

BBVA BANCO FRANCES SA
Form 20-F
April 04, 2011

As filed with the Securities and Exchange Commission on April 4, 2011

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
- OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2010
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
- OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 001-12568

BBVA BANCO FRANCÉS S.A.
(Exact name of Registrant as specified in its charter)

BBVA FRENCH BANK
(Translation of Registrant's name into English)

Republic of Argentina
(Jurisdiction of incorporation or organization)

Reconquista 199
(C1003ABB) Buenos Aires. Republic of Argentina
(Address of principal executive offices)

Adrián Bressani – 011-54-11-4346-4286 – abressani@bancofrances.com.ar – Reconquista 281 3° (C1003ABE) Buenos Aires, Republic of Argentina
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing the right to receive three ordinary shares, par value Ps.1.00 per share	New York Stock Exchange

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Ordinary shares, par value Ps.1.00 per share

New York Stock Exchange*

* The ordinary shares are not listed for trading, but are listed only in connection with the registration of the American Depositary Shares, pursuant to requirements of the New York Stock Exchange.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None
The number of outstanding shares of each of the classes of capital or common stock of the registrant as of the close of the period covered by the annual report:

Title of class	Number of shares outstanding
Ordinary Shares, par value Ps.1.00 per share	536,361,306

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

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

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

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

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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FORWARD-LOOKING STATEMENTS

This Form 20-F contains words, such as “believe”, “expect”, “estimate”, “intend”, “plan”, “may” and “anticipate” and expressions, that identify forward-looking statements, which reflect our views about future events and financial performance. Actual results could differ materially as a result of factors beyond our control, including but not limited to:

§ changes in general economic, business or political or other conditions in the Republic of Argentina (“Argentina”) or changes in general economic or business conditions in Latin America;

§ changes in capital markets in general that may affect policies or attitudes toward lending to Argentina or Argentine companies;

§ increased costs and decreased income related to macroeconomic variables such as exchange rates and the Consumer Price Index (“CPI”);

§ unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms; and

§ the factors discussed under “Item 3. Key Information—Risk Factors”.

Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. BBVA Banco Francés undertakes no obligation to update or revise these forward-looking statements or to publicly release the results of any revisions to these forward-looking statements. The accompanying information in this annual report, including, without limitation, the information under “Item 4. Information on the Company”, “Item 5. Operating and Financial Review and Prospects” and “Item 11. Quantitative and Qualitative Disclosures About Market Risk” identifies important factors that could cause material differences between any forward-looking statements and actual results.

PRESENTATION OF FINANCIAL INFORMATION

General

BBVA Banco Francés S.A. (“BBVA Banco Francés”) is an Argentine bank and maintains its financial books and records in Argentine pesos and prepares its financial statements in conformity with the accounting rules of the Banco Central de la República Argentina (the “Central Bank” or “BCRA”) related thereto (“Argentine Banking GAAP”), which differ in some respects from generally accepted accounting principles in Argentina (see Note 4 to our Consolidated Financial Statements) and the accounting principles in the United States (“U.S. GAAP”). See Note 20 to our Consolidated Financial Statements for a description of the principal differences between Argentine Banking GAAP and U.S. GAAP, as they relate to us, and a reconciliation to U.S. GAAP of net income and total stockholders’ equity. In this annual report, references to “\$”, “U.S.\$” and “dollars” are to United States dollars, references to “Ps.” or “pesos” are Argentine pesos. Percentages and certain dollar and peso amounts have been rounded for ease of presentation. Unless otherwise stated, all market share and other industry information has been derived from information published by the Central Bank.

The Consolidated Financial Statements are presented in accordance with the guidelines of Technical Resolution No. 21 of the Argentine Federation of Economic Sciences Professional Association (Federación Argentina de Consejos Profesionales de Ciencias Económicas—“FACPCE”) and the disclosure standards set by the Central Bank.

The Bank presents its financial statements in equivalents purchasing power. These financial statements recognize the effects of the changes in the purchasing power of the currency through February 28, 2003, following the restatement method established by FACPCE Technical Resolution No. 6 (modified by Technical Resolution No. 19), using an adjustment rate derived from the Argentine internal Wholesale Price Index published by the National Institute of Statistics and Census ("INDEC") of Argentina.

According to the above-mentioned method, the accounting measurements were restated by the purchasing power changes through August 31, 1995. As of that date, based on the prevailing economic stability conditions and according to the National Securities Commission ("CNV") General Resolution No. 272 and Central Bank Communication "A" 2365, the accounting measures were not restated through December 31, 2001. In view of CNV General Resolution No. 415 and Central Bank Communication "A" 3702, the method was reinstated effective as of January 1, 2002, considering the previous accounting measures restated as of December 31, 2001.

By Communication “A” 3921 of the Central Bank and General Resolution No. 441/03 of the CNV, in compliance with Decree No. 664/03 of the Federal Executive, application of the restatement method to financial statements in equivalent purchasing power has been suspended as of March 1, 2003. Accordingly, BBVA Banco Francés S.A. applied the mentioned restatement method until February 28, 2003.

Unless otherwise indicated, financial information contained in this annual report reflects the consolidation of the following subsidiaries at and for the fiscal years indicated below:

Entity	December 31,		
	2010	2009	2008
PSA Finance Argentina Compañía Financiera S.A.	X	X	X
Consolidar AFJP S.A. (undergoing liquidation proceedings)	X	X	X
Consolidar Cía. de Seguros de Vida S.A.			X
Consolidar Cía. de Seguros de Retiro S.A.	X	X	X
Francés Valores Sociedad de Bolsa S.A.	X	X	X
Atuel Fideicomisos S.A. and subsidiary (1)		X	X
Francés Administradora de Inversiones S.A.	X		

(1) See Note 1.4. to the Consolidated Financial Statements.

On January 7, 2002, Argentina abandoned the peso-dollar parity introduced in April 1991 under Law No. 23,928 (the “Convertibility Law”). Following the initial devaluation and the setting of an official rate exchange at Ps.1.4 per U.S.\$1.00, the peso was allowed to float, and as of March 31, 2011 traded at approximately Ps.4.0520 per U.S.\$1.00. See “Item 3. Key Information—Exchange Rates” for information regarding the evolution of rates of exchange since fiscal year 2006.

CERTAIN TERMS AND CONVENTIONS

As used in this Form 20-F, “BBVA Banco Francés”, the “Bank”, the “Company” and terms such as “we”, “us” and “our” mean BBVA Banco Francés S.A. and its consolidated subsidiaries unless the context otherwise requires.

- PART I -

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Not applicable.

Selected Financial Data

The information in this section has been selected from the Consolidated Financial Statements as of the dates and for the fiscal years indicated and gives effect to the measures adopted by the Government since December 31, 2001. This information should be read in conjunction with, and is qualified in its entirety by reference to, “Risk Factors”, the Consolidated Financial Statements and the related notes. The selected financial data for the fiscal years ended December 31, 2010, 2009, 2008, 2007 and 2006 are derived from the financial statements. For information concerning the preparation and presentation of the financial statements, see “Presentation of Financial Information”.

See “Risk Factors—Factors Related to Argentina”, and “Risk Factors—Factors Related to BBVA Banco Francés”.

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For the Fiscal Year Ended December 31,

2010 2009 2008 2007 2006
(in thousands of pesos) (1)

CONSOLIDATED INCOME
STATEMENT

Amounts in accordance with Argentine Banking GAAP

Financial income	3,836,750	3,533,930	2,256,277	1,867,054	1,892,178
Financial expenses	(820,981)	(968,657)	(1,202,418)	(679,720)	(568,122)
Gross intermediation margin	3,015,769	2,565,273	1,053,859	1,187,334	1,324,056
Provision for loan losses	(179,353)	(245,966)	(36,708)	(62,262)	(70,125)
Service charge income	1,484,846	1,203,005	980,063	722,307	540,639
Service charge expenses	(406,376)	(279,691)	(234,504)	(153,309)	(105,323)
Operating expenses	(1,989,329)	(1,580,490)	(1,184,367)	(915,191)	(757,706)
Net other expenses	(363,739)	(429,904)	(194,557)	(488,254)	(671,249)
Income before income tax	1,561,818	1,232,227	383,786	290,625	260,292
Income tax	(315,305)	(369,477)	(28,476)	(46,670)	(41,326)
Net income	1,246,513	862,750	355,310	243,955	218,966
Net loss on minority interests in subsidiaries	(39,076)	(47,729)	(14,075)	(14,638)	(38,976)
Final consolidated income from continued operations	1,207,437	815,021	341,235	229,317	179,990
Final consolidated (loss) / income from discontinued operations	(9,258)	(96,559)	(19,725)	5,732	47
Final consolidated income	1,198,179	718,462	321,510	235,049	180,037
Net operating revenue (3)	4,094,239	3,488,587	1,799,418	1,756,332	1,759,372
Net operating income (4)	1,925,557	1,662,131	578,343	778,879	931,541
Net income per ordinary shares from continued operations (2) (9)	2.25	1.67	0.72	0.49	0.38
Net income per ADS from continued operations (2) (9)	6.75	5.01	2.16	1.47	1.14
Net income per ordinary shares (2) (9)	2.23	1.47	0.68	0.50	0.38
Net income per ADS (2) (9)	6.69	4.41	2.04	1.50	1.14
Declared dividends per ordinary share (9) (10)	1.49899	0.98439	0.21215	0.34793	0.19093
Declared dividends per ADS (9) (10)	4.49697	2.95317	0.63645	1.04379	0.57279
Net operating income per ordinary shares (2) (9)	3.59	3.41	1.23	1.65	1.98
Net operating income per ADS (2) (9)	10.77	10.23	3.69	4.95	5.94
Average ordinary shares outstanding (000s) primary (9)	536,361	487,611	471,361	471,361	471,361
Amounts in accordance with U.S. GAAP:					
Net income (12)	804,101	1,029,755	910,294	1,104,529	941,613
Net income per ordinary share (2) (9)	1.50	2.11	1.87	2.27	1.93
Net income per ADS (2) (9)	4.50	6.33	5.61	6.81	5.79
	536,361	487,611	487,611	487,611	487,611

Average ordinary shares outstanding (000s)
primary (9)

CONSOLIDATED BALANCE SHEET

Amounts in accordance with Argentine Banking GAAP

Cash and due from banks	5,691,806	5,255,412	4,243,080	3,169,314	2,558,484
Government and private securities	7,495,382	7,214,232	5,233,660	5,181,253	4,372,032
Loans, net of allowances	16,699,852	11,751,889	12,507,489	11,390,121	9,534,183
Other assets	2,693,206	2,170,060	3,841,236	2,282,311	2,369,930
Total assets	32,580,246	26,391,593	25,825,465	22,022,999	18,834,629
Deposits	22,461,307	18,334,845	17,079,203	15,009,758	12,505,756
Other liabilities and minority interest in subsidiaries	6,372,024	5,130,276	6,670,238	4,956,404	4,374,289
Total liabilities and minority interest in subsidiaries	28,833,331	23,465,121	23,749,441	19,966,162	16,880,045
Capital stock	536,361	536,361	471,361	471,361	471,361
Issuance premiums	175,132	175,132	175,132	175,132	175,132
Adjustments to stockholders' equity	312,979	312,979	312,979	312,979	312,979
Retained earnings	802,385	658,693	594,391	547,381	465,317
Unrealized valuation difference	88,131	(14,133)	(181,119)	(42,796)	—
Unappropriated earnings	1,831,927	1,257,440	703,280	592,780	529,795
Total stockholders' equity	3,746,915	2,926,472	2,076,024	2,056,837	1,954,584

	For the Fiscal Year Ended December 31,							
	2010	2009	2008	2007	2006			
	(in thousands of pesos) (1)							
Amounts in accordance with U.S. GAAP								
Total assets	33,448,725	27,760,274	27,199,899	23,266,358	19,230,659			
Total stockholders' equity	4,500,072	3,696,499	2,225,579	2,103,850	1,183,916			
SELECTED RATIOS IN ACCORDANCE WITH ARGENTINE BANKING GAAP								
Profitability and Performance								
Return on average total assets (5)	4.09	% 3.12	% 1.43	% 1.12	% 1.03			
Return on average stockholders' equity (6)	36.19	% 32.58	% 16.51	% 11.43	% 9.58			
Services charge income as a percentage of operating expenses	74.64	% 76.12	% 82.75	% 78.92	% 71.35			
Operating expenses as a percentage of average total assets (7)	6.75	% 6.05	% 4.95	% 4.48	% 4.35			
Capital								
Stockholders' equity as a percentage of total assets	11.50	% 11.09	% 8.04	% 9.34	% 10.38			
Total liabilities as a multiple of stockholders' equity	7.70	x 8.02	x 11.44	x 9.71	x 8.64			
Credit Quality								
Allowances for doubtful loans as a percentage of total loans	2.32	% 2.79	% 1.55	% 1.71	% 1.72			
Non-performing loans as a percentage of gross loans (8)	0.47	% 1.00	% 0.87	% 0.54	% 0.82			
Allowances for doubtful loans as a percentage of non-performing loans (8)	492.96	% 277.93	% 177.50	% 315.55	% 209.20			

- (1) Except net income per-share and net income per-ADS data and financial ratios.
- (2) Assumes average ordinary shares outstanding in each period. The cash dividend amounts do not reflect any deduction for certain charges that are taken with regards to the "American Depositary Receipts".
- (3) Includes: financial income, financial expenses, service charge income and service charge expenses.
- (4) Includes: financial income, financial expenses, provision for loan losses, services charge income, service charge expenses and operating expenses.
- (5) Net income as a percentage of average total assets, computed as the average of fiscal-year-beginning and fiscal-year-ending balances.
- (6) Net income as a percentage of average stockholders' equity, computed as the average of fiscal-year-beginning and fiscal-year-ending balances.
- (7) Operating expenses as a percentage of average total assets, computed as the average of fiscal-year-beginning and fiscal-year-ending balances.
- (8) Non-performing loans include all loans to borrowers classified as "Problem", "Medium Risk", "High Risk of Insolvency", "High Risk", "Irrecoverable" and "Irrecoverable for Technical Decision" according to the Central Bank's

loan classification system as well as all loans contractually past due 90 days or more. See “Item 4. Information on the Company—Selected Statistical Information—Allowance for Loan Losses and Loan Loss Experience”.

- (9) The average ordinary shares outstanding was computed as the average of the previous twelve months.
- (10) For the fiscal year ended December 31, 2010, the dividends authorized at the Ordinary and Extraordinary Shareholders’ Meeting on March 30, 2011 were Ps.804 million (see Note 14.b) to the Consolidated Financial Statements). For the fiscal years ended December 31, 2009, 2007 and 2006, the dividends were paid totally in cash. For the fiscal year ended December 31, 2008 the dividends paid in 2009 were Ps.35 million in cash and Ps.65 million through the issue of new shares.

Declared Dividends

The table below shows the declared dividends paid on each ordinary share and the equivalent of those dividends expressed in terms of dividends per American Depositary Share, each representing three ordinary shares (the “ADSs”), in each case adjusted for all stock dividends during the relevant periods. The Central Bank requires that we maintain 20% of our net income in legal reserves.

	Declared Dividends Per Ordinary Share (7)		Declared Dividends Per ADS (7)	
	Ps.(1)	U.S.\$	Ps.(1)	U.S.\$
December 31, 2010 (3) (6)	1.49899	0.36994	4.49697	1.10981
December 31, 2009 (3) (5)	0.89492	0.23054	2.68476	0.69163
December 31, 2008 (3) (4)	0.21215	0.05747	0.63645	0.17240
December 31, 2007 (2) (3)	0.34793	0.10980	1.04379	0.32940
December 31, 2006 (2) (3)	0.19093	0.06198	0.57279	0.18594

- (1) Historical values.
- (2) Based upon the reference exchange rate quoted by Central Bank on the date of payment.
- (3) On April 2002, the Central Bank suspended the payment of dividends by Argentine financial institutions. As of June 2, 2004 the Central Bank will make some exceptions to the suspension of profits distributions and may pre-authorize dividend payments under certain conditions. See “Item 8. Financial Information—Dividends”.
- (4) Based upon the reference exchange rate quoted by Central Bank at March 26, 2009.
- (5) Based upon the reference exchange rate quoted by Central Bank at April 29, 2010.
- (6) Based upon the reference exchange rate quoted by Central Bank at March 31, 2011.
- (7) For the fiscal year ended December 31, 2010, the dividends authorized at the Ordinary and Extraordinary Shareholders’ Meeting on March 30, 2011 were Ps.804 million (see Note 14.b) to the Consolidated Financial Statements). For the fiscal years ended December 31, 2009, 2007 and 2006, the dividends were paid totally in cash. For the fiscal year ended December 31, 2008 the dividends paid in 2009 were Ps.35 million in cash and Ps.65 million through the issue of new shares. For the fiscal years ended December 31, 2010 and 2009 the number of outstanding shares were 536,361,306, respectively, and for the fiscal years ended December 31, 2008, 2007 and 2006 the number of outstanding shares were 471,361,306, respectively. Declared dividends per ordinary share are calculated taking into account dividends paid over the outstanding shares at the end of each fiscal year.

Exchange Rates

The following table shows the annual high, low, average and year-end free exchange rate for U.S.\$1.00 for the periods indicated. The Federal Reserve Bank of New York does not report a noon buying rate for pesos.

Year /Period	High (1)	Low (1)	Average
			(2)
(in pesos per U.S.\$1.00)			
March 2011	4.0520	4.0288	4.0372
February 2011	4.0305	4.0088	4.0220
January 2011	4.0008	3.9715	3.9813
2010	3.9857	3.7942	3.9127
December 2010	3.9857	3.9725	3.9776
November 2010	3.9840	3.9567	3.9676
October 2010	3.9612	3.9503	3.9570

2009	3.8545	3.4497	3.7301
2008	3.4537	3.0128	3.1614
2007	3.1797	3.0553	3.1156
2006	3.1072	3.0305	3.0741

(2) (1) Source: BCRA.
The average of monthly average rates during the period.

The exchange rate on March 31, 2011 was Ps.4.0520 = U.S.\$1.00.

Fluctuations in the exchange rate between pesos and dollars affect the dollar equivalent of the peso price of the ordinary shares on the Buenos Aires Stock Exchange (Bolsa de Comercio de Buenos Aires — the “BCBA”) and as a result, would most likely affect the market price of the ADSs. Fluctuations in exchange rates also affect dividend income measured in dollars. The Bank of New York, as depositary for the ADSs is required, subject to the terms of the deposit agreement, to convert pesos to dollars at the prevailing exchange rate at the time of making any dividend payments or other distributions. The following table shows the rate of devaluation of the peso vis-à-vis the dollar, the rate of exchange (number of pesos per dollar prevailing in the Argentine foreign exchange market) and the rate of inflation for wholesale prices for fiscal year ended December 31, 2010 and for the four most recent fiscal years. Since the repeal of the Convertibility Law in January 2002, the peso has devalued approximately 305.20% vis-à-vis the dollar.

