

BBVA BANCO FRANCES SA
Form 6-K
March 02, 2017
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16

of the Securities Exchange Act of 1934

For the month of March, 2017

Commission File Number: 001-12568

BBVA FRENCH BANK S.A.

(Translation of registrant's name into English)

Reconquista 199, 1006

Buenos Aires, Argentina

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes No

Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

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BBVA French Bank S.A.

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Item

1. Financial Statements as of December 31, 2016.

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FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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**BALANCE SHEETS AS OF
DECEMBER 31, 2016 AND 2015**

(Translation of financial statements originally issued in Spanish - See note 23)

Stated in thousands of pesos

ASSETS:	12.31.16	12.31.15
A. CASH AND DUE FROM BANKS:		
Cash	14,176,412	5,067,105
Due from banks and correspondents	33,894,586	22,875,512
Argentine Central Bank (BCRA)	31,230,217	22,559,675
Other local	694	1,094
Foreign	2,663,675	314,743
	48,070,998	27,942,617
B. GOVERNMENT AND PRIVATE SECURITIES:		
Holdings booked at fair value (Exhibit A)	4,274,229	3,220,093
Holdings booked at amortized cost (Exhibit A)	904,089	164
Instruments issued by the BCRA (Exhibit A)	7,375,103	11,086,580
Investments in listed private securities (Exhibit A)	49	174
Less: Allowances (Exhibit J)	213	212
	12,553,257	14,306,799
C. LOANS:		
To government sector (Exhibits B, C and D)	98,819	66,799
To financial sector (Exhibits B, C and D)	3,703,085	2,268,418
Interfinancial (Call granted)	725,585	75,000
Other financing to local financial institutions	2,762,202	1,877,417
Interest and listed-price differences accrued and pending collection	215,298	316,001
To non financial private sector and residents abroad (Exhibits B, C and D)	73,751,889	53,738,986
Overdraft	9,546,565	6,739,426

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Discounted instruments	10,896,722	9,559,666
Real estate mortgage	1,889,443	2,122,955
Collateral Loans	2,916,652	2,598,855
Consumer	9,368,939	7,343,932
Credit cards	22,520,843	18,322,958
Other (Note 5.a.)	15,838,284	6,397,281
Interest and listed-price differences accrued and pending collection	1,103,787	870,278
Less: Interest documented together with main obligation	329,346	216,365
Less: Allowances (Exhibit J)	1,573,590	1,079,625
	75,980,203	54,994,578
Carried Forward	136,604,458	97,243,994
Brought forward	136,604,458	97,243,994

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	12-31-16	12-31-15
D. OTHER RECEIVABLES FROM FINANCIAL TRANSACTIONS:		
Argentine Central Bank (BCRA)	928,612	926,177
Amounts receivable for spot and forward sales to be settled	204,296	1,108,744
Instruments to be received for spot and forward purchases to be settled (Exhibits O)	485,109	1,117,655
Unlisted corporate bonds (Exhibits B, C and D)	325,925	200,894
Non-deliverable forward transactions balances to be settled	35,894	25,895
Other receivables not covered by debtor classification regulations	12,156	
Other receivables covered by debtor classification regulations (Exhibits B, C and D)	409,395	309,965
Less: Allowances (Exhibit J)	5,074	3,789
	2,396,313	3,685,541
E. RECEIVABLES FROM FINANCIAL LEASES:		
Receivables from financial leases (Exhibits B, C and D)	1,968,270	2,334,770
Interest accrued pending collection (Exhibits B, C and D)	24,645	27,937
Less: Allowances (Exhibit J)	27,187	28,414
	1,965,728	2,334,293
F. INVESTMENTS IN OTHER COMPANIES:		
In financial institutions (Exhibit E)	924,382	577,669
Other (Note 5.b.) (Exhibit E)	410,171	293,670
Less: Allowances (Exhibit J)	5	5
	1,334,548	871,334
G. OTHER RECEIVABLES:		
Other (Note 5.c.)	2,997,513	2,687,542
Other interest accrued and pending collection	1,219	671
Less: Allowances (Exhibit J)	614,105	323,721
	2,384,627	2,364,492
H. PREMISES AND EQUIPMENT (Exhibit F):	3,182,727	1,101,450

I. OTHER ASSETS (Exhibit F):	878,104	1,520,626
J. INTANGIBLE ASSETS (Exhibit G):		
Goodwill	3,476	
Organization and development expenses	312,161	236,598
	315,637	236,598
K. SUSPENSE ITEMS:	11,229	7,645
TOTAL ASSETS:	149,073,371	109,365,973

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(Cont.)

LIABILITIES:	12.31.16	12.31.15
L. DEPOSITS (Exhibits H and I):		
Government sector	2,640,909	3,116,576
Financial sector	247,891	94,643
Non financial private sector and residents abroad	111,763,305	73,581,244
Checking accounts	19,896,819	18,197,517
Savings deposits	42,591,055	22,466,792
Time deposits	35,133,599	31,101,100
Investments accounts	85,194	34,807
Other	13,429,450	1,271,170
Interest and listed-price differences accrued payable	627,188	509,858
	114,652,105	76,792,463
M. OTHER LIABILITIES FROM FINANCIAL TRANSACTIONS:		
Argentine Central Bank (Exhibit I)	31,970	49,042
Other	31,970	49,042
Banks and International Institutions (Exhibit I)	636,153	1,386,931
Unsubordinated corporate bonds (Exhibit I)	1,746,166	1,734,024
Amounts payable for spot and forward purchases to be settled	325,111	1,112,631
Instruments to be delivered for spot and forward sales to be settled (Exhibit O)	402,153	1,237,890
Financing received from Argentine financial institutions (Exhibit I)	,	43,139
Other financing from local financial institutions	,	43,000
Interest accrued payable	,	139
Non-deliverable forward transactions balances to be settled	6,354	1,116,953
Other (Note 5.d.) (Exhibit I)	8,782,285	7,566,082
Interest and listed-price differences accrued payable (Exhibit I)	59,948	78,111
	11,990,140	14,324,803
N. OTHER LIABILITIES:		
Dividends payable	,	400,000
Other (Note 5.e.)	4,584,690	3,099,770

	4,584,690	3,499,770
O. ALLOWANCES (Exhibit J):	1,342,954	986,030
P. SUSPENSE ITEMS:	43,447	46,544
TOTAL LIABILITIES:	132,613,336	95,649,610
STOCKHOLDERS EQUITY: (as per the related statements of changes in stockholders equity)	16,460,035	13,716,363
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY:	149,073,371	109,365,973

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MEMORANDUM ACCOUNTS

(Translation of financial statements originally issued in Spanish - See note 23)

-Stated in thousands of pesos-

	12.31.16	12.31.15
DEBIT ACCOUNTS		
Contingent		
Guaranties received	22,489,359	16,925,557
Contra contingent debit accounts	1,104,103	1,558,329
	23,593,462	18,483,886
Control		
Receivables classified as irrecoverable	826,967	690,936
Other (Note 5.f.)	232,449,657	116,961,962
Contra control debit accounts	1,686,184	2,524,692
	234,962,808	120,177,590
Derivatives (Exhibit O)		
Notional amount of non-deliverable forward transactions	2,623,708	5,809,784
Interest rate swap	2,251,362	963,368
Contra derivatives debit accounts	3,186,904	5,843,638
	8,061,974	12,616,790
TOTAL	266,618,244	151,278,266
CREDIT ACCOUNTS		
Contingent		
Credit lines granted (unused portion) covered by debtor classification regulations (Exhibits B, C and D)	176,296	327,251
Guaranties provided to the BCRA	227,946	102,603
	264,058	342,972

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Other guaranties given covered by debtor classification regulations (Exhibits B, C and D)		
Other guaranties given non covered by debtor classification regulations	87,776	273,808
Other covered by debtor classification regulations (Exhibits B, C and D)	348,027	511,695
Contra contingent credit accounts	22,489,359	16,925,557
	23,593,462	18,483,886
Control		
Items to be credited	1,436,763	1,369,765
Other	249,421	1,154,927
Contra control credit accounts	233,276,624	117,652,898
	234,962,808	120,177,590
Derivatives (Exhibit O)		
Notional amount of non-deliverable forward transactions	3,186,904	5,843,638
Contra credit derivatives accounts	4,875,070	6,773,152
	8,061,974	12,616,790
TOTAL	266,618,244	151,278,266

The accompanying notes 1 through 23 and exhibits A through L, N and O and the consolidated financial statements with its notes and exhibits are an integral part of these statements.

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STATEMENTS OF INCOME FOR THE FISCAL YEARS**ENDED DECEMBER 31, 2016 AND 2015**

(Translation of financial statements originally issued in Spanish - See note 23)

-Stated in thousands of pesos-

	12.31.16	12.31.15
A. FINANCIAL INCOME		
Interest on loans to the financial sector	634,541	552,154
Interest on overdraft	3,416,893	2,195,640
Interest on discontinued instruments	2,065,673	1,440,128
Interest on real estate mortgage	395,024	323,896
Interest on collateral loans	607,838	463,026
Interest on credit card loans	4,021,446	2,817,236
Interest on other loans	4,062,873	3,245,012
Interest on other receivables from financial transactions	830	246
Interest on financial leases	422,605	386,407
Income from secured loans - Decree 1387/01	36,430	15,680
Income from government and private securities	4,002,298	3,525,808
Indexation by benchmark stabilization coefficient (CER)	576,363	188,906
Gold and foreign currency exchange difference	1,395,275	369,156
Other	528,964	686,074
	22,167,053	16,209,369
B. FINANCIAL EXPENSE		
Interest on savings deposits	33,505	22,682
Interest on time deposits	7,665,489	5,151,393
Interest on interfinancial financing (call borrowed)	40,891	22,526
Interest on other financing from financial institutions	986	3

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Interest on other liabilities from financial transactions	528,978	440,431
Other interest	3,916	6,198
Indexation by CER	444	61
Contribution to the deposit guarantee fund	240,360	392,127
Other	1,456,631	926,625
	9,971,200	6,962,046
GROSS INTERMEDIATION MARGIN - GAIN	12,195,853	9,247,323
C. ALLOWANCES FOR LOAN LOSSES	1,023,044	627,854
Carried Forward	11,172,809	8,619,469
Brought forward	11,172,809	8,619,469

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	12.31.16	12.31.15
D. SERVICE CHARGE INCOME		
Related to lending transactions	3,354,812	2,299,643
Related to liability transactions	2,580,942	1,992,077
Other commissions	292,598	196,838
Other (Nota 5.g.)	1,422,327	1,130,442
	7,650,679	5,619,000
E. SERVICE CHARGE EXPENSE		
Commissions	3,011,330	1,815,343
Other (Note 5.h)	859,422	559,643
	3,870,752	2,374,986
F. ADMINISTRATIVE EXPENSES		
Payroll expenses	5,490,100	3,728,132
Free to bank Directors and Supervisory Committee	7,851	5,944
Others profesional Fees	125,380	91,441
Advertising and publicity	372,982	240,061
Taxes	896,229	666,673
Fixed assets depreciation	245,584	199,141
Organizational expenses amortization	78,326	66,717
Other operating expenses	1,279,660	914,642
Others	930,133	620,784
	9,426,245	6,533,535
NET GAIN FROM FINANCIAL TRANSACTIONS	5,526,491	5,329,948
G. OTHER INCOME		
Income from long-term investments	450,703	427,285
Punitive interests	37,213	29,920
Loans recovered and reversals of allowances	229,164	142,890
Other (Note 5.i.)	688,442	232,521
	1,405,522	832,616

H. OTHER EXPENSE		
Punitive interests and charges paid to BCRA	1,701	32
Charge for uncollectibility of other receivables and other allowances	869,265	346,838
Amortization of difference arising from judicial resolutions	7,923	6,615
Depreciation and losses from miscellaneous assets	329	365
Amortization of Goodwill	120	
Other (Note 5.j)	170,703	163,227
	1,050,041	517,077
NET GAIN BEFORE INCOME TAX	5,881,972	5,645,487
I. INCOME TAX (Note 4.1)	2,238,300	1,861,000
NET INCOME FOR THE FISCAL YEAR	3,643,672	3,784,487

The accompanying notes 1 through 23 and exhibits A through L, N and O and the consolidated financial statements with its notes and exhibits are an integral part of these statements.

