pursued by the BCRA for collection of the fines.

Upon being notified of the resolution handed down on June 30 by the Appellate Court that denied the motion for injunction filed by the Bank and by the directors, managers and some of the statutory auditors and in order to prevent further conflicts and financial damage that could result from the actions to compel payment of fines, the Bank’s Executive Committee decided to apply the indemnity rules regarding directors, high ranking officers and statutory auditors, as an alternative for the amounts not covered by the D&O insurance policy approved by the Bank’s Board of Directors at its meetings held on August 2, 2002 and May 8, 2013, and resolved to deposit the amounts of the fines.

Such deposit, including the amount corresponding to the fine imposed on the Bank and the respective legal costs, totaled Ps. 57,671.9. Out this amount, Ps. 53,631.9 thousand were computed as losses for this period in the manner described in the Minutes of the Meeting held by Banco Hipotecario S.A.’s Executive Committee on July 2, 2015 and in the Minutes of the Board Meeting held on July 15, 2015, and Ps. 4,040 were covered by a provision made in the previous fiscal year.

This notwithstanding, in the brief filed with the court that is hearing the proceedings to compel payment it was sustained that the amounts deposited in the judicial accounts opened to such end were subject to attachment, and a petition was filed for the respective amounts to be invested in automatically renewable term deposits for 180 days in order to ensure the integrity of the funds until the Appellate Court with Federal Jurisdiction over Contentious and Administrative Matters hands down a decision on the appeal lodged against Resolution No. 685/14 of the Argentine Central Bank.

III – Summary Proceedings in which a Court Decision has been Rendered

Under Resolution No. 286 dated July 2, 2010, issued by the Superintendent of Financial and Foreign Exchange Institutions, summary proceedings were commenced against the Bank and its directors (Summary Proceedings No. 4364 on Foreign Exchange Matters) under section 8 of the Foreign Exchange Criminal Regime Law (as signed into

law by Decree No. 480/95).

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Under the above-mentioned proceedings, charges were pressed for violation of certain provisions under Communications “A” 4087 and 4177 concerning early repayments of restructured external debt for US\$ 91,420,135 and Euros 2,803,965 in the period February 2004 through June 2005. The relevant defenses and arguments in support of the Bank’s position were filed in due course. Within the period granted for the production of evidence, the Bank and the other defendants produced the evidence previously offered. As soon as that stage in the procedure came to a conclusion, the counsel for the defense presented their closing arguments and in August 2014, the Argentine Central Bank sent the case file to the competent court (Court with Jurisdiction over Criminal Economic Matters No. 5 presided by Judge Jorge Brugo).

Through his judgment dated December 12, 2014, the above mentioned Judge decided that Banco Hipotecario S.A. was exempt from liability and acquitted directors: Messrs. Eduardo S. Elsztain; Gabriel G. Reznik; Pablo Vergara del Carril; Ernesto M. Viñes; Carlos B. Písula; Edgardo L. Fornero; Saúl Zang; Jacobo J. Dreizen; former directors: Ms. Clarisa D. Lifsic de Estol; and Messrs. Miguel A. Kiguel; Julio A. Macchi; Federico L. Bensadón; Guillermo H. Sorondo and Jorge Miguel Grouman; and the Area Manager Gustavo D. Efkhonian; Manager Daniel H. Fittipaldi; former general sub-manager Gustavo D. Chiera; former managers Gabriel G. Saidón; Carlos Gonzalez Pagano and Marcelo C. Icikson; and Mr. Miguel J. Diaz, named defendants to those proceedings.

In response to the appeal filed by the State Attorney against the judgment, Panel “A” of the Appellate Court with Jurisdiction over Criminal Economic Matters handed down a decision on July 17, 2015 confirming the appealed resolution to the extent that it acquits Banco Hipotecario S.A., Clarisa Lifsic de Estol, Eduardo S. Elsztain; Gabriel G. Reznik; Pablo Vergara del Carril; Ernesto M. Viñes; Carlos B. Písula; Edgardo L. Fornero; Saúl Zang; Jacobo J. Dreizen; Miguel A. Kiguel; Julio A. Macchi; Federico L. Bensadón; Guillermo H. Sorondo and Jorge Miguel Grouman; Gustavo D. Efkhonian; Daniel H. Fittipaldi; Gustavo D. Chiera; Gabriel G. Saidón; Carlos Gonzalez Pagano; Marcelo C. Icikson; and Miguel J. Diaz without any award of costs.

31. Programa Crédito Argentino del Bicentenario para la Vivienda Única y Familiar (PROCREAR)

On June 12, 2012, the Argentine Executive Branch issued Decree No. 902 whereby it ordered the creation of a Public Fiduciary Fund referred to as Programa Crédito Argentino del Bicentenario para la Vivienda Única Familiar (Argentine Single Family Housing Program for the Bicentennial) (PROCREAR).

On that same date, the Bank’s Board of Directors approved the Bank’s role as trustee of the referred fund.

On July 18, 2012, the Argentine State, as Trustor, and Banco Hipotecario S.A. as Trustee, created the PROCREAR Administrative and Financial Trust, and its underlying assets were transferred to it as trust property.

The Trust’s sole and irrevocable purpose is as follows: (i) to manage the trust assets with the aim of facilitating the population’s access to housing and the generation of job opportunities as economic and social development policies, in compliance with the principles and objectives set forth in Decree No. 902; (ii) the use by the Trustee of the net proceeds of the placement of the Trust Bonds (Valores Representativos de Deuda or VRDs) and cash contributions by the Argentine State to originate loans for the construction of houses in accordance with the provisions of Decree No. 902 and the credit lines; and (iii) the repayment of the VRDs in accordance with the terms of the agreement that creates the Trust and the provisions of the Trust Law.

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The Trust shall be in effect for a term of thirty (30) years as from the date of execution of the agreement (July 18, 2012).

In addition to the obligations imposed on it under the Trust Law and the Commercial Code, the Trustee is required to:

- perform the obligations set forth in the Trust Agreement and follow the instructions imparted on it by the Executive Committee;
- carry out its duties as Trustee with the loyalty, diligence and prudence of a good businessman acting on the basis of the trust placed on him;
- exercise the powers granted to it under the Agreement, and preserve the Trust Assets;
- use the Trust Assets for lawful purposes, in accordance with the provisions of the Agreement and following the Executive Committee's instructions;
- identify the Trust Property and record it in a separate accounting system, segregated from its own assets or the assets of other trusts held by it at present or in the future in the course of its business;
- prepare the Trust's financial statements, hire the relevant audit firms and comply with the applicable disclosure regulations;
- insure the Trust Assets against risks that could affect their integrity;
- invest or reinvest the Trust's funds in accordance with the provisions of the Agreement and following the instructions imparted by the Executive Committee.

In compliance with Communication "A" 5392, the Bank has capitalized mortgage loan origination expenses under this program (see note 2.13.).

32. Capital Market Law

On December 27, 2012, the Capital Market Law No. 26,831 was promulgated, considering a comprehensive amendment to the public offering regime set forth by Law No. 17,811.

Insofar as concerns the matters related to the Company's business, this law broadens the regulatory powers of the Argentine Government in connection with the public offering of securities, through the Argentine Securities Commission (CNV), and concentrates in this agency the powers of authorization, supervision and oversight, disciplinary authority and regulation of all capital market players; further, it establishes that intermediary agents willing to deal in a securities market are no longer required to be members thereof, thus allowing the entry of other participants, and delegates to the CNV the power to authorize, register and regulate the various categories of agents.

On August 1, 2013, Decree 1023/2013, partially regulating the Capital Markets Law, was published in the Official Gazette, and on September 9, 2013, General Resolution No. 622 of the CNV, approving the related regulations, was published in the Official Gazette.

These regulations implement a register of agents that participate in the capital market. To take part in each of the activities regulated by this resolution, agents had to be entered in that register in such capacity by March 1, 2014.

For those agents who have applied for registration with the final registry before March 1, 2014 to comply with all the requirements, on February 7, 2014, the Argentine Securities Commission (CNV) extended the term until December 31, 2014. On June 23, 2014 we were notified by Mercado Abierto Electrónico S.A. that CNV mandated that the

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Agents registered with MAE S.A. who have proceedings underway before CNV for registration as Agent in any of the categories authorized by currently applicable rules and regulations may continue to do business normally up and until they start operating in the new Agent category as per the CNV rules (N.T.2013)

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In turn, pursuant to CNV Resolution No. 17,392 dated June 26, 2014, the Bank was registered with the Registry of Financial Trustees prescribed by Sections 6 and 7 of Chapter IV, Title V of the Rules, under No. 57. And, on September 19, 2014, pursuant to CNV Resolution No. 2122, the Bank has been registered as Settlement and Clearing Agent and Comprehensive Trading Agent No. 40.

Pursuant to the provisions of Section 45 of Law 26,831 and paragraph a), Section 20, Article VI, Chapter II, Title VII, and subsection j) of Section 7, Article IV, Chapter IV, Title V of Resolution No.622 of the CNV, it is made known that Banco Hipotecario's minimum capital composed as required by the rules issued by the Argentine Central Bank exceeds the minimum amount required under such resolution. On the other hand, the Bank's capital was duly paid in as of the closing of the period and the liquid balancing account is identified as BONAR 17 (Government security carried at fair market value).

On October 22, 2014, the Board of Directors of Mercado de Valores de Buenos Aires S.A. approved the registration of Banco Hipotecario S.A. in Mercado de Valores de Buenos Aires S.A.'s Registry of Agents as Settlement and Clearing Agent and Trading Agent – Comprehensive (ALyC and AN as per the Spanish acronyms).

On December 23, 2014, BHSA was authorized to operate under the provisions of Merval Communication No. 15594.

Pursuant to CNV's Resolution No. 17.338 dated April 24, 2014, BACS Banco de Crédito y Securitización S.A., was registered with the Registry of Financial Trustees prescribed by Sections 6 and 7 of Chapter IV, Title V of the Rules, under No. 55. And, on September 19, 2014, CNV communicated to BACS that in its capacity as Settlement and Clearing Agent - Comprehensive and Trading Agent the Bank has been assigned License No. 25. It must be noted that the composition of BACS' equity as of the end of the period was correct and that the liquidity requirement takes the form of Peso-denominated Lebac's.

As of the date of these financial statements, BH Valores SA has been approved by CNV as a Settlement and Clearing Agent in its own name under Registration Number 189 in the terms of CNV's General Resolution No. 622.

According to the minimum requirements laid down, BH Valores S.A.'s minimum shareholders' equity exceeds the amount prescribed by CNV's General Resolution No. 622 and its composition is correct. As to the liquidity requirements, they have been satisfied in the form of a deposit of the Government security called Bono de la Nación Argentina \$ Badlar Privada + 200 bps. Vto. 2017, as discussed in Exhibit II to the Company's financial statements.

In view of the latest tax, regulatory and operational developments that have modified BH Valores S.A.'s commercial strategy and decreased the competitive advantages of running such a business, the Board of Directors of BH Valores S.A. has, as of the date of these financial statements, decided to substantially diminish the volume of operations with an eye towards suspending the operations of BH Valores S.A. in the future to prevent two structures that are presently highly similar in terms of their functions and have been rendered redundant within the same conglomerate from overlapping.

33. Resolutions issued by the Argentine Central Bank

Credit Line for Productive Investments

Under Communication "A" 5319 dated July 5, 2012, the BCRA approved the implementation of a new credit line to be extended by financial institutions, intended to promote productive investments

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consisting of the purchase of capital goods and the construction of the facilities necessary for producing goods and services. Generally, financial institutions accounting for more than 1% of the total deposits in the financial system and institutions operating as financial agents of the provinces are required to allocate to this new credit line 5% of the total amount of deposits from the private sector held as of June 2012. In all cases, 50% of the loan amounts must be granted to companies qualifying as SMEs.

Under successive BCRA communications, the quotas allocable by financial institutions under this line were expanded and supplemented semi-annually under similar conditions as those set forth in the previous paragraph, i.e., a minimum allocation of 5%/5.5% of the amount of deposits from the non-financial private sector, terms and conditions including interest rates ranging from 15/19% per annum and maturities of up to 36 months.

Under Communication "A" 5771, the BCRA resolved to extend the Credit Line for Productive Investments over the second half of 2015. Therefore, the financial institutions subject to the provisions of this circular must allocate to this credit line an amount of at least 7.50% of the non-financial private sector deposits in pesos, calculated taking into account the monthly average daily balances of May 2015. 100% of the quota must be granted to SMEs, excluding those engaged in financial intermediation and insurance services, or services related to gambling and betting activities. The loans must be fully agreed as of September 30, 2015, and may be disbursed in a single drawing until that date or on a staggered basis until June 30, 2016, in the latter case only when warranted due to the features of the project subject to financing. Moreover, as of September 30, 2015, the loans agreed should amount to at least 30% of the total amount of the second tranche of the 2015 Quota. The highest interest rate applicable in this tranche is a fixed nominal annual rate of 18% per annum for the first 36 months.

At the closing of these financial statements BHSA had recorded Ps. 870,718 as principal and interest under BHSA's assets in connection with this credit line.

Compliance with rules on term deposits and investments. Conditions governing interest rates on term deposits

Pursuant to its Communication "A" 5781, the Argentine Central Bank raised the floor of the interest rates payable on term deposits and the maximum amount of the placements that may obtain such benefit. The rest of the transactions shall be agreed upon freely, that is, without the involvement of the Argentine Central Bank.

It has been determined that starting on July 27, 2015 the minimum rates on deposits shall be as follows:

- from 30 to 44 days: 23.58%
- from 45 to 59 days: 24.10%
- from 60 to 89 days: 25.13%
- from 90 to 119 days: 25.61%
- from 120 to 179 days: 25.87%

These minimum rates apply to all Peso-denominated term deposits of up to Ps.1,000.

Finally, the Argentine Central Bank provides that failure to comply with the minimum rate level shall result in an increase in minimum cash requirements in Pesos for an amount equivalent to all relevant term deposits for the month

following that when the failure to comply takes place. No offsets among term deposits are allowed. In addition to the foregoing, summary proceedings shall

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be commenced in accordance with the guidelines laid down by the Superintendent of Financial and Foreign Exchange Institutions.