	For the Fiscal Year Ended December 31,									
	2010		2009		2008		2007		2006	
Devaluation Rate	4.72	%	9.93	%	9.61	%	2.66	%	1.25	%
Exchange Rate	3.9758		3.7967		3.4537		3.1510		3.0695	
Inflation Rate (1)	14.56	%	10.26	%	8.98	%	14.56	%	7.17	%

(1)The inflation rate presented is the general WPI published by the INDEC.

Risk Factors

Factors Related to Argentina

Overview

We are an Argentine corporation (sociedad anónima) and substantially all of our operations, properties and customers are located in Argentina. Accordingly, the quality of our assets, our financial condition and our results of operations depend primarily on macroeconomic and political conditions prevailing in Argentina. In 2001, the Argentine economy suffered a severe economic and political crisis (“the Argentine Crisis”), but was able to recover during Nestor Kirchner’s term as President, which ended in 2007. Kirchner was succeeded by Cristina Fernández de Kirchner, whose term will last until the last quarter of 2011. At this time it is still not clear whether Cristina Kirchner will stand for her reelection, or who are the main opposing candidates for the presidential election. The global financial crisis in 2009 and 2010 led to lower growth and a moderate rise in unemployment, but did not affect the stability of Argentina’s financial system (see Item 4. Information on the Company—Recent Political and Economic Developments in Argentina – Macroeconomic Environment).

Although the economic policies implemented by the Kirchner administrations have succeeded in the short- and mid-term, there still remain issues to be resolved, such as contracts with privatized public utilities and increasing inflation affecting competitiveness and economic growth.

High inflation rate expectations could negatively affect the Argentine economy in general, including access to the long-term financing market.

In the event of high inflation rates, Argentine exports could lose competitiveness in international markets and private consumption could decline, causing a negative effect on economic activity and employment. Moreover, a high inflation rate could undermine confidence in the Argentine financial system in general, and this would negatively affect the business volume of banks, including BBVA Banco Francés, and could potentially hinder loan activities, especially those at long-term and fixed interest rates.

There exists a discrepancy between statistical data published by INDEC (National Institute for Statistics and Census) referring to the CPI (consumer price index) for the Greater Buenos Aires area, CPI indexes corresponding to the different Argentine regions/provinces and private estimates. This generates uncertainty about the country’s actual rate of inflation and does not contribute to inflation expectations. It is to be noted that assets indexed by Coeficiente de Estabilización de Referencia (“CER”) are adjusted according to the Greater Buenos Aires CPI.

A considerable decrease in the public sector balance could negatively affect the Argentine economy, and access to international financing markets.

Commencing in 2005, primary spending began to increase more than public income. Thus, the primary fiscal surplus of the central public non-financial sector has fallen from 3.9% of GDP in 2004 to 1.7% of GDP in 2010. Moreover, the primary balance could be negatively affected in the future if public spending continues to increase at a rate higher than revenues due to subsidies to lower-income sectors, social security debt, financial assistance to provinces with economic problems, increased spending on public works and subsidies to the energy and transportation sectors.

A further deterioration in fiscal accounts could negatively affect the government's ability to access the long-term financing markets.

The stability of the foreign exchange market has led the Government to relax currency exchange controls. However, no assurance can be given that currency exchange controls will not again be tightened and that such circumstance will not have a material adverse effect on the results and the solvency of the financial system.

During the last six years, the Government has established a series of currency restrictions and foreign exchange controls. These measures have included a prohibition of fund transfers abroad as a general matter, except in connection with foreign trade transactions, payment of purchases or withdrawals made through credit or debit cards and settlement of financial transactions, as well as the requirement of the Central Bank's approval to transfer funds outside of Argentina for purposes of paying principal and interest on financial loans and making dividend payments. Since then, the currency restrictions and foreign exchange controls have been gradually relaxed in light of the increasing stability in the foreign exchange market. See "Item 10. Additional Information—Exchange Controls". While the foreign exchange system has become more flexible under current regulations, there can be no assurance that the Government will not again tighten these restrictions or otherwise change the current foreign exchange system or that one or more of the types of transactions described in this annual report will not be severely restricted. Such restrictions could have a material adverse effect on the Argentine financial system, on our results of operations and financial condition and on our ability to make dividend payments to non-residents.

Government measures designed to exercise greater control over funds entering the country may disrupt our ability to access the international capital markets.

Argentina's executive branch enacted Decree No. 616/05 to regulate funds coming into and flowing out of Argentina in order to maintain stability and support the economic recovery of the country. These measures require that 30% of the funds remitted to Argentina must be deposited in an account with a local financial institution as a U.S. dollar deposit for one year, without accruing interest. Financial sector and non-financial private sector inflows originated from foreign financial borrowings that are invested in non-financial assets and must be fully repaid (principal and interest) within 24 months from the date of the borrowing are not subject to the foregoing deposit requirement. These measures may adversely affect the Argentine entities' ability to access the international capital markets and to effectively invest the funds raised in any such financing, which could materially adversely affect Argentine entities' financial condition and results of operations.

Conditions in the global financial markets and economy have yet to normalize and may materially adversely affect the Bank's business and profitability.

The outlook for the global economy over the near- to medium-term remains challenging as the global financial system has yet to fully stabilize. Results of operations in the past have been, and in the future may continue to be, materially affected by many factors of a global nature, including political, economic and market conditions; the availability and cost of capital; the liquidity of global markets; the level and volatility of equity prices, commodity prices and interest rates; currency values and other market indexes; technological changes and events; the availability and cost of credit; inflation, the stability and solvency of financial institutions and other companies; investor sentiment and confidence in the financial markets; or a combination of these factors.

While there are additional signs of global recovery, it is not yet certain whether the global recovery will continue or reverse.

As a consequence of Financial Action Task Force's ("FATF") evaluation report on Anti-Money Laundering and Combating Financing of Terrorism, Argentina has to implement measures in order to comply with FATF's recommendations. In the event these measures are not correctly addressed, Argentina could find difficulties in obtaining financing and attracting direct foreign investments.

In October 2010, FATF issued a report on Anti-Money Laundering and Combating the Financing of Terrorism in Argentina, stating that since the last evaluation, finalized in June 2004, Argentina has not made adequate progress in addressing a number of deficiencies identified at the time.

Moreover, in February 2011, Argentina, represented by the Minister of Justice, attended the FATF Plenary in Paris, in order to present a preliminary action plan. Notwithstanding that, FATF has granted an extension until June 2011 to work closely with Argentina and will consider its next steps in the context of the enhanced follow-up process.

Therefore, the outcome of the new evaluation process in June 2011 could adversely affect Argentina's ability to obtain financing from international markets and attract foreign investments.

Factors Related to BBVA Banco Francés

Argentine corporate disclosure, governance and accounting standards may require the Bank to provide different information than would be required under U.S. standards.

The securities laws of Argentina that govern publicly listed companies such as the Bank impose disclosure requirements that are more limited than those in the United States. The Argentine securities markets are not as highly regulated and supervised as the U.S. securities markets. There are also important differences between accounting and financial reporting standards applicable to financial institutions in Argentina and to those in the U.S. As a result, financial statements and reported earnings of Argentine financial institutions generally differ from those reported based on U.S. accounting and reporting standards. See “Item 5. Operating and Financial Review and Prospects—U.S. and Argentine Banking GAAP Reconciliation” for a description of the principal differences between Argentine banking GAAP and U.S. GAAP and how they affect our financial statements and the reconciliation to U.S. GAAP of net income and total stockholders’ equity for the periods ended and as of the dates therein indicated.

Lawsuits brought against us outside Argentina, the enforcement of foreign judgments and complaints based on foreign legal concepts may be unsuccessful.

We are a commercial bank organized under the laws of Argentina. Most of our shareholders, directors, members of the supervisory committee, and officers and certain experts named herein reside outside the United States (principally in Argentina). Substantially all of our assets are located outside the United States. If any shareholder were to bring a lawsuit against our directors, officers or experts in the United States, it may be difficult for them to effect service of legal process within the United States upon these persons or to enforce a judgment against them in the United States courts based upon the civil liability provisions of the United States federal securities laws, due to specific requirements of Argentine law regarding procedural law issues and principles of public policy.

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

Under Argentine law, the liquidation and commencement of bankruptcy proceedings against financial institutions, until their banking license has been revoked by the Central Bank, may only be commenced by the Central Bank. If BBVA Banco Francés were unable to pay its debts as they come due, the Central Bank would intervene and revoke its banking license, and file a bankruptcy petition before a commercial court. If the Central Bank intervenes, the reorganization proceeding could take longer and it is likely that the shareholders’ remedies would be restricted. During any such process, the Central Bank would have to consider its interests as a regulator and could well prioritize the claims of other creditors and third parties against the Bank. As a result of any such intervention, the shareholders may realize substantially less on the claims than they would in a bankruptcy proceeding in Argentina, the United States or any other country.

The special rules that govern the priority of different stakeholders of financial institutions in Argentina, which give priority to depositors with respect to most other creditors, may negatively affect other stakeholders in case of judicial liquidation or bankruptcy of the Bank.

Argentine Law No. 24,485, in force since April 18, 1995 and as amended by Law No. 25,089, provides that in case of judicial liquidation or bankruptcy of the Bank, all depositors, irrespective of the type, amount or currency of their deposits, will have general and absolute preferential rights with respect to all other creditors, except for certain labor credits and credits secured with pledge or mortgage, to be paid with 100% of the funds deriving from the liquidation

of the Bank's assets. In addition, depositors of any kind of deposits have special preferential rights over the remaining creditors of the Bank, except for certain labor credits, to be paid with (i) any of the Bank's funds which may be held by the Central Bank as total reserves, (ii) any remaining funds of the Bank in existence as of the date on which the Bank's license is revoked, or (iii) any funds derived from the compulsory transfer of certain assets of the Bank according to instructions of the Central Bank, in the following order of priority: (a) deposits made by legal entities up to Ps.5,000 per entity, or its equivalent in foreign currency, (b) deposits for terms exceeding 90 days and (c) all other deposits on a pro rata basis.

Factors Related to BBVA Banco Francés' Subsidiaries

§ Consolidar AFJP S.A.

Consolidar AFJP S.A. (“Consolidar AFJP” or “AFJP”) is a privately owned pension fund managing company whose purpose is the administration of retirement contributions from affiliates and the corresponding grant of old age, disability and death pensions. On December 4, 2008, the National Government enacted Law No. 26,425 to implement social security reform, by which the National State assumed once again the coverage of contingencies in cases of old age, disability and death. Certain matters deriving from Law No. 26,425 that remain pending, such as possible indemnity in favor of AFJP in the amount of its corporate capital arising from the loss of its corporate business purpose. Notwithstanding this, on December 7, 2010, Consolidar AFJP filed a claim against the National Government and the Ministry of Labor and Social Security, requesting compensation for the losses suffered by the company and its shareholders, as a result of the aftermentioned social security reform.

Moreover, as a consequence of the social security reform and the loss of corporate business purpose, on December 28, 2009, in a Shareholders' Extraordinary Meeting of AFJP, the shareholders decided to terminate the corporate existence of the company and liquidate it.

During 2010, 377 legal labor actions were filed against AFJP claiming differences in severance payment amounts. AFJP has estimated this contingency and raised the corresponding allowances. The exact effects of either of the unknowns described above are impossible to predict, but it is reasonable to anticipate that neither would have material adverse effects on our results.

§ Consolidar Compañía de Seguros de Retiro S.A.

Consolidar Compañía de Seguros de Retiro S.A. (“Retiro”) enters into individual pension agreements, group agreements and life annuity agreements. Regarding the pesification of the social security payments carried out during the 2001 crisis, the Argentine Supreme Court rendered judgment in a case where the dollarization of a social security life annuity was claimed, granting the dollarization of the social security contract which was initially agreed in such foreign currency.

The judgments rendered by the National Supreme Court are applicable exclusively to those individual cases it resolves. In this sense, it is pertinent to highlight that Retiro has received various claims arising from the required government pesification for all contracts providing for foreign currency and it is possible that these claims will be resolved in a manner adverse to the subsidiary. This, however, would not be reasonably expected to result in a material adverse effect on the financial results of Banco Francés.

During 2009, Retiro absorbed Consolidar Compañía de Seguros de Vida S.A., which significantly increased Retiro's capital, making it one of the most solvent entities in the market.

ITEM 4. INFORMATION ON THE COMPANY

RECENT POLITICAL AND ECONOMIC DEVELOPMENTS IN ARGENTINA

Macroeconomic Environment

Economic activity reactivated in 2010, after it was affected by the previous year's international crisis. GDP grew considerably, prompted mainly by important increases in consumption and investment. In the third quarter of the year

the GDP grew 8.6% in annual terms, while the EMAE (Monthly Estimator of Economic Activity) increased by 9.1% in 2010.

As a result of increased activity, unemployment rates decreased during the year to 7.3% in the fourth quarter of 2010 as compared with 8.4% at the end of 2009. The drop in unemployment figures in 2010 was an average of 1% as compared to the average of 2009.

Private sector employees' salaries continued to show an improvement: 28.8% year over year as of November 2010. Salaries of workers in the informal and public sectors also increased but less so than those of formal employees.

Tax collections increased 34.4% this year. This increase was mainly prompted by international trade taxes which increased 43.4% for the same period. This was the result of record crops production and the high prices of exported agricultural products from Argentina. Income tax collections also stood out among other taxes with an average increase of 38.0%.

On the other hand, primary expenditures in the non-financial public sector increased 34.4% in annual terms. This increase was mainly prompted by transfers to the private sector and public sector salaries. The former increased as a result of new subsidies granted to unprotected social sectors (universal family allowance) as well as subsidies to regulated prices sectors, mainly energy and transportation. Primary surplus was Ps.25,115 million for the year, a yearly increase of 45%, as Treasury tax collections benefited from the Argentine Central Bank results in 2009.

Greater Buenos Aires Consumer Price Index (CPI) increased 10.9% in 2010, showing acceleration in connection to the same period of 2009. The main increases were for food and drinks, and clothing.

Argentine terms of trade showed a substantial increase. In accordance with trade balance information, export prices were increased 8% in 2010 and import prices increased by 5%. An excellent harvest, together with higher prices, was positive for exports which increased 23.0% in yearly terms. However, imports increased even more: 45.5% during the same period, reinforced by the growing economic activity and the actual exchange rate appreciation. This caused deterioration in the trade balance of U.S.\$12,056.8 million in 2010, a decrease of 28.6% in comparison to 2009.

Despite the fact that throughout the year the international situation continued to be sensitive, mainly due to the financial problems in several peripheral European countries, there were no major capital flights in Argentina as it happened during the first part of 2009. A differentiating factor which favored Argentina was the re-opening of negotiations related to the default debt exchange that had begun in 2005. These negotiations produced an increase in sovereign debt qualification, reducing impairments for Argentina to access international debt future markets. Over U.S.\$12 billion in default public securities were exchanged; this meant 66% of eligible bonds. There was a global adhesion level in both exchanges of 92.4% of defaulted debt in 2002. Public debt / GDP ratio was 48.6% after this exchange.

The Central Bank continued with its managed floating policy and the exchange rate depreciated only a nominal 4.7% during the year.

Monetary Policy

There was an expansive monetary policy this year, given the strong monetization of the international trade surplus (the Central Bank purchased U.S.\$11,805 million on the exchange market) and increased financing granted to the National Treasury by the Central Bank. Monetary Base increased 31.6% in annual terms and the total means of payment of the Monetary Program increased 28.1% during the same period. As a result, there was an expansion of the original targets of the Program during the third quarter in order to avoid a market liquidity crisis.

International reserves increased by U.S.\$4,177 million during the year, which ended with a stock of U.S.\$52,145 million. At the beginning of the year there was a conflict between the President of the Central Bank and the federal government due to the latter's intention to apply international reserves to cancel public debt denominated in US dollars. The conflict ended with the removal of the Central Bank President and the creation of a "Deb Reduction Fund" whereby U.S.\$6,500 million of Central Bank Reserves were earmarked to service public debt service throughout 2010.

Interest rates were not very volatile throughout the year, and were up only 120 basic points this year, reaching an average of 11% in December 2010 as a consequence of the financial system liquidity.

In 2010, private sector peso deposits were up 31.2% on average from the end of 2009, while dollar denominate deposits were up 20.4%. Public sector peso deposits increased by more than 52.5% during the same period as a result of public administration fiscal surplus.

Private sector loan stock showed a strong acceleration in comparison with 2009, influenced by the growth of economic activity and consumption, and low interest rates. As a result, private sector loans increased by 37.0% reaching Ps.190 billion, versus an 8.2% increase in 2009. The most dynamic segments were company loans, personal loans and credit card financing, while mortgage loans showed more moderated growth.

HISTORY AND DEVELOPMENT OF THE COMPANY

BBVA Banco Francés S.A., an Argentine corporation (a “sociedad anónima” or “S.A.”), was duly incorporated under the name Banco Francés del Río de la Plata S.A. on October 14, 1886. We have our registered office in Argentina, Reconquista 199, C1003ABB, Buenos Aires, telephone number 54-11-4346-4000. Our agent in the United States for U.S. federal securities law purposes is CT Corporation System, currently with offices at 111 Eighth Avenue, New York, New York 10011.

Our original by-laws (“Estatutos”) were approved on November 20, 1886, by a decree recorded in the Public Registry of Commerce of Buenos Aires City on December 6, 1886, under Number 1065 on Folio 359, Book 5, Volume “A” of National By-laws. Our by-laws, including all amendments introduced to this date, were recorded in the Public Registry of Commerce (the Governmental regulatory agency of corporations). The last amendment was recorded on August 2, 2010, under N° 13.784 Book 50 of Corporations (“sociedades anónimas”). Pursuant to current corporate by-laws, the Bank will terminate its activities on December 31, 2080, unless this term is extended by the shareholders. On March 5, 1998 the Public Registry of Commerce registered the change from Banco Francés del Río de la Plata S.A. to Banco Francés S.A. At the ordinary and extraordinary shareholders’ meeting held on April 27, 2000, a resolution was passed to change our name to BBVA Banco Francés S.A. On October 4, 2000, the Public Registry of Commerce registered the change from Banco Francés S.A. to BBVA Banco Francés S.A., and the amendment to our by-laws reflected the name change.