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STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015

(Translation of financial statements originally issued in Spanish - See note 23)

-Stated in thousands of pesos-

MOVEMENTS	Non capitalized contributions			2016 Retained earnings		Unappropriated earnings	TOTAL	2015 TOTAL
	Capital Stock	Issuance premiums	Adjustments to equity (1)	Legal	Other			
1. Balance at beginning of fiscal year	536,878	182,511	312,979	2,541,620	6,357,888	3,784,487	13,716,363	10,331,876
2. Stockholders Meeting held on April 26, 2016 and April 7, 2015								
- Dividends paid in cash						(900,000)	(900,000)	(400,000)
- Legal Reserve				756,897		(756,897)		
- Voluntary reserve for future distributions of income					2,127,590	(2,127,590)		
3. Net income for the fiscal year						3,643,672	3,643,672	3,784,487
4. Balance at the end of the fiscal year	536,878	182,511	312,979	3,298,517	8,485,478	3,643,672	16,460,035	13,716,363

(1) Adjustments to stockholders' equity refer to Adjustment to Capital Stock.

The accompanying notes 1 through 23 and exhibits A through L, N and O and the consolidated financial statements with its notes and exhibits are an integral part of these statements.

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**STATEMENTS OF CASH AND CASH EQUIVALENTS FLOW FOR THE
FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015**

(Translation of financial statements originally issued in Spanish - See note 23)

-Stated in thousands of pesos-

CHANGES IN CASH AND CASH EQUIVALENTS	12.31.16	12.31.15
Cash and cash equivalents at the beginning of the fiscal year	28,459,917(1)	13,051,491(1)
Cash and cash equivalents at the end of the fiscal year	49,775,998(1)	28,459,917(1)
Net increase in cash and cash equivalents	21,316,081	15,408,426

REASONS FOR CHANGES IN CASH AND CASH EQUIVALENTS**Operating activities**

Net collections from:

-Government and private securities	5,755,840	791,071
- Loans	(2,657,044)	(2,536,581)
to financial sector	(347,670)	(239,210)
to non-financial public sector	37	(67)
to non-financial private sector and residents abroad	(2,309,411)	(2,297,304)
- Other receivables from financial transactions	(249,332)	(620,185)
- Receivables from financial leases	368,565	(341,424)
- Deposits	28,398,930	18,846,611
to financial sector	153,248	17,161
to non-financial public sector	(510,870)	2,100,601
to non-financial private sector and residents abroad	28,756,552	16,728,849
- Other liabilities from financial transactions	(35,316)	4,709,738
Financing from financial or interfinancial sector (call borrowed)	(43,000)	43,000
Others (except liabilities included in Financing Activities)	7,684	4,666,738
Collections related to service charge income	7,653,163	5,624,710
Payments related to service charge expense	(3,859,183)	(2,377,617)
Administrative expenses paid	(8,820,901)	(6,125,113)
Organizational and development expenses paid	(161,812)	(84,461)
Net collections from punitive interest	35,512	29,888
Differences from judicial resolutions paid	(7,923)	(6,615)

Collections of dividends from other companies	466,396	49,915
Other collections related to other income and expenses	697,137	211,634
Net cash flows provided by operating activities	27,584,032	18,171,571
Investment activities		
Net payments from premises and equipment	(408,972)	(282,346)
Net payments from other assets	(1,295,166)	(529,977)
Payments for purchases of investments in other companies	(53,040)	
Other payments from investments activities	(748,293)	(911,261)
Net cash flows used in investment activities	(2,505,471)	(1,723,584)
Financing activities		
Net (payments) / collections from:		
- Unsubordinated corporate bonds	12,142	71,235
- Argentine Central Bank	(16,884)	(23,885)
Other	(16,884)	(23,885)
- Banks and international agencies	(790,629)	980,900
Payments of dividends	(1,300,000)	
Other payments related to financing activities	(1,667,109)	(2,067,811)
Net cash flows used in financing activities	(3,762,480)	(1,039,561)
Increase in cash and cash equivalents	21,316,081	15,408,426

(1) See note 16 Statements of cash and cash equivalents flow .

The accompanying notes 1 through 23 and exhibits A through L, N and O and the consolidated financial statements with its notes and exhibits are an integral part of these statements.

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NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016 AND 2015

(Translation of financial statements originally issued in Spanish - See note 23)

(Stated in thousands of pesos)

1. CORPORATE SITUATION AND BANK'S ACTIVITIES**1.1 Corporate situation**

BBVA Banco Francés S.A. (hereinafter indistinctly referred to as either BBVA Francés or the Bank) has its headquarter in Buenos Aires, Argentina, and operates a 251-branch network.

As from December, 1996, BBVA Francés is part of Banco Bilbao Vizcaya Argentaria S.A.'s (BBVA) global strategy, which controls the Bank, direct and indirectly, with 75.95% of the corporate stock of December 31, 2016.

Part of the Bank's corporate stock is publicly traded and has been registered with the Buenos Aires Stock Exchange, New York Stock Exchange and Madrid Stock Exchange.

1.2 Capital stock

Changes in the Bank's capital stock during the last five fiscal years are as follows:

Stockholders Meeting deciding on the issuance	Date of Registration with the Public Registry of Commerce (RPC)	Form of placement	Amount	Total
Capital Stock as of December 31, 2011:				536,878
03-26-2012	03-27-2014	(1)	50,410	
03-26-2012	03-27-2014	(2)	(50,410)	536,878 (2)

(1) Due to the merger of Inversora Otar S.A. into BBVA Francés.

(2) The amount of Capital Stock as of December 31, 2016, is fully paid in and authorized for public offering by National Securities Commission (CNV).

1.3 Registration with CNV as Settlement and Clearing Agent - Comprehensive

The Capital Markets Law Nr. 26,831, enacted on December 28, 2012 and then regulated by CNV's General Resolution Nr. 622/13 on September 5, 2013 sets forth, in its Section 47 that agents are under a duty to register with the CNV for interacting with the market in any of the modalities established in CNV's General Resolution Nr. 622/13. On September 9 and 19, 2014, the Bank was finally registered as Mutual Funds Custodian Agent, and Settlement and Clearing Agent Comprehensive, respectively, under numbers 4 and 42.

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1.4 Responsibility of stockholders

BBVA Francés is a corporation established under the laws of the Argentine Republic, and the responsibility of its stockholders is limited to the value of the paid - in shares, in accordance with Law Nr. 19,550. As a result, in compliance with Law Nr. 25,738, it is hereby informed that neither the foreign capital majority stockholders nor the local or foreign stockholders will respond, in excess of the mentioned paid-in stockholding, for the liabilities arising out of the transactions performed by the financial institution.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Restatement of the financial statements in equivalent purchasing power

The financial statements have been taken from the Bank's books of account in conformity with the standards of the BCRA.

By Communication A 3921 of the BCRA and General Resolution Nr. 441/03 of the CNV, in compliance with Decree 664/03 of the Federal Executive, application of the restatement method on financial statements in equivalent purchasing power has been suspended as from March 1, 2003.

Argentina's professional accounting standards require applying Technical Pronouncement Nr. 6 of the Argentine Federation of Professional Councils in Economic Sciences (F.A.C.P.C.E.) (as amended by Technical Resolution Nr. 19) which sets forth that financial statements are to be restated in constant currency when the country's economic environment exhibits certain characteristics. In the event that the restatement of financial statements in constant currency becomes mandatory, the adjustment should be performed based on the last date on which the Bank adjusted its financial statements to reflect the effects of inflation. This circumstance should be taken into account by users of these financial statements.

2.2 Comparative information

In accordance with BCRA Communication A 4667 and amendments, the Financial Statements and the Exhibits that so specify include the comparative information as of December 31, 2015.

2.3 Valuation methods

The main valuation methods used in the preparation of the financial statements have been as follows:

a) Foreign currency assets and liabilities:

As of December 31, 2016 and 2015, such amounts were translated into pesos at the benchmark exchange rate of the BCRA as of the closing date of transactions on the last business day of each fiscal year. The exchange differences were charged to income (loss) for each fiscal year.

b) Government and private securities:

Holdings booked at fair value and instruments issued by the BCRA at fair value: they were valued based on current listed prices or the prevailing present value for each security as of December 31, 2016 and 2015. Differences in listed prices were credited/charged to income for each fiscal year.

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Holdings booked at amortized cost and instruments issued by the BCRA at amortized cost: as of December 31, 2016 and 2015, these were valued using the amount of initial recognition, rose on the basis of the interest accrued as per the internal rate of return.

Investments in listed private securities, equity and debt instruments: they were valued based on current listed prices as December 31, 2016 and 2015. Differences in listed prices were charged to income for each fiscal year.

c) Loans to Government Sector:

Federal Government secured loans Decree Nr. 1387/2001:

As of December 31, 2016 and 2015, the secured loans were valued at the highest amount resulting from a comparison between the present value as estimated by BCRA and the book value in accordance with the provisions under BCRA s Communication A 5180. In addition, the amount required to take their book values to their fair realizable values is recorded in a balancing account.

d) Interest accrual:

Interest has been accrued according to a compound interest formula in the periods in which it was generated, except interest on transactions in foreign currency, those whose maturity does not exceed 92 days, and adjustable assets and liabilities which were recognized on a linear basis.

e) Benchmark stabilization coefficient (CER):

As of December 31, 2016 and 2015, receivables and payables have been adjusted to the CER as follows:

Federal government secured loans have been adjusted under Resolution Nr. 50/2002 of the Ministry of Economy, which resolved that the CER business 10 (ten) days prior to the maturity date of the related service will be considered for yield and repayments of the loans.

Federal Government Secured Bonds due in 2020: have been adjusted under Resolution Nr. 539/2002 of the Ministry of Economy, which resolved that the CER business 5 (five) days prior to the maturity date of the related service will be considered for yield and repayment of the bonds.

Deposits and other assets and liabilities: have been adjusted considering the CER prevailing as of December 31, 2016 and 2015.

f) Allowance for loan losses and contingent commitments:

For loans, other receivables from financial transactions, receivables from financial leases, receivables from sale of property assets and contingent commitments: the allowances have been calculated based on the Bank's estimated loan loss risk in light of debtor compliance and the collaterals supporting the respective transactions, as provided by Communication A 2950 and supplemented of the BCRA.

g) Instruments to be received and to be delivered for spot and forward transactions pending settlement:

In foreign currency: they were valued according to the benchmark exchange rate of the BCRA for each currency determined on the last business day of the end of each fiscal year.

Securities: with Holdings of government and private securities and Instruments issued by BCRA at fair value and at amortized cost: as of December 31, 2016 and 2015, they were valued according to the method described in 2.3.b).

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h) Amounts receivable and payable for spot and forward transactions pending settlement:

They were valued based on the prices agreed upon for each transaction, plus related premiums accrued as of December 31, 2016 and 2015.

i) Unlisted Corporate Bonds:

They were valued at acquisition cost plus income accrued but not collected as of December 31, 2016 and 2015.

j) Receivables from financial leases:

As of December 31, 2016 and 2015, they were valued at the present value of the sum of the periodical instalments and the unguaranteed residual value, calculated as per the conditions agreed upon in the respective leases, applying the implicit interest rate thereto.

k) Investments in other companies:

Investments in controlled financial institutions, supplementary activities and authorized were valued based on the following methods:

BBVA Francés Valores S.A., Consolidar Administradora de Fondos de Jubilaciones y Pensiones S.A. (undergoing liquidation proceedings), PSA Finance Argentina Compañía Financiera S.A., BBVA Francés Asset Management S.A. Sociedad Gerente de Fondos Comunes de Inversión and Rombo Cía, Financiera S.A.: were valued by applying the equity method, after adjustments to the BCRA accounting standards, if applicable, at the end of each fiscal year.