Conditions applicable to benchmark interest rates for personal and pledge loans

Under Communication “A” 5590 dated June 10, 2014, the BCRA adopted a system of benchmark interest rates for personal and pledge loans to individuals not qualifying as SMEs and established a ceiling for these kinds of loans that may not exceed the product arising from multiplying the 90-day LEBACs’ cut-off interest rate by a multiplier ranging from 1.25 to 2.0, depending on the kind of loan and Bank Group. To this end, banks are divided into:

- Group I: financial institutions operating as financial agents of the national, provincial and/or municipal governments and/or other institutions accounting for at least 1% of the total deposits from the non-financial private sector; and
- Group II; the remaining institutions.

The BCRA publishes the “benchmark interest rate” to be applied by the financial institutions in each of these groups to each type of loans (personal loans, pledge loans and portfolio purchases). The rates applied by each institution to each loan within the lines mentioned above may not exceed the “benchmark interest rate” reported by the BCRA.

Protection granted to users of financial services

Under Communication “A” 5685 dated December 23, 2014, the BCRA ordered that any new commissions (commissions for new products and/or services intended to be marketed) and increases in commissions must obtain the BCRA’s previous authorization. Changes in charges shall be reported as well. In the case of basic financial products and/or services, the financial institutions and non-financial companies issuers of credit cards shall meet several requirements and procedures and submit various explanations upon applying for such authorization.

In addition, Communication “A” 5715 dated February 13, 2015 imposes a new monthly reporting duty that requires disclosing the amounts of commissions and/or charges collected for each product or service offered to individuals in their capacities as final users and the number of transactions, movements or services rendered during the month.

Lastly, the Argentine Central Bank approved a new methodology to find a solution for the requests of increases in the commissions for financial services and products by the entities that provide them. This methodology includes both basic and non-basic services, except for high-end products, whose increases shall be vetoed if considered abusive. Increases in commissions shall be subject to a maximum 20 per cent limit for all types of services and products.

34. Summary of Significant Differences between Argentine Banking GAAP and U.S. GAAP

The Bank’s consolidated financial statements have been prepared in accordance with Argentine Banking GAAP, which differs in certain significant respects from U.S. GAAP. Such differences involve methods of measuring the amounts shown in the consolidated financial statements, as well as additional disclosures required by U.S. GAAP and regulations of the SEC. These consolidated financial statements include solely a reconciliation of net income and shareholders’ equity to U.S. GAAP. Pursuant to Item 17 of Form 20-F, this reconciliation does not include disclosure of all information that would be required by U.S. GAAP and regulations of the SEC.

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I. Differences in measurement methods

As from March 1, 2003, inflation accounting was discontinued. The following reconciliation does not include the reversal of the adjustments to the consolidated financial statements for the effects of inflation, because, as permitted by the Securities and Exchange Commission (“SEC”), it represents a comprehensive measure of the effects of price-level changes in the Argentine economy, and as such, is considered a more meaningful presentation than historical cost-based financial reporting for both Argentine GAAP and U.S. GAAP.

The main differences between Argentine GAAP and U.S. GAAP as they relate to the Bank are described below, together with an explanation, where appropriate, of the method used in the determination of the necessary adjustments. References below to “ASC” are to Accounting Standard Codification issued by the Financial Accounting Standards Board in the United States of America.

The following tables summarize the main reconciling items between Argentine GAAP and U.S. GAAP:

Reconciliation of net income:

		June 30, 2015	2014	2013
Net income as reported under Argentine Banking GAAP		Ps. 537,190	627,027	339,122
U.S. GAAP adjustments:				
- Loan origination fees and costs	(a)	(19,325)	27,525	(29,863)
- Loan loss reserve	(b)	(30,703)	(29,677)	(25,253)
- Derivative financial instruments	(c)	876	(941)	(1,223)
- Government securities	(d)	18,230	(17,669)	12,727
- Provincial public debt	(e)	-	-	331
- Financial liabilities	(f)	2,709	4,136	3,154
- Securitizations	(g)	16,434	(10,725)	(17,512)
- Intangible assets				
Software costs	(h)	(26,525)	(18,396)	(8,639)
Other intangible assets	(h)	(3,156)	(4,793)	(3,157)
Business combinations	(h)	991	989	991
- Impairment of fixed and foreclosed assets	(i)	944	983	932
- Vacation provision	(k)	(17,302)	(18,955)	(7,714)
- Insurance technical reserve	(l)	2,780	1,398	1,003
- Capitalization of interest cost	(m)	775	301	553
- Deferred income tax	(n)	44,673	55,122	(20,057)
- Non-Controlling interest	(j)	(13,658)	(11,031)	14,148
Net income in accordance with U.S. GAAP		Ps. 514,933	605,294	259,543
- Less Net (Gain) / Loss attributable to the Non-Controlling interest	(j)	4,369	10,284	(8,834)
Net income attributable to Controlling interest in accordance with U.S. GAAP		Ps. 519,302	615,578	250,709
Basic and diluted net income per share in accordance with U.S. GAAP		3.519	4.136	1.774

Average number of shares outstanding (in thousands)	1,463,365	1,463,365	1,463,365
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Reconciliation of shareholders' equity

	June 30,	
	2015	2014
Total shareholders' equity under Argentine Banking GAAP	Ps. 4,700,716	4,205,343
U.S. GAAP adjustments:		
- Loan origination fees and costs	(a) (90,893)	(71,568)
- Loan loss reserve	(b) (220,541)	(189,838)
- Derivative financial Instruments	(c) -	(876)
- Government securities	(d) 37,759	3,871
- Financial liabilities	(f) 10,282	7,573
- Securitizations	(g) (15,442)	(31,876)
- Intangible assets		
Software costs	(h) (63,888)	(37,363)
Other intangible assets	(h) (59)	3,097
Business combinations	(h) (1,176)	(2,167)
- Impairment of fixed and foreclosed assets	(i) (37,379)	(38,323)
- Vacation provision	(k) (57,634)	(40,332)
- Insurance technical reserve	(l) (339)	(3,119)
- Capitalization of interest cost	(m) 4,001	3,226
- Deferred income Tax	(n) 258,903	214,230
- Non-Controlling interest	(j) 67,957	59,849
Total Shareholders' Equity under U.S. GAAP	Ps. 4,592,267	4,081,727
- Non-Controlling Interest under U.S. GAAP	(j) (68,126)	(50,662)
Consolidated Parent Company Shareholders' Equity under U.S. GAAP	Ps. 4,524,141	4,031,065

Description of changes in shareholders' equity under U.S. GAAP:

	Total Shareholders' Equity
Balance as of June 30, 2013	Ps. 3,423,204
Cash dividends	(30,000)
Other Comprehensive Income	22,283
Net income for the twelve-month period in accordance with U.S. GAAP	615,578
Balance as of June 30, 2014	Ps. 4,031,065
Cash dividends	(41,817)
Other Comprehensive Income	15,591
Net income for the twelve-month period in accordance with U.S. GAAP	519,302
Balance as of June 30, 2015	Ps. 4,524,141

a. Loan origination fees and costs

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Under Argentine Banking GAAP, the Bank does not defer loan origination fees and costs on mortgage, personal and credit card loans, different from those originated under the Pro.Cre.Ar program.

Given the bank's role as Trustee of the PROCREAR Administrative and Financial Trust, (see note 30), it has capitalized direct expenses incurred in the mortgage loan origination process, which

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disbursements would not have been incurred by it had it not been for the grant of the related loans, in accordance with the provisions of Communication “A” 5392. Such origination expenses are amortized in 60 monthly installments.

In accordance with U.S. GAAP, under ASC 310 loan origination fees and certain direct loan origination costs should be recognized over the life of the related loan as an adjustment of yield.

Therefore the shareholders’ equity adjustment between Argentine Banking GAAP and U.S. GAAP for Banco Hipotecario S.A. as of June 30, 2015 and 2014 amounted to Ps. (90,893) and (71,568), respectively.

b. Loan loss reserve

The Bank’s accounting for its allowance for loan losses differs in some significant respects with practices of U.S.-based banks.

Under Argentine Banking GAAP, the allowance for loan losses is calculated according to specific criteria. This criterion is different for commercial loans (those in excess of Ps. 2,500) and consumer loans. Loan loss reserves for commercial loans are principally based on the debtors’ payment capacity and cash-flows analysis. Loan loss reserves for consumer loans are based on the client’s aging. Argentine banks may maintain other reserves to cover potential loan losses which management believes to be inherent in the loan portfolio, and other Argentine Central Bank required reserves.

Under U.S. GAAP, the allowance for loan losses should be in amounts adequate to cover inherent losses in the loan portfolio, incurred at the respective balance sheet dates. Specifically:

- a) Loans considered impaired, in accordance with ASC 310-10 “Accounting for Creditors for Impairment of a Loan”, are recorded at the present value of the expected future cash flows discounted at the loan’s effective contractual interest rate or at the fair value of the collateral if the loan is collateral dependent. Under ASC 310-10, a loan is considered impaired when, based on current information, it is probable that the borrower will be unable to pay contractual interest or principal payments as scheduled in the loan agreement. ASC 310-10 applies to all loans except smaller-balance homogeneous consumer loans, loans carried at the lower of cost or fair value, debt securities, and leases.

The Bank applies ASC 310-10 to all commercial loans classified as “With problems”, “Insolvency Risks” and “Uncollectible” or commercial loans more than 90 days past due. The Bank specifically calculates the present value of estimated cash flows for commercial loans in excess of Ps.2,500 and more than 90 days past due. For commercial and other loans in legal proceedings, loans in excess of Ps.2,500 are specifically reviewed either on a cash-flow or collateral-value basis, both considering the estimated time to settle the proceedings.

As of June 30, 2015 and 2014, the result of applying ASC 310-10, shows that the Bank recorded an adjustment to shareholders’ equity for U.S. GAAP purposes of Ps. 39,753 and Ps. 54,052, respectively.

- b) In addition, the Bank has performed a migration analysis for mortgage, credit cards and consumer loans following the ASC 450-20 and historical loss ratios were determined by analyzing historical losses, in order to calculate the allowance required for smaller-balance impaired loans and unimpaired loans for U.S. GAAP purposes. Loss

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estimates are analyzed by loan type and thus for homogeneous groups of clients. Such historical ratios were updated to incorporate the most recent data reflecting current economic conditions, industry performance

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trends, geographic or obligor concentrations within each portfolio segment, and any other pertinent information that may affect the estimation of the allowance for loan losses.

As a result of the analysis mentioned before, the Bank recorded an adjustment to shareholders' equity for U.S. GAAP purposes of Ps. (129,868) and Ps. (162,828), for 2015 and 2014, respectively.

- c) Under Argentine Banking GAAP, loans that were previously charged-off, which are subsequently restructured and become performing loans, are included again in the Bank's assets, according to the policies adopted by the bank. Under U.S. GAAP recoveries of loans previously charged off should be recorded when received. As of June 2015 and 2014, the Bank recorded an adjustment to shareholders' equity related to reinstated loans of Ps. (62,502) and Ps. (79,889), respectively.
- d) Effective July 1, 2010, the Bank implemented new accounting guidance provided by SFAS 166 and 167 (ASU 2009-16 and ASU 2009-17, respectively, under the new codification), which amend the accounting for transfers of financial assets and consolidation of variable interest entities (VIEs). As a result of applying such guidance, the Bank, or its subsidiaries, were deemed to be the primary beneficiary of the securitization trusts because the Bank, or its subsidiaries, have the power to direct the activities of these VIEs through its servicing responsibilities and duties. Additionally, the Bank, or its subsidiaries, through its retained interests held in these securitizations have the obligation to absorb losses or the right to receive benefits from the VIEs. As a result of the analysis performed, the Bank should consolidate assets and liabilities of those securitization trusts, eliminating the investment in the retained interests and recording and adjustment in the allowance for loan losses of such securitization trusts.

As a result of the analysis mentioned before, the Bank recorded an adjustment to shareholders' equity for U.S. GAAP purposes of Ps. (67,924) and Ps. (1,173), for 2015 and 2014, respectively.

As a result of analysis performed the breakdown of the shareholders' equity adjustment between Argentine Banking GAAP and U.S. GAAP between the Bank's adjustment and the reconsolidated securitization trusts as of June 30, 2015 and 2014 is as follows:

	2015			2014		
	Allowances under Arg. Banking GAAP	Allowances under U.S. GAAP	Adjustment to shareholders' equity	Allowances under Arg. Banking GAAP	Allowances under U.S. GAAP	Adjustment to shareholders' equity
Migration analysis (*)	346,797	476,665	(129,868)	292,526	455,354	(162,828)
ASC 310-10	91,365	51,612	39,753	68,788	14,736	54,052
Reinstated loans	-	62,502	(62,502)	-	79,889	(79,889)
Subtotal	438,162	590,779	(152,617)	361,314	549,979	(188,665)

(*) Migration analysis of Banco Hipotecario and its subsidiaries.

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	2015			2014		
	Allowances		Adjustment	Allowances		Adjustment
	under	Adjustment	to	under	Adjustment	to
	Arg.	to	shareholders'	Arg.	to	shareholders'
	Banking	U.S.	equity	Banking	U.S.	equity
	GAAP	GAAP		GAAP	GAAP	
Reconsolidated trusts	76,232	144,156	(67,924)	45,504	46,677	(1,173)
Subtotal	76,232	144,156	(67,924)	45,504	46,677	(1,173)
Total	514,394	734,935	(220,541)	406,818	596,656	(189,838)

c. Derivative Financial Instruments

As mentioned in notes 18 and 2.9. the Bank entered in several derivative transactions, mainly, to hedge: i) the exchange rate risk attached to liabilities denominated in foreign currency, and ii) interest rate swaps to manage its interest rate risk.

Gains and losses are recorded in earnings in each period.

Under U.S. GAAP, the Bank accounts for derivative financial instruments in accordance with ASC 815 which establishes the standards of accounting and reporting derivative instruments, including certain derivative instruments embedded within contracts (collectively referred to as derivatives) and hedging activities. This statement requires institutions to recognize all derivatives in the balance sheet, whether as assets or liabilities, and to measure those instruments at their fair value. If certain conditions are met, a derivative may be specifically designated as (a) a hedge for the exposure to changes in the fair value of a recorded asset or liability or unrecorded firm commitment, (b) a hedge for the exposure of future cash flows and (c) a hedge for the exposure of foreign currency. If such a hedge designation is achieved then special hedge accounting can be applied for the hedged transactions that will reduce the volatility in the income statement to the extent that the hedge is effective. In order for hedge accounting to be applied the derivative and the hedged item must meet strict designation and effectiveness tests.