We are supervised by the Central Bank of Argentina, an entity that establishes valuation and accounting criteria, the rules on liquidity and capital requirements as well as the informative systems of Argentine financial institutions. We are also subject to inspections by the Central Bank, based on which we are assigned a “rating”. See “Item 4. Information on the Company—The Argentine Banking System and its Regulatory Framework”.

On August 11, 1997, we acquired 71.75% of the capital stock of Banco de Crédito Argentino S.A. (“Banco de Crédito”). We completed this merger of the two banks by final registration with the Public Registry of Commerce on March 5, 1998. To effect the merger, BBVA Banco Francés issued 14,174,432 ordinary shares to the existing shareholders of Banco de Crédito through a capital increase.

As a result of the acquisition of Banco de Crédito, we gained control of Consolidar Compañía de Seguros de Retiro S.A., Consolidar Compañía de Seguros de Vida S.A. and Consolidar Administradora de Fondos de Jubilaciones y Pensiones S.A. (“Consolidar AFJP”) (together the “Consolidar entities” or the “Consolidar Group”), and also acquired control of Crédito Argentino Sociedad de Bolsa S.A. which was liquidated in 2000.

On November 5, 1999, we and Banco Bilbao Vizcaya (today Banco Bilbao Vizcaya Argentaria S.A. or “BBVA”), executed a share purchase agreement, pursuant to which we acquired 99.99% of the shares of Corp Banca S.A., an Argentine bank, and 99.99% of Atuel Fideicomisos S.A., a trust company. On November 22, 1999, as part of a corporate reorganization, all assets and liabilities of Corp Banca S.A. were transferred to us, with full integration of operations and systems.

On March 29, 2000, our affiliate Rombo Compañía Financiera S.A. (“Rombo”) was registered with the Public Registry of Commerce. On April 24, 2000, the Central Bank authorized Rombo to conduct business as a finance company by Communication “B” 6684.

On October 17, 2000, as part of BBVA group’s business reorganization plan, Banco Exterior de América S.A. (Uruguay) (wholly owned by BBVA) merged with and into Banco Francés Uruguay S.A. (wholly owned by us). As a result of such merger, Banco Francés Uruguay has changed its corporate name to Banco Bilbao Vizcaya Argentaria Uruguay S.A., or BBVA Banco Uruguay (“BBVA Uruguay”).

In November 2001, Credilogros Compañía Financiera S.A. (“Credilogros”) and Banque PSA Finance formed PSA Finance Argentina Cía. Financiera S.A. (“PSA Finance”). On February 21, 2002, the Central Bank authorized PSA Finance to begin its activities as a finance company through Communication “B” 7134. On June 1, 2002 Finanzia Banco de Crédito S.A. sold 29.95% of its interest in Credilogros to BBVA. Such transaction was approved by the Central Bank on April 3, 2003, under Resolution No. 37. On October 31, 2003, subject to the approval of the Central Bank, we acquired 50% of the shares of PSA Finance from Credilogros. On December 16, 2004, the Central Bank issued Resolution No. 371, approving the transfer of 50% of PSA Finance capital stock to us.

On February 4, 2004, we acquired 5% of the capital stock of Francés Administradora de Inversiones S.A. from Banco Francés (Cayman) Limited while the remaining 95% was acquired by Atuel Fideicomisos S.A.

On June 28, 2006, we sold our entire interest in Credilogros to Banco de Servicios y Transacciones and Grupo de Servicios y Transacciones S.A.

On February 4, 2010, we acquired all 131 shares of Atuel Fideicomisos S.A. from Inversora Otar S.A. becoming its sole shareholder. The merger of the two companies was completed by final registration with the Public Registry of Commerce on October 22, 2010, under Number 19,916 Book 51 of Corporations.

On February 11, 2010, we sold our 5% interest in Francés Administradora de Inversiones S.A. to Francés Valores Sociedad de Bolsa S.A. for Ps.1,681,678.

On February 10, 2011, our Board of Directors approved the merger with Consolidar Comercializadora S.A. (“Consolidar Comercializadora”), subject to regulatory approvals. As a result of this merger, BBVA Banco Francés will issue 516,544 ordinary shares to the existing shareholders of Consolidar Comercializadora through a capital increase. This merger is subject to approval by the respective Shareholders Meetings of both corporations. Both shareholders of Consolidar Comercializadora shall receive 0.01114391 ordinary share for each Consolidar Comercializadora share held.

BUSINESS OVERVIEW

BBVA Banco Francés ended its fiscal year 2010 with Ps.32.6 billion in total assets, a total of Ps.22.5 billion in deposits, on a consolidated basis, and a market capitalization of Ps.9.1 billion. It is the second largest private bank in terms of deposits from the private sector in the Argentine financial system according to statistics published by the Central Bank (Information of Financial Institutions, as of October 2010).

The Bank was one of the first companies listed on the Buenos Aires Stock Exchange. Its shares have been listed on the New York Stock Exchange since 1993 and on the Madrid-based LATIBEX (“Mercado de Valores Latinoamericanos”) since December 1999.

Substantially all of its operations, property and customers are located in Argentina. Accordingly, following the Argentine Crisis and the package of government measures, the financial condition and results of operations were deeply affected. Since December 2001, its business activity contracted compared to historical levels and its lack of liquidity led to a suspension of most new originations of all types of loans. Its structural strengths, reaction capacity and adjustment to the new economic environment were the pillars of its performance in 2002. The Bank responded to the Argentine Crisis by prioritizing liquidity, substituting foreign currency funds by domestic currency funds and satisfying the growing demand for transactional business, while adjusting the operating structure to the new business profile.

Commencing in 2003, the economy recovered and deposits flowed back into the system. Economic growth showed no slowdown during the following years, while primary fiscal and trade surplus remained in place and a conservative monetary policy was implemented with measures tending to keep prices and exchange rates stable. These conditions led to a further GDP expansion, while the financial system continued to show a positive evolution, which was reflected in private deposit growth, improvement in the Bank’s financial condition and strengthening of lending activity within an environment of negative real interest rates that helped to improve the financial margin. During 2009, the Global Financial Crisis affected the economic activity which resulted in a slowdown of GDP expansion after six years of strong growth. The brokering business already experienced a slowdown in growth. In this sense, we increased our loan portfolio by 4.4% in 2009, reflecting a growth rate reduction basically as a consequence of the financial fall in demand; this trend showed signs of change as of the fourth quarter of 2009.

During 2010, the Argentine economy showed an important growth mainly due to an increase in consumption and in investment. During the year, BBVA Banco Francés increased its loan portfolio to the private sector by 44.3%. Credit card and personal loans in the retail segment, along with discounted notes, leasing, and financial loans in the segment of small and medium enterprises (“SMEs”) encouraged such growth. The increase in large corporations financing was mainly due to an increase in overdrafts and in other loans. Private loans market share was 7.1%, which meant 33 p.b. more than in December 2009. In terms of liabilities, private sector deposits were up 26.6% during the year, reaching a market share of 8.4%. Sight deposit and time deposit balances were up during the year. It is important to highlight that sight deposits had a 56% participation level over all deposits. On the other hand, peso deposits increased 33.5% while those in foreign currency increased by 7.3%.

As part of its business, BBVA Banco Francés conducts capital markets and securities operations directly in the over-the-counter market and indirectly in the Buenos Aires Stock Exchange. The emerging recovery of the securities trading activities supported the successful closing of securities transactions. At the end of December 2010, the Bank had a 7.9% market share in the mutual fund

portfolio management industry in Argentina through “Francés Administradora de Inversiones S.A.”, the third among the capital managing companies.

Furthermore, the Bank has traditionally accepted deposits and made loans in pesos and in certain other currencies, primarily in U.S. dollars. Following the Argentine Crisis, U.S. dollar deposits were limited to granting U.S. dollar-denominated loans in relation to foreign trade transactions, which continued to be subject to Central Bank restrictions in 2010.

The following table presents financial information of our principal business segments for the year ended December 31, 2010.

	As of December 31, 2010						Discontinued operations	
	Continued operations					(4)		
	Banking		Financial		Eliminations	Total	Pension Fund Manager	Total
BBVA Banco Francés S.A.(3)	PSA Finance S.A.	Total	Insurance	(5)				
Total assets	28,445,498	751,810	29,197,308	3,341,186	(3,928)	32,534,566	45,680	32,580,246
Total income								
(1)	4,762,464	168,644	4,931,108	595,850	(5,674)	5,521,284	11,622	5,532,906
Total expenses (2)	(3,680,465)	(70,832)	(3,751,297)	(529,148)	5,674	(4,274,771)	(28,800)	(4,303,571)
(Loss)/Gain on minority interest in subsidiaries	(22,757)	(16,319)	(39,076)	—	—	(39,076)	7,920	(31,156)
Total net income	1,059,242	81,493	1,140,735	66,702	—	1,207,437	(9,258)	1,198,179

(1) Includes financial income, service charge income and other income.

(2) Includes financial expenses, allowances for doubtful loans, service charge expenses, operating expenses, other expenses and income tax and tax on minimum presumed income.

(3) Includes Francés Administradora de Inversiones S.A. and Francés Valores Sociedad de Bolsa S.A.

(4) See Note 15.b) to the Consolidated Financial Statements.

(5) Includes intercompany operations

The branch system operates as a distribution network for all the products and services that we offer to our customers. The bank has a large network of branches throughout Argentina: there are 271 branches, 240 of which are retail branches, 27 are specialized in small and medium enterprises, three are corporate branches and one is an institutional branch. BBVA Banco Francés also has 15 branches at company and two points of sale complemented by other distribution channels, such as 651 automatic teller machines (“ATMs”), as of December 2010, a telephone banking service and an Internet banking service called Francés Net, which serves over 450,000 active customers. The Bank is a member of Banelco S.A., a corporation owned by seven partner banks, and that includes 16 participating banks, and our ATMs are part of the Banelco Network (Red Banelco – “Banelco”).

BBVA Banco Francés – Background

Since 1886, we have been recognized as a leading provider of financial services to large corporations. In the early 1980s, we broadened our customer base to include medium and small companies as well as individual customers. In response to demands from the corporate market and following the structural changes brought about by the stabilization process in Argentina since 1991, we added to our traditional commercial banking products a full range of services, such as investment banking, capital market transactions and international banking.

In the 1980s and 1990s, in order to achieve a wider market penetration, we expanded our branch network by opening branches throughout Argentina.

In December 1996, when BBVA became our principal shareholder, we reaffirmed our universal banking strategy with the goal of increasing the most profitable business segments: medium- and low-income individuals and small- and medium-size businesses in the middle market. To this end, in August 1997, we acquired 71.752% of Banco de Crédito Argentino (the “Crédito acquisition”), a retail bank focused on the middle market and consumer banking sectors. This merger allowed us to maximize the strengths of each bank and to implement an ambitious leadership plan that included an expansion plan, starting with a strong initial positioning in each market.

The Argentine Crisis and the ensuing economic and political instability led to a deep contraction in the intermediation volume. In response, we changed our short-term commercial strategy towards the transactional business, adjusted our operating structure and implemented a strict cost control plan. Actions were also focused on recovering asset quality levels, which had been strongly affected by the Argentine Crisis. By mid-2003, the economy began to recover and we returned to offering the full range of financial services, including credit facilities, albeit restricted to short-term financing. Commencing in 2004, we gradually strengthened our credit activity in the midst of economic solvency, and consolidated our transactional business. In 2009, we had an efficient management of assets

and liabilities, which offset the lower volume of transactions. During 2010, the Argentine economy showed a great expansion, mainly due to higher consumer spending. Within this context, BBVA Banco Francés, always keeping focused on customers, has consolidated its leadership position in the Argentine financial system. Risk management strategy remained the same as before, which made it possible for the Bank to improve the portfolio quality despite the larger loan portfolio. The irregular portfolio ratio was down to 0.47% in December 2010, which was the lowest ratio in the banking system. Another important strategy item is efficiency, and in this sense, many efforts were made to keep expense levels down, with the firm purpose of taking full advantage of all funds spent. The Bank showed excellent levels of liquidity, solvency and profits, according to the implemented strategy, which showed the Bank's ability to generate ongoing profits.

Banking and Financial Services

The Bank is focused on the brokering business, mainly in the private sector. The loan portfolio in this sector totaled Ps.15.4 billion. We increased our private portfolio by 48.8% compared to 2009; mainly due to more personal loans and credit cards in the retail sector which increased by 68%, while in the small and medium size companies sector the products that lead the expansion were discounted notes, leasing and financial loans. The private loan market share reached a 7.1% level at the close of the year. In terms of liabilities, we have been working on the optimization of the funds structure, mainly attracting retailer and transactional funds. At-sight deposits as of December 31, 2010 represent 56.0% of total deposits. At the end of 2010, deposits were Ps.22.5 billion, 22.5% more than last year. These figures increased mainly as a result of checking accounts, up 45.0% during the year; time deposits which are 38.1% of total deposits, increased 18.4% in the last 12 months. The share of private deposits was 8.4% at the end of the year, while total deposits were 5.9%.

The following table sets forth our estimates of the relative proportions of loans and deposits attributable to our principal markets.

	Loans								
	December 31, 2010			December 31, 2009			December 31, 2008		
	(in thousands of pesos, except percentages)								
Public Sector	1,297,642	7.77	%	1,400,243	11.92	%	2,400,511	19.19	%
Corporate	4,586,166	27.46	%	3,708,460	31.56	%	3,098,435	24.78	%
Middle market	3,667,723	21.97	%	1,999,448	17.01	%	2,203,132	17.61	%
Retail	7,148,321	42.80	%	4,643,738	39.51	%	4,805,411	38.42	%
Total	16,699,852	100.00	%	11,751,889	100.00	%	12,507,489	100.00	%

	Deposits								
	December 31, 2010			December 31, 2009			December 31, 2008		
	(in thousands of pesos, except percentages)								
Corporate	2,807,584	12.50	%	3,141,792	17.13	%	3,988,997	23.36	%
Middle market	2,753,632	12.26	%	2,047,114	11.17	%	1,854,884	10.86	%
Retail	16,900,091	75.24	%	13,145,939	71.70	%	11,235,322	65.78	%
Total	22,461,307	100.00	%	18,334,845	100.00	%	17,079,203	100.00	%

Corporate Banking: The Corporate Banking Division specializes in business with large international and domestic companies. This division has branches dedicated to providing services to companies from (i) Europe, (ii) the United States and the rest of the world and (iii) Argentina.

During 2010, BBVA Banco Francés has managed to maintain its leadership position in the market in terms of this Division, with a positive growth of all its business lines, within the market framework. The Bank has increased its business volume with an excellent management of risks, which has made it possible to maintain the market share where assets are concerned. On the other hand, we emphasized the management of liabilities with increased volumes of certificates of deposits, keeping transactional balances at the same level as in 2009, and achieving a more stable portfolio mix. Transactional business increased in connection with the previous year as a result of sales of services to the businesses included in this division. This makes it possible to have a full relationship with these customers and to further develop our purpose of being an operations bank for Argentine companies. Thanks to the excellent relationship with our foreign origin customers, it was possible to create new global relationships for BBVA in their respective home countries.

Banking operations this year developed in an extremely competitive environment which was a consequence of liquidity and good results achieved by corporations. This was coupled with general restrictions for new investments, in this environment so the

Bank planned a strategic approach offering better alternatives for products and services, in coordination with Markets and the Global Teams.

Downward spread levels and low expectations regarding exchange rate volatility, resulting from the local economic and political situation, produced a sharp decrease in foreign currency hedging transactions. All this was reflected in a sharp drop of results in the derivatives business.

Foreign trade transactions: The Argentine Central Bank issued mandatory regulations for importers to appoint a bank to follow-up import payments and we have been working with our importer clients and were able to reach agreements with them which resulted in being named as the bank to handle import payments.

Commissions: There was a favorable trend in commissions during 2010 as a consequence of additional transactional services. We were successful in implementing a state-of-the art Electronic Banking Project that was developed globally and includes local needs. Banco Francés now has a technological platform that enables the development of Cash Management solutions based on our customers' demand.

The Director Plan, which started last year, was further enhanced this year. This Project includes a Structure Plan with Global characteristics with the purpose of a wider quality customer service with a global overview of all our customers. This means focusing on the main Economic Groups at the global level and the Main Local Groups, and a new re-segmentation by industry which will allow defining the specialization of our relationship managers and a redistribution of tasks so that the turnaround and customer care is more adequate. We are trying to achieve a better and wider penetration, getting customized specialization and quality, which are essential in a constantly changing market. At the same time this Plan makes a better use of regional group franchising, cutting across team building and business sources.

Summarizing, this year, we continue being the leaders with our market share of loans in this area, customer resources and more transactional business with the companies. These show that the good results were achieved by the coordination of our Markets, Global and Company teams.

Investment Banking: This was the best year among the last three for Investment Banking. Durable and consumer goods sales had a significant growth which increased the pace of financing for companies in these areas. Better economic conditions made it possible to open international markets to issue Convertible Notes. On November 30, there were 48 Convertible Notes placements for a total of Ps 3,077 million. The total number of loans granted was at the same level as in previous years.

Shares were placed again on the market after two years, which opens very good prospects for 2011. The level of trusts operations was at the same level as during the previous years. Merger and Acquisition ("M&A") business was mainly the result of two major transactions; however, leaving aside these two transactions, M&A business level was similar to that of previous years.

In 2010, BBVA Banco Francés had major capital market transactions, especially in the placement of Convertible Notes. We managed the placement of YPF SA's Series II and III on the market for a total of Ps 143 million and U.S.\$70 million, respectively, the largest placements lately. We also organized and placed the issue of Convertible Notes for Rombo Cía. Financiera, PSA Finance Argentina, Newsan, Mercedes Benz Cía. Financiera and Banco de Servicios Financieros for a total equivalent Ps 762 million, with the participation of banks, insurance companies and mutual investment funds as investors, as well as minority investors. We have kept our commitment with the development of capital markets organizing syndicated placements to attract more new investors.

As far as loans are concerned we can highlight two syndicated loan transactions in which Banco Francés was the organizer: loan to GasBan for Ps 70 million and to Ferrosur Roca (Loma Negra group) for Ps120 million.

BBVA Banco Frances continued being a major benchmark in the Securities Market and working with companies that trade on the Buenos Aires Stock Exchange (Bolsa de Comercio de Buenos Aires.) We would like to emphasize the work we have done for Sao Paulo Alpargatas S. A., a shareholder of Alpargatas SA. Furthermore, we acted as financial consults for M&A, especially for PineBridge Investments, Jumbo Retail Argentina shareholders.