Volkswagen Financial Services Compañía Financiera S.A.: was valued by applying the equity method, at the end of December 31, 2016.

Although the Bank has a 40% interest ownership in the capital stock and votes of Rombo Cía, Financiera S.A., operational and financial decisions at Rombo Cía, Financiera S.A. are taken together with this company's majority shareholder on a joint control basis.

Investments in non-controlled financial institutions, supplementary activities and authorized were valued according to the following methods:

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Prisma Medios de Pago S.A. and Interbanking S.A.: were valued by applying the equity method after adjustments to the BCRA accounting standards if applicable, at the end of each fiscal year.

Banco Latinoamericano de Comercio Exterior S.A.: was valued at acquisition cost in foreign currency plus the nominal value of stock dividends received, converted into pesos based on the method described in 2.3.a).

Other: valued at acquisition cost, without exceeding their recoverable value.

Other non-controlled affiliates were valued based on the following methods:

BBVA Consolidar Seguros S.A.: was valued by applying the equity method after adjustments to the BCRA accounting standards if applicable, at the end of each fiscal year.

S.W.I.F.T. S.C.R.L.: was valued at acquisition cost in foreign currency plus the nominal value of stock dividends received, converted into pesos based on the method described in 2.3.a).

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l) Premises and equipment and Other assets:

They have been valued at acquisition cost plus increases from prior-year appraisal revaluations, restated as explained in note 2.1 less related accumulated depreciation calculated in proportion to the months of estimated useful life of items concerned (see Exhibit F), without exceeding their recoverable value.

m) Intangible assets:

Organization and development expenses: they were valued at cost less accumulated depreciation calculated in proportion to the months of estimated useful life (see useful life assigned in Exhibit G).

Goodwill: corresponds to the difference between the total amount paid and that resulting from calculating the proportion of the capital stock acquired on the equity according to the books of Volkswagen Financial Services Compañía Financiera SA, at the date of acquisition less the corresponding accumulated amortization calculated in proportion to the estimated useful life months (see useful life assigned in Exhibit G).

n) Derivative transactions (see note 12):

Interest rate swaps and Forward transactions:

1. Interest rate swaps are recorded at the value resulting from the application of rates differences to residual notional amounts at the end of the each fiscal year.
2. Forward transactions receivable/payable in pesos without delivery of the underlying asset are recorded for the amount receivable or payable, as appropriate, arising from the difference between the agreed exchange rate and the exchange rate at the end of each fiscal year as applied to stated notional amounts.

Repo and Reverse Repo transactions

As of December 31, 2016 and 2015, the repos whose underlying assets are not subject to the volatilities published by BCRA were valued as per the cost of each transaction and the repos whose underlying assets are subject to volatility were recorded at their quoted value. Accrued premiums were charged to income (loss) for each fiscal year.

o) Employee termination pay:

The Bank expenses employee termination pay as disbursed.

p) Other liabilities:

They include the debit balances non arising out of transactions relating to the supply and demand of financial resources, plus the adjustments and interest payable accrued as of December 31, 2016 and 2015.

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q) Allowance for other contingencies:

Claims brought by Consumer Groups: several consumer protection groups have brought claims against the Bank on behalf of consumers for undetermined amounts in connection with certain financial charges. The Bank and its legal advisors have reviewed and answered to such claims, rejecting the arguments of these consumer groups pursuant to the applicable laws and on grounds that the claims were not legitimate and were barred by the statute of limitations. Therefore, no significant adverse financial impact are expected in this regard.

It includes the estimated amounts to meet contingencies of probable occurrence that, if occurred, would give rise to a loss for the Bank.

r) Stockholders' equity accounts:

They are restated as explained in note 2.1 except for the Capital Stock and Non capitalized contributions accounts which have been kept at cost. The adjustment resulting from the restatement is included in the Adjustment to Stockholders' Equity Adjustment to Capital Stock account.

s) Statement of Income Accounts:

As of December 31, 2016 and 2015, accounts accruing monetary transactions [financial income (expense), service charge income (expense), provision for loan losses, administrative expenses, etc.] were computed on the basis of their monthly accrual at historical rates.

Accounts reflecting the effect on income resulting from the sale, write-off, or use of non-monetary assets were computed based on the value of such assets, as mentioned in note 2.1.

Income from investments in subsidiaries was computed based on such companies' income adjusted as explained in note 2.1.

t) Earning per share:

As of December 31, 2016 and 2015, the Bank calculated the earning per share on the basis of 536,877,850 ordinary shares of \$1 par value each. The net income for each period on those dates is as follows:

	12-31-2016	12-31-2015
Net income for the fiscal year	3,643,672	3,784,487
Earning per share for the fiscal year (stated in pesos)	6.79	7.05

u) Use of accounting estimates:

The preparation of the financial statements in accordance with the standards set forth by the BCRA require the Bank to use assumptions and estimates that affect certain assets such as allowances for doubtful loan and certain liabilities such as provisions for other contingencies as well as the reported amounts of income/loss during the fiscal year. Actual income/loss may differ from such estimates.

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3. DIFFERENCES BETWEEN BCRA ACCOUNTING STANDARDS AND ARGENTINE PROFESSIONAL ACCOUNTING STANDARDS

The Bank has prepared these financial statements by applying the regulations of the BCRA, which do not contemplate some of the valuation criteria established by the Argentine professional accounting standards.

The main differences between the regulations of the BCRA and the Argentine professional accounting standards are detailed below:

a) Tax effects

As already indicated hereinbelow, in note 4.1., the Bank has received various communications from the BCRA pursuant to which that BCRA indicates that the capitalization of items arising from the application of the deferred tax method is not allowed. In accordance with Argentine professional accounting standards, a deferred tax asset should be recognized to the extent the reversal of temporary differences generates a future decrease in the tax effectively determined. As a result, the allowances set up by the Bank in this respect, for 556,100 and 246,300 as of December 31, 2016 and 2015, respectively, should be reversed.

Moreover, the effect on the income statement of the fiscal year ended December 31, 2016 and 2015 would have been 309,800 and 6,800 (gain), respectively.

b) Derivative financial instruments

As explained in notes 2.3.n) and 12, as of December 31, 2016 and 2015, the Bank recorded the effects of interest rate swap agreements as established by the BCRA. Should the Bank had applied the Argentine professional accounting standards, the stockholders' equity would have decreased in 33,966 and 32,906, respectively. By contrast, the effect of the application of the professional accounting standards on the income statement for the fiscal years ended December 31, 2016 and 2015 would have been 1,060 (gain) and 40,257 (loss), respectively.

4. TAX MATTERS

4.1. Income tax

The Bank determined the charge for income tax by applying the statutory 35% rate to taxable income estimated for fiscal year considering the effect of temporary differences between valuation of assets and liabilities for accounting purposes and their taxable bases. The Bank considered as temporary differences those that have a definitive reversal date in subsequent years.

As of December 31, 2016 and 2015, the Bank recorded 2,238,300 and 1,861,000, respectively, in the Income tax caption as the estimate of the income tax charge payable to the tax authorities for these fiscal years.

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As of December 31, 2016 and 2015, the Bank has booked 1,066,172 and 467,959, respectively, in the caption Other liabilities - Other - Accrued Taxes as a result of having netted the income tax withholdings and other withholdings applied to the Bank until such dates.

Besides, on June 19, 2003, the Bank received a note from the BCRA indicating that the capitalization of items arising from the application of the deferred tax method is not allowed.

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On June 26, 2003, the Bank, based on the opinion of its legal counsel, responded the above mentioned note, indicating that in their opinion the rules of the BCRA do not prohibit the application of the deferred tax method generated by the recognition of temporary differences between the accounting and tax result, Subsequently, Resolution 118/03 of the Superintendent of Financial and Exchange Institutions received on October 7, 2003 confirmed the terms of the note dated June 19, 2003, Consequently, as from that date the Bank set up an allowance for the net balance between the deferred tax assets and liabilities.

As of December 31, 2016 and the end of the previous fiscal year, the Bank recorded under Other Receivables (in the line Tax Prepayments) a taxable deferred asset amounting 556,100 and 246,300, respectively. Such amounts are made up as follows:

	12-31-2016	12-31-2015
Deferred tax assets	911,400	611,500
Deferred tax liabilities	(355,300)	(365,200)
Net deferred assets	556,100	246,300
Allowance	(556,100)	(246,300)

4.2. Tax on minimum presumed income

Tax on minimum presumed income (TOMPI) was established by Law Nr. 25.063 in the year ended December 31, 1998, for a ten-year term, On December 19, 2008 Law Nr. 26.426 established a one-year extension in TOMPI until December 30, 2009, In turn, Law Nr. 26.545, published in the Official Gazette on December 2, 2009 extended TOMPI for an additional ten-year period, This tax is supplementary to income tax: while the latter is levied on the taxable income for the year, TOMPI is a minimum levy determined by applying the current 1% rate on the potential income of certain productive assets, Therefore, the Bank's tax obligation for each year will coincide with the highest of these taxes, The above Law provides that institutions governed by Financial Institutions Law must consider as a tax base 20% of their taxable assets, after deducting non-computable ones, However, if TOMPI exceeds income tax in a given year, the excess thereof may be computed as a payment on account of any income tax in excess of TOMPI that may occur in any of the following ten years.

In every year that net operating losses are offset, the tax benefit (the benefit of the effective rate on the net operating loss used) will be realized to the extent that income tax (net of the offsetting) equals or exceeds tax on minimum presumed income, but will be reduced by any excess of the latter over former.

On February 11, 2005, the Argentine Central Bank issued Communication A 4295 whereby it enabled, under certain rules, the accounting record of credits on Tax on Minimum Presumed Income.

As of December 31, 2016 and 2015, the Income tax assessed was higher than the TOMPI. Therefore, a provision was raised for Income tax.

4.3. Other tax issues

- a) On October 24, 2007, the Bank was notified by the Tax Bureau of the City of Buenos Aires of the commencement of a sua sponte tax assessment on a certain basis and partial in nature of the taxable income as regards turnover tax for the fiscal years 2002 and 2003, The Bank filed its defenses to the notice mentioned, which was ratified on October 6, 2008 through Resolution No. 3631-DGR 2008 containing the official assessment.

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On April 28, 2009, the Court of Appeals with Federal Jurisdiction over Contentious Administrative Matters, Panel 3 handed down a judgment favourable to a petition filed by the Bank for the judge to suspend the effect of the decision made by administrative authorities until the appeal is decided. The judgment thus ordered that subject to a sworn promise to comply a) the Tax Bureau of the City of Buenos Aires must suspend the sua sponte assessment that has objected to the treatment afforded by BBVA Francés to the bonds received from the National Government in the terms of Decree Nr. 905-02 and the related foreign exchange gains/losses in all matters related to taxation for turnover tax purposes for the fiscal period 2002; b) therefore, the Tax Bureau of the City of Buenos Aires must abstain from demanding that the Bank should pay any amount due that may have arisen from the items above detailed .

Also in this respect, on May 13, 2009, an action for a declaratory judgment was commenced by the Bank against the Tax Bureau of the City of Buenos Aires, currently being heard by the court with original Federal Jurisdiction over Contentious Administrative Matters Nr. 1, to procure a judgment ascertaining that a) the bonds received by the Bank from the National Government as compensation for the asymmetric conversion into pesos of assets and liabilities imposed by the Executive Order Nr. 905/2002 may not be levied with Turnover Tax in the Autonomous City of Buenos Aires; b) the foreign exchange gains/losses are a direct effect of the modification of the monetary system and therefore should not be levied with Turnover Tax in the Autonomous City of Buenos Aires.

On December 29, 2010, the Judge presiding over the court with original Federal Jurisdiction over Contentious Administrative Matters Nr. 1 handed down a new precautionary measure,

The Bank as well as its legal and tax advisors estimate that the Bank has made a reasonable interpretation of currently applicable rules and regulations concerning the fiscal periods objected to by the Tax Bureau of the City of Buenos Aires and do not expect an adverse financial impact in these respects.