The Bank's derivatives do not qualify for hedge accounting treatment under U.S. GAAP. Therefore gains and losses are recorded in earnings in each period.

Under U.S. GAAP, the Bank's estimates the fair value of the receivable and payable on the derivative instrument using valuation techniques with observable market parameters. As of June 30, 2014 the shareholder's equity adjustment amounts to Ps. (876).

d. Government securities

The following table summarizes the U.S. GAAP shareholders' equity adjustment related to other government securities, as of June 30, 2015 and 2014:

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June 30,
2015 2014

Discount Bonds	Ps.(534)	Ps.(4,126)
Unquoted Securities issued by the BCRA	1,352	7,387
Bills issued by Provincial Governments	8,472	4,234
Other National Government Bonds	28,469	(3,624)
Total	Ps.37,759	Ps.3,871

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(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)

· Discount Bonds

As of June 30, 2004 the Bank held certain defaulted Argentine government bonds. Such bonds were not quoted in the public market. On January 2005, the Bank accepted the offer to exchange its defaulted government securities for “Discount Bonds in pesos” issued under the Argentine debt restructuring. On April 1, 2005 the government securities were exchange.

For U.S. GAAP purposes and in accordance with ASC 310 satisfaction of one monetary asset (in this case a defaulted government securities) by the receipt of another monetary asset (in this case Discount Bonds) from the creditor is generally based on the market value of the asset received in satisfaction of the debt. In this particular case, the Bonds being received are significantly different in structure and in interest rates than the securities swapped. Therefore, the fair value of the Bonds was determined on the balance sheet date based on their market value and will constitute the cost basis of the asset. Any difference between the old asset and the fair value of the new asset is recognized as a gain or loss. The bonds arisen from the exchange have been sold.

During the twelve-month periods ended June 30, 2014 and 2015, there have been purchases of Discount Bonds.

As of June 30, 2015 and 2014 the Discount Bonds were considered available for sale securities for U.S. GAAP purposes according with ASC 320-10 and recorded at fair value with the unrealized gains and losses recognized as a charge or credit to equity through other comprehensive income.

As of June 30, 2015 and 2014 the following table shows the amortized cost, book value and fair value of the mentioned bond.

	2015				2014					
	Amortized Cost U.S. GAAP	Book Value Argentine Banking GAAP	Fair Value – U.S. GAAP under	Unrealized (Loss)/Gain	Amortized Cost U.S. GAAP	Book Value Argentine Banking GAAP	Fair Value – U.S. GAAP under	Unrealized (Loss)/Gain		
Discount Bonds	9,624	9,624	9,090	(11,013)	(534)	77,177	91,782	87,656	10,479	(4,126)

	2015				2014					
	Amortized Cost U.S. GAAP	Book Value Argentine Banking GAAP	Fair Value – U.S. GAAP under	Unrealized (Loss)/Gain	Amortized Cost U.S. GAAP	Book Value Argentine Banking GAAP	Fair Value – U.S. GAAP under	Unrealized (Loss)/Gain		
Discount Bonds	9,624	9,624	9,090	(11,013)	(534)	77,177	91,782	87,656	10,479	(4,126)

The Bank has evaluated whether there was a decline in the value of the security that is other-than temporary as defined by ASC 320.

A number of factors are considered in performing an impairment analysis of securities. Those factors include, among others:

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- a. Intent and ability of the Bank to retain its investment for a period of time that allows for any anticipated recovery in market value;
- b. Expectation to recover the entire amortized cost of the security;
- c. Recoveries in fair value after the balance sheet date;
- d. The financial condition and near-term prospects of the issuer, including any specific events which may influence the operations of the issuer (such as changes in technology that may impair the earnings potential of the investment or the discontinuance of a segment of a business that may affect the future earnings potential).
- e. Likelihood that it will be required to sell debt investments before recovery of amortized cost.

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The Bank also takes into account the length of time and the extent to which the market value of the security has been less than cost and changes in global and regional economic conditions and changes related to specific issuers or industries that could adversely affect these values.

As of June 30, 2014 the fair value of the investment is greater than its amortized cost. The Bank as a result of its analysis has determined that, as of June 30, 2015, unrealized losses on Discount Bonds, are temporary in nature based on its ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery, the financial condition of the issuer and the recoveries in fair values after the balance sheet date.

· Other Bonds

Under Argentine Banking GAAP, as of June 30, 2015 and 2014, some National Government Bonds, unquoted securities issued by the BCRA and bills issued by Provincial Governments have been recorded at cost. This value increases monthly on the basis of the internal rate of return resulting from the interest rate which, used as discount, matches the cash flow's present value with the initial value.

Under U.S. GAAP these securities were considered available for sale securities according with ASC 320 and recorded at fair value with the unrealized gains and losses recognized as a charge or credit to equity through other comprehensive income.

As of June 30, 2015 and 2014 the following table shows the amortized cost, book value and fair value of the mentioned bonds:

	2015				2014					
	Amortized Cost U.S. GAAP (In thousands of \$)	Book Value Argentine Banking GAAP	Fair Value – Book value under U.S. GAAP	Unrealized (Loss)/Gain	Shareholders' equity Adjustment	Amortized Cost U.S. GAAP	Book Value Argentine Banking GAAP	Fair Value – Book value under U.S. GAAP	Unrealized (Loss)/Gain	Shareholders' equity Adjustment
Unquoted securities issued by the BCRA	1,719,856	1,719,856	1,721,208	1,352	1,352	1,342,425	1,342,425	1,349,812	7,387	7,387
Bills issued by Provincial Governments	539,172	539,172	547,644	8,472	8,472	423,275	423,275	427,509	4,234	4,234
Other National Government Bonds	648,921	648,921	677,390	28,469	28,465	33,136	32,796	29,172	-	(3,624)

The Bank has evaluated whether there was a decline in the value of the security that is other-than temporary as defined by ASC 320-10.

As of June 30, 2014, the Bank as a result of its analysis has determined that unrealized losses on PRO XIII Bonds are not temporary, consequently the Bank has recorded an other-than temporary impairment for U.S. GAAP purposes. Therefore the fair value of the security was determined on the balance sheet date based on their market value and will constitute the new cost basis for the asset. In addition, the bank has performed an impairment analysis for the rest of their portfolio and no other than temporary impairment were detected. As of June 30, 2015 the fair value of the investment is greater than its amortized cost.

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e. Provincial Public Debt

As of June 2002, the Bank offered to exchange certain loans to Argentine provincial governments for loans or securities of the Argentine National Government; however the exchange had not been finalized until 2003. As these loans were performing no provision was recorded under U.S. GAAP in accordance with ASC 310-10.

In 2003, the Bank tendered in the exchange under Decree N°1579/02 almost all its portfolio of loans to provincial governments and received securities of the Argentine National Government (“BOGAR”).

For U.S. GAAP purposes and in accordance with ASC 310-20 satisfaction of one monetary asset (in this case a loan) by the receipt of another monetary asset (in this case BOGAR) from the creditor is generally based on the market value of the asset received in satisfaction of the debt. In this particular case, the BOGAR being received is significantly different in structure and in interest rates than the loans swapped. Therefore, such amounts should initially be recognized at their market value. The estimated fair value of the securities received will constitute the cost basis of the asset. Any difference between the old asset and the fair value of the new asset is recognized as a gain or loss. The difference between the cost basis and the amount expected to be collected will be amortized on an effective yield basis over the life of the bond.

For U.S. GAAP purposes, these BOGAR Bonds were classified by the Bank, as available for sale securities and recorded at fair value with the unrealized gains or losses recognized as a charge or credit to equity through other comprehensive income.

During the period ended June 30, 2013, all BOGAR Bonds were sold. Therefore, the 2013 U.S. GAAP net income reconciliation includes the reversal of the 2012 shareholders' equity adjustment of Ps. 363 plus Ps. 694 of gains previously recorded through other comprehensive income, which that are being realized and reversed through the income statement during the period ended June 30, 2013.

f. Financial liabilities

As described in note 15, the bank has issued several series of negotiable obligations in different terms and conditions. Under Argentine Banking GAAP, the costs of originating such instruments have been charged to the Income Statement at the issuance date.

Under U.S.GAAP, and according to ASC 835-30-45-3, issuance costs should be reported in the balance sheet as deferred charges. In addition, ASC 470-10-35-2 states that debt issuance costs should be amortized over the same period used in the interest cost determination.

As of June 30, 2015 and 2014 the shareholder's equity adjustment amounts to Ps. 10,282 and Ps. 7,573, respectively.

g. Securitizations

For Argentine Banking GAAP purposes, the debt securities and certificates retained by the Bank are accounted for at cost plus accrued interest for the debt securities, and the equity method is used to account for the residual interest in

the trust.

Under U.S. GAAP the primary beneficiary of a variable interest entity (VIE) is required to consolidate its assets and liabilities. An entity is considered a VIE if it possesses one of the following characteristics:

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- Insufficient Equity Investment at Risk
- Equity lacks decision-making rights
- Equity with non-substantive voting rights
- Lacking the obligation to Absorb an Entity's Expected Losses
- Lacking the right to receive an Entity's expected residual returns

The primary beneficiary is the party that has both (1) the power to direct the activities of an entity that most significantly impact the VIE's economic performance; and (2) through its interests in the VIE, the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

To assess whether the Bank has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, the Bank considers all facts and circumstances, including its role in establishing the VIE and its ongoing rights and responsibilities. This assessment includes, first, identifying the activities that most significantly impact the VIE's economic performance; and second, identifying which party, if any, has power over those activities.

As a consequence of this assessment, the Bank was deemed to be the primary beneficiary of certain securitization trusts because the Bank has the power to direct the activities of these VIEs through its servicing responsibilities and duties. Additionally, the Bank through its retained interests held in these securitizations has the obligation to absorb losses or the right to receive benefits from the VIEs.

For U.S. GAAP purposes, as of June 30, 2015, 2014 and 2013, the Bank consolidated certain VIE's in which the Bank had a controlling financial interest and for which it is the primary beneficiary. Therefore, the Bank reconsolidated their net assets, eliminated the gain or loss recognized on the sale of receivables when the carrying value of transferred credit card receivables differs from the amount of cash and certificates of participation received, eliminated the servicing liabilities and re-established its loan loss reserves under ASC 450-20. See note 33.b. for allowance for loan losses.

No servicing assets or liabilities have been recognized.

The total shareholders' equity adjustment between Argentine Banking GAAP and U.S. GAAP as of June 30, 2015 and 2014 amounted to Ps. (15,442) and Ps. (31,876), respectively.

Additional information required by U.S. GAAP

The Bank adopted ASC 860-10 and ASC 810-10 which require additional disclosures about its involvement with consolidated VIE's and expanded the population of VIE's to be disclosed. The table below presents the assets and liabilities of the financial trusts which have been consolidated for U.S. GAAP purposes:

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	June 30,	
	2015	2014
Cash and due from banks	Ps. 88,236	Ps. 103,693
Loans (net of allowances)	2,235,655	1,771,175
Other assets	1,149,023	826,795
Total Assets	Ps. 3,472,914	Ps. 2,701,663
Debt Securities	Ps. 2,868,064	Ps. 2,214,488
Certificates of Participation	451,365	427,246
Other liabilities	153,485	59,929
Total Liabilities	Ps. 3,472,914	Ps. 2,701,663

As of June 30, 2015, the Bank's maximum loss exposure, which amounted to Ps. 3,472,914, is based on the unlikely event that all of the assets in the VIE's become worthless and incorporates potential losses associated with assets recorded on the Bank's Balance Sheet. Nevertheless, under Argentine Law the Debt securities will be paid exclusively with the securitized assets.

h. Intangible Assets

Software costs

Under Argentine Banking GAAP fees paid for a re-engineering project and for restructuring expenses incurred in relation to certain equity transactions are recognized as an intangible asset and amortized in a maximum of five years. Such cost should be expensed as incurred under U.S. GAAP.

Under Argentine Banking GAAP, the Bank capitalizes costs relating to all three of the stages of software development. Under ASC 350-40 defines three stages for the costs of computer software developed or obtained for internal use: the preliminary project stage, the application development stage and the post-implementation operation stage. Only the second stage costs should be capitalized.

Shareholders' equity adjustment between Argentine Banking GAAP and U.S. GAAP as of June 30, 2015 and 2014 amounted to Ps. (63,888) and Ps. (37,363), respectively.

Other intangible assets

On January 13, 2011, Tarshop S.A. acquired from APSA Media S.A., previously Metroshop S.A., a portfolio of credit cards delinquent by less than 60 days; a contractual position in contracts for the issuance of credit cards; the accounts of customers, the lease agreements and movable property at certain branches and the contracts of employment with personnel under a labor relationship.

Under Argentine Banking GAAP, no intangible assets should be recognized in accordance with these transactions.

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Under U.S. GAAP, ASC 350-30 defines that an intangible asset which is acquired either individually or with a group of other assets shall be recognized. Assets are recognized based on their cost to the acquiring entity, which generally includes the transaction costs of the assets acquisition, and no gain or loss is recognized unless the fair value of noncash assets given as consideration differs the assets' carrying amount on the acquiring entity's books. The cost of a

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group of assets acquired shall be allocated to the individual assets acquired or liabilities assumed based on their relative fair values and shall not give rise to goodwill.

Shareholders' equity adjustment between Argentine Banking GAAP and U.S. GAAP as of June 30, 2015 and 2014 amounted to Ps. (59) and Ps. 3,097, respectively, related to the contractual position in contracts for the issuance of credit cards and the accounts of customers recorded as intangibles assets for U.S. GAAP purposes.

Business combination

i) Acquisition of Tarshop S.A.

On August 30, 2010, the Financial and Exchange Institutions Superintendency of the Argentine Central Bank gave its consent to the purchase of 80% of the share capital of Tarshop SA. Such shareholding consists of 107,037,152 non-endorsable, registered ordinary shares, par value 1 Peso per share, and entitled to one vote per share, in turn equivalent to 107,037,152 votes.

The sales price amounted to US\$ 26.8 million, of which 20% (US\$ 5.4 million) was paid on December 29, 2009 and the remaining balance of the price was cancelled on September 13, 2010.

Pursuant to Argentine Central Bank rules, and due to the difference between the acquisition cost and the estimated fair value of assets and liabilities acquired, a goodwill amounting to Ps. 29,568 was recorded under Intangible Assets – Goodwill. This goodwill is subsequently charged to Income on a straight-line basis during 60 months. As of June 30, 2015 and 2014 the Bank has a balance of Ps. 15,277 and Ps. 18,234, respectively, related to the goodwill.