Middle Market Banking: The Middle Market Division handles our relations with small and medium-sized companies. The Bank has the first network in Argentina specialized in serving the small and medium-sized company segment with 27 specialized branches.

2010 was a strategic year for middle market banking, both in macroeconomic local growth and recovery from the crisis. Middle Market Banking has reported a successful growth in the active portfolio and has been assisting companies with short term and long term financing.

With record production figures for the car industry, excellent harvest and competitive raw material prices, in addition to a strong consumer demand and use of installed capacity in historical terms the volume of loans granted throughout 2010 was 90% more than during the previous year: over Ps 2,100 million of loans granted to companies. This was a major recovery of this portfolio after two years of relative stagnation. There was a noticeable increase in middle and long-term financing, with special emphasis on Leasing and Past-Due Interest, with an increase of 94% and 110%.

A careful customer by customer analysis that started from the very first business day in 2010, along with a sensible strategic forecast made it possible for the Bank to grow with each one of its customers and to gain more market share: 180 b.p. in return on investments.

Deposits increased 35%, with an improvement in funding mix, as demand balances were 70% of total resources. This makes it possible for the bank to obtain funding at a lower cost, which is a major pillar for an active Management of the financial margins. Mutual Investment Funds increased 160%, reaching Ps 148 million, and now represent 3% of managed resources. These increases made it possible to advance in the quality of our diversified and long-term portfolio, 15% of which has a maturity date of more than one year. Leasing, which is a large part of this percentage, is 10% of the company portfolio and we were the first bank in placements during 2010.

Our Middle Market Banking continued having very low default levels, not more than 0.5%. It should be mentioned that the highest level of allowances for doubtful accounts is a result of the sharp increase of this portfolio, as we now have to have a 1% general provision in this line. However, there are no losses as the default ratio is 50% less than the allowances.

One of the priorities of Middle Market Banking in 2010 was designing a strategic plan for transactional products. In this connection, placement of corporate credit cards and electronic banking has had an outstanding performance: 37% and 16%, respectively, as compared to the product stock of December 2009. Customers have been migrating to the new Frances Net Cash service, which now has the most advanced security features and a comprehensive platform with modules and functions to operate in the same environment. Total commissions earned had a favorable growth with over Ps 145 million, i.e., 23% annual growth.

Middle Market Banking has consolidated a highly professional structure in 2010, based on closeness to customers and special advisory services, two of its main pillars. We take care of more than 14,500 customers in 190 branches throughout Argentina (28 of them take care of businesses only.)

We have added new middle market banking managers and consolidated regional centers, with officers who are experienced in foreign trade, agribusiness and transaction services to assist our customers and advise them when required. We are now able to assist customers in the main economic centers of Argentina in order to follow up operations at our branches; this is the way get closer to our customers, give them a better service and achieve a full relationship with them.

Middle Market Banking is now in charge of assisting government agencies and different kinds of organizations, trying to enhance specialization and to give momentum to this business. The organization of this area is now as follows:

§ Institutional Branch: takes care of government agencies, embassies and consulates, and the health and insurance areas, as well as other institutions.

§ Institutional Banking development: the purpose is to increase business possibilities, working in cross-sections throughout Argentina: specialized support to businesses through the network of branches, defining coordinated growth strategies in different sub-segments.

The year 2011 brings new challenges in a very competitive scenario. We have an adequate organization to handle this with highly skilled resources and a products and services catalog that cover all customers' needs. We will be starting a new incentives and performance measurement model, broken down by business office, which will measure business positions in the Individuals and Middle Market Network. We have the required special tools that make it possible to automatically follow up individual and branch indicators. Among other purposes, we expect a significant portfolio increase both in Deposits (30% over last year), as well as Loans (42% over 2010). With this increase we would be increasing our middle market share 100 b.p.

We will continue with a strictly customized approach for every single client offering product in accordance with the client's specific needs, area and profile, and ensuring a higher income for the bank in markups and commissions, gaining customer loyalty at the same time. We will also step up new clients acquisition (industrial, business, institutional and agribusiness). It is expected to have 16,000 new active customers at the end of 2011.

Retail Banking. The Commercial Banking Division is in charge of commercial relations with individuals and small companies. This division serves its customers through an extensive and well-diversified distribution network, which offers 240 contact points including branches and different electronic media.

In 2009, we established a New Model of Business as a consequence of a strategic reconsideration of the previous year. We are trying to reinforce our Customer relationship, focusing on our goal of ensuring success in different business process stages, addressing management and, at the same time, also servicing and after-sales, with special emphasis on the service quality offered in all our service channels.

Addressing all of the above, we have been working along the following action lines:

§ In February 2010, we introduced our second portfolio segmenting with additional new parameters for socio-economic level variables. With this we achieved a broader outlook of different customer levels.

§ “Customer Outlook”. We continued with the installation of our “Customer Outlook” in each one of the Relationship Model phases: attraction, sales, royalty, and retention, with the purpose of getting closer to Goal Model in which the Customer is the core of our business.

§ We reorganized customer management and care into different segments to the most appropriate channels.

§ We continued with our training program, which included communication and training, to facilitate the change process for each and every one of the parties involved.

§ Apart from management and based on customer royalty strategy, we focused on servicing or after-sales, as a main differential factor at the time of competitive advantages comparison.

– There is an ongoing pursuit of productivity and efficiency in all channels, with the purpose of operating through branch networks, making migration much easier.

– Different lines of action were implemented throughout the year to enable our customers to become aware of the most efficient and speedy alternatives to operate with the Bank.

§ We have consolidated a centralized Customer Service area, addressing and solving any claims where no signatures are required.

§ We continue with our plan to train our customers in the use of automatic devices; we have facilitators at all major branches, who are ready to assist customers with their queries.

§ In July, we started with a Business System Model at all retail branches. This is part of the MAX Project, which aims to implement a common working methodology throughout the network, addressing customer’s proactive actions, ordering objectives and management and monitoring actions on a daily basis.

Banco Francés Comprehensive Offer

With the purpose of maintaining our position and market penetration level, without stepping away from current risk policies, we have focused on the following during 2010:

§ Placement of credit products: We have readdressed our efforts towards customers with a high spending level and less associated risks.

§ Complementary and low complexity products sales: We focused on all customers, disregarding segments.

§ Offering products to Non-Customers: We focused on credit cards as a linking product.

At the end of 2010, Retail Banking volume was more than Ps 22,900 million, including investment funds. During the fiscal year, credit investment had a sustained growth of 42%, reaching Ps 6,300 million, while customer resources grew 28%, reaching a total business volume of 16,200 million. As regards profits, net product commissions totaled almost Ps 600 million, which meant a 14% difference with regards to 2009.

Retail Banking reinforced its business model with a clear strategic vision which was meant to develop its current customer portfolio, offering a differential after-sales service, supported by each customer segment demand, through the pertinent channel, and in accordance with the desired servicing and contracting method.

We focused on growth and developed all products and services required to be ever so closer to the customer, quickly, efficiently, and productively, and also addressing all those issues that had to evolve in order to allow us to develop even further.

Our strategy was based on the following pillars:

§ We strengthened our main goal: overall customer linking, through massive assessment processes of our customer portfolio with purpose of making more assistance and/or credit products available.

§ Continuing with our credit card replacement campaign, we added the benefits of our new credit which resulted from two significant strategic alliances: Time For Fun (“T4F”) and Lan Argentina S.A. (“Lanpass”).

In March we signed an agreement with T4F which increased benefits for all those customers that wish to enjoy first rate national and international shows produced in Argentina. Customers will be able to buy tickets in advance with important discounts with the Bank’s credit or debit cards. With this agreement BBVA Banco Francés is now an exclusive sponsor of the financial sector, and therefore, leader in financial services and credit card purchases of major entertainment events in Argentina. Our customers were able to benefit with this alliance purchasing tickets, well in advance and with major discounts for Cirque du Soleil and Paul McCartney, among others. Over 50,000 customers used this service.

In June 2010, the Bank and Lanpass, frequent flyer program of the LAN airline, introduced the new BBVA Banco Frances Lanpass credit card. With this strategic alliance, all Bank customers who have this credit card will earn Lanpass kilometers which may be exchanged to fly to over 700 different destinations in Argentina and around the World with LAN, Oneworld and other associated airlines. At the same time they also participate in exclusive promotions.

We also continued with an aggressive promotion program and discounts in major value areas such as: supermarkets, household goods, technology, clothing and restaurants, among different items that customers regularly shop for.

§ We have made an effort to migrate to different network channels all transactions that are easy to do using alternative channels and/or via telephone. This was done by installing new devices at our branches, where all the necessary means are available; we give instructions to our customers over the telephone and over the Internet and avoid unnecessary delays at the branches.

§ We have re-launched our VIP Banking, by adding a larger number of customers to this segment, increasing the number of officers in charge of customized service, improving products and adding new benefits, always with the main purpose of achieving our customers appreciation.

New Relationship Model: Distribution and Service

In 2010, supported by three core components in the Relationship Model, Image, Technology and Closeness, we continued with the Branch redesign program, which was implemented in 2008. At the end of 2010 we had 105 remodeled Branches, which included BBVA image, Mixed or New Image. Remodeling works have continued in 10 more branches, and 19 more are scheduled to start soon. The latter were outsourced and the investments were already duly approved in most cases.

Alternative channels to the branch network were consolidated throughout 2010, focused on different customer segments. Branch network concentrated its efforts on high and mid-value customer segments, prioritizing customized service in the former one with the purpose of learning more about their needs and advising them regarding high complexity products.

Business Management Centers grew stronger as a support channel in the network management, as regards segment C1 and Telemarketing for the lower income segments, always focusing on the Payroll Plan, as this is an easy access to companies.

Telemarketing consolidated as a credit card massive sales channel to non-customers and a placement channel of commission-related products for all Bank customers, without taking into consideration any segments.

After finally implementing our Solutions Center, we managed to give our branches more operating time, aside from consolidating a Standard service scheme for all customers.

Key Management Actions in 2010

Consumer Financing

BBVA Banco Francés reported an important increase in consumer financing transactions, in line with a sharp acceleration in the private sector loan stock of the financial system.

In 2010 we intensified our Payment Means strategy, adding up all products included in the Bank's offer. This entails more benefits and transactions in credit products and also credit and debit cards and rechargeable cards.

Our strategy was based on the following pillars:

Additional benefits for higher spending consumer items: We now have a large and varied offer of discounts and interest-free installment purchases at the best supermarket chains, home appliances and clothing stores in Argentina, among others. Our customers are able to use these benefits in more than 2,000 stores in Argentina.

Regional benefits: We have started with a project in different cities in the provinces, offering exclusive benefits so that customers may have access to local stores which are better identified with their consumer habits. We will continue with this project in 2011.

Higher product value: We have worked on upgrading purchase limits of credit cards and potential daily purchase limits for debit cards, so that customers can increase their daily spending levels. This has been accompanied by other product upgrading actions to help customers to enjoy value added products, in line with their spending habits.

Direct and focused communication: We are addressing the issue of clearer and direct messages which explain benefits so that customers may access local stores.

Technological innovation: We have launched Frances GO in April 2010; this is the first discount searcher which offers exclusive benefits for all registered customers. With this new Pioneer service, thousands of customers receive on their Mobile phones "benefits and discounts alerts" which can be accessed at any time in all of Argentina. This is a no-cost service for our customers and covers the expectations of all those who are eager to find out as soon as possible about available benefits and discounts at different stores.

Value added program: We have created a centralized transaction model that is present at all times of the customer's relationship with the Bank. It starts with a welcome call when a new Bank card is delivered, and makes reference to the benefits and advantages of our products and a pattern of actions related to different consumer habits.

With all the actions involved in each one of the above pillars, we are achieving an excellent outcome in each one of these business lines. We have been able to keep a sustained increase in product usage levels and the consequent higher monthly invoicing.

We have continued with our seasonal campaigns, both in what discounts and benefits are concerned. The Bank has participated in the traditional discount offers at the Unicenter Shopping mall and at other shopping malls of this Group, as well as the winter season campaigns at Cerro Catedral (Bariloche, Río Negro) and summer campaigns at Argentine seaside resorts.

The purpose of this strategy is prompting our customers to strengthen their relationship with the Bank, using more the bank card for transactions rather than cash.

Personal Loans: The objective in 2010 was to be the bank chosen by our customers when they needed a loan. This was achieved through an excellent value offer, with actions focused on adequate amounts, and attractive rates and terms, as well as direct communications regarding outstanding product features. These actions were based on the Bank's relationship principle which aims at recognizing customers for using bank services and improving terms and conditions.

We have to highlight specific product offers for certain purposes, such as car loan or loan rollovers, which are an addition to other offers that benefit customers.

Another key element of our actions during the year was the ongoing assessment of our customers with the purpose of having at all times pre-approved offers that the interested parties could request at any time by using any channel. This provides customers with the possibility of full loan access at any time: through Frances Net, telemarketing and all Banelco ATM network.

We have also continued reinforcing our position in the pledge loan business, through excellent value offers for customers, which result in benefits for dealers who are our business partners; we also finance the purchase of cars through finance companies organized with Renault and Peugeot.

The Bank has started to offer a leasing plan to finance new car purchases in third quarter of 2010 and it is the only leasing plan addressed to individuals on the market.

Stores and Business

Further to the Stores and Business development plan, and in order to reinforce capture of new customers, we have developed mass credit assessment campaigns geared to existing and potential customers. This was mainly addressed to potential specific segments such as stores, schools, building administration offices, and SME's. This, together with new portfolio segmentation and the introduction of new SME's officers (71 Microbusiness Officers and Specialized Coordinators strategically distributed throughout a number of given branches) made it possible for us to end 2010 with 9,000 new Francés Proyectos accounts.

Managed Resources

Total growth of the managed resources portfolio was 29%, reaching Ps.12,300 million, fostered by a strong increase in peso balances, with a year over year increase of 28% followed by the dollar portfolio with an 18% increase. Demand deposits were up 40% year over year; savings with the same growth and terms were up 14%.

Non-Traditional Investment Alternatives

We continue offering different alternatives and advising high-end customers about more options when they wish to have an alternative investment instrument for the purposes of portfolio diversification:

§ Variable Interest Rate Deposits (Depósitos a Interés Variable - Diva I, in Spanish): This was launched in June 2010 and it is an adjustable investment instrument for a term of 181 days only where the interest rate varies in accordance with the price of soya up to a maximum of 20%. More than Ps 28 million were placed here and the final nominal annual yield was 40.6%.

§ Variable Interest Rate Deposits (Depósitos a Interés Variable - Diva II, in Spanish): This was launched at the end of November with three yield possibilities: Soya (Chicago), Gold (London) and S&P (New York). This investment alternative allows our customers to diversity portfolios and to earn yields related to price increases of the chosen assets. A total of Ps 43 million was placed at 182 days under this alternative.

Insurance

In 2010, we managed to consolidate our insurance offer model in all channels. We continued with the segmentation of our value offer to customers, trying to adapt the insurance to their actual needs.

Most significant efforts this year are highlighted below:

§ Customers capture campaigns with a strong emphasis on cross-selling through Telemarketing.

§ Higher average premiums sold which, consequently, yielded better commission levels.

§ Significant increase in Personal Accidents and ATM Thefts portfolios.

§ Ongoing adapting of insured amounts of stock portfolios by upgrading existing insurance policies.

§ Launching of Premium, a new home insurance with a better and wider protection.

§ Launching of a new Personal Accidents insurance, with a wider and better protection and the best price on the market.

§ About 30% more insurance sales than in 2009 for premiums issued through the Bank's insurance product channel Cía. Consolidar.

Payroll Services

Payroll Services agreements with different employers continued to be the core of attention for the placement of active Bank products, especially personal loans, as it gives us a better profile in risk quality for new transactions. Our sales channels continue offering Bank products to potential customers with high-end payrolls; this was done by breaking down the agreements that were launched at the end of 2008 and we are already harvesting the results, capturing new customers with proactive actions and continuing to offer payroll services.

Looking forward to 2011, and aligned with a major corporate growth, we have reorganized our business teams which take care of payrolls and they are now reporting to Middle Market Banking. The purpose of this change is to be closer to the bank officer and the commercial banking area. Another action plan for this year is to emphasize cross-selling to actual customers in order to obtain better yields and to diminish the effect of customers changing to other banks.

Institutional Banking will be an area where we will concentrate our business attention, because public servants have an attractive potential customer profile.

VIP Bank 2010

VIP Banking currently takes care of more than 75,000 customers to whom it offers differential services. This is 4.5% of all retail business, which represents 51% of assets and 25% of profitable investments. Due to the importance of this area, and enhancing the segmentation model that was launched in 2009 with the Max Project, the Bank will be prioritizing the development and growth of this area. This entails a Pluriannual High Yield Strategic Plan which includes the following focal points:

§ Development and re-positioning of VIP Banking on the market

§ Efficiency of different management processes, customer care and servicing

On the other hand, when the Banco Francés Lanpass credit card was launched, we upgraded the “Estilo BBVA” program benefits. Besides Discounts in the best brands for a variety of products, customers may also participate in different options and access an exclusive array of travel experiences on different continents. All VIP Banking customers with Premium or Premier Accounts get an additional 25% in kilometers for all Visa Platinum or MasterCard Black purchases.

Electronic Banking

Electronic Banking, in all available modalities, has consolidated as the main Retail Banking tool just when we continued implementing the New Business Model.

Automatic means were the most important item in the transaction Migration Plan, together with instructions and advertising, and facilitators at the branches to assist our customers and help them with these changes. These days we have 105 Facilitators assisting customers with the migration plan at 94 branches.

We achieved the migration to Channels (QDBs and ATMs) of more than 75% of transactions that were previously handled by bank tellers.

Automatic Teller Machines

We continued changing ATMs throughout the year and implemented exclusive Banco Francés ATMs which enhanced availability of these resources for all customers.

§ Ongoing renewal of ATMs at all branches. With the new ATMs and related actions we managed to increase service levels throughout our network.

§ Customer care quality enhancement projects. We continued with this project at all Branches and made sure that all of them have the required tools and technology to offer better customer care, and shorten transaction costs and service time. Among other features, we would like to mention new working stations for our officers that make it possible to consolidate customer's information, business planning and follow-up, optimizing the work of 25 line facilitators, adding 25 Frances Express to those that we already had last year and start installing coin dispensers. We also worked with the optimization of

safe deposit boxes, unemployment funds and smart cash deposits at ATMs (bill recognition with online crediting in the accounts which is available 24 hours and the possibility of operating with or without a bank card.)

§ Telecommunications: We proceeded to migrate 80% of branches network to IP telephony.