As regards the remaining balance of the amount claimed, the Bank adhered to a scheme of payment in instalments that was settled on October 4, 2010.

- b) Afterwards, on December 28, 2012, the Bank was notified of Resolution Nr. 3253-DRG-2012 whereby the Tax Bureau of the City of Buenos Aires proceeded with a sua sponte assessment based on facts concerning the taxable basis for purposes of turnover tax for the fiscal years 2004 through 2010, The Entity appealed such resolution.

On February 3, 2015, the Bank was notified of the passage of Resolution Nr. 2014-3711-DGR, which conceded the appeal in part.

This Resolution was appealed by lodging a so-called hierarchical appeal with the head of the governmental agency in charge of raising public revenue, which was rejected, thus putting an end to the administrative stage.

For the sole purpose of being able to continue with the submission of the lawsuit, dated November 24, 2015, the Entity paid the amount claimed, which does not entail its acceptance of the claim.

The Bank as well as its legal and tax advisors estimate that the Bank has made a reasonable interpretation of currently applicable rules and regulations concerning the fiscal periods objected to by the Tax Bureau of the City of Buenos

Aires and do not expect an adverse financial impact in these respects.

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5. BREAKDOWN OF MAIN ITEMS AND ACCOUNTS

The breakdown of the items included under Other accounts which exceed 20% of the total amount of each item is as follows:

	12-31-2016	12-31-2015
a) LOANS		
Loans for prefinancing and export financing	8,486,700	1,530,180
Other fixed-rate financial loans	2,864,825	1,932,979
Financial loans communication A 5319	1,936,170	2,039,062
Loans to financial entities not resident in Argentina	1,674,658	85,889
Other	875,931	812,171
Total	15,838,284	6,397,281
b) INVESTMENTS IN OTHER COMPANIES		
In controlled companies-supplementary activities	268,871	212,726
In other non-controlled companies- unlisted	109,981	59,186
In non-controlled companies-supplementary activities	31,319	21,758
Total	410,171	293,670
c) OTHER RECEIVABLES		
Guarantee deposits	1,120,490	733,597
Tax prepayments (1)	615,000	291,378
Miscellaneous receivables	549,189	898,164
Prepayments	403,433	500,632
Loans to personnel	174,371	165,655
Advances to personnel	118,544	97,749
Other	16,486	367
Total	2,997,513	2,687,542

(1) As of December 31, 2016 and the end of the previous fiscal year, it includes the deferred tax asset for 556,100 and 246,300, respectively (see note 4.1.)

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	12-31-2016	12-31-2015
d) OTHER LIABILITIES FROM FINANCIAL TRANSACTIONS		
Accounts payable for consumption	4,724,388	3,171,773
Collections and other operations for the account of third parties	1,569,700	1,778,719
Other withholdings and collections at source	1,319,998	985,189
Money orders payable	538,216	1,405,633
Loans received from Fondo Tecnológico Argentina (FONTAR) and Banco de Inversión y Comercio Exterior (BICE)	369,284	42,526
Pending Banelco debit transactions	147,393	143,161
Loans received from Interamerican Development Bank (IDB)	17,567	6,983
Accrued commissions payable	16,274	4,705
Social security payment orders pending settlement	14,945	8,471
Funds raised from third parties	13,392	17,800
Other	51,128	1,122
Total	8,782,285	7,566,082
e) OTHER LIABILITIES		
Accrued taxes	1,427,649	757,219
Miscellaneous payables	1,245,451	852,051
Accrued salaries and payroll taxes	960,551	679,117
Amounts collected in advance	947,619	808,695
Other	3,420	2,688
Total	4,584,690	3,099,770
f) MEMORANDUM ACCOUNTS DEBIT CONTROL		
Items in safekeeping	117,328,633	84,155,242
Securities representative of investments in custody safekeeping on behalf of the Guarantee Fund for the Sustainability of the Pay-as-you-go System managed by the Argentine Republic	101,831,865	25,005,318
Checks not yet credited	9,756,237	5,385,156
Collections items	1,264,327	538,366
Checks drawn on the Bank pending clearing	1,125,465	666,247
Cash in custody on behalf of the BCRA	920,400	1,009,188

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Other	222,730	202,445
Total	232,449,657	116,961,962

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	12-31-2016	12-31-2015
g) SERVICE CHARGE INCOME		
Commissions for hiring of insurances	632,550	587,985
Rental of safe-deposit boxes	245,319	188,826
Commissions on debit and credit cards	197,335	101,566
Commissions for escrow	48,037	23,997
Commissions for transportations of values	47,670	43,969
Commissions for capital market transactions	36,930	29,730
Commissions for loans and guaranties	35,219	33,639
Commissions earned by direct debt	25,039	17,518
Postal expenses recovery	19,291	15,160
Commissions for interbanking services	18,076	12,437
Commissions for saving accounts	15,680	5,359
Recovery of tax settlement expenses of residents abroad	13,060	4,554
Commissions for salary payment	12,508	10,446
Commissions for Francés Net Cash	8,644	7,822
Transfer fees	8,007	8,476
Commissions for trust management	733	1,832
Other	58,229	37,126
Total	1,422,327	1,130,442
h) SERVICE CHARGE EXPENSE		
Turn-over tax	524,420	383,227
Insurance paid on lease transactions	199,843	152,015
Insurance paid for life insurance	88,332	
Other	46,827	24,401
Total	859,422	559,643
i) OTHER INCOME		
Deferred income tax (1)	309,800	6,800
Income from the Credit Card Guarantee Fund	151,343	64,609
Related parties expenses recovery	64,820	59,432
Interest on loans to personnel	26,751	28,812
Earning per payment orders	18,691	106
Rentals	2,891	3,045
Other	114,146	69,717
Total	688,442	232,521

- (1) Offset by the same amount recorded in the account Charge for uncollectibility of other receivable and other allowances from other expense category.

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	12-31-2016	12-31-2015
j) OTHER EXPENSE		
Insurance losses	33,540	19,378
Donations	27,545	22,290
Turn-over tax	17,800	10,141
Private health insurance for former employees	17,206	14,541
Unrecoverable legal costs	8,835	123
Charges for administrative, disciplinary and criminal penalties	5,000	48,817
Other	60,777	47,937
Total	170,703	163,227

6. PENALTIES IMPOSED ON THE BANK AND ADMINISTRATIVE PROCEEDINGS INSTITUTED BY THE BCRA

According to the requirements of the Com. A 5689 as amended of BCRA then detailed the administrative and/or disciplinary penalties as well as the sentences imposed by criminal trial courts, enforced or brought by the Argentine Central Bank, of wick the Bank has been notified:

6.1. Penalties enforced against the Bank

BBVA Banco Francés S.A. over breach of Law Nr. 19,359 , Administrative Proceedings for Foreign Exchange Offense investigated by the Argentine Central Bank notified on February 21, 2014 and identified under Nr. 5706, File N° 100,134/11. The charges consist in having presumably operated with foreign exchange on January 18, 2010 despite failing to make available to the Argentine Central Bank the excess in its General Foreign Exchange Position incurred on January 15, 2010, allegedly breaching Communications A 4646, A 4814 and C 37587. Accused of these breaches stand BBVA Banco Francés S.A. and the following Bank officers who served in the capacities described below at the date when the breaches were perpetrated: (i) the Director of Global Markets, (ii) the Head of the Market Management Area and (iii) the Head of the Trading Area. On October 6, 2016, the Economic Criminal Court No. 4, Secretariat No. 7 of C.A.B.A. issued a sentence which condemns the payment of a fine for the amount of 5,000 to BBVA Banco Francés S.A. and to each of the officers summarized. On October 21, 2016, the Entity lodged an appeal against the judgment and argued that the legal asset protected by the Argentine Central Bank had gone neither through an abstract danger situation nor through a specific danger situation. To date, the action is pending before the Court of Appeals in Criminal and Commercial Matters, Division A, File No.362/2016. Given that the trial prosecutor did not appeal against the currently pending action, the punishment might be either the reduction or confirmation of these sums of money for the Court of Appeals has no authority to increase the fine.

6.2. Administrative Proceedings commenced by the BCRA

Banco Francés S.A. over breach of Law Nr. 19,359 , Administrative Proceedings for Foreign Exchange Offense investigated by the Argentine Central Bank notified on February 22, 2008 and identified under Nr. 3511, File 100,194/05, on grounds of a breach of the Criminal Foreign Exchange Regime of foreign currency by reason of purchases and sales of US Dollars through BCRA in excess of the authorized amounts. These total 44 transactions involving the branches 099, 342, 999 and 320. Accused of these breaches stand BBVA Banco Francés S.A. and the following Bank officers who served

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in the capacities described below at the date when the breaches were perpetrated: (i) two Territory Managers, (ii) four Branch Managers, (iii) four Heads of Back-Office Management and (iv) twelve cashiers. On August 21, 2014, the trial court acquitted all the accused from all charges. The State Attorney's Office filed an appeal and the Panel A of the Appellate Court with jurisdiction over criminal and economic matters confirmed the Bank's and the involved officers' acquittal from all charges. The State Attorney's Office lodged an extraordinary appeal which was granted and, as of the date of these financial statements, is being heard by the Supreme Court of Justice.

Banco Francés S.A. over breach of Law Nr. 19,359, Administrative Proceedings for Foreign Exchange Offense investigated by the Argentine Central Bank notified on December 1, 2010 and identified under Nr. 4539, File N° 18,398/05 where charges focus on simulated foreign exchange transactions through false statements in their processing incurred by personnel from five branches in Mar del Plata, which would entail failure to comply with the client identification requirements imposed by foreign exchange rules and regulations through Communication

A 3471, Paragraph 6. Accused of these breaches stand BBVA Banco Francés S.A. the five regular members of the Board of Directors and the following Bank officers who served in the capacities described below at the date when the breaches were perpetrated: (i) the Retail Bank Manager, (ii) the Territorial Manager, (iii) the Zone Manager, (iv) a Commercial Aide to the Zone Manager, (v) five Branch Managers, (vi) four Back-Office Branch Managers, (vii) five Main Cashiers and (viii) one cashier. To date, the case is being heard by Federal Court No. 3, Criminal Division, of the City of Mar del Plata, under File No. 16.377/2016.

BBVA Banco Francés S.A. over breach of Law Nr. 19,359, Administrative Proceedings for Foreign Exchange Offense investigated by the Argentine Central Bank notified on December 1, 2010 and identified under N., 4524, File N° 3,406/06 where charges focus on simulated foreign exchange transactions, conducted in the name of a deceased, perpetrated by personnel from the Branch 240 - Mendoza -, which would entail failure to comply with the client identification requirements imposed by foreign exchange rules and regulations through Communication

A 3471, Paragraph 6. Accused of these breaches stand BBVA Banco Francés S.A., five regular members of the Board of Directors and the following Bank officers who served in the capacities described below at the date when the breaches were perpetrated: (i) the Retail Bank Manager, (ii) the Territorial Manager, (iii) the Zone Manager, (iv) the Branch Manager, (v) the Back Office Branch Manager and (vi) the Main Cashier. The period for proffering and producing evidence came to a close. The case is being heard the Federal Court N° 1, Criminal department of the city of Mendoza, File No. 23,461/2015.

BBVA Banco Francés S.A. Over breach of Law Nr. 19,359, Administrative Proceedings for Foreign Exchange Offense investigated by the Argentine Central Bank notified on July 26, 2013 and identified under Nr. 5406, File N° 100,443/12 where charges focus on simulated foreign exchange transactions through false statements in their processing incurred by personnel in Branch 087 - Salta -, which would entail failure to comply with the client identification requirements imposed by foreign exchange rules and regulations through Communication A 3471, Paragraph 6. Accused of these breaches stand BBVA Banco Francés S.A. and the following Bank officers who served in the capacities described below at the date when the breaches were perpetrated: (i) the Branch Manager (ii) the Back Office Management Head, (iii) the Main Cashier and (iv) two cashiers. The period for proffering and producing evidence came to a close and the Argentine Central Bank must send the file to Salta's Federal Court.