Under U.S. GAAP, ASC 805 requires the acquisition of controlling interest of Tarshop S.A. to be accounted for as a business combination applying the purchase method, recognizing all net assets acquired at their fair value.

The intangible assets identified as part of the acquisition where customer relationships, trademark and workforce amounted to Ps. 24,394 as of August 31, 2010 subject to amortization.

ii) Acquisition of BACS Administradora de activos S.A. S.G.F.C.I.

On April 26, 2012 BACS Banco de Crédito y Securitización S.A. acquired 85% of the shares belonging to BACS Administradora de activos S.A. S.G.F.C.I. (former FCMI Argentina Financial Corporation S.A. S.G.F.C.I.). The purchase price was Ps. 6 million.

Pursuant to Argentine Central Bank rules, and due to the difference between the acquisition cost and the estimated fair value of assets and liabilities acquired as of April 30, 2012, a goodwill amounting to Ps. 4,728 was recorded under Intangible Assets – Goodwill. This goodwill is subsequently charged to income on a straight-line basis during 120 months. As of June 30, 2015 and 2014 the Bank recorded such balance which amounted to Ps. 3,231 and Ps. 3,704, respectively.

Under U.S. GAAP, ASC 805 requires the acquisition of controlling interest of BACS Administradora de activos S.A. S.G.F.C.I. (former FCMI Argentina Financial Corporation S.A. S.G.F.C.I.) to be accounted for as a business

combination applying the purchase method, recognizing all net assets acquired at their fair value.

Goodwill amortization, under Argentine Banking GAAP has been reversed for U.S. GAAP purposes.

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i. Impairment of fixed assets and foreclosed assets

Under Argentine Banking GAAP, fixed assets and foreclosed assets are restated for inflation using the WPI index at February 28, 2003. As such, the balances of fixed assets and foreclosed assets were increased approximately 120%.

In accordance with ASC 360-10 such assets are subject to impairment tests in certain circumstances. Because projected cash flows associated with fixed assets and foreclosed assets are insufficient to recover the restated carrying amounts of the assets, those assets should be tested for impairment. During 2002, in the absence of credible market values for our fixed and foreclosed assets, the Bank under U.S. GAAP reversed the restatement of fixed and foreclosed assets.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

As of June 2015 and 2014, no additional impairment was recorded in fixed and foreclosed assets.

Shareholders' equity adjustment between Argentine Banking GAAP and U.S. GAAP as of June 30, 2015 and 2014 amounted to Ps. (37,379) and Ps. (38,323), respectively. The differences between periods are due to depreciation recorded under Argentine Banking GAAP.

j. Non-controlling interest

Argentine Banking GAAP rules require recording non-controlling interests as a component of the liabilities. ASC 810 requires recording such interests as shareholders' equity. In addition, the U.S. GAAP adjustment represents the allocation to the non-controlling interest of non-wholly owned subsidiaries of certain U.S. GAAP adjustments related to such subsidiaries.

k. Vacation Provision

The Bank's policy for vacation benefits is to expense such benefits as taken. For U.S. GAAP purposes, the vacation accrual is based on an accrual basis, where earned but untaken vacation is recognized as a liability.

Shareholders' equity adjustment between Argentine Banking GAAP and U.S. GAAP as of June 30, 2015 and 2014 amounted to Ps. (57,634) and Ps. (40,332), respectively.

l. Insurance Technical reserve

Until September 2003, the calculation of the local technical reserves performed by the Bank was the same as that used under U.S. GAAP.

On September 2003, the National Insurance Superintendency issued certain regulations on the calculation of reserves introducing changes to the local regulations. For U.S. GAAP purposes the Bank has accounted these insurance technical reserves under ASC 944.

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Therefore, the technical reserves for the twelve-month periods ended June 30, 2015 and 2014 were adjusted for U.S. GAAP purposes. Shareholders' equity adjustment as of June 30, 2015 and 2014 amounted to Ps. (339) and Ps. (3,119), respectively.

m. Capitalization of interest cost

Under Argentine Banking GAAP, during the process of construction of an asset the capitalization of interest is not recognized.

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For U.S. GAAP purposes, as stated in ASC 835-20 the amount of interest cost to be capitalized for qualifying assets is intended to be that portion of the interest cost incurred during the assets' acquisition periods that theoretically could have been avoided (for example, by avoiding additional borrowings or by using the funds expended for the assets to repay existing borrowings) if expenditures for the assets had not been made.

The amount capitalized in an accounting period shall be determined by applying an interest rate to the average amount of accumulated expenditures for the asset during the period. The capitalization rates used in an accounting period shall be based on the rates applicable to borrowings outstanding during the period.

The total amount of interest cost capitalized in an accounting period shall not exceed the total amount of interest cost incurred by the enterprise in that period.

Shareholders' Equity adjustment between Argentine Banking GAAP and U.S. GAAP as of June 30, 2015 and 2014 amounted to Ps. 4,001 and Ps. 3,226, respectively.

n. Deferred Income Tax

Argentine Banking GAAP requires income taxes to be recognized on the basis of amounts due in accordance with Argentine tax regulations. Temporary differences between the financial reporting and income tax bases of accounting are therefore not considered in recognizing income taxes.

In accordance with ASC 740-10 under U.S. GAAP income taxes are recognized on the liability method whereby deferred tax assets and liabilities are established for temporary differences between the financial reporting and tax bases of our assets and liabilities. Deferred tax assets are also recognized for tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recorded or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized for that component of net deferred tax assets which is "more likely than not" that it will not be recoverable.

As of June 30, 2015 and 2014, and based on the tax projections performed, the Bank believes that is more likely than not that it will recover the net operating tax loss carry forward and all the temporary differences, with future taxable income.

In a consolidated basis, the Bank has recognized a shareholders' equity adjustment between Argentine Banking GAAP and U.S. GAAP that amounted to Ps. 258,903 and Ps. 214,230, as of June 30, 2015 and 2014, respectively.

ASC 740 prescribes a comprehensive model for the recognition, measurement, financial statement presentation and disclosure of uncertain tax positions taken or expected to be taken in a tax return. Additionally, it provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2015, there were no uncertain tax positions.

The Bank classifies income tax-related interest and penalties as income taxes in the financial statements. The adoption of this pronouncement had no effect on the Bank's overall financial position or results of operations.

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The following table shows the tax years open for examination as of June 30, 2015, by major tax jurisdictions in which the Bank operates:

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Jurisdiction Tax year
Argentina 2010 – 2014

o. Items in process of collection

The Bank does not give accounting recognition to checks drawn on the Bank or other banks, or other items to be collected until such time as the related item clears or is accepted. Such items are recorded by the Bank in memorandum accounts. U.S. banks, however, account for such items through balance sheet clearing accounts at the time the items are presented to the Bank.

The Bank's assets and liabilities would be increased by approximately Ps. 137,944 and Ps. 163,304, had U.S. GAAP been applied at June 30, 2015 and 2014, respectively.

II. Additional disclosure requirements:

p. Fair Value Measurements Disclosures

ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Effective January 2010, the Bank adopted new accounting guidance under ASC 820 that requires additional disclosures including, among other things, (i) the amounts and reasons for certain significant transfers among the three hierarchy levels of inputs, (ii) the gross, rather than net, basis for certain level 3 roll forward information, (iii) use of a "class" rather than a "major category" basis for assets and liabilities, and (iv) valuation techniques and inputs used to estimate level 2 and level 3 fair value measurements.

In addition, ASC 820-10 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows.

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Determination of fair value

Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models that use primarily market-based or independently-sourced market parameters, including interest rate yield curves, option volatilities and currency rates. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments include amounts to reflect counterparty credit quality, the Bank's creditworthiness, liquidity and unobservable parameters that are applied consistently over time.

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The Bank believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following section describes the valuation methodologies used by the Bank to measure various financial instruments at fair value, including an indication of the level in the fair-value hierarchy in which each instrument is generally classified. Where appropriate, the description includes details of the valuation models, the key inputs to those models as well as any significant assumptions.

Assets (by Class of asset)

a) Securities

As of June 30, 2015 and 2014 the Bank's securities are classified within level 1 of the valuation hierarchy using quoted prices available in the active market. Level 1 securities includes government bonds and instruments issued by BCRA and corporate securities. Furthermore the Bank's instruments issued by BCRA with no volatility published by the BCRA and bills issued by Provincial Governments are classified within Level 2 using quoted prices available of similar assets.

b) Securities receivable under repurchase agreements

The Bank's securities receivable under repurchase agreements which do not qualify for sale accounting for U.S. GAAP purposes, are classified within level 1 of the valuation hierarchy. To estimate the fair value of these securities, quoted prices are available in an active market.

c) Derivatives

The fair value of level 1 derivative positions are determined using quoted market prices. The fair value of level 2 derivative positions are determined using internally developed models that utilize market observable parameters.

Liabilities (by Class of liability)

d) Derivatives

The fair value of level 1 derivative positions are determined using quoted market prices.

The following table presents the financial instruments, by class of asset and liabilities, carried at fair value as of June 30, 2015 and 2014, by ASC 820-10 valuation hierarchy (as described above).

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	Balances as of June 30, 2015			
	Total carrying value	Quoted market prices in active markets (Level 1)	Internal models with significant observable market parameters (Level 2)	Internal models with significant unobservable market parameters (Level 3)
ASSETS				
Government and corporate securities				
Trading securities	1,244,278	1,244,278	-	-
Available for sale securities	1,210,421	729,986	480,435	-
Instruments issued by the BCRA	2,422,813	672,239	1,750,574	-
Corporate securities	430,855	430,855	-	-
Other receivables from financial transactions				
Trading securities	231,366	231,366	-	-
Available for sale securities	231,400	231,117	283	-
Futures	182	182	-	-
Interest rate swaps	575	575	-	-
Miscellaneous assets				
Trading securities	162,759	162,759	-	-
TOTAL ASSETS AT FAIR VALUE	5,934,649	3,703,357	2,231,292	-
LIABILITIES				
Other obligations from financial transactions				
Trading securities	(105,684)	(105,684)	-	-
Available for sale securities	(247,143)	(247,143)	-	-
Futures	(687)	(687)	-	-
Interest rate swaps	(512)	(512)	-	-
Deposits				
Trading securities	(99,515)	(99,515)	-	-
Available for sale securities	(16,288)	(16,288)	-	-
TOTAL LIABILITIES AT FAIR VALUE	(469,829)	(469,829)	-	-

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	Balances as of June 30, 2014			
	Total carrying value	Quoted market prices in active markets (Level 1)	Internal models with significant observable market parameters (Level 2)	Internal models with significant unobservable market parameters (Level 3)
ASSETS				
Government and corporate securities				
Trading securities	1,316,864	1,316,864	-	-
Available for sale securities	486,322	437,566	48,756	-
Instruments issued by the BCRA	1,704,354	354,542	1,349,812	-
Corporate securities	345,565	345,565	-	-
Other receivables from financial transactions				
Trading securities	1,279	1,279	-	-
Available for sale securities	58,015	58,015	-	-
Forwards	33,794	-	33,794	-
Futures	6,766	6,766	-	-
TOTAL ASSETS AT FAIR VALUE	3,952,959	2,520,597	1,432,362	-
LIABILITIES				
Other obligations from financial transactions				
Futures	(7,911)	(7,911)	-	-
TOTAL LIABILITIES AT FAIR VALUE	(7,911)	(7,911)	-	-

q. Credit Risk disclosures

Allowance for credit losses and recorded investments in financial receivables

The following table presents the allowance for account receivables losses and the related carrying amount of Financing Receivables for the periods ended June 30, 2015 and 2014 respectively:

As of June 30, 2015		
Consumer Loan Portfolio	Commercial Loan	Total

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	Portfolio		
Allowance for credit losses:			
Ending balance: individually evaluated for impairment	Ps. -	Ps. 26,410	Ps. 26,410
Ending balance: collectively evaluated for impairment	683,323	25,202	708,525
Ending Balance	Ps. 683,323	Ps. 51,612	Ps. 734,935
Financing receivables:			
Ending balance: individually evaluated for impairment	-	Ps. 44,496	Ps. 44,496
Ending balance: collectively evaluated for impairment	15,266,470	6,853,897	22,120,367
Ending Balance	Ps. 15,266,470	Ps. 6,898,393	Ps. 22,164,863

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	As of June 30, 2014		
	Consumer Loan Portfolio	Commercial Loan Portfolio	Total
Allowance for credit losses:			
Ending balance: individually evaluated for impairment	Ps. -	Ps. 11,296	Ps. 11,296
Ending balance: collectively evaluated for impairment	581,920	3,440	585,360
Ending Balance	Ps. 581,920	Ps. 14,736	Ps. 596,656
Financing receivables:			
Ending balance: individually evaluated for impairment	Ps. -	Ps. 24,323	Ps. 24,323
Ending balance: collectively evaluated for impairment	11,592,745	6,182,266	17,775,011
Ending Balance	Ps. 11,592,745	Ps. 6,206,589	Ps. 17,799,334

The activity in the allowance for loan losses for period is as follows:

	As of June 30,	
	2015	2014
Allowance for credit losses:		
Beginning Balance	Ps. 596,656	Ps. 508,654
Charge-offs	(267,694)	(245,023)
Provision for loan losses	405,973	333,025
Ending Balance	Ps. 734,935	Ps. 596,656

Account receivable charge-off and recoveries

Under Argentine GAAP, recoveries on previously charge-off account receivable are recorded directly to income and the amount of charge-off account receivable in excess of amounts specifically allocated is recorded as a direct charge to the income statement. The Bank does not partially charge off troubled account receivable until final disposition of the credit, rather, the allowance is maintained on a credit-by-credit basis for its estimated settlement value. Under U.S. GAAP, all charge off and recovery activity is recorded through the allowance for account receivable losses account. Further, account receivables are generally charged to the allowance account when all or part of the credit is considered uncollectible.

Impaired loans

ASC 310, requires a creditor to measure impairment of a loan based on the present value of expected future cash flows discounted at the loan's effective interest rate, or at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. This Statement is applicable to all loans (including those restructured in a troubled debt restructuring involving amendment of terms), except large groups of smaller-balance homogenous loans that are collectively evaluated for impairment. Loans are considered impaired when, based on Management's evaluation, a borrower will not be able to fulfill its obligation under the original loan terms.