Self-Service Terminals

We have optimized available transactions, with emphasis on deposits and payments: thereby making it easier for customers to access these transactions, without the need for any identification.

Furthermore, we redesigned this channel. Self-service terminals now have a better design and the browsing is more user-friendly. Consequently customers are using them more.

We have 691 terminals in all our branches. This is a valuable support for teller transactions.

Internet – Francés Net

In June 2010, we launched an updating campaign through Francés Net – Data Update “My Data” in order to update our customer information. The updated results were excellent:

§ Addresses: Over 371,000 transactions in connection with more than 202,000 Customers.

§ Telephones: Over 420,000 transactions in connection with more than 192,000 Customers.

§ E-mails: Over 189,000 transactions in connection with more than 160,000 Customers.

We continued expanding this channel with the following results:

§ Over 10,000 million pesos in transactions (estimated data: Dec. 2010)

§ 450,000 active customers; + 18% as compared with last year (estimated data: Dec. 2010)

§ 140 million transactions; + 15% as compared with volume of operations (estimated data: Dec. 2010)

Internet – Institutional Web Page

BBVA Banco Francés Internet Page continues to be a leader among browsers in the Argentine financial market, with 45 million hits in 2010.

Last July we introduced in the web page an ATM and branch browser using Google Maps. People visiting this web page may find out the location, business hours and telephone numbers of the branches, and the number of available ATMs, among other things.

Call Center – Línea Francés

Some 8 million calls were received during the year (estimated data as of December 2010) and nearly 10 million transactions were made through our Telephone Channel. In June 2010 we implemented a new design for options and browsing to help customers and improve service and after-sales service; there is no need to use any passwords now to place claims.

Mobile Phone Banking: Francés Móvil – FRANCES GO

We now have more than 140,000 customers enrolled in this channel; this is a successful marketing tool through which we announce benefits and promotions to interested subscribers.

Asset Management

During 2010, Asset Management, which is accountable for third-party assets Management, renewed its commitment with our customized portfolio management, which ensures that our professional officers handle investments in accordance with the particular needs and profile of each customer. Next year we will continue designing new alternatives to be ahead of our customers needs.

Throughout fiscal year 2010, Francés Administradora de Inversiones S.A., as managing company, continued managing FBA (“Fondos Bien Administrados” or Well Managed Funds) products.

Mutual Funds

The volume of mutual funds industry managed capital increased during 2010. An improved performance was possible thanks to the fact that although the international crisis continued in central countries, with inherent cyclical and financial worries, the main indicators of the emerging countries showed high levels of activity and growth.

According to information provided by the Chamber of Mutual Investment Funds (CAFCI in Spanish), the industry ended the year with a total managed capital of Ps 20,605.4 million, an increase of Ps.3,600.6 million, 21.2% more than at the end of December 2009. This increase in managed capital was mainly reflected in market mutual funds, which ended the year with a total of Ps.11,460.7 million, up Ps.3,490.4 million from the end of 2009, and increase of 43.8%. In this category there was a significant increase in the fixed income funds, up Ps.3,018.9 million, 61% increase, which was part of a total of Ps.7,517.5 million. Fixed term funds, on the other hand, ended the year with a total of Ps.9,144.8 million, up just Ps.110.2 million during the year, which translated into just an increase of 1.2%.

At the close of 2009 total capital in different mutual investment funds authorized in Argentina was Ps.17,005 million, Ps.1,693.5 million of which were funds managed by the Company. As of December 31, 2010, the capital managed by FBA was Ps.1,632.7 million (according to information provided by CAFCI) down Ps.60.8 million (3.6%) from last year's figure. At the end of December 2010, the company's share in the total mutual investment funds market was 7.9%, the third one among capital managing companies. Fixed term time deposits FBA: FBA Peso Income ended the year with a capital of Ps.942.4 million, with a drop in capital of Ps.225.5 million, down 19.3% with respect to last year.

On the other hand, in market funds FBA had a capital increase of Ps.172.6 million, up 34.4% during the year. Total managed funds in this category were Ps.674.5 million at the end of the year, with a market share of 5.9% in this category.

We can highlight the following increases in the FBA market mutual funds: FBA Ahorro Pesos, up Ps.97.5 million (53.4%) ending the year with a total of Ps.280.0 million; FBA Calificado, up Ps.39.2 million (48.4%), ending the year with a total of Ps.120.4 million and FBA Horizonte, that was up Ps.28.8 million (141.5%) and ended 2010 with Ps.49.1 million. On the other hand, with a drop of Ps.11.2 million (23.8%) FBA Brasil had a significant drop, and ended the year with Ps.35.9 million in managed funds.

Fees generated by this company increased to Ps.13.4 million, with an increase of 55.5% when compared to the previous year. This increase was a result of the volume in average balances during the year. The origin of this income had a similar structure to that of 2009.

FBA Ahorro Pesos was the leader among the fixed income FBA funds as it had a better performance than its competitors. At the end of 2010, each one of the FBA Funds had a better performance than comparable indexes.

As of December 31, 2010, our mutual funds had the following equities:

Name of Mutual Fund	Thousands of Pesos
FBA Acciones Globales	70,827
FBA Total	15,998
FBA Renta	15,731
FBA Renta Pesos	942,439
FBA Renta Dólares	4,388
FBA Bonos Latinoamericanos	14,904
FBA Calificado	120,387
FBA International	588
FBA Ahorro Dólares	11,011
FBA Renta Fija	21,358
FBA Ahorro Pesos	280,034
FBA Renta Premium	10,672
FBA Europa	2,604
FBA Horizonte	49,081
FBA EE.UU.	3,447
FBA Renta Corto Plazo	608
FBA Acciones Latinoamericanas	25,861
FBA Bonos Argentina	4,894
FBA Brasil	35,886
FBA México	1,187
FBA Commodities	60
FBA Acciones Argentinas	704
FBA Bonos Globales	76
Total	1,632,745

Source: Cámara Argentina de Fondos Comunes de Inversión (“CAFCI”)

During the 2010 fiscal year, we continued our commitment to customize portfolio management, an exclusive service for companies and high-income individuals, by providing professional and efficient investment management, tailored to each customer's particular needs and investor profile.

The Bank's Assets Management division ("Gestión de Activos Argentina") became a market leader in terms of growth in dollar-denominated market funds. In recognition of our performance, we obtained the S&P "Top Manager" award for the best Variable Income manager.

The volume of mutual funds industry managed capitals increased during 2010. A better performance was possible thanks to the fact that although the international crisis continued in central countries, with inherent cyclical and financial worries, the main indicators of the emerging countries showed high levels of activity and growth.

As in 2009, the Company will be paying special attention to the pace of the international economic and financial crisis, the performance of the dollar versus other currencies and the changes in prices of crude oil and other commodities. As for the local market, monitoring will be centered on production levels, inflation and public spending, as well as the presidential elections that will take place in 2012, which are the main political issue.

Insurance

We provide advisory services to our customers in the selection of the adequate coverage of risks related to life, personal accidents as well as home and ATM robbery insurance, within a range of products offered by certain insurance companies.

Additionally, as part of our overall business, we have equity interests in some insurance companies, including 12.22% of the capital stock of BBVA Consolidar Seguros S.A., 66.21% of Consolidar Compañía de Seguros de Retiro S.A. (a company that offers retirement plans and life insurance) and 12.5% of Consolidar ART S.A. (a workers compensation insurance company that offers labor risk insurance to corporations pursuant to a statutory framework established by the Labor Risks Law). BBVA holds the remaining shares of these companies.

International Operations

Since the economic and financial crisis began at the end of 2001, access to international markets for Argentine companies has been quite limited. Notwithstanding this constraint we have been able to assist our clients with traditional foreign trade services, including letters of credit, collections, bank drafts, fund transfers and foreign currency transactions.

Furthermore, in March 2007, we paid the outstanding Class 15 Floating Rate Notes due 2008, for an amount of 121.5 million dollars. With this last payment we concluded the restructuring process of our foreign debt derived from the Argentine Crisis.

Cost Controls and Efficiency Improvements

The increase in administrative expenses above inflation is mainly related to a higher activity level together with higher payroll and advertising expenses in connection with a more aggressive advertising campaign.

The following table shows the revenue derived from the business areas described above for the fiscal years ended December 31, 2010, 2009 and 2008:

	As of December 31, 2010						Discontinued operations (5)	
	Continued operations							
	Banking Financial		Total	Insurance Eliminations		Total	Pension Fund Manager	Total
	BBVA Banco Francés S.A.(4)	PSA Finance S.A.						
Total assets	28,445,498	751,810	29,197,308	3,341,186	(3,928)	32,534,566	45,680	32,580,246
Financial income	3,211,490	86,772	3,298,262	543,566	(5,078)	3,836,750	5,921	3,842,671
Service charge income and other income	1,550,974	81,872	1,632,846	52,284	(596)	1,684,534	5,701	1,690,235
Total income (1)	4,762,464	168,644	4,931,108	595,850	(5,674)	5,521,284	11,622	5,532,906
Financial expenses	(800,185)	(14,491)	(814,676)	(11,383)	5,078	(820,981)	3,158	(817,823)
Allowances for doubtful loans	(172,452)	(6,901)	(179,353)	—	—	(179,353)	—	(179,353)
Operating expenses	(1,957,154)	(12,307)	(1,969,461)	(20,464)	596	(1,989,329)	(30,049)	(2,019,378)
Other expenses (2)	(750,674)	(37,133)	(787,807)	(497,301)		(1,285,108)	(1,909)	(1,287,017)
Total expenses (3)	(3,680,465)	(70,832)	(3,751,297)	(529,148)	5,674	(4,274,771)	(28,800)	(4,303,571)
	(22,757)	(16,319)	(39,076)	—	—	(39,076)	7,920	(31,156)

(Loss)/Gain
on minority
interest in
subsidiaries

Total net income	1,059,242	81,493	1,140,735	66,702	—	1,207,437	(9,258)	1,198,179
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(1) Includes: financial income, service charge income and other income.

(2) Includes: service charge expense, other expense and income tax.

(3) Includes: financial expenses, allowances for doubtful loans, service charge expenses, operating expenses, other expenses and income tax and tax on minimum presumed income.

(4) Includes: Francés Adm. de Inversiones S.A. and Francés Valores Sociedad de Bolsa S.A.

(5) See Note 15.b) to the Consolidated Financial Statements.

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As of December 31, 2009

	Continued operations						Discontinued operations (5)	
	Banking			Financial			Pension Fund Manager	Total
	BBVA Banco Francés S.A.(4)	PSA Finance S.A.	Total	Insurance	Eliminations	Total		
Total assets	22,667,089	412,389	23,079,478	3,164,710	(2,806)	26,241,382	150,211	26,391,593
Financial income	2,966,359	74,709	3,041,068	501,703	(8,841)	3,533,930	26,273	3,560,203
Service charge income and other income	1,422,129	67,805	1,489,934	20,762	(1,758)	1,508,938	(52,594)	1,456,344
Total income (1)	4,388,488	142,514	4,531,002	522,465	(10,599)	5,042,868	(26,321)	5,016,547
Financial expenses	(967,992)	(9,037)	(977,029)	(469)	8,841	(968,657)	(45,302)	(1,013,959)
Allowances for doubtful loans	(241,622)	(4,344)	(245,966)	—	—	(245,966)	—	(245,966)
Operating expenses	(1,553,125)	(9,201)	(1,562,326)	(19,922)	1,758	(1,580,490)	(53,409)	(1,633,899)
Other expenses (2)	(946,385)	(25,039)	(971,424)	(413,581)	—	(1,385,005)	(4,366)	(1,389,371)
Total expenses (3)	(3,709,124)	(47,621)	(3,756,745)	(433,972)	10,599	(4,180,118)	(103,077)	(4,283,195)
(Loss)/Gain on minority interest in subsidiaries	(29,832)	(17,897)	(47,729)	—	—	(47,729)	32,839	(14,890)
Total net income	649,532	76,996	726,528	88,493	—	815,021	(96,559)	718,462

As of December 31, 2008

	Continued operations						Discontinued operations (5)	
	Banking			Financial			Pension Fund Manager	Total
	BBVA Banco Francés S.A.(4)	PSA Finance S.A.	Total	Insurance	Eliminations	Total		
Total assets	22,400,481	452,766	22,853,247	2,872,885	(174,585)	25,551,547	273,918	25,825,465

Financial income	1,944,883	49,091	1,993,974	352,065	(90,609)	2,255,430	23,674	2,279,104
Service charge income and other income	1,372,305	49,498	1,421,803	329,851	(2,869)	1,748,785	215,083	1,963,868
Total income (1)	3,317,188	98,589	3,415,777	681,916	(93,478)	4,004,215	238,757	4,242,972
Financial expenses	(1,274,521)	(11,977)	(1,286,498)	(5,682)	90,609	(1,201,571)	(110)	(1,201,681)
Allowances for doubtful loans	(33,462)	(3,246)	(36,708)	—	—	(36,708)	—	(36,708)
Operating expenses	(1,128,183)	(7,651)	(1,135,834)	(50,969)	2,436	(1,184,367)	(229,081)	(1,413,448)
Other expenses (2)	(603,047)	(24,785)	(627,832)	(598,860)	433	(1,226,259)	(46,167)	(1,272,426)
Total expenses (3)	(3,039,213)	(47,659)	(3,086,872)	(655,511)	93,478	(3,648,905)	(275,358)	(3,924,263)
(Loss)/Gain on minority interest in subsidiaries	(9,007)	(5,068)	(14,075)	—	—	(14,075)	16,876	2,801
Total net income	268,968	45,862	314,830	26,405	—	341,235	(19,725)	321,510

(1) Includes: financial income, service charge income and other income.

(2) Includes: service charge expense, other expense and income tax.

(3) Includes: financial expenses, allowances for doubtful loans, service charge expenses, operating expenses, other expenses and income tax and tax on minimum presumed income.

(4) Includes: Atuel Fideicomisos S.A. and its subsidiary and Francés Valores Sociedad de Bolsa S.A.

(5) See Note 15.b) to the Consolidated Financial Statements.

Information Technology

In 2010, Systems and Operations focused its activities on BBVA Group established strategic plans, as it has decided to become the “Best Universal Bank” searching for excellence, efficiency, and innovation in high class customer service, including where relationship model and distribution are concerned and new ways of doing things based on ideas, technology and high quality individual work.

The following are among the main initiatives implemented in 2010:

§ New Products and services:

- LanPass program: new credit card that adds kilometers to LAN’s frequent flyer program
- Francés Go: ads, alerts, promotions and transactions via SMS (text messaging)

–Francés Net Cash: new Electronic Banking for companies channel to manage treasury transactions with a wide array of inquiries, collections and payments.

§ Sales Force: We started supplying the Bank’s sales staff with new devices that represent mobile work stations (Netbooks, BlackBerrys) which makes it possible for them to operate away from their desks at the Bank thus making their work more efficient and staying closer to customers.

§ Projects to enhance quality of service: We launched new projects to enhance the quality of customer service, giving the branches the right tools and technology to improve customer service, reduce costs and wait times for customers and lower transaction costs. Among others projects, mention the following:

– New work stations for officers for integral customer care.

– Optimizing the work of 25 line facilitators.

–Inclusion of 25 more Francés Express (inquiry spots through Francés Net and printouts of statements) in addition to the already existing 100 Francés Express we had last year.

– Installation of coin dispensers.

– Optimizing safe deposit boxes processing and unemployment funds.

–Smart cash deposits: cash deposits at ATMs (bill recognition with on-line crediting in the accounts which is available 24/7 and the possibility of operating with or without a bank card).

§ Regional agreement of the Group with MasterCard Worldwide (MCW): Negotiations were initiated to implement adequate processes to become a Main Member in the MCW franchise (at present we are Affiliate Members). This Agreement grants access to numerous benefits that give momentum to the business.

§ Branch remodelling: We continued with the Branch remodelling based on the “New Branch Model” to have architectonically designed, functional and technical branches in accordance with the market requirements and the implemented strategy.

§ ATMs network renewal: We changed 58 ATMs and added 12 more to the network; we now have a network of 654 ATMs at the branches.

§ E-banking: We are developing an application that allows customers to send information about checks for deposit in their collection accounts digitalizing them and transmitting them to the Bank by Internet (e-banking).

§ Internet Channels: We started building a differential solution for Internet Channels; this is a comprehensive approach of the Customer’s condition, beyond any financial assets which makes it possible to assess holdings and/or future investments.

§ Digital Information: A new process was initiated to digitalize all information processes from the very beginning. This year we included Foreign Trade and contracting risk products in different sales channels. The objectives include, among others: optimizing turnaround times and creating an active digital file for every customer which avoids having to submit supporting documents with every new transaction.

§

New Vendor Payor System: A new Vendor Payor System was introduced where we are implementing web tools to generate a differential and competitive application. As of next year this will also feature additional services through Francés Net Cash that will make it possible for companies to manage payments, outsourcing them to the Bank.

§ New products / regulatory services: We developed new products / regulatory services such as the Universal Family Allowance, Universal Free of Charge Account and Regulatory Transfer Prices.

§ Línea Francés – centralized orders, inquiries and claims: We continued centralizing orders, inquiries and claims through Línea Francés channel and added new functions that will be taken care of and solved here.

§ Defaults: We worked on expanding, stabilizing performance and functionality of tools for handling defaults in the preliminary stages. This allowed for better segmentation and expedited visualization and integration of Customer information immediately upon contact. We also added a mass risk assessment tool that qualifies portfolio behavior.

§ Corporate monitoring: Major advances were made in implementing corporate systems that enable the detection of suspicious activities such as terrorism and money laundering. We implemented an updated version of Fircosoft and we already have a Mantas application in operation.

§ Compliance with Sarbanes-Oxley Act provisions: We finalized the implementation of the Internal Control Model to obtain satisfactory results for the certification of compliance with the Sarbanes-Oxley Act.

§ Discontinuation of Network Servers: We began to discontinue network servers; processing capacity is now virtual in a small group of devices located at the Bank's Computer Room.

§ Contingency Plan: We established a new contingency plan to shorten turnaround and mitigate risks related to the transfer of backup items to the Madrid processing center. Systems and Operations decided that the new alternative processing site will be the IBM Recovery Center located in Martinez, Buenos Aires, Argentina. We had some drills during 2010 at the new site with satisfactory results.

§ Telecommunications: We proceeded to migrate 80% of branches network to IP telephony.

§ Risk Analysis for Critical IT Assets: We started analyzing the risks related to Critical IT Assets.

§ IT Security: We continued expanding the scope of the control functions of IT Security.

§ IT Security Director Plan: We started the IT Security Director Plan 2.0, fostered by the BBVA Group for all its Banks. The objective is a high level of security in areas targeted by organized crime and reinforcing regulatory compliance and good banking practices by offering improvement possibilities.