BBVA Banco Francés S.A. over breach of Law No. 19,359 , Administrative Proceedings for foreign exchange offense by the Argentine Central Bank, notified on December 23, 2015 and identified under No. 6666, File No. 101,027/13. The proceedings were brought for allegedly having completed operations under Code 631

Professional and technical business services from SIKA ARGENTINA S.A. against the applicable exchange regulations (Communications A 3471, A 3826 and A 5264), Allegedly, the provision of the services has not been fully evidenced. Accused of these breaches stand BBVA Banco Francés S.A. and two of the Entity's officers holding the positions described below on the

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date of the charges: (i) the Foreign Trade Manager and (ii) an officer of the Area. The discovery period was declared closed by the Argentine Central Bank. To date, the case is being heard by Federal Court No. 4, Division No. 8 of the City of Buenos Aires, under file No. 1.308/2016.

BBVA Banco Francés S.A. over breach of Law No. 19,359 , Administrative Proceedings for foreign exchange offense by the Argentine Central Bank, notified on December 23, 2015 and identified under No. 6684, File No. 100,068/13. The proceedings were brought for allegedly having completed operations under Code 631

Professional and technical business services from ROCA ARGENTINA S.A. against the applicable exchange regulations (Communications A 3471, A 3826 and A 5264), Allegedly, the provision of the services has not been fully evidenced, Accused of these breaches stand BBVA Banco Francés S.A. and two of the Entity's officers holding the positions described below on the date of the charges: (i) the Foreign Trade Manager and (ii) an officer of the Area. The Argentine Central Bank has decided that the period for the production of evidence has come to an end. The case file shall be sent to the courts with jurisdiction over criminal economic matters in the city of Buenos Aires.

The Bank and its legal advisors estimate that made a reasonable interpretation of the applicable regulations in force and do not expect an adverse financial impact on these senses.

7. RESTRICTIONS ON ASSETS

As of December 31, 2016 and 2015, there are Bank's assets, which are restricted as follows:

- a) The Government and Private Securities account includes 227,946 in Argentine Treasury Bonds with CER adjustment in pesos maturing in 2021, as of December 31, 2016. At the end of the previous fiscal year, includes 102,590 in bonds issued by the Argentine Government in pesos maturing in 2016. They were allocated to the guarantee required to act as custodian of investment securities related to Guarantee Fund for the Sustainability of the Pay-as-you-go System managed by the Argentine Republic and Safe Keeping of bills.
- b) The Bank appropriated 41,997 and 19,983, respectively, in Guaranteed Bonds maturing in 2020, to secure loans arranged under the Credit Global Program to micro, small and medium businesses given by the Interamerican Development Bank (IDB).
- c) The Bank appropriated 45,717 and 253,764, respectively, in Guaranteed Bonds maturing in 2020, to secure loans granted by the so-called Bicentennial Fund .
- d) The Bank has also appropriated accounts, deposits and trusts for 2,049,102 and 1,659,774, respectively, as security for activities related to credit card operations, automated clearing houses, non-deliverable forwards

and futures and lawsuits.

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8. TRANSACTIONS WITH SUBSIDIARIES AND PARENT COMPANIES (ART, 33 OF LAW Nr. 19,550)

The balances as of December 31, 2016 and 2015, for transactions performed with subsidiaries, associates and parent companies are as follows:

Company	Balance Sheet				Memorandum Accounts (1)	
	Assets		Liabilities		2016	2015
	2016	2015	2016	2015	2016	2015
BBVA	404,352	2,703	272,941	268,696	126,657	85,462
BBV América S.L.	,	,	,	119,253	14,695,665	14,379,085
BBVA Francés Valores S.A.	12	12	215	64	23,057	13,513
Consolidar Administradora de Fondos de Jubilaciones y Pensiones S.A. (undergoing liquidation proceedings)	3	1	154	1,207	29,762	3,527
BBVA Francés Asset Management S.A. Sociedad Gerente de Fondos Comunes de Inversión	1,580	901	16,843	17,523	133,902	100,145
BBVA Consolidar Seguros S.A.	14,991	15,665	7,009	12,310	45,931	22,544
PSA Finance Argentina Cía. Financiera S.A.	694,416	709,035	6,107	7,235	271,001	,
Volkswagen Financial Services Compañía						
Financiera S.A.	1,014,120	,	32,847	,	,	,
Rombo Cía. Financiera S.A.	465,463	1,032,918	10,656	17,407	816,278	296,300

(1) Includes Items in safekeeping, Credit lines granted (unused portion) covered by debtor classification regulations, Guaranties given covered by debtor classification regulations and Derivatives.

9. BANK DEPOSITS GUARANTEE INSURANCE SYSTEM

The Bank is included in the Deposit Guarantee System established by Law 24,485, Regulatory Decrees Nr. 540/95, Nr. 1292/96 and 1127/98 and BCRA s Communication A 5943.

Such law provided for the creation of the Company Seguros de Depósitos Sociedad Anónima (SEDESA) for purposes of managing the Deposit Guarantee Fund (DGF), whose shareholders, in accordance with the changes introduced by Decree Nr. 1292/96, shall be the BCRA with one share as a minimum and the trustees of the trust created by the financial institutions in the proportion to be determined for each by the BCRA according to their contributions to the DGF.

That Company was incorporated in August 1995 and the Bank holds a 8.8649% interest in its capital stock.

The Deposit Guarantee System, which is limited, compulsory and onerous, has been created for purposes of covering the bank deposit risks subsidiarily and complementarily to the deposit protection and privilege system established by the Financial Institutions Law.

The guarantee shall cover the repayment of principal disbursed plus interest accrued through the date of revoking of the authorization to operate or through the date of suspension of the institution through application of section 49 of the BCRA's Charter provided that the latter had been adopted earlier than the former without exceeding the amount of pesos a four hundred and fifty thousand, Regarding operations in the name of two or more people, the guarantee shall be prorated between the holders, In no event shall the total guarantee per person exceed the above-mentioned amount, whatever the number of accounts and/or deposits.

In addition, it is established that financial institutions were required to set aside an ordinary contribution to the deposit guarantee insurance equal to 0.015% of their monthly average of daily balances of the items detailed in said regulation.

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10. TRUST ACTIVITIES

On January 5, 2001, the BCRA's Board of Directors issued Resolution Nr. 19/2001, providing for the exclusion of Mercobank S.A.'s senior liabilities under the terms of section 35 bis of the Financial Institutions Law, the authorization to transfer the excluded assets to the Bank as trustee of the Diagonal Trust, and the authorization to transfer the excluded liabilities to beneficiary banks. Also, on the mentioned date, the agreement to set up the Diagonal Trust was subscribed by Mercobank S.A. as settlor and the Bank as trustee in relation to the exclusion of assets as provided in the resolution above-mentioned. As of December 31, 2016 and 2015, the assets of Diagonal Trust amount to 2,427, considering its recoverable value.

In addition, the Bank in its capacity as Trustee in the Corp Banca Trust recorded the selected assets on account of the redemption in kind of participation certificates for 4,177 as of December 31, 2016 and 2015.

In addition, the Bank acts as trustee in 12 non-financial trusts, and in no case being personally liable for the liabilities assumed in the performance of the contract obligations; such liabilities will be settled with and up to the full amount of the corpus assets and the proceeds therefrom. The non-financial trusts concerned were set up to secure the receivables of several creditors (beneficiaries) and the trustee was entrusted the management, care, preservation and custody of the corpus assets until (i) the requirements to show the noncompliance with the obligations by the debtor (settlor) vis-à-vis the creditors (beneficiaries) are met, moment at which such assets will be sold and the proceeds therefrom will be distributed (net of expenses) among all beneficiaries, the remainder (if any) being delivered to the settlor, or (ii) all contract terms and conditions are complied with, in which case all the corpus assets will be returned to the settlor or to whom it may indicate. The trust assets represent 152,337 and 151,400 as of December 31, 2016 and 2015, respectively, and consist of cash, creditors' rights, real estate and shares.

11. CORPORATE BONDS

On July 15, 2003, an Extraordinary Stockholders' Meeting approved the setting up of a Program for the issuance and re-issuance of ordinary Corporate Bonds (non-convertible into shares) with ordinary guarantee, or such guarantees as may be decided by the Bank, and unsecured Subordinated Corporate Bonds, convertible or not into shares. During the life of the Program, which was 5 (five) years, it was possible to issue and re-issue any number of series and/or classes of Corporate Bonds as long as at all times the maximum amount in circulation after adding together all series and/or classes outstanding under the Program pending redemption does not exceed at any time US\$ 300,000,000 (or the equivalent thereof in other currencies). The Program was approved by CNV Resolution Nr. 14,967 dated November 29, 2004.

The Global Program was amended according to the resolutions adopted by the Ordinary and Extraordinary Stockholders' Meeting held on April 26, 2007; extended for 5 (five) years by resolution adopted by the Ordinary and Extraordinary Stockholders' Meetings held on March 28, 2008 and on April 9, 2013 (approved by the CNV by Resolutions Nr. 16,010 and Nr. 17,127 dated November 6, 2008 and July 11, 2013, respectively); and the maximum amount of the issuance was successively increased from US\$ 300,000,000 to US\$ 500,000,000 and from US\$ 500,000,000 to US\$ 750,000,000 by resolution adopted by the Ordinary and Extraordinary Stockholders' Meetings held on March 30, 2011 and March 26, 2012, respectively.

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The following is a detail of the Corporate Bonds outstanding as of December 31, 2016 and 2015:

Detail	Date of issuance	Nominal Value (in thousands of pesos)	Due date	Rate	Interest payments
Class 7	11/08/2013	250,000	11/08/2016	Private Badlar + nominal 4,24% per annum	Quarterly
Class 9	02/11/2014	145,116	02/11/2017	Private Badlar + nominal 4,70% per annum	Quarterly
Class 10	07/18/2014	233,750	01/18/2016	Private Badlar + nominal 2,50% per annum	Quarterly
Class 11	07/18/2014	165,900	07/18/2017	Private Badlar + nominal 3,75% per annum	Quarterly
Class 12	11/13/2014	130,286	05/13/2016	Private Badlar + nominal 2,53% per annum	Quarterly
Class 13	11/13/2014	107,500	11/13/2017	Private Badlar + nominal 3,75% per annum	Quarterly
Class 15	02/13/2015	144,875	11/13/2016	Private Badlar + nominal 4% per annum	Quarterly
Class 16	07/30/2015	204,375	07/30/2017	Private Badlar + nominal 3,75% per annum	Quarterly
Class 17	12/28/2015	199,722	06/28/2017	Private Badlar + nominal 3,50 % per annum	Quarterly
Class 18	12/28/2015	152,500	12/28/2018	Private Badlar + nominal 4,08 % per annum	Quarterly
Class 19	08/08/2016	207,500	02/08/2018	Private Badlar + nominal 2,40% per annum	Quarterly
Class 20	08/08/2016	292,500	08/08/2019	Private Badlar + nominal 3,23% per annum	Quarterly
Class 21	11/18/2016	90,000	05/18/2018	Private Badlar + nominal	Quarterly

2,75% per annum					
Class 22	11/18/2016	181,053	11/18/2019	Private Badlar + nominal	Quarterly

3,50% per annum

The issued Corporate Bonds were fully subscribed and paid in and they will be fully amortized at maturity.

As provided for in the Corporate Bonds Law and the BCRA regulations, the proceeds obtained from the issuance of Classes 7, 9, 10, 11, 12, 13, 17 and 18 were applied to the reimbursement of time deposits, the proceeds from the issuance of Class 15, 19, 20, 21 and 22 were applied to the grant of working capital loans and those obtained from the issuance of Class 16 were applied to the reimbursement Corporate Bonds Class 8.

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As of December 31, 2016 and 2015, the outstanding principal and accrued interest amounts to 1,798,353 (in connection with Class 9, 11, 13, 16, 17, 18, 19, 20, 21 and 22 of the Corporate Bonds) and 1,799,245 (in connection with Class, 7, 9, 10, 11, 12, 13,15,16,17 and 18 of the Corporate Bonds), respectively.