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The following table discloses the amounts of loans considered impaired in accordance with ASC 310 updated by ASU 2010 - 20, as of June 30, 2015 and 2014:

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	As of June 30, 2015		
	Recorded	Unpaid Principal	Related
	Investment	Balance	Allowance
With no related allowance recorded:			
Commercial			
Impaired Loans	Ps. -	Ps. -	Ps. -
With an allowance recorded:			
Commercial			
Impaired Loans	Ps. 44,496	Ps. 37,658	Ps. 26,410
Total	Ps. 44,496	Ps. 37,658	Ps. 26,410

	As of June 30, 2014		
	Recorded	Unpaid Principal	Related
	Investment	Balance	Allowance
With no related allowance recorded:			
Commercial			
Impaired Loans	Ps. -	Ps. -	Ps. -
With an allowance recorded:			
Commercial			
Impaired Loans	Ps. 24,323	Ps. 21,441	Ps. 11,296
Total	Ps. 24,323	Ps. 21,441	Ps. 11,296

The average recorded investment in impaired loans amounted Ps. 42,349 and Ps. 23,971, as of June 30, 2015 and 2014, respectively. There is no amount of interest income recognized during the time within the period that the loans were impaired.

Non-accrual accounts receivables and Past due

Non-Accrual loans are defined as those loans in the categories of: (a) Consumer portfolio: "Medium Risk", "High Risk" and "Uncollectible", and (b) Commercial portfolio: "With problems", "High Risk of Insolvency" and "Uncollectible".

The following table represents the amounts of nonaccruals, as of June 30, 2015 and 2014, respectively:

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	As of June 30,	
	2015	2014
Consumer		
Advances	Ps. 187	Ps. 566
Mortgage Loans	30,739	37,955
Personal Loans – BHSA	88,514	74,950
Personal Loans – Financial trusts	52,827	-
Credit Card Loans – BHSA	115,792	104,200
Credit card Loans – Tarshop	109,319	117,809
Total Consumer	Ps. 397,378	Ps. 335,480
Commercial		
Performing Loans	Ps.	Ps. -
Impaired Loans	44,496	24,323
Total Commercial	Ps. 44,496	Ps. 24,323
Total Non accrual loans	Ps. 441,874	Ps. 359,803

An aging analysis of past due account receivables, segregated by class of account receivables, as of June 30, 2015 and 2014 was as follows:

	As of June 30, 2015				Total Greater than 360	Total Current Past Due	Total Financing
	30-90 Days Past Due	91-180 Days Past Due	181-360 Days Past Due				
Consumer							
Advances	904	119	62	6	1,091	17,846	18,937
Mortgage Loans	24,196	6,707	4,350	19,682	54,935	2,662,466	2,717,401
Personal Loans – BHSA	74,437	40,349	47,916	249	162,951	2,449,316	2,612,267
Personal Loans – Financial trusts	94,144	31,334	21,030	463	146,971	727,455	874,426
Credit Card Loans – BHSA	58,835	53,133	62,318	341	174,627	7,349,464	7,524,091
Credit card Loans – Tarshop	112,302	49,500	53,187	6,632	221,621	1,297,727	1,519,348
Total Consumer Loans	364,818	181,142	188,863	27,373	762,196	14,504,274	15,266,470
Commercial:							
Performing Loans	1,568	-	-	-	1,568	6,852,329	6,853,897
Impaired loans	-	173	11,402	32,921	44,496	-	44,496
Total Commercial Loans	1,568	173	11,402	32,921	46,064	6,852,329	6,898,393
Total	366,386	181,315	200,265	60,294	808,260	21,356,603	22,164,863

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	As of June 30, 2014				Total Past Due	Current	Total Financing
	30-90 Days	91-180 Days	181-360 Days	Greater than 360			
	Past Due	Past Due	Past Due	Past Due			
Consumer							
Advances	837	111	131	324	1,403	24,648	26,051
Mortgage Loans	27,812	7,235	5,403	25,317	65,767	2,801,484	2,867,251
Personal Loans	78,819	36,785	37,735	430	153,769	1,937,243	2,091,012
Credit Card Loans – BHSA	71,613	54,950	49,225	25	175,813	5,009,921	5,185,734
Credit card Loans – Tarshop	156,447	57,833	55,617	4,359	274,256	1,148,441	1,422,697
Total Consumer Loans	335,528	156,914	148,111	30,455	671,008	10,921,737	11,592,745
Commercial:							
Performing Loans	164	-	-	-	164	6,182,102	6,182,266
Impaired loans	-	1,777	5,550	16,996	24,323	-	24,323
Total Commercial Loans	164	1,777	5,550	16,996	24,487	6,182,102	6,206,589
Total	335,692	158,691	153,661	47,451	695,495	17,103,839	17,799,334

Financial receivables that are past due 90 days or more do not accrue interests.

Credit Quality

The following tables contain the loan portfolio classification by credit quality indicator set forth by the Argentine Central Bank.

Commercial Portfolio:

Loan Classification Description

1. **Normal Situation** The debtor is widely able to meet its financial obligations, demonstrating significant cash flows, a liquid financial situation, an adequate financial structure, a timely payment record, competent management, available information in a timely, accurate manner and satisfactory internal controls. The debtor is in a sector of activity that is operating properly and has good prospects.
2. **With Special Follow-up** Cash flow analysis reflects that the debt may be repaid even though it is possible that the customer's future payment ability may deteriorate without a proper follow-up.
This category is divided into two subcategories:
(2.a). Under Observation;
(2.b). Under Negotiation or Refinancing Agreements.
3. **With Problems** Cash flow analysis evidences problems to repay the debt, and therefore, if these problems are not solved, there may be some losses.
4. **High Risk of Insolvency** Cash flow analysis evidences that repayment of the full debt is highly unlikely.
5. **Uncollectible** The amounts in this category are deemed total

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losses. Even though these assets may be recovered under certain future circumstances, inability to make payments is evident at the date of the analysis. It includes loans to insolvent or bankrupt borrowers.

Credit quality indicators for the commercial portfolio are reviewed, at a minimum, on an annual basis.

Consumer Portfolio:

Loan Classification Description

1. Normal Situation Loans with timely repayment or arrears not exceeding 31 days, both of principal and interest.
2. Low Risk Occasional late payments, with a payment in arrears of more than 32 days and up to 90 days. A customer classified as "Medium Risk" having been refinanced may be recategorized within this category, as long as he amortizes one principal installment (whether monthly or bimonthly) or repays 5% of principal.
3. Medium Risk Some inability to make payments, with arrears of more than 91 days and up to 180 days. A customer classified as "High Risk" having been refinanced may be recategorized within this category, as long as he amortizes two principal installments (whether monthly or bimonthly) or repays 5% of principal.
4. High Risk Judicial proceedings demanding payment have been initiated or arrears of more than 180 days and up to one year. A customer classified as "Uncollectible" having been refinanced may be recategorized within this category, as long as he amortizes three principal installments (whether monthly or bimonthly) or repays 10% of principal.
5. Uncollectible Loans to insolvent or bankrupt borrowers, or subject to judicial proceedings, with little or no possibility of collection, or with arrears in excess of one year.

Credit quality indicators for the consumer portfolio are reviewed on a monthly basis.

The following table shows the account receivable balances categorized by credit quality indicators for the periods ended June 30, 2015 and 2014:

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	As of June 30, 2015					Total
	"1"	"2"	"3"	"4"	"5"	
	Normal Situation	With special follow-up or Low Risk	With problems or Medium Risk	High risk of insolvency or High risk	Uncollectible	
Consumer						
Advances	17,846	904	119	62	6	18,937
Mortgage Loans	2,662,466	24,196	6,707	4,350	19,682	2,717,401
Personal Loans – BHSA	2,449,316	74,437	40,349	47,916	249	2,612,267
Personal Loans – Financial trusts	796,527	24,931	31,418	21,550	-	874,426
Credit Card Loans – BHSA	7,349,464	58,835	53,133	62,318	341	7,524,091
Credit card Loans – Tarshop	1,297,727	112,302	49,500	53,187	6,632	1,519,348
Total Consumer Loans	14,573,346	295,605	181,226	189,383	26,910	15,266,470
Commercial:						
Performing loans	6,852,329	1,568	-	-	-	6,853,897
Impaired loans	-	-	173	11,402	32,921	44,496
Total Commercial Loans	6,852,329	1,568	173	11,402	32,921	6,898,393
Total Financing Receivables	21,425,675	297,173	181,399	200,785	59,831	22,164,863

	As of June 30, 2014					Total
	"1"	"2"	"3"	"4"	"5"	
	Normal Situation	With special follow-up or Low Risk	With problems or Medium Risk	High risk of insolvency or High risk	Uncollectible	
Consumer						
Advances	24,648	837	111	131	324	26,051
Mortgage Loans	2,801,484	27,812	7,235	5,403	25,317	2,867,251
Personal Loans	1,937,243	78,819	36,785	37,735	430	2,091,012
Credit Card Loans – BHSA	5,009,921	71,613	54,950	49,225	25	5,185,734
Credit card Loans – Tarshop	1,148,441	156,447	57,833	55,617	4,359	1,422,697
Total Consumer Loans	10,921,737	335,528	156,914	148,111	30,455	11,592,745
Commercial:						
Performing loans	6,182,102	164	-	-	-	6,182,266
Impaired loans	-	-	1,777	5,550	16,996	24,323
Total Commercial Loans	6,182,102	164	1,777	5,550	16,996	6,206,589
Total Financing Receivables	17,103,839	335,692	158,691	153,661	47,451	17,799,334

Troubled debt restructuring

According to BCRA regulations, a refinancing is considered to exist whenever any of the original contractually agreed conditions for a financing transaction (term, capital, interest or rate) are modified.

We concluded that all our refinanced loans comply with the conditions for considering them as troubled debt restructuring (“TDR”) as defined under U.S. GAAP. In accordance with ASC 310-40 a restructured loan is considered a TDR if the debtor is experiencing financial difficulties and the

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Bank grants a concession to the debtor that would not otherwise be considered. Concessions granted could include: reduction in interest rate to rates that are considered below market, extension of repayment schedules and maturity dates beyond original contractual terms.

The following table presents for the financing receivables modified as troubled debt restructurings within during the last two periods:

	As of June 30, 2015	
	Number Outstanding of contracts	Post-modification recorded investment
Consumer		
Advances	63	Ps. 1,463
Mortgage Loans	174	4,490
Personal Loans	6,921	160,312
Credit Card Loans – BHSA	21,472	245,522
Credit card Loans – Tarshop	15,512	92,758
Total Consumer	44,142	Ps. 504,545
Commercial		
Performing Loans	-	Ps. -
Impaired Loans	-	-
Total Commercial	-	Ps. -
Total TDRs	44,142	Ps. 504,545

	As of June 30, 2014	
	Number Outstanding of contracts	Post-modification recorded investment
Consumer		
Advances	52	Ps. 987
Mortgage Loans	110	3,602
Personal Loans	4,140	79,250
Credit Card Loans – BHSA	1,209	14,749
Credit card Loans – Tarshop	18,553	89,655
Total Consumer	24,064	Ps. 188,243
Commercial		
Performing Loans	-	Ps. -

Impaired Loans	-	-
Total Commercial	-	Ps. -
Total TDRs	24,064	Ps. 188,243

The following table presents for, the financing receivables modified as troubled debt restructurings within the previous 12 months and for which there was a payment default during that period. We consider a TDR that have subsequently defaulted if the borrower has failed to make payments of either principal, interest or both for a period of 90 days or more from contractual due date.

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	As of June 30, 2015		2014	
	Number of contracts	Recorded investment	Number of contracts	Recorded investment
Consumer				
Advances	10	Ps. 197	6	Ps. 85
Mortgage Loans	25	783	22	490
Personal Loans	1,116	21,602	469	6,816
Credit Card Loans – BHSA	672	7,923	590	6,262
Credit card Loans – Tarshop	5,146	26,253	8,571	41,835
Total Consumer	6,969	Ps. 56,758	9,658	Ps. 55,488
Commercial				
Performing Loans	-	Ps. -	-	Ps. -
Impaired Loans	-	-	-	-
Total Commercial	-	Ps. -	-	Ps. -
Total TDRs that subsequently defaulted	6,969	Ps. 56,758	9,658	Ps. 55,488

Allowance for Credit Losses

Accounts receivable balances are classified as uncollectible and written off from the Consolidated Balance Sheet when 365 days past due and subsequently recorded in memorandum accounts.

The activity in the allowance for accounts receivables losses under U.S. GAAP for the fiscal periods ended June 30, 2015 and 2014 was as follows:

	Argentine Banking GAAP	U.S. GAAP	Adjustment
June 30, 2014	Ps. 406,818	Ps. 596,656	Ps. (189,838)
Variations	107,576	138,279	(30,703)
June 30, 2015	Ps. 514,394	Ps. 734,935	Ps. (220,541)

r. Comprehensive income

ASC 220 establishes standards for reporting and disclosure of comprehensive income and its components (revenues, expenses, gains and losses) in the financial statements. Comprehensive income is the total of net income and other charges or credits to equity that are not the result of transactions with owners.

The following disclosure presented for the twelve-month periods ended June 30, 2015, 2014 and 2013, shows all periods in Argentine Banking GAAP format reflecting U.S. GAAP income and comprehensive statement adjustments.

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	June 30, 2015	2014	2013
Income Statement			
Financial income	Ps. 5,559,510	Ps. 4,666,910	Ps. 2,418,505
Financial expenses	(3,241,306)	(2,399,052)	(1,281,120)
Net financial income	Ps. 2,318,204	Ps. 2,267,858	Ps. 1,137,385
Provision for loan losses	(405,973)	(333,025)	(258,629)
Income from services	3,264,698	2,145,423	1,365,116
Expenses for services	(768,870)	(682,638)	(290,908)
Administrative expenses	(3,411,162)	(2,380,651)	(1,621,522)
Net income from financial transactions	Ps. 996,897	Ps. 1,016,967	Ps. 331,442
Miscellaneous income	317,530	188,928	193,422
Miscellaneous expenses	(466,554)	(286,596)	(168,735)
Income before income taxes and Non-controlling interest	Ps. 847,873	Ps. 919,299	Ps. 356,129
Income taxes	(332,940)	(314,005)	(96,586)
Net income under U.S. GAAP	Ps. 514,933	Ps. 605,294	Ps. 259,543
Less Net (Loss) attributable to the Non-controlling interest	4,369	10,284	(8,834)
Net income attributable Controlling interest in accordance with U.S. GAAP	Ps. 519,302	Ps. 615,578	Ps. 250,709
Other comprehensive income (loss):			
Unrealized gains (loss) on securities	15,591	22,283	(7,377)
Other comprehensive income (loss)	Ps. 15,591	Ps. 22,283	Ps. (7,377)
Comprehensive income	Ps. 534,893	Ps. 637,861	Ps. 243,332

s. Risks and Uncertainties

All transactions involving the purchase of foreign currency must be settled through the single free exchange market (Mercado Único Libre de Cambios, or "MULC") where the Central Bank supervises the purchase and sale of foreign currency. Under Executive Branch Decree No. 260/2002, the Argentine government set up an exchange market through which all foreign currency exchange transactions are made. Such transactions are subject to the regulations and requirements imposed by the Central Bank. Under Communication "A" 3471, as amended, the Central Bank established certain restrictions and requirements applicable to foreign currency exchange transactions. If such restrictions and requirements are not met, criminal penalties shall be applied.