Systems and Operations will begin developing new and relevant initiatives, and continue with the implementation of ongoing ones. There will be a sound backing of the BBVA Group strategic plan with innovative ideas and solutions driving business forward and differentiating us from our competitors, applying technology, expediting processes focused on the customer and offering security for internal transactions and compliance with regulatory provisions.

ORGANIZATIONAL STRUCTURE

Banco Bilbao Vizcaya Argentaria S.A. (BBVA)

As of December 31, 2010, BBVA owned approximately 75.97% of our capital stock.

BBVA is the result of a merger by absorption of Argentaria, Caja Postal and Banco Hipotecario, S.A., formerly a Spanish retail banking, asset management and insurance provider, into Banco Bilbao Vizcaya, S.A. The merger was approved by the shareholders of both institutions on December 18, 1999. As of December 31, 2010, BBVA, through its subsidiaries, has a presence in 10 Latin American countries, United States (including Puerto Rico), Mexico, China and several countries throughout Europe, with 3,024 branch offices in Spain and 4,337 branch offices outside of Spain, and 26,657 employees in Spain and 80,319 employees outside of Spain.

BBVA is a global financial group, organized in five major business areas: (i) Spain and Portugal, (ii) Wholesale Banking and Assets Management, (iii) México, (iv) the United States (including Puerto Rico) and (v) South America.

The benefits we receive from the BBVA Group are:

- § sharing of technology;
- § development of new banking products that have been customized for the Argentine market;
- § leveraging BBVA's global client relationships to serve those clients operating in Argentina; and
- § BBVA's participation in BBVA Banco Francés as a shareholder is both long term and strategic.

Subsidiaries of BBVA Banco Francés

We conduct our securities trading operations on the BCBA through our brokerage affiliate, Francés Valores Sociedad de Bolsa S.A., or Francés Valores.

Rombo Compañía Financiera S.A. (“Rombo”), with a single branch located in Buenos Aires, grants loans in the retail market to finance the purchase of new and second-hand cars offered by the Renault dealership network. Net income before taxes is Ps.42.2 million as compared with Ps.51.6 million in 2009; this decrease in income is mainly a result of the change in booking the commissions paid out to the dealers network. Previously these commissions accrued throughout the whole of the loan, and they are now impacting directly on the negative result, emphasizing this effect because of new financing. Portfolio risk and quality indicators continue being close to the best ones. The recovery process, together with a lower devaluation of second-hand vehicles made it possible to reduce risk levels, even as when the portfolio was growing.

PSA Finance, located in Buenos Aires, is a financial entity organized in 2001 whose original shareholders were Credilogros Compañía Financiera S.A. (50%) and Banque PSA Finance (50%), a company owned by the PSA French group. PSA Finance finances new Peugeot and Citroën vehicles as well as second-hand vehicles of all brands, through motor-vehicle secured loans or leasing transactions. On October 31, 2003, with the approval of the Central Bank, we acquired 50% of the shares of PSA Finance from Credilogros for Ps.11.9 million and Credilogros settled the call received from us for a total of Ps.11.7 million plus interest. The year was favorable for PSA Finance business; the company was prepared to react quickly and to take full advantage of the opportunities. In this connection and with the actions described below, it was possible to reach and exceed the goals, with the following results: production of 20,251 new agreements for a total financed amount of Ps.635 million, which made it possible to close the year with a credit portfolio of Ps.760 million and a total of 33,540 contracts. This was a historical record for the company in all areas. These figures represent an increase of 167% over last year for the production of new contracts in pesos and 81% for the credit portfolio.

The following chart reflects our subsidiaries as of December 31, 2010:

(1) Undergoing liquidation proceedings.

The following information is related to our subsidiaries and affiliates as of December 31, 2010:

Subsidiary or Associated Company	Country of Incorporation/ Residence	BBVA Banco Francés Ownership and Voting Power (in percentages)	Principal Activity	Stockholders' Equity (in millions of pesos) (2) (3)
Francés Administradora de Inversiones S.A.(1)	Argentina	95.00%	Mutual Funds	39.0
Francés Valores Sociedad de Bolsa S.A. (1)	Argentina	94.97%	Stock exchange brokerage	12.4
Consolidar Cía. de Seguros de Retiro S.A. (1)	Argentina	66.21%	Insurance	270.2
Consolidar AFJP S.A. (undergoing liquidation proceedings) (1)	Argentina	53.89%	Fund Administrators	41.0
PSA Finance Argentina Cía. Financiera S.A. (1)	Argentina	50.00%	Financial Institution	136.6
Rombo Compañía Financiera S.A. (1)	Argentina	40.00%	Financial Institution	116.7
Consolidar ART S.A. (1)	Argentina	12.50%	Workers Compensation Insurance	209.9
BBVA Consolidar Seguros S.A. (1)	Argentina	12.22%	Insurance Company	103.2

(1) For information regarding the number of shares we hold in such entities, see Note 2 to the Consolidated Financial Statements.

(2) Total stockholders' equity as of December 31, 2010.

(3) Statutory Stockholders' Equity, adjusted for purposes of consolidation so as to apply an accounting criterion being uniform with that of BBVA Banco Francés, if applicable.

On March 31, 2011 BBVA Banco Francés S.A. and Banco Bilbao Vizcaya Argentaria, S.A., both shareholders of Consolidar Compañía de Seguros de Retiro S.A. ("the Company"), entered into a stock purchase and sale agreement with Orígenes Compañía de Seguros de Retiro S.A. and other entities, by which the company's shareholders sell the totality of their shareholding in the Company.

The total price for the transaction amounted to Ps.380 million, of which 66.21% corresponds to BBVA Banco Francés S.A. according to its shareholding in the Company as of March 31, 2011.

The transaction will be finalized once approved by the National Superintendence of Insurance and once all other terms and conditions included in the aforementioned stock purchase and sale agreement have been complied with.

Should the transaction be effectively carried out, it would involve for the Bank a profit of approximately Ps.73 million as at December 31, 2010 considering the value of the equity interest of BBVA Banco Francés S.A. in Consolidar Compañía de Seguros de Retiro S.A. at the said date, in terms of BCRA regulations.

On the other hand, taking into account the valuation of such stock holding under US GAAP, the result of the transaction as at the same date would originate a loss of approximately Ps.248 million. The greater value of the participation according to US GAAP basically derives from the constitution of lesser reserves as compared to those required by the local regulators and to a greater value of the government securities portfolio which, according to US

GAAP, are registered at market value. As at December 31, 2010 the total assets and net equity of Consolidar Compañía de Seguros de Retiro S.A. under US GAAP amount to Ps.3,504 million and Ps.755 million, respectively.

Additionally, this transaction would involve discontinuing the retirement insurance segment managed by BBVA Banco Francés S.A. as of the effective date thereof.

Equity Investments

The following are all positions that we hold in non-financial institutions where we own more than 2% of the invested companies' equity as of December 31, 2010.

Investment	Country	% of Shares Owned (in percentages)	Principal Activity	Total Stockholders' Equity (in millions of pesos)
Coelsa S.A.(1)	Argentina	11.39%	Clearing house	1.8
Interbanking S.A. (2)	Argentina	10.00%	Information services for financial markets	44.5
Argencontrol S.A. (1)	Argentina	7.77%	Agent Mandatory	0.9
Sedesa S.A. (2)	Argentina	12.31%	Deposit Guarantee Fund	13.5
Banelco S.A. (3)	Argentina	10.91%	Nationwide ATM network & credit card Administration	67.0
Visa Argentina S.A. (4)	Argentina	9.53%	Credit card issuer	151.5
AIG Latin American Fund (5)	Virgin Islands	19.48%	Investment Funds	27.6

(1) Total Stockholders' Equity as of December 31, 2008.

(2) Total Stockholders' Equity as of December 31, 2009.

(3) Total Stockholders' Equity as of December 31, 2010.

(4) Total Stockholders' Equity as of May 31, 2010.

(5) Total Stockholders' Equity as of December 31, 2000. The Bank maintains an allowance for the 100% of the amounts.

PROPERTY, PLANTS AND EQUIPMENT

Banco Francés is domiciled in Argentina and has its principal executive offices at Reconquista 199, C1003ABB Buenos Aires, Argentina. The principal executive offices, which we own, are approximately 16,000 square meters in area.

At December 31, 2010, our branch network consisted of 240 branches, of which 112 were located in properties that we own and 128 were located in properties leased to us. The branches are located throughout all of the 23 Argentine provinces as well as the City of Buenos Aires.

SELECTED STATISTICAL INFORMATION

The following information is included for analytical purposes and should be read in conjunction with the Consolidated Financial Statements as well as "Operating and Financial Review and Prospects". This information has been prepared from our financial records, which are maintained in accordance with the regulations established by the Central Bank and do not reflect adjustments necessary to state the information in accordance with U.S. GAAP. See Note 20 to the Consolidated Financial Statements for a summary of the significant differences between Argentine Banking GAAP and U.S. GAAP.

The average balances of interest-earning assets and interest-bearing liabilities, including the related interest earned or paid, were calculated on a monthly basis in the case of the financial information of BBVA Banco Francés and its subsidiaries. Average balances have been separated between those denominated in pesos and in dollars.

The nominal interest rate is the amount of interest earned or paid during the period divided by the related average balance.

The nominal average rates for each fiscal year were converted to average real rates as follows:

$$\frac{Rp}{1 + I} = \frac{(1 + Nd)(1 + Rd)}{(1 + I)}$$

Where:

Rp: real average rate for Argentine peso-denominated (in the case of BBVA Banco Francés) assets and liabilities of BBVA Banco Francés;

Rd: real average rates for dollar-denominated assets and liabilities of BBVA Banco Francés;

Np: nominal peso average rate in peso-denominated (in the case of BBVA Banco Francés) assets and liabilities for the fiscal year;

Nd: nominal dollar average rate in dollar-denominated assets and liabilities for the fiscal year;

D: devaluation rate of the Argentine peso (in the case of BBVA Banco Francés) to the dollar for the fiscal year; and

I: Argentine inflation rate (“WPI”) (in the case of BBVA Banco Francés).

The formula for the average real rates for dollar-denominated assets and liabilities (Rd), when compared with the corresponding nominal rates, reflects the loss, or gain, in purchasing power of the dollar caused by the difference between peso devaluation and inflation in Argentina for each fiscal year.

Included in interest earned are the net gains on our portfolio of Government securities and related differences in market quotations. We manage our trading activities in Government Securities as an integral part of our business. We do not, as a matter of practice, distinguish between interest income and gain or loss on our Government Securities portfolio. Non-accrual loans have been included in the related average loan calculation.

Negative interest rates in real terms occur in periods when the inflation rate in each country exceeds the nominal interest rate in pesos or exceeds the combination of the nominal interest rate on dollar-denominated assets or liabilities and the devaluation rate.

The following illustrates the calculation of the real interest rate in pesos for a dollar-denominated asset yielding a nominal annual interest rate of 20.0% (Nd=0.20) using different combinations of devaluation and inflation rates. If devaluation is 15.0% per annum (D=0.15) and inflation runs at a rate of 25.0% per annum (I=0.25), the result is as follows:

$$Rd = \frac{(1+0.20)(1+0.15)}{1+0.25} - 1 = 10.4\% \text{ per annum}$$

which in this case means that, because inflation exceeds devaluation, the real interest rate in pesos is less than the nominal interest rate in dollars. In this example, if the devaluation rate had been 30.0% per annum, and the other assumptions had remained the same, then the real interest rate in pesos would have been 24.8% per annum, which is more than the nominal interest rate in dollars. If the inflation rate were to exceed 38.0% per annum, then the real interest rate in pesos on this dollar denominated asset would become negative.

Average Balance Sheets, Interest Earned on Interest-Earning Assets and Interest Paid on Interest-Bearing Liabilities

The following tables show average balances, interest amounts and real rates for our interest-earning assets and interest-bearing liabilities for the fiscal years ended December 31, 2010, 2009 and 2008.

	Fiscal Years ended December 31,								
	2010			2009			2008 (5)		
Average balance (1)	Interest earned/paid	Average real rate (2)	Average balance (1)	Interest earned/paid	Average real rate (2)	Average balance (1)	Interest earned/paid	Average real rate (2)	
(in thousands of pesos, except percentages)									
ASSETS									
Interest-earning assets									
Government securities (3)									
Pesos	6,074,048	1,479,130	8.54 %	5,400,834	1,111,016	9.51 %	3,758,550	(82,915)	(10.26) %
Dollars	738,121	21,396	(5.94)%	320,014	5,626	1.60 %	117,044	(2,113)	(1.24) %
Total	6,812,169	1,500,526	6.97 %	5,720,848	1,116,642	9.06 %	3,875,594	(85,028)	(9.99) %
Loans (4)									
Private Sector									
Pesos	10,677,008	1,712,281	1.29 %	8,055,985	1,686,191	9.83 %	7,572,337	1,225,627	6.61 %
Dollars	2,075,123	63,777	(5.78)%	1,926,114	118,419	5.98 %	2,064,104	125,995	6.72 %
Total	12,752,131	1,776,058	0.14 %	9,982,099	1,804,610	9.09 %	9,636,441	1,351,622	6.63 %
Public Sector									
Pesos	1,170,000	193,628	1.73 %	1,761,877	148,757	(1.51)%	2,607,926	274,402	1.42 %
Total	1,170,000	193,628	1.73 %	1,761,877	148,757	(1.51)%	2,607,926	274,402	1.42 %
Deposits with the Central Bank									
Pesos	119,463	—	—	115,198	7	(9.17)%	115,162	7,588	(2.19) %
Dollars	3,336,469	—	—	3,227,565	13	(0.16)%	1,087,894	4,157	0.96 %
Total	3,455,932	—	—	3,342,763	20	(0.47)%	1,203,056	11,745	0.66 %
Other assets									
Pesos	1,232,139	136,937	(3.01)%	1,703,696	259,152	4.64 %	1,387,716	192,355	4.48 %
Dollars	124,185	2,423	(6.81)%	283,662	2,125	0.59 %	130,616	4,830	4.29 %
Total	1,356,324	139,360	(3.36)%	1,987,358	261,277	4.06 %	1,518,332	197,185	4.46 %
Interest-earning assets from continued operations									
Pesos	19,272,658	3,521,976	3.24 %	17,037,590	3,205,123	7.91 %	15,441,691	1,617,057	1.37 %
Dollars	6,273,898	87,596	(7.32)%	5,757,355	126,183	2.03 %	3,399,658	132,869	4.51 %
Total	25,546,556	3,609,572	0.65 %	22,794,945	3,331,306	6.42 %	18,841,349	1,749,926	1.94 %
Interest-earning assets from discontinued operations									

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Pesos	42,460	5,303	(0.01)%	176,602	26,030	4.21 %	244,357	22,913	0.37 %
Dollars	18,868	—	—	23,332	—	—	25,295	—	—
Total	61,328	5,303	(0.01)%	199,934	26,030	3.72 %	269,652	22,913	0.33 %
Total interest-earning assets									
Pesos	19,315,118	3,527,279	3.23 %	17,214,192	3,231,153	7.87 %	15,686,048	1,639,970	1.35 %
Dollars	6,292,766	87,596	(7.32)%	5,780,687	126,183	2.02 %	3,424,953	132,869	4.48 %
Total	25,607,884	3,614,875	0.64 %	22,994,879	3,357,336	6.40 %	19,111,001	1,772,839	1.91 %

	Fiscal Years ended December 31,								
	2010			2009			2008 (5)		
	Average balance (1)	Interest earned/ paid	Average real rate (2)	Average balance (1)	Interest earned/ paid	Average real rate (2)	Average balance (1)	Interest earned/ paid	Average real rate (2)
	(in thousands of pesos, except percentages)								
Non-interest-earning assets									
Cash and due from banks									
Pesos	2,149,106	—	—	1,830,200	—	—	1,831,265	—	—
Dollars	648,694	—	—	498,001	—	—	523,982	—	—
Total	2,797,800	—	—	2,328,201	—	—	2,355,247	—	—
Investments in other companies									
Pesos	100,358	—	—	96,345	—	—	198,267	—	—
Dollars	1,037	—	—	990	—	—	840	—	—
Total	101,395	—	—	97,335	—	—	199,107	—	—
Property and equipment and miscellaneous and intangible assets and items pending allocation									
Pesos	612,212	—	—	545,443	—	—	481,092	—	—
Total	612,212	—	—	545,443	—	—	481,092	—	—
Allowance for loan losses									
Pesos	(364,656)	—	—	(429,722)	—	—	(45,316)	—	—
Dollars	(34,497)	—	—	(31,113)	—	—	(33,347)	—	—
Total	(399,153)	—	—	(460,835)	—	—	(78,663)	—	—
Other assets									
Pesos	628,678	—	—	779,300	—	—	625,647	—	—
Dollars	271,725	—	—	61,287	—	—	73,991	—	—
Total	900,403	—	—	840,587	—	—	699,638	—	—
Non-interest-earning assets from continued operations									
Pesos	3,125,698	—	—	2,821,565	—	—	3,090,956	—	—
Dollars	886,959	—	—	529,165	—	—	565,465	—	—
Total	4,012,657	—	—	3,350,730	—	—	3,656,421	—	—
Non-interest-earning assets from discontinued operations									
Pesos	(1,641)	—	—	46,601	—	—	91,893	—	—
Dollars	3	—	—	—	—	—	13,584	—	—
Total	(1,638)	—	—	46,601	—	—	105,477	—	—
Total non-interest-earning									

assets									
Pesos	3,124,057	—	—	2,868,166	—	—	3,182,849	—	—
Dollars	886,962	—	—	529,165	—	—	579,049	—	—
Total	4,011,019	—	—	3,397,331	—	—	3,761,898	—	—
ASSETS FROM CONTINUED OPERATIONS									
Pesos	22,398,356	—	—	19,859,156	—	—	18,532,646	—	—
Dollars	7,160,857	—	—	6,286,520	—	—	3,965,123	—	—
Total	29,559,213	—	—	26,145,676	—	—	22,497,769	—	—
ASSETS FROM DISCONTINUED OPERATIONS									
Pesos	40,819	—	—	223,202	—	—	336,251	—	—
Dollars	18,871	—	—	23,332	—	—	38,879	—	—
Total	59,690	—	—	246,534	—	—	375,130	—	—
TOTAL ASSETS									
Pesos	22,439,175	—	—	20,082,358	—	—	18,868,897	—	—
Dollars	7,179,728	—	—	6,309,852	—	—	4,004,002	—	—
Total	29,618,903	—	—	26,392,210	—	—	22,872,899	—	—

- (1) Average Balances are derived from month-end balances.
- (2) Annualized on a 360-day basis.
- (3) Includes trading gains and losses in all fiscal years. Unrealized gains and losses arising from changes in the market value of our trading portfolio of Government Securities and yield on our investment portfolio of Government Securities are included.
- (4) Loan amounts are stated before deduction of the allowance for loan losses. Non-accrual loans are included in loans as interest-earning assets.
- (5) Restated from its original version to reflect the effects from discontinued operations.