12. DERIVATIVE FINANCIAL INSTRUMENTS

I. Transactions as of December 31, 2016:

- a) Interest rate swaps for 1,984,500 (Fixed Rate versus Badlar), maturing within a period not exceeding 2 years and 242,778 more than 2 years for which the Bank pays a variable amount in accordance with changes in the Badlar, Encuesta rate, and receives a fixed amount based on stated notional amounts.

These transactions have been valued in accordance with the criteria described in note 2.3.n.1.) recognizing the amount of 8,136 as income for the fiscal year.

The estimated fair value of said instruments amounts to 28,167 (Liabilities), For fair value estimation purposes, the variable and fixed as yet not matured future flows are discounted, with the swap value being the difference between the current value of the future flows receivable and the current value of the future flows payable.

As of the end of the fiscal year, the above transactions were recorded under Memorandum Accounts - Debit Accounts Derivatives Interest rate swap for 2,227,278.

- b) Interest rate swap for 24,084 (Fixed Rate versus Badlar), with final maturity in September 2019, for which the Bank pays a variable amount in accordance with changes in the Badlar, Encuesta rate, and receives a fixed amount based on stated notional amounts.

Said transaction was consummated as hedge for potential volatility in the cash flows arising from certain financing deals attributable to changes in the designated benchmark interest rates and it has proven to be effective hedge for the risk mentioned.

The aim pursued by risk management consists in reducing exposure to changes in cash flows arising from financing deals. Thanks to the hedge established, changes in the cash flows arising from the underlying instrument caused by changes in the benchmark interest rate would decrease as a result of having been offset with the changes in the cash flows arising from the hedge instrument.

As of the end of fiscal year the above transaction was recorded under Memorandum Accounts - Debit Accounts Derivatives Interest rate swap for 24,084.

- c) Non-deliverable forward purchase and sale transactions in foreign currency payable in Pesos, maturing within a period not exceeding 1 year, for 2,623,708 and 3,186,904, which are recorded under Memorandum Accounts - Debit Accounts - Derivatives Notional amount of non-deliverable forward transactions , and Memorandum Accounts - Credit Accounts - Derivatives Notional amount of non-deliverable forward transactions , respectively.

These transactions have been conducted through the MAE (Mercado Abierto Electrónico) and ROFEX (Mercado a Término Rosario), with daily settlement in pesos or settlement at maturity and valued in the manner described in note 2.3.n.2.). As of the end of the fiscal year, they generated a gain of 221,078.

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- d) Forward sales of BCRA Bills under repurchase agreements for 64,872, which are recorded under Other liabilities from financial transactions Instruments to be received for spot and forward purchases to be settled .

These transactions have been valued in accordance with the description in note 2.3.g) recognizing the amount of 70,390 as income for fiscal year.

- e) Forward purchases of BCRA Bills under reverse repurchase agreements for 134,027 and 1,065 of government securities, which are recorded under Other assets from financial transactions Instruments to be received for spot and forward purchases to be settled .

These transactions have been valued in accordance with the description in note 2.3.g) recognizing the amount of 141,395 as expense for the fiscal year.

II. Transactions as of December 31, 2015:

- (1) Interest rate swaps for 920,053 (Fixed Rate versus Badlar), maturing within a period not exceeding 2 years for which the Bank pays a variable amount in accordance with changes in the Badlar, Encuesta rate, and receives a fixed amount based on stated notional amounts and interest rate swaps for 13,000 (Badlar versus Taxed Rate), maturing within a period not exceeding 1 year for which the Bank pays a fixed amount in accordance with changes in the Badlar, Encuesta rate, and receives a variable amount in accordance with changes in the Badlar, Encuesta rate.

These transactions have been valued in accordance with the criteria described in note 2.3.n.1.) recognizing the amount of 42,621 as income for the fiscal year.

The estimated fair value of said instruments amounts to 30,988 (Liabilities). For fair value estimation purposes, the variable and fixed as yet not matured future flows are discounted, with the swap value being the difference between the current value of the future flows receivable and the current value of the future flows payable.

As of the end of the fiscal year, the above transactions were recorded under Memorandum Accounts - Debit Accounts Derivatives Interest rate swap for 933,053.

- (2) Interest rate swap for 30,315 (Fixed Rate versus Badlar), with final maturity in September 2019, for which the Bank pays a variable amount in accordance with changes in the Badlar, Encuesta rate, and receives a fixed amount based on stated notional amounts.

Said transaction was consummated as hedge for potential volatility in the cash flows arising from certain financing deals attributable to changes in the designated benchmark interest rates and it has proven to be effective hedge for the risk mentioned.

The aim pursued by risk management consists in reducing exposure to changes in cash flows arising from financing deals. Thanks to the hedge established, changes in the cash flows arising from the underlying instrument caused by changes in the benchmark interest rate would decrease as a result of having been offset with the changes in the cash flows arising from the hedge instrument.

As of the end of the fiscal year the above transaction was recorded under Memorandum Accounts - Debit Accounts Derivatives Interest rate swap for 30,315.

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- (3) Non-deliverable forward purchase and sale transactions in foreign currency payable in Pesos, maturing within a period not exceeding 1 year, for 5,809,784 and 5,843,638, which are recorded under Memorandum Accounts - Debit Accounts - Derivatives Notional amount of non-deliverable forward transactions , and Memorandum Accounts - Credit Accounts - Derivatives Notional amount of non-deliverable forward transactions , respectively. These transactions have been concluded through the MAE (Mercado Abierto Electrónico) and ROFEX (Mercado a Término Rosario), with daily settlement in pesos or settlement at maturity and valued in the manner described in note 2.3.n.2.). As of the end of fiscal year, they generated a gain of 493,406.
- (4) The Bank does not carry any pending balances associated to repos in force at December 31, 2015. However, the transactions conducted at December 31, 2015 have yielded a 70,562 gain at the end of the fiscal year.
- (5) The Bank does not carry any pending balances associated to reverse repos in force at December 31, 2015. However, the transactions conducted at December 31, 2015 have yielded a 43,503 loss at the end of the fiscal year.

13. COMPLIANCE WITH CNV REQUIREMENTS

13.1 Minimum Stockholders Equity and Minimum of liquid assets:

According to CNV's General Resolution Nr. 622/13, the minimum Stockholders Equity required to operate as Settlement and Clearing Agent Comprehensive and Mutual Funds Custodian Agent would amount to 20,500 and the minimum of liquid assets required by those rules would be 10,250, this amount comprises National Treasury Bonds adjusted by CER due 2021 deposited with the account opened at Caja de Valores S.A. entitled Depositor 1647 Brokerage Account 5446483 BBVA Banco Francés Minimum Counterbalancing Entry . As of December 31, 2016 and 2015, the Bank's Stockholders Equity exceeds the minimum amount imposed by CNV.

13.2 The Bank's operations as Mutual Funds Custodian Agent

As of December 31, 2016 and 2015, in its capacity as Custodian Agent of FBA Ahorro Pesos , FBA Renta Pesos , FBA Bonos Argentina , FBA Calificado , FBA Horizonte , FBA Acciones Latinoamericanas , FBA Acciones Argentinas , FBA Renta Pesos Plus , FBA Renta Mixta and FBA Bonos Globales managed by BBVA Francés Asset Management S.A. Sociedad Gerente de Fondos Comunes de Inversión, the Bank holds certificates of deposits, repos, shares, corporate bonds, government securities, indexes, deferred payment checks, securities issued by the BCRA, Cedears, ADRS, shares in mutual funds and financial trusts in safekeeping in the amount of 16,665,210 and 7,902,234, respectively, all of which making up the Fund's portfolio and booked in Memorandum Accounts - Debit Accounts -Control - Other .

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The Investment Funds' equities are as follows:

EQUITIES AS OF

INVESTMENT FUND	12-31-2016	12-31-2015
FBA Ahorro Pesos	11,269,857	5,458,819
FBA Bonos Argentina	2,793,125	269,797
FBA Renta Pesos	2,609,965	2,559,447
FBA Calificado	393,708	299,372
FBA Horizonte	252,402	191,003
FBA Acciones Latinoamericanas	101,400	64,063
FBA Acciones Argentinas	35,594	3,066
FBA Renta Pesos Plus	10,083	,
FBA Renta Mixta	9,055	,
FBA Bonos Globales	282	217
Total	17,475,471	8,845,784

14. EARNINGS DISTRIBUTIONS

The Bank has in place an earnings distribution policy in line with the Bank's vocation for sustained stockholder value, that at the same time allows the Bank's financial condition to perform favourably so as to strive for business growth and the maintenance of consistently high liquidity and solvency standards in compliance with currently applicable rules and regulations.

Restriction on earnings distributions:

- a) In accordance with the provisions of B.C.R.A., the next Shareholders' Meeting must appropriate the amount of 728,734 currently included under Unappropriated earnings to the Legal Reserve.
- b) In accordance with the provisions of current regulations on "Distribution of results" of the Argentine Central Bank, for the purposes of calculating the balance of distributable profits to be made in non-accounting deductions form of the sum of the amounts recorded in the account earnings and the discretionary reserve for future distributions results. It also must be authorized by the Superintendency of Financial and Exchange Institutions in order to verify the correct application of the method described by the same for the distribution of results.

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15. ACCOUNTS IDENTIFYING COMPLIANCE WITH MINIMUM CASH REQUIREMENTS

The following are the items computed for Compliance with Minimum Cash Requirements according to the regulations of the BCRA, with their corresponding balances as of December 31, 2016 and 2015:

	12-31-16	12-31-15
COMPUTABLE COMPLIANCE IN PESOS		
Special Guarantee Accounts	838,156	711,241
BCRA Checking Account	12,233,321	10,023,347
TOTAL	13,071,477	10,734,588
COMPUTABLE COMPLIANCE IN US DOLLARS (Stated in thousands of pesos)		
Special Guarantee Accounts	76,431	52,697
BCRA Checking Account	18,836,268	12,460,754
TOTAL	18,912,699	12,513,451
COMPUTABLE COMPLIANCE IN EUROS (Stated in thousands of pesos)		
BCRA Checking Account	160,628	75,574
TOTAL	160,628	75,574

16. STATEMENTS OF CASH AND CASH EQUIVALENTS FLOW

The Statements of Cash and cash equivalents flow explain the changes in cash and cash equivalents. For such purpose, a detail is supplied of the items that the Bank considers to be cash and cash equivalents:

	12-31-15	12-31-15	12-31-14
a) Cash and due from banks	48,070,998	27,942,617	12,525,541
b) Loans to financial sector, call granted maturity date less than three months	1,705,000	517,300	525,950

CASH AND CASH EQUIVALENTS	49,775,998	28,459,917	13,051,491
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Item b) is considered to be cash equivalents because they it is held in order to meet short-term commitments, they are readily convertible in known cash amounts, they are subject to insignificant risk of changes in value and their maturity is less than three months.

17. THE BANK S DOCUMENTATION AND RECORDS CNV RESOLUTION Nr. 629/14

CNV issued its General Resolution Nr. 629 on August 14, 2014 to introduce changes in its own rules governing the maintenance and safekeeping of corporate books, accounting records and business documentation. In this respect, it is reported that the Bank has sent the documentation that supports its operations for the periods still open to audit for safekeeping to Administradora de Archivos S.A. (AdeA), domiciled at Ruta 36 Km, 31,5 of Florencio Varela, Province of Buenos Aires.

In addition, it is put on record that a detail of the documentation delivered for safekeeping, as well as the documentation referred to in Article 5, Sub-article a.3), Section I of Chapter V of Title II of the CNV rules is available at the Bank s registered office (Technical Rules 2013 as modified).

18. IFRS CONVERGENCE IMPLEMENTATION PLAN.

On September 30, 2016, in compliance with the instructions given by the Argentine Central Bank through its Communication A 5844, as amended, the Entity submitted the required recognition and measurement adjustments to reconcile the balances of assets and liabilities to the balances that would arise from applying the International Financial Reporting Standards set forth in the Argentine Central Bank s guidelines. The Bank s Board of Directors has taken note of this report and of the progress made to date.