On October 28, 2011, the Federal Administration of Public Revenues (Administración Federal de Ingresos Públicos, "AFIP") established an Exchange Transactions Inquiry Program ("Inquiry Program") through which the entities authorized by the Central Bank to deal in foreign exchange must inquire and register through an IT system the total peso amount of each exchange transaction at the moment it is closed. All foreign exchange sale transactions, whether involving foreign currency or banknotes, irrespective of their purpose or allocation, are subject to this inquiry and registration system, which determines whether Transactions are "Validated" or "Inconsistent".

Pursuant to Communication "A" 5239, afterward replaced by Communication "A" 5245, in the case of sales of foreign exchange (foreign currency or banknotes) for the formation of off-shore

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assets by residents without the obligation of subsequently allocating it to specific purpose, entities authorized to deal in foreign exchange may only allow transactions through the MULC by those clients who have obtained the validation and who comply with the rest of the requirements set forth in the applicable foreign exchange regulations. Sales of foreign exchange other than for the formation of off-shore assets by residents without a specific purpose are also exempted from the Inquiry Program, although, the financial entities must verify that the other requirements established by the MULC are accomplished.

According to Communication "A" 5264, as amended, in general terms the access to the foreign exchange market for resident in order to pay services, debts and profits to non-residents has no limits or restrictions. The access to the MULC requires the filing of certain documentation by residents evidencing the validity of transactions for which the funds are purchase for its remittance abroad. Communication "A" 5236, item 4.2. which regulated the outflow of fund allowing residents to access to the MULC for the formation of off-shore assets without a specific allocation by residents has been suspended and, up to now, the Central Bank has not issued any other measure or provisions in this regard.

On August 6, 2012, Resolution #3210 was replaced by Resolution #3356 enacted by AFIP. This resolution sets forth more restrictions for the access to the foreign exchange market, in particular for the outflow of funds made by residents. Both resolutions (3210 and 3356) are related with Communications "A" 5239 (currently abrogated) and 5245.

The Argentine government may, in the future, impose additional controls on the foreign exchange market and on capital flows from and into Argentina, in response to capital flight or depreciation of the Peso. These restrictions may have a negative effect on the economy and on our business if imposed in an economic environment where access to local capital is constrained.

t. U.S. GAAP estimates

Valuation reserves, impairment charges and estimates of market values on assets and step up bonds discounting, as established by the Bank for U.S. GAAP purposes are subject to significant assumptions of future cash flows and interest rates for discounting such cash flows. Losses on the exchange of government and provincial bonds were significantly affected by higher discount rates. Should the discount rates change in future years, the carrying amounts and charges to income and shareholders' equity deficit will also change. In addition, as estimates of future cash flows change, so too will the carrying amounts which are dependent on such cash flows. It is possible that changes to the carrying amounts of loans, investments and other assets will be adjusted in the near term in amounts that are material to the Bank's financial position and results of income.

u. Allowance for loan losses

Management believes that the current level of allowance for loan losses recorded for U.S. GAAP purposes are sufficient to cover incurred losses of the Bank's loan portfolio as of June 30, 2015 and 2014. Many factors can affect the Bank's estimates of allowance for loan losses, including expected cash flows, volatility of default probability, migrations and estimated loss severity. The process of determining the level of the allowance for credit losses requires a high degree of judgment. It is possible that others, given the same information, may at any point in time reach different reasonable conclusions. If market conditions and economic uncertainties exist, it might result in higher credit losses and provision for credit losses in future periods.

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35. New authoritative pronouncements

During the twelve-months ended June 30, 2015, the FASB has issued Accounting Standards Updates. Those updates applicable for the Bank are mentioned below:

ASU No. 2014-13

In August 2014, the FASB issued de Accounting Standards Update No. 2014-13 “Consolidation” (ASC 810). After transition, the amendments in this Update apply to a reporting entity that is required to consolidate a collateralized financing entity under the Variable Interest Entities Subsections of Subtopic 810-10 when (1) the reporting entity measures all of the financial assets and the financial liabilities of that consolidated collateralized financing entity at fair value in the consolidated financial statements based on other Topics and (2) the changes in the fair values of those financial assets and financial liabilities are reflected in earnings.

The amendments in this Update are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. For entities other than public business entities, the amendments in this Update are effective for annual periods ending after December 15, 2016, and interim periods beginning after December 15, 2016. Early adoption is permitted as of the beginning of an annual period.

The Bank considers this ASU has not any significant effect in the US GAAP disclosures and financial information.

ASU No. 2014-14

The Accounting Standards Update No. 2014-14 “Receivables – Troubled Debt Restructuring by Creditors (ASC 310-40)” was issued by the FASB in August 2014. The amendments in this Update affect creditors that hold government-guaranteed mortgage loans and require that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if some conditions are met. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor.

The objective of this Update is to reduce diversity in practice by addressing the classification of foreclosed mortgage loans that are fully or partially guaranteed under government programs. Currently, some creditors reclassify those loans to real estate as with other foreclosed loans that do not have guarantees; others reclassify the loans to other receivables. periods, beginning after December 15, 2014.

In conclusion, the impact of adoption this ASU has not any significant effect in the present US GAAP financial information and disclosures. However, the Bank is in the process of evaluating the impact deriving from the current update for future periods.

ASU No. 2014-16

In November 2014, the FASB issued ASU No. 2014-16 “Derivatives and Hedging (Topic 815)”. The amendments in this Update apply to all entities that are issuers of, or investors in, hybrid financial instruments that are issued in the form of a share.

The amendments in this Update do not change the current criteria in GAAP for determining when separation of certain embedded derivative features in a hybrid financial instrument is required. That is, an entity will continue to

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evaluate whether the economic characteristics and risks of the embedded derivative feature are clearly and closely related to those of the host contract, among other relevant criteria. The amendments clarify how current GAAP should be interpreted in evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share. Specifically, the amendments clarify that an entity should

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consider all relevant terms and features' including the embedded derivative feature being evaluated for bifurcations in evaluating the nature of the host contract. Furthermore, the amendments clarify that no single term or feature would necessarily determine the economic characteristics and risks of the host contract. Rather, the nature of the host contract depends upon the economic characteristics and risks of the entire hybrid financial instrument.

The impact of this ASU has not any significant effect in the US GAAP disclosures and financial information for the Bank. The amendments in this Update do not change the current criteria in GAAP for determining when separation of certain embedded derivative features in a hybrid financial instrument is required.

ASU No. 2014-17

The FASB issued in November 2014 the Accounting Standard Update No. 2014-17 "Business Combinations (Topic 805)". The objective of this Update is to provide guidance for determining whether and at what threshold an acquirer (acquired entity) that is a business or nonprofit activity can reflect the acquirer's accounting and reporting basis (pushdown accounting) in its separate financial statements.

This Update provides an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. An acquired entity may elect the option to apply pushdown accounting in the reporting period in which the change-in-control event occurs. If an acquired entity elects the option to apply pushdown accounting in its separate financial statements, it should disclose information in the current reporting period that enables users of financial statements to evaluate the effect of pushdown accounting.

Current GAAP offers limited guidance for determining whether and at what threshold pushdown accounting should be established in an acquired entity's separate financial statements.

The Bank considers this ASU has not any significant effect in the US GAAP disclosures and financial information.

ASU No. 2014-18

During December 2014, the FASB issued the Accounting Standards Update No. 2014-18 "Business Combinations (Topic 805)". The objective of the amendments in this Update is to address the concerns of private company stakeholders that the benefits of the current accounting for identifiable intangible assets acquired in a business combination do not justify the related costs. The amendments provide guidance about an accounting alternative for recognizing or otherwise considering the fair value of identifiable intangible assets acquired as a result of certain specified transactions, including business combinations.

The impact of this Update has not any significant effect in the present US GAAP financial statements.

36. Subsequent events

Negotiable obligations

The following table shows the amount, interest rate and maturity date of each series issued after June 30, 2015:

BANCO HIPOTECARIO SA AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of and for the twelve-month periods ended June 30, 2015, 2014 and 2013

(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)

	Issue date	Maturity date	Annual interest rate
Banco Hipotecario S.A.			
Series XXX (Ps. 314,611)	09/04/15	03/04/17	a/bMixed (c)
Series XXXI (US\$. 14,730 thousand)	09/04/15	09/04/18	a 2.0%
BACS Banco de Crédito y Securitización S.A.			
Series VI (Ps. 141,666)	07/23/15	04/24/17	a/bMixed (d)
Tarshop S.A.			
Series XXII (Ps. 126,667)v	07/30/15	01/30/17	a 29.0%

(a) Fixed interest rate

(b) Variable interest rate

(c) Fixed rate of 28.25% on the first nine months and variable interest rate of Badlar+450bps from that moment on.

(d) Fixed rate of 27.5% on the first nine months and variable interest rate of Badlar+450bps from that moment on.

Tarshop's irrevocable capital contribution

On September 11, 2015, the Board of Directors of Banco Hipotecario S.A. approved an irrevocable capital contribution to Tarshop S.A. in the amount of Ps. 52,500 to be made by shareholders Banco Hipotecario S.A. and IRSA Propiedades Comerciales S.A. pro rata of their shareholdings.

NEW LIPSTICK LLC AND SUBSIDIARY
(A Limited Liability Company)

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INDEPENDENT AUDITORS REPORT

New Lipstick LLC and Subsidiary

We have audited the accompanying consolidated financial statements of New Lipstick LLC and Subsidiary, which comprise the balance sheets as of June 30, 2015 and 2014 the related statements of operations, changes in members' deficit and cash flows for the years ended June 30, 2015, 2014 and 2013, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of New Lipstick LLC and Subsidiary, as of June 30, 2015 and 2014, and the results of its operations and its cash flows for the years ended June 30, 2015, 2014, and 2013, in accordance with accounting principles generally accepted in the United States of America.

By: /s/Marks Paneth LLP
New York, NY

November 13, 2015

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NEW LIPSTICK LLC AND SUBSIDIARY
(A LIMITED LIABILITY COMPANY)

CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30,
(Amounts in US dollars)

ASSETS

	2015	2014
Real estate, net	\$ 140,469,010	\$ 142,358,747
Cash and cash equivalents	1,075,395	851,726
Tenant receivables, net of allowance for doubtful accounts of \$132,141 and \$7,264 respectively	344,104	422,944
Prepaid expenses and other assets	5,809,307	5,476,492
Due from related party	125,029	120,274
Restricted cash	3,477,967	6,155,597
Deferred rent receivable	8,856,399	6,938,578
Lease intangibles, net	26,533,839	30,012,973
Goodwill	5,422,615	5,422,615
Total	\$ 192,113,665	\$ 197,759,946

LIABILITIES AND MEMBERS' DEFICIT

Liabilities:		
Note payable	\$ 113,201,357	\$ 113,201,357
Accrued interest payable	316,216	313,950
Accounts payable and accrued expenses	3,031,831	1,584,699
Due to related parties	319,133	553,616
Deferred revenue	918,800	619,885
Tenants' security deposits	682,727	657,978
Deferred ground rent payable	136,727,666	108,312,912
Lease intangibles, net	42,365,499	45,279,291
Total liabilities	297,563,229	270,523,688
Members' deficit	(105,449,564)	(72,763,742)
Total	\$ 192,113,665	\$ 197,759,946

See Notes to Consolidated Financial Statements

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NEW LIPSTICK LLC AND SUBSIDIARY
(A LIMITED LIABILITY COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30,
(Amounts in US dollars)

	2015	2014	2013
Revenues			
Base rents	\$40,597,526	\$38,375,303	\$38,146,887
Tenant reimbursements and escalations	6,903,479	5,427,358	5,354,160
Other rental revenue	40,779	45,292	73,833
Other revenue	1,622	-	-
Interest income	-	-	625
Total	47,543,406	43,847,953	43,575,505
Expenses			
Real estate taxes	10,716,257	9,919,196	9,442,029
Utilities	2,927,214	2,598,340	2,511,198
Janitorial	2,056,750	2,157,449	2,054,086
Insurance	318,027	315,545	296,897
Repairs and maintenance	2,262,799	1,445,342	1,332,208
Bad debt expense	124,877	-	433,551
Security	1,047,372	912,362	846,602
General and administrative	835,373	829,010	875,597
Management fees	988,189	948,084	877,898
Elevator	311,875	286,013	174,475
HVAC	62,442	107,515	48,947
Tenant reimbursable costs	154,557	122,139	159,564
Ground rent	45,457,736	45,457,735	45,457,737
Interest expense	4,786,205	4,789,913	4,843,275
Amortization	3,005,570	3,087,330	2,947,812
Depreciation	5,599,278	4,886,008	4,428,733
Total	80,654,521	77,861,981	76,730,609
Net loss	\$(33,111,115)	\$(34,014,028)	\$(33,155,104)

See Notes to Consolidated Financial Statements

NEW LIPSTICK
LLC AND
SUBSIDIARY
(A LIMITED
LIABILITY
COMPANY)

CONSOLIDATED
STATEMENTS OF
CHANGES IN
MEMBERS'
DEFICIT
FOR THE YEARS
ENDED JUNE 30,
(Amounts in US
dollars)

	2015	2014	2013
Balance, beginning of years	\$(72,763,742)	\$(43,679,661)	\$(20,096,088)
Contributions from members	425,293	4,952,500	9,571,531
Distribution to member	-	(22,553)	-
Net loss	(33,111,115)	(34,014,028)	(33,155,104)
Balance, end of years	\$(105,449,564)	\$(72,763,742)	\$(43,679,661)