	Fiscal Years ended December 31,								
	2010			2009			2008 (3)		
	Average balance (1)	Interest earned/ paid	Average real rate (2)	Average balance (1)	Interest earned/ paid	Average real rate (2)	Average balance (1)	Interest earned/ paid	Average real rate (2)
(in thousands of pesos, except percentages)									
LIABILITIES									
Interest-bearing liabilities									
Savings accounts									
Pesos	3,881,058	5,026	(12.60)%	3,363,193	8,750	(8.94)%	3,242,023	7,817	(8.02)%
Dollars	2,273,514	1,637	(8.53)%	1,840,846	1,252	(0.09)%	1,190,844	896	0.65%
Total	6,154,572	6,663	(11.09)%	5,204,039	10,002	(5.81)%	4,432,867	8,713	(5.69)%
Time deposits									
Pesos	6,335,859	611,786	(4.28)%	5,651,906	716,602	2.34%	5,732,426	703,179	3.02%
Dollars	1,789,633	8,019	(8.18)%	1,871,652	31,520	1.53%	1,359,527	34,258	3.11%
Total	8,125,492	619,805	(5.14)%	7,523,558	748,122	2.14%	7,091,953	737,437	3.03%
Borrowings from the Central Bank									
Pesos	31,643	—	—	25,387	—	—	19,227	—	—
Dollars	2,023	10	(8.16)%	1,832	18	0.85%	1,634	16	1.57%
Total	33,666	10	(0.49)%	27,219	18	0.06%	20,861	16	0.12%
Borrowings from other financial institutions									
Pesos	9,632	72,087	640.56%	5,268	64,238	1,098.39%	49,366	10,607	11.48%
Dollars	56,370	1,385	(6.35)%	120,356	6,538	5.27%	527,162	25,848	5.51%
Total	66,002	73,472	88.06%	125,624	70,776	51.10%	576,528	36,455	6.02%
Other liabilities									
Pesos	437,271	(52,260)	(23.14)%	734,002	5,746	(8.47)%	584,837	28,721	(3.73)%
Dollars	690,246	13	(8.59)%	1,141,071	21	(0.15)%	108,672	16	0.59%
Total	1,127,517	(52,247)	(14.24)%	1,875,073	5,767	(3.41)%	693,509	28,737	(3.06)%
Interest-bearing liabilities from continued operations									
Pesos	10,695,463	636,639	(7.52)%	9,779,756	795,336	(1.79)%	9,627,879	750,324	(1.09)%
Dollars	4,811,786	11,064	(8.38)%	4,975,757	39,349	0.63%	3,187,839	61,034	2.50%
Total	15,507,249	647,703	(7.79)%	14,755,513	834,685	(0.97)%	12,815,718	811,358	(0.20)%
Interest-bearing liabilities from discontinued operations									
Pesos	(29,803)	(3,158)	(0.01)%	4,416	45,302	922.44%	7,727	110	(6.93)%

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Dollars	—	—	—	—	—	—	—	—	—	—
Total	(29,803)	(3,158)	(0.01)%	4,416	45,302	922.44 %	7,727	110	(6.93)%	
Total interest-bearing liabilities										
Pesos	10,665,660	633,481	(7.53)%	9,784,172	840,638	(1.37)%	9,635,606	750,434	(1.09)%	
Dollars	4,811,786	11,064	(8.38)%	4,975,757	39,349	0.63 %	3,187,839	61,034	2.50 %	
Total	15,477,446	644,545	(7.79)%	14,759,929	879,987	(0.70)%	12,823,445	811,468	(0.20)%	

	Fiscal Years ended December 31,								
	2010			2009			2008 (3)		
	Average	Interest	Average	Interest	Average	Average	Interest	Average	
	balance (1)	earned/ paid	real rate (2)	balance (1)	earned/ paid	real rate (2)	balance (1)	earned/ paid	real rate (2)
	(in thousands of pesos, except percentages)								
Non-interest bearing liabilities and stockholders' equity									
Demand accounts									
Pesos	4,427,600	—	—	3,181,698	—	—	2,932,651	—	—
Dollars	542,521	—	—	92,396	—	—	57,159	—	—
Total	4,970,121	—	—	3,274,094	—	—	2,989,810	—	—
Other liabilities									
Pesos	5,025,370	—	—	5,084,911	—	—	4,153,232	—	—
Dollars	747,923	—	—	602,727	—	—	458,556	—	—
Total	5,773,293	—	—	5,687,638	—	—	4,611,788	—	—
Minority interest									
Pesos	228,449	—	—	253,725	—	—	251,092	—	—
Total	228,449	—	—	253,725	—	—	251,092	—	—
Stockholders' equity									
Pesos	3,080,101	—	—	2,174,706	—	—	1,829,361	—	—
Total	3,080,101	—	—	2,174,706	—	—	1,829,361	—	—
Non-interest bearing liabilities and stockholders equity from continued operations									
Pesos	12,761,520	—	—	10,695,040	—	—	9,166,336	—	—
Dollars	1,290,444	—	—	695,123	—	—	515,715	—	—
Total	14,051,964	—	—	11,390,163	—	—	9,682,051	—	—
Non-interest bearing liabilities and stockholders equity from discontinued operations									
Pesos	89,493	—	—	242,118	—	—	366,911	—	—
Dollars	—	—	—	—	—	—	492	—	—
Total	89,493	—	—	242,118	—	—	367,403	—	—
Total non-interest bearing liabilities and stockholders equity									
Pesos	12,851,013	—	—	10,937,158	—	—	9,533,247	—	—
Dollars	1,290,444	—	—	695,123	—	—	516,207	—	—
Total	14,141,457	—	—	11,632,281	—	—	10,049,454	—	—

LIABILITIES AND
STOCKHOLDERS'
EQUITY FROM
CONTINUED
OPERATIONS

Pesos	23,456,983	—	—	20,474,796	—	—	18,794,215	—	—
Dollars	6,102,230	—	—	5,670,880	—	—	3,703,554	—	—
Total	29,559,213	—	—	26,145,676	—	—	22,497,769	—	—

LIABILITIES AND
STOCKHOLDERS'
EQUITY FROM
DISCONTINUED
OPERATIONS

Pesos	59,690	—	—	246,534	—	—	374,638	—	—
Dollars	—	—	—	—	—	—	492	—	—
Total	59,690	—	—	246,534	—	—	375,130	—	—

TOTAL
LIABILITIES AND
STOCKHOLDERS'
EQUITY

Pesos	23,516,673	—	—	20,721,330	—	—	19,168,853	—	—
Dollars	6,102,230	—	—	5,670,880	—	—	3,704,046	—	—
Total	29,618,903	—	—	26,392,210	—	—	22,872,899	—	—

-
- (1) Average balances are derived from month-end balances.
(2) Annualized on a 360-day basis.
(3) Restated from its original version to reflect the effects from discontinued operations.

The following tables show average balances, interest amounts and nominal rates for our interest-earning assets and interest-bearing liabilities for the fiscal years ended December 31, 2010, 2009 and 2008.

	Fiscal Years ended December 31,								
	2010	2009			2008 (5)				
	Average balance (1)	Interest earned/ paid	Average nominal rate (2)	Average balance (1)	Interest earned/ paid	Average Nominal rate (2)	Average balance (1)	Interest earned/ paid	Average nominal rate (2)
(in thousands of pesos, except percentages)									
ASSETS									
Interest-earning assets									
Government securities (3)									
Pesos	6,074,048	1,479,130	24.35 %	5,400,834	1,111,016	20.57 %	3,758,550	(82,915)	(2.21)%
Dollars	738,121	21,396	2.90 %	320,014	5,626	1.76 %	117,044	(2,113)	(1.81)%
Total	6,812,169	1,500,526	22.03 %	5,720,848	1,116,642	19.52 %	3,875,594	(85,028)	(2.19)%
Loans (4)									
Private Sector									
Pesos	10,677,008	1,712,281	16.04 %	8,055,985	1,686,191	20.93 %	7,572,337	1,225,627	16.19 %
Dollars	2,075,123	63,777	3.07 %	1,926,114	118,419	6.15 %	2,064,104	125,995	6.10 %
Total	12,752,131	1,776,058	13.93 %	9,982,099	1,804,610	18.08 %	9,636,441	1,351,622	14.03 %
Public Sector									
Pesos	1,170,000	193,628	16.55 %	1,761,877	148,757	8.44 %	2,607,926	274,402	10.52 %
Total	1,170,000	193,628	16.55 %	1,761,877	148,757	8.44 %	2,607,926	274,402	10.52 %
Deposits with the Central Bank									
Pesos	119,463	—	—	115,198	7	0.01 %	115,162	7,588	6.59 %
Dollars	3,336,469	—	—	3,227,565	13	—	1,087,894	4,157	0.38 %
Total	3,455,932	—	—	3,342,763	20	—	1,203,056	11,745	0.98 %
Other assets									
Pesos	1,232,139	136,937	11.11 %	1,703,696	259,152	15.21 %	1,387,716	192,355	13.86 %
Dollars	124,185	2,423	1.95 %	283,662	2,125	0.75 %	130,616	4,830	3.70 %
Total	1,356,324	139,360	10.27 %	1,987,358	261,277	13.15 %	1,518,332	197,185	12.99 %
Interest-earning assets from continued operations									
Pesos	19,272,658	3,521,976	18.27 %	17,037,590	3,205,123	18.81 %	15,441,691	1,617,057	10.47 %
Dollars	6,273,898	87,596	1.40 %	5,757,355	126,183	2.19 %	3,399,658	132,869	3.91 %
Total	25,546,556	3,609,572	14.13 %	22,794,945	3,331,306	14.61 %	18,841,349	1,749,926	9.29 %
Interest-earning assets from discontinued operations									
Pesos	42,460	5,303	(0.01)%	176,602	26,030	14.74 %	244,357	22,913	9.38 %
Dollars	18,868	—	—	23,332	—	—	25,295	—	—
Total	61,328	5,303	(0.01)%	199,934	26,030	13.02 %	269,652	22,913	8.50 %

Total
interest-earning
assets

Pesos	19,315,118	3,527,279	18.26%	17,214,192	3,231,153	18.77%	15,686,048	1,639,970	10.45%
Dollars	6,292,766	87,596	1.39 %	5,780,687	126,183	2.18 %	3,424,953	132,869	3.88 %
Total	25,607,884	3,614,875	14.12%	22,994,879	3,357,336	14.60%	19,111,001	1,772,839	9.28 %

	Fiscal Years ended December 31,								
	2010			2009			2008 (5)		
	Average balance (1)	Interest earned/ paid	Average nominal rate (2)	Average balance (1)	Interest earned/ paid	Average Nominal rate (2)	Average balance (1)	Interest earned/ paid	Average nominal rate (2)
	(in thousands of pesos, except percentages)								
Non-interest-earning assets									
Cash and due from banks									
Pesos	2,149,106	—	—	1,830,200	—	—	1,831,265	—	—
Dollars	648,694	—	—	498,001	—	—	523,982	—	—
Total	2,797,800	—	—	2,328,201	—	—	2,355,247	—	—
Investments in other companies									
Pesos	100,358	—	—	96,345	—	—	198,267	—	—
Dollars	1,037	—	—	990	—	—	840	—	—
Total	101,395	—	—	97,335	—	—	199,107	—	—
Property and equipment and miscellaneous and intangible assets and items pending of allocation									
Pesos	612,212	—	—	545,443	—	—	481,092	—	—
Total	612,212	—	—	545,443	—	—	481,092	—	—
Allowance for loan losses									
Pesos	(364,656)	—	—	(429,722)	—	—	(45,316)	—	—
Dollars	(34,497)	—	—	(31,113)	—	—	(33,347)	—	—
Total	(399,153)	—	—	(460,835)	—	—	(78,663)	—	—
Other assets									
Pesos	628,678	—	—	779,300	—	—	625,647	—	—
Dollars	271,725	—	—	61,287	—	—	73,991	—	—
Total	900,403	—	—	840,587	—	—	699,638	—	—
Non-interest-earning assets from continued operations									
Pesos	3,125,698	—	—	2,821,565	—	—	3,090,956	—	—
Dollars	886,959	—	—	529,165	—	—	565,465	—	—
Total	4,012,657	—	—	3,350,730	—	—	3,656,421	—	—
Non-interest-earning assets from discontinued operations									
Pesos	(1,641)	—	—	46,601	—	—	91,893	—	—
Dollars	3	—	—	—	—	—	13,584	—	—
Total	(1,638)	—	—	46,601	—	—	105,477	—	—

Total non-interest-earning assets									
Pesos	3,124,057	—	—	2,868,166	—	—	3,182,849	—	—
Dollars	886,962	—	—	529,165	—	—	579,049	—	—
Total	4,011,019	—	—	3,397,331	—	—	3,761,898	—	—
ASSETS FROM CONTINUED OPERATIONS									
Pesos	22,398,356	—	—	19,859,156	—	—	18,532,646	—	—
Dollars	7,160,857	—	—	6,286,520	—	—	3,965,123	—	—
Total	29,559,213	—	—	26,145,676	—	—	22,497,769	—	—
ASSETS FROM DISCONTINUED OPERATIONS									
Pesos	40,819	—	—	223,202	—	—	336,251	—	—
Dollars	18,871	—	—	23,332	—	—	38,879	—	—
Total	59,690	—	—	246,534	—	—	375,130	—	—
TOTAL ASSETS									
Pesos	22,439,175	—	—	20,082,358	—	—	18,868,897	—	—
Dollars	7,179,728	—	—	6,309,852	—	—	4,004,002	—	—
Total	29,618,903	—	—	26,392,210	—	—	22,872,899	—	—

(1) Average Balances are derived from month-end balances.

(2) Annualized on a 360-day basis.

(3) Includes trading gains and losses in all fiscal years. Unrealized gains and losses arising from changes in the market value of our trading portfolio of Government Securities and yield on our investment portfolio of Government Securities are included.

(4) Loan amounts are stated before deduction of the allowance for loan losses. Non-accrual loans are included in loans as interest-earning assets.

(5) Restated from its original version to reflect the effects from discontinued operations.

	Fiscal Years ended December 31,										
	2010				2009				2008 (3)		
	Average	Interest	Average	Average	Interest	Average	Average	Average	Interest	Average	nominal
	balance (1)	earned/ paid	nominal rate (2)	balance (1)	earned/ paid	Nominal rate (2)	balance (1)	balance (1)	earned/ paid	rate (2)	rate (2)
(in thousands of pesos, except percentages)											
LIABILITIES											
Interest-bearing liabilities											
Savings accounts											
Pesos	3,881,058	5,026	0.13 %	3,363,193	8,750	0.26 %	3,242,023	7,817	0.24 %		
Dollars	2,273,514	1,637	0.07 %	1,840,846	1,252	0.07 %	1,190,844	896	0.08 %		
Total	6,154,572	6,663	0.11 %	5,204,039	10,002	0.19 %	4,432,867	8,713	0.20 %		
Time deposits											
Pesos	6,335,859	611,786	9.66 %	5,651,906	716,602	12.68 %	5,732,426	703,179	12.27 %		
Dollars	1,789,633	8,019	0.45 %	1,871,652	31,520	1.68 %	1,359,527	34,258	2.52 %		
Total	8,125,492	619,805	7.63 %	7,523,558	748,122	9.94 %	7,091,953	737,437	10.40 %		
Borrowings from the Central Bank											
Pesos	31,643	—	—	25,387	—	—	19,227	—	—		
Dollars	2,023	10	0.47 %	1,832	18	1.00 %	1,634	16	0.99 %		
Total	33,666	10	0.03 %	27,219	18	0.07 %	20,861	16	0.08 %		
Borrowings from other financial institutions											
Pesos	9,632	72,087	748.41 %	5,268	64,238	1,219.47 %	49,366	10,607	21.49 %		
Dollars	56,370	1,385	2.46 %	120,356	6,538	5.43 %	527,162	25,848	4.90 %		
Total	66,002	73,472	111.32 %	125,624	70,776	56.34 %	576,528	36,455	6.32 %		
Other liabilities											
Pesos	437,271	(52,260)	(11.95)%	734,002	5,746	0.78 %	584,837	28,721	4.91 %		
Dollars	690,246	13	—	1,141,071	21	—	108,672	16	0.01 %		
Total	1,127,517	(52,247)	(4.63)%	1,875,073	5,767	0.31 %	693,509	28,737	4.14 %		
Interest-bearing liabilities from continued operations											
Pesos	10,695,463	636,639	5.95 %	9,779,756	795,336	8.13 %	9,627,879	750,324	7.79 %		
Dollars	4,811,786	11,064	0.23 %	4,975,757	39,349	0.79 %	3,187,839	61,034	1.91 %		
Total	15,507,249	647,703	4.18 %	14,755,513	834,685	5.66 %	12,815,718	811,358	6.33 %		
Interest-bearing liabilities from discontinued operations											
Pesos	(29,803)	(3,158)	(0.01)%	4,416	45,302	1,025.74 %	7,727	110	1.42 %		

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Dollars	—	—	—	—	—	—	—	—	—	—
Total	(29,803)	(3,158)	(0.01)%	4,416	45,302	1,025.74%	7,727	110	1.42 %	
Total interest-bearing liabilities										
Pesos	10,665,660	633,481	5.94 %	9,784,172	840,638	8.59 %	9,635,606	750,434	7.79 %	
Dollars	4,811,786	11,064	0.23 %	4,975,757	39,349	0.79 %	3,187,839	61,034	1.91 %	
Total	15,477,446	644,545	4.16 %	14,759,929	879,987	5.96 %	12,823,445	811,468	6.33 %	

	Fiscal Years ended December 31,								
	2010			2009			2008 (3)		
	Average balance (1)	Interest earned/ paid	Average nominal rate (2)	Average balance (1)	Interest earned/ paid	Average Nominal rate (2)	Average balance (1)	Interest earned/ paid	Average nominal rate (2)
	(in thousands of pesos, except percentages)								
Non-interest-bearing liabilities and stockholders' equity									
Demand deposits									
Pesos	4,427,600	—	—	3,181,698	—	—	2,932,651	—	—
Dollars	542,521	—	—	92,396	—	—	57,159	—	—
Total	4,970,121	—	—	3,274,094	—	—	2,989,810	—	—
Other liabilities									
Pesos	5,025,370	—	—	5,084,911	—	—	4,153,232	—	—
Dollars	747,923	—	—	602,727	—	—	458,556	—	—
Total	5,773,293	—	—	5,687,638	—	—	4,611,788	—	—
Minority interest									
Pesos	228,449	—	—	253,725	—	—	251,092	—	—
Total	228,449	—	—	253,725	—	—	251,092	—	—
Stockholders' equity									
Pesos	3,080,101	—	—	2,174,706	—	—	1,829,361	—	—
Total	3,080,101	—	—	2,174,706	—	—	1,829,361	—	—
Non-interest-bearing liabilities and stockholders equity from continued operations									
Pesos	12,761,520	—	—	10,695,040	—	—	9,166,336	—	—
Dollars	1,290,444	—	—	695,123	—	—	515,715	—	—
Total	14,051,964	—	—	11,390,163	—	—	9,682,051	—	—
Non-interest-bearing liabilities and stockholders equity from discontinued operations									
Pesos	89,493	—	—	242,118	—	—	366,911	—	—
Dollars	—	—	—	—	—	—	492	—	—
Total	89,493	—	—	242,118	—	—	367,403	—	—
Total non-interest-bearing liabilities and stockholders equity									
Pesos	12,851,013	—	—	10,937,158	—	—	9,533,247	—	—
Dollars	1,290,444	—	—	695,123	—	—	516,207	—	—
Total	14,141,457	—	—	11,632,281	—	—	10,049,454	—	—

LIABILITIES AND
STOCKHOLDERS'
EQUITY FROM
CONTINUED
OPERATIONS

Pesos	23,456,983	—	—	20,474,796	—	—	18,794,215	—	—
Dollars	6,102,230	—	—	5,670,880	—	—	3,703,554	—	—
Total	29,559,213	—	—	26,145,676	—	—	22,497,769	—	—

LIABILITIES AND
STOCKHOLDERS'
EQUITY FROM
DISCONTINUED
OPERATIONS

Pesos	59,690	—	—	246,534	—	—	374,638	—	—
Dollars	—	—	—	—	—	—	492	—	—
Total	59,690	—	—	246,534	—	—	375,130	—	—

TOTAL
LIABILITIES AND
STOCKHOLDERS'
EQUITY

Pesos	23,516,673	—	—	20,721,330	—	—	19,168,853	—	—
Dollars	6,102,230	—	—	5,670,880	—	—	3,704,046	—	—
Total	29,618,903	—	—	26,392,210	—	—	22,872,899	—	—

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- (1) Average balances are derived from month-end balances.
(2) Annualized on a 360-day basis.
(3) Restated from its original version to reflect the effects from discontinued operations.