19. PURCHASE OF STOCK IN VOLKSWAGEN FINANCIAL SERVICES COMPAÑIA FINANCIERA S.A.

On May 20, 2015, the Bank executed a Stock Purchase Agreement with Grupo Volkswagen, Pursuant to this Stock Purchase Agreement, the Bank acquired 51% of the capital stock of Volkswagen Financial Services Compañía Financiera S.A., equivalent to 23,970,000 non-endorsable, registered, ordinary shares with par value \$ 1 and the right to one vote per share.

On August 26, 2016, pursuant to Resolution No. 332, the Argentine Central Bank approved the transaction above mentioned. Consequently, on September 26, 2016, 51% of its capital stock was effectively transferred to BBVA Francés and the agreed-upon price, 53,040, was paid.

On September 26, 2016, Volkswagen Credit Compañía Financiera S.A. s Ordinary and Extraordinary General Shareholders Meeting adopted a unanimous resolution whereby the company s name would be changed to Volkswagen Financial Services Compañía Financiera S.A. . Such modification is authorized by B.C.R.A. and has been registered with the General Inspection of Justice on November 14, 2016 under the number 22302 of book 82 of Societies for Shares.

Additionally, and as per a resolution adopted by the Shareholders Meeting already mentioned, on October 27, 2016, BBVA Francés disbursed 229,500 as a capital increase.

20. RISK MANAGEMENT POLICIES

The Risk Department comprises units specializing in each class of risk (credit, financial and operational risk) that work alongside cross-sectional control units: Internal Control and Global Management.

The following is a description of the comprehensive policies and processes for identifying, assessing, controlling and mitigating all risks: credit, financial and operational.

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a) Credit Risk

The Risk Department is made up by the following divisions: Retail Banking, Enterprise and Wholesale Banking and Recoveries. Within the purview of the Retail Banking and the Enterprise and Wholesale Banking divisions, there are the areas in charge of Admission, Follow-Up and Policies and Tools. In turn, the Recoveries division includes areas specializing in severity mitigation, further split into Legal actions for debt recovery, Personalized debt recovery efforts, Special Proceedings and Policies, Tools and Follow-up.

Approvals are processed by virtue of the loan-granting powers conferred upon the positions responsible for Admission and the Risk Management Committee. In addition, the commercial areas rely on a smaller number of delegated loan-granting powers based on the amount of the transaction and on the opinion yielded by the set of evaluation tools known as SAVERF (for retail) and Rating (for wholesale). Any application that receives a study/reject opinion from any of the evaluation tools must be analyzed by the Central Admission specialists.

Any exceptions to the polices currently in force are addressed by the Risk Management Committee and/or by the Technical Committee of Local Operations.

The assessment methodology is based on internally designed scoring and rating models applied to the Retail Banking and Enterprise and Wholesale Banking portfolios management, respectively. The application of this methodology leads to the calculation of the probability of default and in addition, to a historical control over expected losses and loss given default of such losses in each portfolio. The scoring and rating tools are re-estimated periodically.

During 2016, Retail Risk put in place a new pro-active scoring system which is applied to mass campaigns targeted to customers, which resulted in improved risk differentiation and, hence, in an increase in the number and quality of the offerings.

The Bank has started to offer UVA mortgage loans pro-actively to a selection of customers, a product that gained momentum by the end of 2016, while it is being included in the automatic evaluation of product offers to clients.

The Bank has supported the boost of digital sales of credit cards by developing online evaluation engines and features to enter into loan agreements offered to its customers by Internet.

b) Financial Risk

Financial Risk is the unit responsible for managing Market Risk (including Counterparty Risk and Valuation Room), Structural Risks (Interest Rate and Liquidity Risks), Capital Self-Assessment and Stress scenarios.

Market Risk

The market risk is the possibility of suffering losses in the value of a portfolio as a result of adverse fluctuation in the market price.

For managing market risk, the VaR (Value at Risk) indicator is used as it is the basic unit for measuring and managing this risk in so far as it estimates the maximum expected loss with a 99% confidence level that can be seen in the

market positions of a portfolio given a one-day time horizon. The volatility in risk factors used by the model is calculated using a historical 2-year window. The Market Risk model is periodically validated through back-testing.

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The structure of Market Risk limits establishes patterns of limits, alert and sub-limits in terms of Economic Capital (CeR, as internally known) and VaR and stress and stop loss.

The Market Risk unit manages the counterparty risk. The model estimation of credit risk in derivatives to determine not only the current exposure of each of the partners, but also the possible future development to changes in the different market variables.

Liquidity and Funding Risk

The main basic metrics used to control liquidity risk and financing include:

Identification of liquidity risks;

Control and monitoring of limits, sub-limits and early alerts, based on the defined risk appetite;

Design of stress models and several scenarios;

Contingency planning.

As part of the liquidity and financing risk control and monitoring process, below is a detail of the most relevant metrics:

Self-funding ratio: the metrics known as Loans to Stable Customers Deposits (LtSCD) provides information about balance sheet funding structure for a given period.

Net short-term funding: this parameter strives toward determining reasonableness in the balance sheet funding structure. And based on that criterion, a detailed follow-up is performed of the funding sources that deviate from those considered stable by corporate criteria.

LCR (Liquidity Coverage Ratio): BBVA Francés fully applies and meets the requirements of this ratio as defined by Basel and incorporated by the Argentine Central Bank.

Interest-rate risk

Balance sheet interest-rate risk management seeks to maintain BBVA Francés exposure at levels in harmony with the risk appetite validated by the Bank in the event of changes in market interest rates.

The main indicators to follow up on this type of risk are the following: a) Economic Capital per structural interest rate risk, and b) Financial margin sensitivity.

Stress Testing

Stress tests are understood to refer to the assessment of a financial position in the face of a severely adverse though possible scenario.

In this respect, stress tests are divided as per their scope of application into individual and comprehensive. Individual stress tests are aimed at measuring the impact of an adverse scenario at the individual level by risk type.

Comprehensive stress tests seek to quantify impacts at the aggregate level of adverse scenarios in terms of the Balance sheet, the Income statement, any changes in cash flows and any capital requirements associated to a given projected stress situation.

Economic Capital

A financial institution's economic capital is that required to cover unexpected losses stemming from the exposures to risk that may affect the Bank.

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The risk profile of BBVA Francés focuses on those risks which, given their relevance, are apt to affect current or future solvency.

c) Internal Control

The Risk Department, in accordance with international standards and the Argentine Central Bank's requirements established by the B.C.R.A., the functions on the Validation and Internal Control/Operational Risk Management at the Country level in charge of ensuring an updated control environment that is consistent and sufficient in all of the Bank's units.

The Internal Validation function is ensuring that internal risk models of the BBVA Francés are suitable for use in risk management.

Regarding the Internal Control and Operational Risk function, is based on a scheme Control Specialist and Operational Risk Managers, in the areas of business.

The Internal Control and Operational Risk Model identifies the organization's operational procedures and all the operational risks to which they are exposed. This methodology appraises each one of these risks, which are then assigned a priority and their criticality is then established for them to be managed for purposes of mitigation, if applicable.

d) Global Management

The area is responsible for the procedures that control the operating ratios associated to credit risk grading and diversification, provisioning, determination of risk quotas by industry segment and by type of funding.

Additionally performs the function of generating reporting for Risk Management in order to decision-making in compliance with internal credit policies and control bodies, reviewing processes and proposing alternatives.

In 2016, the Bank started to make efforts to comply with the Data Aggregation Principles (RDA), and to make the necessary changes to conform to the International Financial Reporting Standards (IFRS) issued by the IASB.

21. TRANSPARENT CORPORATE GOVERNANCE POLICY

I. THE BOARD OF DIRECTORS

The By-laws of BBVA Francés prescribe that the Bank shall be managed by a Board of Directors made up by a minimum number of three and a maximum number of nine directors, as established by the Ordinary General Shareholders Meeting when appropriate. Directors shall serve on the Board for three-year terms and they may be re-elected (the Board of Directors). The Bank's Shareholders Meeting may designate alternate directors in an equal or

lower number. The Board of Directors must meet at least once a month.

The proposed board membership shall be subject to a previous evaluation by the Nominations and Remunerations Committee.

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The table below indicates the names of the members of our Board of Directors, their present position in the company and their business background.

Name	Current Position	Background and Work Experience
Jorge Carlos Bledel	Chairman	<u>Business experience:</u> Regular Director, Rombo Compañía Financiera S.A, Director.; Director, Credilogros Compañía Financiera S.A.; Credit Manager, Banco del Interior y Buenos Aires; Business Manager, Corporación Metropolitana de Finanzas; Financial Manager, BBVA Francés; Wholesale Banking Director, BBVA Francés, Retail Banking Director, BBVA Francés, Retail Banking Director, BBVA Francés; Alternate Director, Central Puerto S.A.; Regular Director, RPM Gas S.A. and Alternate Director, RPU Agropecuaria S.A.; Regular Director, RPE Distribucion S.A.; Vice-president, PB Distribucion S.A.
		Jorge Carlos Bledel is an independent director in the terms of General Resolution Nr. 622/13 (as per its new wording dating back to 2013).
Alfredo Castillo Triguero	Vice Chairman 1°	<u>Business experience:</u> Risk Executive Officer and Audit Executive Officer, BBVA Bancomer; Executive Vice-president of Finance, BBVA Banco Provincial de Venezuela; member of the board of directors at several companies, GrupoFinanciero BBVA Bancomer and BBVA Colombia; Executive Vice-president of Finance, BBVA Banco Ganadero de Colombia
		Meets the independence criteria to be considered as an independent director in the terms of General Resolution Nr. 622/13 (as per its new wording dating back to 2013).
Marcelo Gustavo Canestri	Vice Chairman 2°	<u>Business experience:</u> Vice-president, PSA Finance Argentina Cia. Financiera S.A.; Vice-president at the Board of Directors, Fundación Banco Francés; Regular Director, Rombo Compañía Financiera S.A.; Corporate Assistant Manager, BBVA Francés; Wholesale Banking Assistant Manager, BBVA Francés; Asset

Management Director, BBVA Francés and Financial Director, BBVA Francés.

He is an independent director in the terms of General Resolution Nr. 622/13 (as per its new wording dating back to 2013).

Gabriel Eugenio Milstein	Regular Director	<u>Business experience:</u> Director, PSA Finance Argentina Compañía Financiera S.A.; Director, Rombo Compañía Financiera S.A.; member of Banco Francés foundation; Director of Media and Director of Human Resources and Services, BBVA Francés.
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He does not meet the requirements independent director in the terms of General Resolution Nr. 622/13 (as per its new wording dating back to 2013).

Oscar Miguel Castro	Regular Director	<u>Business experience:</u> Executive member, Committee of Financial Services, Pistrelli Díaz y Asoc. for twenty years. Partner in charge of the Financial Services Division in Argentina and Latin America, and member of the Financial Services Executive Committee at worldwide. Independent director, Zurich Argentina Compañía de Seguros and Zurich Compañía de Reaseguros.
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He meets the requirements of an independent director in the terms of General Resolution Nr. 622/13 (as per its new wording dating back to 2013).

Juan Manuel Ballesteros Castellano	Regular Director	<u>Business experience:</u> Director of Organization, Banco Bilbao Vizcaya Argentaria; Director of Human Resources, Banco Bilbao Vizcaya Argentaria.
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He meets the requirements of an independent director in the terms of General Resolution Nr. 622/13 (as per its new wording dating back to 2013).

Javier Pérez Cardete	Alternate Director	<u>Business experience:</u> Director of the Southern and Eastern Regions, Banco Bilbao Vizcaya Argentaria; Regional Director, Banco Bilbao Vizcaya Argentaria; Head of Risks in Valencia.
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He meets the requirements of an independent director pursuant to General Resolution No. 622/13 (as revised in 2013).