See Notes to Consolidated Financial Statements

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NEW LIPSTICK LLC AND SUBSIDIARY
(A LIMITED LIABILITY COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30,
(Amounts in US dollars)

	2015	2014	2013
Operating activities			
Net loss	\$(33,111,115)	\$(34,014,028)	\$(33,155,104)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization	3,005,570	3,087,330	2,947,812
Depreciation	5,599,278	4,886,008	4,428,733
Bad debt (recovery) expense	124,877	(3,827)	433,551
Deferred rent	(1,917,821)	(1,929,668)	(1,972,066)
Below market lease amortization	(2,475,983)	(2,821,032)	(3,287,160)
Above market lease amortization	1,442,682	1,544,576	1,548,129
Above market ground lease amortization	(437,809)	(437,809)	(437,808)
Deferred ground rent	28,414,754	28,822,593	29,220,501
Changes in operating assets and liabilities:			
Restricted cash	2,702,379	525,764	(2,616,256)
Due from related party	(4,755)	-	4,000
Tenant receivables	(46,037)	(86,094)	(78,989)
Prepaid expenses and other assets	(332,815)	(340,620)	(233,930)
Accrued interest payable	2,273	(3,019)	(3,332)
Accounts payable and accrued expenses	349,380	33,811	(569,720)
Due to related parties	(234,483)	208,304	34,445
Deferred leasing costs	(994,677)	(1,526,938)	(795,940)
Unearned revenue	298,915	310,488	51,876
Net cash (used in) provided by operating activities	2,384,613	(1,744,161)	(4,481,258)
Investing activities			
Additions to real estate	(2,586,237)	(3,700,979)	(4,934,785)
Net cash used in investing activities	(2,586,237)	(3,700,979)	(4,934,785)
Financing activities			
Note principal payments	-	(1,912)	(110,817)
Contributions from members	425,293	4,952,500	9,571,531
Net cash provided by financing activities	425,293	4,950,588	9,460,714
Net (decrease) increase in cash and cash equivalents	223,669	(494,552)	44,671
Cash and cash equivalents, beginning of years	851,726	1,346,278	1,301,607

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Cash and cash equivalents, end of years	\$1,075,395	\$851,726	\$1,346,278
Supplemental disclosure of cash flow information:			
Interest paid	\$4,783,939	\$4,792,932	\$4,846,607
Schedule of Noncash Investing Activities			
Real estate additions were financed through accounts payable	\$1,691,693	\$568,390	\$507,133
Deferred leasing costs additions were financed through accounts payable	\$90,308	\$115,867	\$-
Schedule of Noncash Financing Activities			
Lobby exhibit acquired in the year ended June 30, 2013, included in real estate, and transferred to a 49% member of the Company as a distribution.	\$-	\$22,553	\$-

See Notes to Consolidated Financial Statements

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New Lipstick LLC and Subsidiary
(A Limited Liability Company)
Notes to Consolidated Financial Statements
June 30, 2015, 2014 and 2013
(Amounts in US dollars)

NOTE 1: BUSINESS

Formation and Property Description

New Lipstick LLC (the "Company"), was organized as a Delaware limited liability company and commenced operations on November 3, 2010. The Company was formed among IRSA International, LLC ("IRSA"), Marciano Investment Group, LLC ("Marciano"), Avi Chicouri ("AVI"), Par Holdings, LLC ("PAR"), and Armenonville S.A. ("Armenonville"), collectively (the "Members"). On December 15, 2010, Armenonville assigned 100 percent of its membership interest to Lomas Urbanas S.A. IRSA is a wholly-owned subsidiary of TYRUS S.A. ("TYRUS"), a wholly-owned subsidiary of IRSA Inversiones y Representaciones Sociedad Anonima, a company whose shares are listed on the Buenos Aires and New York Stock Exchanges. The Company was formed in order to acquire 100% interest in Metropolitan 885 Third Avenue Leasehold LLC ("Metropolitan"), its wholly-owned subsidiary, and to provide management services to Metropolitan.

Metropolitan was organized for the purpose of acquiring and operating a 34 story Class A office tower commonly known as the Lipstick Building located at 885 Third Avenue in New York (the "Property"). Metropolitan leased the land which contains approximately 26,135 square feet. The Property was acquired on July 9, 2007 and contains approximately 635,800 square feet of rentable space, consisting of retail and office spaces.

On November 16, 2010 (the "Petition Date"), Metropolitan filed a voluntary pre-packaged plan of reorganization under Chapter 11 of Title 11 of the United States Bankruptcy Code (the "Chapter 11") in the Southern District of New York (the "Bankruptcy Court") including a disclosure statement and plan of reorganization (the "Plan"). The Plan provided for, among other things, the extinguishment of 100% of the shares of Metropolitan and the issuance of the membership interest to the Company. The Plan was approved by Metropolitan's members and the Bankruptcy Court approved the Plan on December 22, 2010 with an effective date of December 30, 2010 (the "Effective Date").

Metropolitan accounted for the reorganization using "fresh start accounting" effective December 30, 2010. Accordingly, the forgiveness of debt was reflected in the predecessor entity's final statement of operations and all assets and liabilities were restated to reflect their reorganization value.

The Company operates under the guidelines of an Operating Agreement (the "Agreement") entered into by the Members on November 15, 2010. The manager of the Company is Lipstick Management, LLC ("LM"), a company affiliated to IRSA.

The Agreement calls for Class A and Class B Members. Class A Members are IRSA, Marciano, and Armenonville and Class B Members are AVI and PAR.

Class B Membership interests of any Class B Member shall be automatically converted, in whole and not in part, into an equal number of Class A Membership interests on the earlier to occur of the date on which LM certifies that all unreturned additional Class A capital contributions and all unreturned Class A capital contributions have been reduced to zero.

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New Lipstick LLC and Subsidiary
(A Limited Liability Company)

Notes to Consolidated Financial Statements
June 30, 2015, 2014 and 2013
(Amounts in US dollars)

NOTE 1: BUSINESS (CONTINUED)

Formation and Property Description (continued)

Any Class A Member, as defined in the Agreement, may transfer, directly or indirectly, any or all of its percentage interest as a Member in the Company to an unaffiliated third party, but the offering Member must first offer the Right of First Offer ("ROFO") to each of the Class A Members by written notice specifying the cash price and the other terms and conditions of the offer. Upon receipt of the ROFO notice, each of the offeree members has the right, exercisable in ten (10) days, to accept or decline the offer.

The Company shall continue perpetually until dissolution, liquidation or termination.

The liability of the members of the Company is limited to the members' total contribution, plus any amounts guaranteed by the members.

The Company has adopted a fiscal year end of June 30.

The terms of the Agreement provide for initial capital contributions and percentage interests as follows:

	Percentage of Ownership	Initial Capital Contributions
IRSA International, LLC	49.00	\$ 15,417,925
Marciano Investment Group, LLC	42.00	13,215,365
Lomas Urbanas S.A.	2.27	714,259
Avi Chicouri	3.07	-
Par Holdings, LLC	3.66	-
Total	100.00	\$ 29,347,549

In accordance with the Agreement, the Members may be required to make additional capital contributions which are reasonably related to the operations and/or leasing of the Property and its activities. The Members contributed \$ 425,293, \$4,952,500, and \$9,571,531 for the years ended June 30, 2015, 2014, and 2013, respectively.

Distributions

Distribution of capital will be made to the Member at the times, and in aggregate amounts determined by the Board of Directors of the Company. Distributions amounted to \$22,553 for the year ended June 30, 2014. There were no distributions for the years ended June 30, 2015 and 2013.

Allocation of Profit and Losses

The Company's profits and losses are allocated to the Members.

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New Lipstick LLC and Subsidiary
(A Limited Liability Company)

Notes to Consolidated Financial Statements
June 30, 2015, 2014 and 2013
(Amounts in US dollars)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements of the Company include the accounts of New Lipstick LLC and its wholly-owned subsidiary Metropolitan.

All significant intercompany accounts and transactions have been eliminated.

Basis of Accounting

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

Management is required to use estimates and assumptions in preparing financial statements in conformity with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Real Estate

Real estate consists of building, building improvements and tenant improvements and is stated at cost. Building and improvements are depreciated over 39 years. Tenant improvements are depreciated over the shorter of the estimated useful life of the asset or the terms of the respective leases.

Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments are capitalized to building improvements and depreciated over their estimated useful lives.

The Company reviews its long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is determined by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the assets. If the carrying value of the assets exceeds such cash flows, the assets are considered impaired. The impairment charge to be recognized is measured by the amount by which the carrying amount of the assets exceeds their estimated fair value. No impairment was recorded for the years ended June 30, 2015 and 2014.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less upon acquisition to be cash equivalents.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash and cash equivalent accounts in financial institutions. The Company maintains its cash balances at two financial institutions. At times, such balances may be in excess of the Federal Deposit Insurance Company (FDIC) insurance limit. According to the FDIC insurance limit, deposits held in noninterest-bearing transaction accounts are aggregated with any interest-bearing deposits the Company may hold in the same ownership category, and the combined total insured is up to at least \$250,000. As of June 30, 2015 and 2014, these balances at one of the institutions, including tenant security and escrow amounts, were in excess of federally insurable limits by approximately \$3,985,000 and \$6,521,000, respectively.

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New Lipstick LLC and Subsidiary
(A Limited Liability Company)

Notes to Consolidated Financial Statements
June 30, 2015, 2014 and 2013
(Amounts in US dollars)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash

Restricted cash represents amounts held in escrow, as required by the lender, to be used for real estate taxes, insurance and other qualified expenditures, as well as tenant security deposits.

Tenant Receivables

The Company carries its tenant receivables at the amount due pursuant to lease agreements but uncollected at period end, less an allowance for doubtful accounts. The Company evaluates its receivables and establishes an allowance for doubtful accounts, based on a history of past write-offs, collections and current conditions.

Revenue Recognition

The Company recognizes base rent on a straight-line basis over the terms of the respective leases. Deferred rent receivable represents the amount by which straight-line rental revenue exceeded rents currently billed in accordance with the lease agreements.

Capitalized below market lease values are amortized as an increase to base rents (see Note 4).

Capitalized above market lease values are amortized as a decrease to base rents (see Note 4).

The Company also receives reimbursements from tenants for certain costs as provided for in the lease agreements. These costs include real estate taxes, utilities, insurance, common area maintenance and other recoverable costs in excess of a base year amount. The reimbursements are recognized when the tenants are billed.

Deferred income represents rent collected in advance of being due.

Deferred Ground Rents

Ground rent expense is accounted for on a straight-line basis over the non-cancelable terms of the ground leases. All future minimum increases in the non-cancelable ground rents consist of either 2.5% or 3% annual increases through May 1, 2068. This has resulted in deferred ground rent payable in the amount of \$136,727,666 and \$108,312,912 as of June 30, 2015 and 2014, respectively (see Note 6).

Lease Intangibles

Leasing costs and commissions incurred in connection with leasing activities are capitalized and amortized on a straight-line basis over the lives of the respective leases. Unamortized deferred leasing costs are charged to

amortization expense upon early termination of the lease.

Above and below market leases and above market ground lease values were recorded on the Property's reorganization date based on the present value (using an interest rate which reflected the risk associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and ground lease, and (ii) management's estimate of fair market lease rates for the corresponding in-place leases and ground lease, measured over a period equal to the remaining non-cancelable term of the leases.

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New Lipstick LLC and Subsidiary
(A Limited Liability Company)

Notes to Consolidated Financial Statements
June 30, 2015, 2014 and 2013
(Amounts in US dollars)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease Intangibles (continued)

Above market lease values are capitalized as an asset and amortized as a decrease to rental income over the remaining terms of the respective leases. The above market ground lease value is capitalized as a liability and amortized to ground rent expense over the remaining term of the ground lease. Below market lease values are capitalized as a liability and amortized as an increase to rental income over the remaining terms of the respective leases.

The aggregate value of in-place leases were measured based on the difference between (i) the Property valued with existing in-place leases adjusted to market rental rates, and (ii) the Property valued as if vacant, based upon management's estimates. Factors considered by management in their analysis included an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, management included real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, which primarily were a year. Management also estimated costs to execute similar leases including leasing commissions, legal and other related expenses.

The value of in-place leases are amortized to expense over the initial term of the respective leases. As of June 30, 2015, the remaining terms were ranging from three months to ten years.

Income Taxes

No provision for income taxes is necessary in the accompanying consolidated financial statements because the Company is a disregarded entity for federal and state income tax purposes. Income or loss of the Company is includible in the separate income tax returns of the Members. Prior to the effective date of reorganization on December 30, 2010, the Company was treated as a partnership for federal and state income tax purposes. The Company performed a review for uncertainty in income tax positions in accordance with authoritative guidance. As of June 30, 2015, the Company does not believe it has any uncertain tax positions that would qualify for either recognition or disclosure in the consolidated financial statements. The Company is no longer subject to federal or state and local income tax examinations by tax authorities for tax years ending before December 31, 2011. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax laws and new authoritative rulings.

The Company's income tax returns for its tax years commencing January 1, 2009, through December 30, 2010, have been selected by the New York State Department of Taxation and Finance for audit. Such audit is in its preliminary stage. At this time, the Company has not been advised of any proposed changes to its New York State income tax returns filed for the tax years January 1, 2009 through December 30, 2010.

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New Lipstick LLC and Subsidiary
(A Limited Liability Company)

Notes to Consolidated Financial Statements
June 30, 2015, 2014 and 2013
(Amounts in US dollars)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill represents the excess of the cost of the December 30, 2010 acquisition of Metropolitan over the net of the amounts assigned to assets acquired, including identifiable intangible assets, and liabilities assumed. In accordance with GAAP goodwill is not amortized but is subject to annual impairment tests. Annual impairment tests are performed by either comparing a “reporting units” (in the Company’s case, the Company as a whole) estimated fair value to its carrying amount or by doing a qualitative assessment of a reporting units fair value from the last quantitative assessment to determine if there is a potential impairment.

A qualitative assessment may be done when the results of the previous quantitative test indicated the reporting unit’s estimated fair value was significantly in excess of the carrying value of its net assets and we do not believe there have been significant changes in the reporting unit’s operations that would significantly decrease its estimated fair value or significantly increase its net assets. Management has selected the end of the Company’s fiscal year as the date on which to either perform its annual impairment tests for goodwill or make the determination as to whether qualitative factors render it unnecessary. As of June 30, 2015 and 2014, the date of the impairment tests, no impairment of goodwill was identified.