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II. SENIOR MANAGEMENT

Senior Management is made up by the General Manager and by those executive officers who have decision-making powers and who report directly to the General Manager.

The officers in Senior Management positions must have the skills and experience required by the financial industry to run the business with which they are entrusted and to oversee as appropriate the personnel in the various areas.

III. MANAGEMENT COMMITTEE - MEMBERSHIP

The main members of Senior Management make up the Management Committee. The Committee is chaired by the Executive Director or General Manager.

Prospective Management Committee members shall first be evaluated by the Nominations and Remunerations Committee for subsequent consideration by the Board.

Powers

The Management Committee shall have the following powers, and, when appropriate, it shall be required to submit matters to consideration by the Board for final decision.

Implement the strategies and policies approved by the Board.

Evaluate and propose business and investment strategies and general risk policies.

Develop the processes necessary to identify, assess, monitor and mitigate the risks to which the Bank is exposed to.

Implement appropriate internal control systems and monitor their effectiveness, periodically reporting to the Board on the attainment of objectives.

Establish business synergies with the remaining Group companies.

Analyze and propose the year's comprehensive budget, monitor evolution and determine any corrective actions as called for by internal and market variables.

Propose the delegation of powers to the Bank's officers. Supervise the managers in the various areas to make sure that they comply with the policies and procedures set forth by the Board.

Evaluate and propose Bank-wide policies, strategies and guidelines and then oversee and follow up on model implementation.

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The following table identifies the members of the Management Committee and provides certain details about their business experience. The highest-ranking officers are designated for unlimited periods.

Name	Current Position	Background and Work Experience
Martín	General Manager	Alternate Director, BBVA Banco Francés S.A.; Regular Director, BBVA Consolidar Seguros S.A.; Regular Director, BBVA Francés Valores S.A., Member of the Board of Directors, Fundación Banco Francés; Innovation and Development Director, BBVA Francés; Director of Mergers, BBVA Francés; Planning Director, BBVA Francés; Financial Director, BBVA Francés; Retail Banking Director, BBVA Francés; Director, Credilogros; Director, BBVA Francés Uruguay.; Deputy Managing Director, Commercial Development, BBVA Group; Deputy Managing Director, Business Development, BBVA Group; Economist, Banco de Crédito Argentino; Management and Budget Control Manager, Banco de Crédito Argentino; Planning Director, Management Control and Economics, Banco de Crédito Argentino.
Ezequiel Zarich		
Ignacio Sanz y Arcelus	Director, Finance and Planning.	Finance Area Technology and Operations, BBVA; Director of the Department of Assets and Liabilities Management for Latin America, BBVA; Director of the Investment Banking Comptroller's Office (Treasury, Capital Markets, Intermediation, Corporate, Structured Financing), BBVA; Corporate Director, BBVA; Director of the Treasury, Capital Markets and International Network area, BEX Argentaria BBVA; Director of the Market Risk Audit Unit, BEX Argentaria BBVA; Director of Central Services Audit, BEX; Director of Planning, Intervention and Control, SERFINBEX; Director, BEX Argentaria BBVA; Team Leader at Arthur Andersen Auditores S.A.
Jorge Alberto Bledel	Director, Business Development and Digital Banking	Innovation and Business Model Manager, BBVA., Manager of Investment Products, Insurance and Capital Services, BBVA Francés; Head Portfolio Manager, BBVA Francés, Portfolio Manager, BBVA Francés; Wholesale Banking Analyst and Personal Banking Officer, BBVA Francés.
Gustavo Osvaldo Fernandez	Director, Talent and Culture	Director of Technology and Operations, BBVA; Coordinator, Systems & Organizations, Banca Nazionale del Lavoro; Systems Coordinator, Banco Galicia; System Organization and

		Development Manager, Banco de Crédito Argentino; Design and Development Manager, BBVA Francés; Media Director, BBVA Francés; Director of Design and Development for the Americas, BBVA; Business Partner for the Americas, BBVA.
Carlos Elizalde	Director, Corporate & Investment Banking	Regional Director for Global Transaction Banking LATAM, BBVA; General Manager, AL-Rajhi Bank; Free-lance Consultant, Riyadh / Buenos Aires; General Director, Citigroup Miami; Regional Chief for Latin America, Citigroup Miami; Head of Regional Sales, Citigroup Buenos Aires
Gustavo Siciliano	Director, Systems and Operations	Director of Design and Development Technology and Operations, BBVA; Information Technology Manager - Media, BBVA; Media Director, BBVA Uruguay; Media Planning and Information Security Manager, BBVA Francés; Media Information Security Manager, Banco de Crédito Argentino.
Gerardo Fiandrino	Director, Risks	Retail Banking Director for South America, BBVA; Director of Wholesale Banking for South America, BBVA; Retail Risk Manager, BBVA Francés; Wholesale and Enterprise Risk Manager, BBVA Francés; Admission and Follow-up Manager, BBVA Francés; Monitoring and Operation Risk Manager, BBVA Francés; Director, Rombo Compañía Financiera S.A.; Director, PSA Finance Argentina Compañía Financiera S.A.; Portfolio Monitoring Manager, Banco de Crédito Argentino. Investment Banking Senior Officer, Banco de Crédito Argentino.
Gustavo Alonso	Director, Commercial	Retail Product Manager, BBVA Francés; Manager of Payment Services and Retail, BBVA Francés; Manager of Strategic Alliances and Products, BBVA Francés; Marketing Manager, BBVA Francés; Commercial Banking Advisor Manager, BBVA Francés; Area Manager, BBVA Francés; Branch Manager at Pilar, San Nicolás and Rosario, BBVA Francés.

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IV. BBVA FRANCES s OWNERSHIP STRUCTURE

The following table sets forth certain information regarding the beneficial ownership of our ordinary shares as of December 31, 2016, by each person who, to our knowledge, owns beneficially more than 5% of our ordinary shares. These persons do not have different voting rights.

Ordinary Shares Beneficially Owned At December 31, 2016		
Beneficial Owner	Number of Shares	Percentage of Shares Outstandings
Banco Bilbao Vizcaya Argentaria	244,870,968	45.61
BBV America SL ⁽¹⁾	160,060,144	29.81
The Bank of New York Mellon ⁽²⁾	52,302,192	9.74
ANSES (Federal Social Security Administration)	42,439,494	7.90

(1) BBV América S.L. is under the control of BBVA. It has an effective 29.81% ownership interest in the capital stock of BBVA Francés.

(2) As holder agent of ADSs.

V. ORGANIZATIONAL STRUCTURE**VI. COMMITTEES OF THE BOARD OF DIRECTORS****a) Audit Committee Law 26,831 (C.N.V./S.E.C.)**

The Audit Committee (C.N.V./S.E.C.) BBVA Banco Frances is a collegiate body which is composed mostly of independent directors according to the criteria established in the regulations of the CNV , with a mandate to assist the Board in evaluating the role and independence of the external auditor and the exercise of the function of internal control of the Bank. The Audit

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Committee has internal rules and regulations in place that govern its purpose, organization and functions and that were approved at the General Ordinary and Special Shareholder's meeting held on April 22, 2004. The Audit Committee also has a Recording Secretary who also serves as Board of Director's Secretary.

The Audit Committee is comprised by three (3) regular members of the Board of Directors to be appointed by the board by a simple majority of votes. The Board may also appoint an Alternate Member.

In the first meeting held following its designation, the Committee shall appoint a Chairman who shall call for, set the agenda of, and preside over the meetings.

The directors comprising the Audit Committee shall have knowledge on business, financial or accounting issues.

Upon the resignation, removal, death or incapacity of any member of the Audit Committee, the designated Alternate Member shall replace the outgoing regular member until the following Annual Ordinary Shareholder's Meeting. The alternate member shall also have knowledge on business, financial or accounting issues and its incorporation shall not affect the majority of independent members that shall comprise the Audit Committee. The Audit Committee also meets the specifications of the Sarbanes Oxley Act.

Its main functions are:

Giving opinion on the Board of Director's proposal for the designation of the external auditors to be retained by the company and watching for their independence status and transparency;

Overseeing the operation of the internal control system and the accounting and administration system, including the reliability of the latter, as well as all financial reporting and information on other significant events to be filed with the CNV and the self-regulated entities, in compliance with the applicable disclosure requirements;

Overseeing the application of disclosure policies on the company's risk management;

Providing the market with complete information on operations that entail a conflict of interest with members of the corporate bodies or controlling shareholders;

Giving opinion on the fairness of the compensation and stock option plans for the company's directors and managers proposed by the Board of Directors;

Giving opinion on the company's compliance with legal requirements and on the fairness of the terms and condition of stock or convertible security issues, upon a capital increase excluding or restricting preemptive rights;

Verifying compliance with the applicable code of conduct;

Rendering an informed opinion on transactions with related parties, where the applicable standards so require;

Preparing an action plan on an annual basis for the fiscal year to be reported to the Board of Directors and supervisory committee.

b) Nominations and Remunerations Committee

BBVA Francés' Nominations and Remunerations Committee is a non-executive body whose purpose consists in assisting the Board on matters concerning the Bank's remuneration and benefit policies. Furthermore, the Nominations and Remunerations Committee is the body entrusted with the establishment of the standards and procedures governing the recruitment and training of Executive and other officers, and top-ranked personnel.

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Structure:

BBVA Francés Nominations and Remunerations Committee shall be formed by three Executive Directors any largely independent, to be designated by the Board in the same manner as the President and such individuals with executive duties as determined by the Board of Directors. The Committee shall be presided over by an Independent Director.

Each member of the Appointment and Compensation Committee shall prove sufficient knowledge on and experience in HR, compensation policies and labor risk management.

Functions:

The Appointment and Compensation Committee shall perform the following functions:

Developing recruitment criteria for the members of the Board of Directors and senior management;

Identifying potential candidates to fill posts at the Board of Directors to be proposed at the General Shareholders meeting;

Ensuring the Training and Development of the members of the Board of Directors and senior management and other executives;

Establishing policies and criteria to review the performance of the main executive and the key executives;

Annually informing the Board of Directors of the assessment guidelines that were followed to determine the compensation level of directors, senior positions and first-line managers;

Ensuring that the entity has an employee incentive program in place that takes into consideration the risks undertaken by employees on behalf of the entity (both future and already assumed risks) and that adjusts incentives based on all risks;

Ensuring a clear link between the performance of key staff and their fixed or variable compensation, taking into account the risks undertaken and how they are managed;

Overseeing that the variable portion of senior management's compensation is tied to the medium and/or long-term performance of their members;

Administering the stock option plans;

Reviewing the competitive position of the Bank's compensation and benefit policies and practices and approving the respective changes. To such end, these policies shall embrace the company's goals, culture and activities and shall be mainly intended to reduce incentives to undertake excessive risks in the face of the structure of the employee's incentive system;

Defining and communicating key staff retention, promotion, dismissal and suspension policies;

Presenting to the Board of Directors the guidelines followed to determine the retirement plans for the Bank's directors and first-line managers;

Regularly reporting to the Board of Directors on any action undertaken and the issues discussed in the meetings;

Suggesting which members of the Board of Directors should comprise the several Board committees, based on their respective background;

Ensuring that the resumes of the Board of Directors and senior management's members are available at the Issuer's web site (stating Directors' term in office);

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Assessing the convenience of the members of the Board of Directors and/or statutory auditors performing functions at several Issuers;

Annually preparing, reviewing and assessing the Committee's rules and regulations and proposing changes for the Board's approval;

Ensuring that the HR policy does not embrace any form of discrimination;

Ensuring that a member of the Committee is present at the General Shareholder's meeting at which the Board's compensation will be approved in order to explain the Bank's policy in connection with the Board of Directors' and senior management's compensation.

Organization and Operation Rules:

The Appointment and Compensation Committee shall meet as frequently as deemed necessary to perform its functions and, at least, twice per year. Meetings shall be indistinctly convened by the President or other member.

The Committee may convene individuals within the Bank that perform tasks related to the Committee's functions, and may seek such external advice, through the Board of Directors, as deemed necessary to form an opinion on the matters within its competence.