Reclassifications

Certain prior year balances have been reclassified to conform to the current year consolidated financial statement presentation.

Subsequent Events

The Company has evaluated for potential recognition and disclosure, events subsequent to the date of the balance sheet through October 26, 2015, the date the consolidated financial statements were available to be issued.

NOTE 3: REAL ESTATE

At June 30, real estate consists of the following:

	2015	2014
Building and improvements	\$144,892,369	\$144,879,174
Tenant improvements	16,334,789	12,638,444
	161,227,158	157,517,618
Less: accumulated depreciation	(20,758,148)	(15,158,871)

Total	\$140,469,010	\$142,358,747
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Depreciation expense amounted to \$5,599,278 and \$4,886,008, and \$4,428,733 for the years ended June 30, 2015, 2014, and 2013, respectively.

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NOTE 4: LEASE INTANGIBLES

Lease intangibles and the value of assumed lease obligations at June 30, 2015, were as follows:

	Leases In-place	Leasing Costs	Above Market Leases	Total	Below Market Leases	Above Market Ground Leases	Total
Cost	\$27,149,892	\$4,111,694	\$15,316,749	\$46,578,335	\$30,470,806	\$29,041,332	\$59,512,138
Less: accumulated							
Amortization	(12,088,790)	(1,083,075)	(6,872,631)	(20,044,496)	(15,176,499)	(1,970,140)	(17,146,639)
Totals	\$15,061,102	\$3,028,619	\$8,444,118	\$26,533,839	\$15,294,307	\$27,071,192	\$42,365,499

Lease intangibles and the value of assumed lease obligations at June 30, 2014 were as follows:

	Leases In-place	Leasing Costs	Above Market Leases	Total	Below Market Leases	Above Market Ground Leases	Total
Cost	\$27,149,892	\$3,142,576	\$15,316,749	\$45,609,217	\$30,470,806	\$29,041,332	\$59,512,138
Less: accumulated							
Amortization	(9,520,879)	(645,416)	(5,429,949)	(15,596,244)	(12,700,516)	(1,532,331)	(14,232,847)
Totals	\$17,629,013	\$2,497,160	\$9,886,800	\$30,012,973	\$17,770,290	\$27,509,001	\$45,279,291

The aggregate amortization of leases in-place and leasing costs included in amortization expense for the years ended June 30, 2015, 2014, and 2013 were \$3,005,570, \$3,087,330, and \$2,947,812, respectively.

The aggregate amortization of above market ground leases included as a reduction of ground rent expense for the years ended June 30, 2015, 2014, and 2013 were \$437,809, \$437,809, and \$437,808, respectively.

The aggregate amortization of above market leases included as a reduction of base rental income for the years ended June 30, 2015, 2014, and 2013 were \$1,442,682, \$1,544,576, and \$1,548,129, respectively.

The aggregate amortization of below market leases included in base rental income for the years ended June 30, 2015, 2014, and 2013 were \$2,475,983, \$2,821,032, and \$3,287,160, respectively.

The estimated amortization of lease intangibles for each of the five years subsequent to June 30, 2015 and thereafter is as follows:

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NOTE 4: LEASE INTANGIBLES (CONTINUED)

	Leases In-place	Leasing Costs	Above Market Leases	Total	Below Market Leases	Above Market Ground Leases	Total
2016	\$2,541,147	\$448,938	\$1,407,364	\$4,397,449	\$2,463,176	\$437,809	\$2,900,985
2017	2,540,843	380,183	1,407,364	4,328,390	2,459,981	437,809	2,897,790
2018	2,483,557	278,611	1,407,364	4,169,532	2,387,551	437,809	2,825,360
2019	2,464,461	260,308	1,407,364	4,132,133	2,363,408	437,809	2,801,217
2020	2,462,742	213,759	1,407,364	4,083,865	2,356,387	437,809	2,794,196
Thereafter	2,568,352	1,446,820	1,407,298	5,422,470	3,263,804	24,882,147	28,145,951
Totals	\$15,061,102	\$3,028,619	\$8,444,118	\$26,533,839	\$15,294,307	\$27,071,192	\$42,365,499

NOTE 5: NOTE PAYABLE

On December 30, 2010, Metropolitan's existing note agreements with Royal Bank of Canada (the "Lender") were amended and restated. The outstanding balance of the Amended Note was \$115,000,000. The Amended Note bears interest at (i) the London InterBank Offered Rate ("LIBOR") plus 400 basis points, or (ii) Prime Rate plus Prime Rate Margin, if converted into a Prime Rate Loan. The Amended Note provides for a maximum interest rate of 5.25% through February 29, 2012 and 6.25% from March 1, 2012 through August 31, 2015 and matures on August 1, 2017. The interest rate was 4.18% at June 30, 2015. Interest expense amounted to \$4,786,205, \$4,789,913, and \$4,843,275 for the years ended June 30, 2015, 2014, and 2013, respectively.

Pursuant to a cash management agreement with the Lender, all rents collected are required to be deposited in a clearing account and all funds are disbursed in accordance with the Loan agreement, including the funding of all reserve accounts. In addition, after payment of debt service, operating expenses and other expenses, as defined, forty percent (40%) of all the remaining cash flow in the cash management account is applied to the outstanding principal balance of the loan on a monthly basis. As of June 30, 2015 and 2014, the outstanding principal balance of the Amended Note is \$113,201,357 and \$113,201,357, respectively.

The Amended Note is collateralized by the Property including all related facilities, amenities, fixtures and personal property owned by the borrower.

The Company pledged a first priority security interest in the Company's membership interest in Metropolitan to the Lender as collateral security for the Amended Note.

NOTE 6: GROUND LEASES

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The Property was erected on a 26,135 square foot parcel of land (the "Site Area") of which 20,635 square feet is subject to a ground lease (the "Ground Lease") and an adjacent lot containing approximately 5,500 square feet ("Lot A") subject to a ground sub-sublease (the "Ground Sub-sublease").

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NOTE 6: GROUND LEASE (CONTINUED)

The Ground Lease matures on the earlier of (i) April 30, 2077, (ii) the date of termination of the Ground Sub-sublease term or (iii) a date if sooner terminated. The Ground Lease provides for monthly ground rent of approximately \$925,000 through April 30, 2012, \$1,321,000 through April 30, 2013, and provides for annual increases of 2.5% beginning on May 1, 2013 through April 30, 2020.

On May 1, 2020, May 1, 2038 and every ten years thereafter through May 1, 2068, ("Adjustment Years") ground rent shall be adjusted to be the greater of (a) 1.03 times the base rent payable during the lease year immediately preceding the said Adjustment Year or (b) 7% of the fair market value of the land.

Monthly ground rent shall increase 3% annually for each lease year subsequent to the Adjustment Year. The Ground Sub-sublease is subject to a ground sublease and a prime lease. The ground sublease expires on April 29, 2080 (the "Ground Sublease"), and the prime lease matures on April 30, 2080 (the "Prime Lease"). The Ground Sub-sublease matures on the earlier of (i) April 30, 2077, (ii) the expiration or earlier termination of the Prime Lease or (iii) the expiration or earlier termination date of the Ground Sublease, except for reason of default by the sublandlord as subtenant under the Ground Sublease or the sublandlord as subtenant under the Prime Lease provided that the lessees are not in default under the Ground Sub-sublease or the Ground Sublease.

The Ground Sub-sublease provides for monthly ground rent of \$58,000 through April 30, 2010, and approximately \$63,000 beginning on May 1, 2010 through April 30, 2020. On May 1, 2020, May 1, 2040 and May 1, 2060, ground rent shall be adjusted to 8% of the fair market value of Lot A, as defined.

For the year ended June 30, 2015, Ground Lease and Ground Sub-sublease expense amounted to \$45,136,545 and \$759,000, respectively, after giving effect to straight-line rent adjustments of \$28,414,754 and \$0, respectively. For the year ended June 30, 2014, Ground Lease and Ground Sub-sublease expense amounted to \$45,136,544 and \$759,000, respectively, after giving effect to straight-line rent adjustments of \$28,822,593 and \$0, respectively. For the year ended June 30, 2013, Ground Lease and Ground Sub-sublease expenses amounted to \$45,136,545 and \$759,000, respectively, after giving effect to straight-line rent adjustments of \$29,220,501 and \$0, respectively.

The Ground Lease also provides the Company with an option to purchase the land (the "Purchase Option"). The Purchase Option is exercisable on April 30, 2020, April 30, 2037 and on the last day of every tenth year thereafter (the "Purchase Date"). The Purchase Price, as defined in the Ground Lease, shall be the amount which together with all ground rent paid by the Company on or before the applicable Purchase Date yields an internal rate of return ("IRR") that equals the Target IRR in respect to the applicable Purchase Date as follows:

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NOTE 6: GROUND LEASE (CONTINUED)

Purchase Date	Target IRR
April 30, 2020	7.47 %
April 30, 2037	7.67 %
April 30, 2047	7.92 %
April 30, 2057	8.17 %
April 30, 2067	8.42 %
April 30, 2077	8.67 %

In the event the Purchase Option is exercised on April 30, 2020, the Company shall pay a purchase price of approximately \$521 million which is based upon an agreed land value of \$317 million in July 2007, according to a Target IRR of 7.47%. The Ground Lease also provides for an option to demolish the Property ("Demolition Option") during the period beginning on May 1, 2055, and ending on April 30, 2072 (the "Demolition Period"). The Ground Lease lessor has the option to cause the Company to purchase the Property ("Put Option") at a then Put Price, as defined. The Put Option is exercisable during the period subsequent to the Demolition Option and prior to April 30, 2072.

Future minimum annual ground rents due before giving effect to the fair market value adjustments which are not determinable at the present time are as follows for the five years subsequent to June 30, 2015, and thereafter:

	Ground Lease	Ground Sub-Sublease	Total
2016	\$ 17,139,836	\$ 759,000	\$ 17,898,836
2017	17,568,332	759,000	18,327,332
2018	18,007,540	759,000	18,766,540
2019	18,457,729	759,000	19,216,729
2020	18,934,872	632,500	19,567,372
Thereafter	2,837,562,375	-	2,837,562,375
Total	\$ 2,927,670,684	\$ 3,668,500	\$ 2,931,339,184

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NOTE 7: TENANT LEASES

The Company leases space in the Property to tenants under long-term noncancelable operating leases.

Future minimum annual base rents due from noncancelable operating leases in each of the five years subsequent to June 30, 2015 and thereafter are as follows:

2016	\$39,207,929
2017	40,626,201
2018	38,220,542
2019	37,075,235
2020	36,531,739
Thereafter	59,314,354
Total	\$250,976,000

For the year ended June 30, 2015, 2014, and 2013, approximately 71%, 75%, and 77%, respectively, of the Company's base rent before amortization of above and below market bases was from one law firm tenant. For the year ended June 30, 2015, the approximate rental revenue from the one law firm tenant amounted to \$27,675,000 of which \$0 amounts remain outstanding. For the year ended June 30, 2014, the approximate rental revenue from the one law firm tenant amounted to \$27,200,000 of which \$0 amounts remain outstanding. For the year ended June 30, 2013, the approximate rental revenue from the one law firm tenant amounted to \$26,900,000 of which \$0 amounts remained outstanding. Law firms accounted for approximately 79%, 83%, and 82% of the Property's total base rent for the years ended June 30, 2015, 2014, and 2013, respectively.

At June 30, 2015, 2014, and 2013, the Property was approximately 92%, 89%, and 86% leased, respectively.

NOTE 8: RELATED PARTY TRANSACTIONS

On April 20, 2011, Lipstick Management LLC ("LM"), an affiliate of the Company, entered into an agreement with the Company's lender which provides that the Company would be directly responsible for certain fees that are payable to Herald Square Properties LLC ("HSP"). HSP is a 49% owner in LM. LM and the Company are affiliated by common ownership. These fees are based on a consulting agreement between LM and HSP which provides a monthly fee of \$12,000. As of January 1, 2013, the Company renewed the contract with HSP which provides a monthly fee of \$22,000. As of January 1, 2014, the parties agreed to extend the agreement for one year. The parties have the right to terminate this agreement at any time upon thirty (30) days written notice served to the other party. The total management consulting fee for the year ended June 30, 2015, 2014, and 2013, included in management fees in the accompanying statement of operations, amounted to \$264,000, \$264,000, and \$204,000, respectively.

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NOTE 8: RELATED PARTY TRANSACTIONS (CONTINUED)

On May 3, 2011, the Company entered into an asset management agreement with LM. The Company is charged an asset management fee of 1% of its consolidated gross revenues. Asset management fees incurred to LM amounted to \$449,189 for the year ended June 30, 2015, \$409,084 for the year ended June 30, 2014, and \$398,898 for the year ended June 30, 2013, of which \$38,280, \$272,763, and \$63,826 were unpaid at June 30, 2015, 2014, and 2013, respectively, and is included in due to related party in the accompanying balance sheet. Asset management fees are included in management fees in the accompanying statement of operations.

Effective August 1, 2011, LM leased office space from the Company. The term of the agreement is for five years expiring July 31, 2016. The total amount of rental income earned for the years ended June 30, 2015, 2014, and 2013 amounted to \$203,916 for all three years.

Balances with related companies are as follows:

	2015	2014
Due from related party:		
Lipstick Management LLC	\$ 123,959	\$ 120,274
Rigby 183 LLC	405	-
I Madison LLC	310	-
IRSA International LLC	355	-
	\$ 125,029	\$ 120,274

The above amount represents expenses paid by the Company on behalf of related companies, which will be reimbursed by related companies.

	2015	2014
Due to related party:		
IRSA International, LLC	\$(39,979)	\$(39,979)
Lipstick Management LLC	(38,280)	(272,763)
IRSA Inversiones y Representaciones		
Sociedad Anonima	(240,874)	(240,874)
	\$(319,133)	\$(553,616)

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NOTE 9: PROPERTY MANAGEMENT

On December 30, 2010, a property management agreement was entered into with a third party. The term of the property management agreement will continue on a month-to-month basis. The Company is charged a monthly property management fee of approximately \$22,917. The total property management fee for the years ended June 30, 2015, 2014, and 2013, included in management fees in the accompanying statement of operations, amounted to \$275,000 of which \$0 is unpaid as of June 30, 2014 and 2013, and \$22,917 was unpaid as of June 30, 2015.

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