Changes in Interest Income and Interest Expense; Volume and Rate Analysis

The following tables allocate, by currency of denomination, changes in our interest income and interest expense between changes in the average volume of interest-earning assets and interest-bearing liabilities and changes in their respective nominal interest rates for the fiscal year ended December 31, 2010 compared to the fiscal year ended December 31, 2009, for the fiscal year ended December 31, 2009 compared to the fiscal year ended December 31, 2008 and for the fiscal year ended December 31, 2008 compared to the fiscal year ended December 31, 2007. Volume and rate variances have been calculated based on movements in average balances over the period and changes in nominal interest rates on average interest-earning assets and average interest-bearing liabilities. The net change attributable to changes in both volume and rate has been allocated to volume. Trading and yield on government trading and investment accounts results are included in the computation of interest income in all fiscal years.

	December 2010/December 2009			December 2009/December 2008			December 2008/December 2007		
	Increase (Decrease) Due to Changes in			Increase (Decrease) Due to Changes in			Increase (Decrease) Due to Changes in (1)		
	Volume	Rate	Net Change	Volume	Rate	Net Change	Volume	Rate	Net Change
	(in thousands of pesos)								
ASSETS									
Interest-earning assets									
Government securities									
Pesos	163,939	204,175	368,114	337,837	856,094	1,193,931	8,657	(461,885)	(453,228)
Dollars	12,119	3,651	15,770	3,569	4,170	7,739	(1,175)	(3,967)	(5,142)
Total	176,058	207,826	383,884	341,406	860,264	1,201,670	7,482	(465,852)	(458,370)
Loans									
Private sector									
Pesos	420,336	(394,246)	26,090	101,232	359,332	460,564	306,096	98,863	404,959
Dollars	4,580	(59,222)	(54,642)	(8,484)	908	(7,576)	17,111	3,380	20,491
Total	424,916	(453,468)	(28,552)	92,748	360,240	452,988	323,207	102,243	425,450
Public sector									
Pesos	(97,952)	142,823	44,871	(71,433)	(54,212)	(125,645)	17,660	(60,532)	(42,872)
Total	(97,952)	142,823	44,871	(71,433)	(54,212)	(125,645)	17,660	(60,532)	(42,872)
Deposits with the Central Bank									
Pesos	—	(7)	(7)	—	(7,581)	(7,581)	753	(5,767)	(5,014)
Dollars	—	(13)	(13)	8	(4,152)	(4,144)	1,819	(4,141)	(2,322)
Total	—	(20)	(20)	8	(11,733)	(11,725)	2,572	(9,908)	(7,336)
Other assets									
Pesos	(52,408)	(69,807)	(122,215)	48,064	18,733	66,797	(63,919)	147,281	83,362
Dollars	(3,111)	3,409	298	1,146	(3,851)	(2,705)	1,262	(1,504)	(242)
Total	(55,519)	(66,398)	(121,917)	49,210	14,882	64,092	(62,657)	145,777	83,120
Interest-earning assets from continued operations									
Pesos	433,915	(117,062)	316,853	415,700	1,172,366	1,588,066	269,247	(282,040)	(12,793)

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Dollars	13,588	(52,175)	(38,587)	(3,761)	(2,925)	(6,686)	19,017	(6,232)	12,785
Total	447,503	(169,237)	278,266	411,939	1,169,441	1,581,380	288,264	(288,272)	(8)
Interest-earning assets from discontinued operations									
Pesos	(19,689)	(1,038)	(20,727)	(13,008)	16,125	3,117	1,413	(14,754)	(13,341)
Dollars	(108)	108	—	(309)	309	—	88	(88)	—
Total	(19,797)	(930)	(20,727)	(13,317)	16,434	3,117	1,501	(14,842)	(13,341)
Total interest-earning assets									
Pesos	414,226	(118,100)	296,126	402,692	1,188,491	1,591,183	270,660	(296,794)	(26,134)
Dollars	13,480	(52,067)	(38,587)	(4,070)	(2,616)	(6,686)	19,105	(6,320)	12,785
Total	427,706	(170,167)	257,539	398,622	1,185,875	1,584,497	289,765	(303,114)	(13,349)

	December 2010/December 2009			December 2009/December 2008			December 2008/December 2007		
	Increase (Decrease) Due to			Increase (Decrease) Due to			Increase (Decrease) Due to		
	Changes in			Changes in			Changes in (1)		
	Volume	Rate	Net Change	Volume	Rate	Net Change	Volume	Rate	Net Change
	(in thousands of pesos)								
LIABILITIES									
Interest-bearing liabilities									
Savings accounts									
Pesos	670	(4,394)	(3,724)	315	618	933	1,088	844	1,932
Dollars	312	73	385	443	(87)	356	205	(22)	183
Total	982	(4,321)	(3,339)	758	531	1,289	1,293	822	2,115
Time deposits									
Pesos	66,042	(170,858)	(104,816)	(10,209)	23,632	13,423	(20,251)	197,275	177,024
Dollars	(367)	(23,134)	(23,501)	8,624	(11,362)	(2,738)	7,474	3,548	11,022
Total	65,675	(193,992)	(128,317)	(1,585)	12,270	10,685	(12,777)	200,823	188,046
Borrowings from the Central Bank									
Pesos	—	—	—	—	—	—	—	—	—
Dollars	2	(10)	(8)	2	—	2	2	10	12
Total	2	(10)	(8)	2	—	2	2	10	12
Borrowings from other financial institutions									
Pesos	32,665	(24,816)	7,849	(537,762)	591,393	53,631	(12,464)	5,219	(7,245)
Dollars	(1,573)	(3,580)	(5,153)	(22,097)	2,787	(19,310)	6,531	(3,902)	2,629
Total	31,092	(28,396)	2,696	(559,859)	594,180	34,321	(5,933)	1,317	(4,616)
Corporate bonds									
Dollars	—	—	—	—	—	—	—	(3,694)	(3,694)
Total	—	—	—	—	—	—	—	(3,694)	(3,694)
Other liabilities									
Pesos	35,463	(93,469)	(58,006)	1,168	(24,143)	(22,975)	4,686	8,273	12,959
Dollars	(8)	—	(8)	19	(14)	5	8	(1)	7
Total	35,455	(93,469)	(58,014)	1,187	(24,157)	(22,970)	4,694	8,272	12,966
Interest-bearing liabilities from continued operations									
Pesos	134,840	(293,537)	(158,697)	(546,488)	591,500	45,012	(26,941)	211,611	184,670
Dollars	(1,634)	(26,651)	(28,285)	(13,009)	(8,676)	(21,685)	14,220	(4,061)	10,159
Total	133,206	(320,188)	(186,982)	(559,497)	582,824	23,327	(12,721)	207,550	194,829
Interest-bearing liabilities from									

discontinued operations									
Pesos	(15,647)	(32,813)	(48,460)	232,309	(187,117)	45,192	697	(1,002)	(305)
Dollars	—	—	—	—	—	—	—	—	—
Total	(15,647)	(32,813)	(48,460)	232,309	(187,117)	45,192	697	(1,002)	(305)
Total interest-bearing liabilities									
Pesos	119,193	(326,350)	(207,157)	(314,179)	404,383	90,204	(26,244)	210,609	184,365
Dollars	(1,634)	(26,651)	(28,285)	(13,009)	(8,676)	(21,685)	14,220	(4,061)	10,159
Total	117,559	(353,001)	(235,442)	(327,188)	395,707	68,519	(12,024)	206,548	194,524

(1) Restated from its original version to reflect the effects from discontinued operations.

Interest-Earning Assets: Net Interest Margin and Spread

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

	Fiscal Years ended December 31,					
	2010		2009		2008	
	(in thousands of pesos, except percentages)					
Average interest-earning assets						
Pesos	19,315,118		17,214,192		15,686,048	
Dollars	6,292,766		5,780,687		3,424,953	
Total	25,607,884		22,994,879		19,111,001	
Net interest income (1)						
Pesos	2,893,798		2,390,515		889,536	
Dollars	76,532		86,834		71,835	
Total	2,970,330		2,477,349		961,371	
Net interest margin (2)						
Pesos	14.98	%	13.89	%	5.67	%
Dollars	1.22	%	1.50	%	2.10	%
Weighted average rate	11.60	%	10.77	%	5.03	%
Yield spread nominal basis (3)						
Pesos	12.32	%	10.18	%	2.67	%
Dollars	1.16	%	1.39	%	1.96	%
Weighted average rate	9.95	%	8.64	%	2.95	%

(1) Net interest income is defined as interest earned less interest paid. Trading results from our portfolio of Government Securities are included in interest.

(2) Net interest margin is net interest income stated as a percentage of average interest-earning assets.

(3) Yield spread nominal basis is defined as the difference between the average nominal rate on interest-earning assets and the average nominal rate on interest-bearing liabilities.

Investment Portfolio: Government and Private Securities

We own, manage and trade a portfolio of securities issued by the Argentine and other governments and private issuers. The following table sets out our investments in Argentine and other governments and private securities as of December 31, 2010, 2009 and 2008 by type and currency of denomination.

	Fiscal Years ended December 31,		
	2010	2009	2008
	(in thousands of pesos)		
Government securities			
In pesos:			
Investment accounts			
Debt consolidation bonds—Social security (BOCON)	52,261	55,846	59,737
Argentine bonds	771,609	541,555	439,816
Argentine Central Bank notes (NOBAC)	178,833	546,402	371,274
Holding for trading or financial transactions			
Debt consolidation bonds—Social security (BOCON)	1,215	590	6,600
Argentine bonds	197,365	53,894	34,874
Other debt bonds	106	60	3,103
Holding available for sale			
Debt consolidation bonds—Social security (BOCON)	170,054	157,614	65,213
Argentine bonds	379,925	108,577	26,456
Argentine Central Bank notes (NOBAC)	—	83,996	485,833
Argentine Central Bank bills (LEBAC)	532,818	205,583	—
Instruments issued by the Argentine Central Bank			
Argentine Central Bank bills (LEBAC)	1,117,930	2,164,361	1,267,667
Argentine Central Bank notes (NOBAC)	1,252,438	788,783	1,409,020
Unlisted government securities			
Argentine bonds	2,055,270	1,960,793	1,002,431
Tax credit certificates	6	6	6
Other debt bonds	164	228	223
Total government securities in pesos	6,709,994	6,668,288	5,172,253
In foreign currency:			
Investment accounts			
Argentine bonds	292,670	190,960	84,707
Government Securities for repurchase agreements with the Argentine Central Bank			
Argentine bonds	—	68,250	334,688
Holding for trading or financial transactions			
Argentine bonds	20,313	62,570	27,764
Other debt bonds	223,479	371,062	200,428
Holding available for sale			
Argentine bonds	145,500	84,405	—
Unlisted government securities			
Argentine bonds	—	—	2,148
Other debt bonds	11	19	25
Total government securities in foreign currency	681,973	777,266	649,760
Total government securities	7,391,967	7,445,554	5,822,013

Investments in listed private securities			
Shares	56	46	3,708
Corporate bonds—Listed	72,636	68,345	40,478
Mutual funds	19,932	128,742	50,228
Certificates of participation in financial trusts	10,980	21,472	69,980
Total private securities	103,604	218,605	164,394
Subtotal government and private securities	7,495,571	7,664,159	5,986,407
Allowances	(189)	(449,927)	(752,747)
Total government and private securities	7,495,382	7,214,232	5,233,660
Corporate bonds—Unlisted	102,368	119,488	104,476

The following table analyzes the remaining maturities of our investment portfolio as of December 31, 2010 in accordance with issuance terms.

	Within 1 year	After 1 year but within 5 years	Maturing After 5 years but within 10 years	After 10 years	Total
	Book value				
	(in thousands of pesos, except percentages)				
Government securities					
In Pesos:					
Investment accounts					
Debt consolidation bonds-Social security (BOCON) (*)	11,257	33,035	4,810	3,159	52,261
Argentine bonds (*)	—	366,356	—	405,253	771,609
Argentine Central Bank notes (NOBAC) (*)	178,833	—	—	—	178,833
Holding for trading on financial transactions					
Debt consolidation bonds-Social security (BOCON) (*)	—	212	605	398	1,215
Argentine bonds (*)	146	162,540	519	34,160	197,365
Other debt bonds	—	26	80	—	106
Holding available for sale					
Debt consolidation bonds-Social security (BOCON) (*)	36,118	101,135	32,801	—	170,054
Argentine bonds (*)	15,113	334,578	30,234	—	379,925
Argentine Central Bank bills (LEBAC) (*)	532,818	—	—	—	532,818
Instruments issued by the Argentine Central Banks					
Argentine Central Bank bills (LEBAC) (*)	1,117,930	—	—	—	1,117,930
Argentine Central Bank notes (NOBAC) (*)	1,252,438	—	—	—	1,252,438
Unlisted Government Securities					
Argentine bonds (*)	100,478	1,469,147	485,645	—	2,055,270
Tax credit certificates	6	—	—	—	6
Other debt bonds	164	—	—	—	164
Total government securities in pesos	3,245,301	2,467,029	554,694	442,970	6,709,994
In foreign currency:					
Investment accounts					
Argentine bonds (*)	—	122,487	—	170,183	292,670
Holding for trading on financial transactions					
Argentine bonds (*)	13,743	1,705	4,697	168	20,313
Other debt bonds	95,736	127,541	92	110	223,479
Holding available for sale					
Argentine bonds (*)	—	145,500	—	—	145,500
Unlisted government securities					

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Other debt bonds	11	—	—	—	11
Total government securities in foreign currency	109,490	397,233	4,789	170,461	681,973
Total government securities	3,354,791	2,864,262	559,483	613,431	7,391,967
Certificates of participation on financial trust	1,984	4,498	4,498	—	10,980
Corporate bonds—Listed	69,167	3,469	—	—	72,636
Corporate bonds —Unlisted	84,943	17,425	—	—	102,368
Weighted average yield (for the securities indicated with *)	11.18	% 14.42	% 16.57	% 7.59	%

Loan Portfolio

The following table analyzes our loan portfolio by types of loan at December 31, 2010, 2009 and 2008. Loans are stated before deduction of the allowance for loan losses.

	Fiscal Years ended December 31,		
	2010	2009	2008
	(in thousands of pesos)		
Principal			
Advances (1)	2,366,957	1,703,750	1,413,522
Notes discounted and purchased (2)	2,086,979	1,068,567	1,241,508
Secured with mortgages	840,841	838,410	946,804
Consumer loans (3)	5,763,202	3,764,239	3,606,729
Financial loans (4)	578,878	384,331	598,755
Loans to governmental sector (5)	1,297,642	1,400,243	2,400,511
Other loans	4,010,249	2,806,667	2,373,476
Less: Unaccrued interest and unused collections (6)	(28,292)	(16,471)	(24,304)
Less: Difference arising from purchase of portfolio	—	—	(102)
Plus: Interest and exchange differences receivable	179,623	139,839	147,079
Less: Allowance for loan losses	(396,227)	(337,686)	(196,489)
Total	16,699,852	11,751,889	12,507,489

(1) Advances include short and long-term loans to companies and overdraft lines of credit.

(2) Notes discounted and purchased are endorsed promissory notes.

(3) Consumer loans include credit card loans and other consumer loans. Overdrafts to individuals are included under "Advances".

(4) Financial loans are defined as loans to financial institutions.

(5) Loans to governmental sector are secured by taxable rights.

(6) Unaccrued interest is defined as the discount on notes and bills.

Secured Loans

	Fiscal Years ended December 31,		
	2010	2009	2008
	(in thousands of pesos)		
Liquid guarantees	323,409	72,609	73,871
Preferred guarantees	1,628,841	1,240,138	1,320,822
Total	1,952,250	1,312,747	1,394,693

Credit Policy

Overview

The credit policy of the Bank aims to maintain adequate controls on and consistent monitoring of credit risk.

Risk is conceived in a global sense. Our Risk Department is responsible for credit risk, market risk and operational risk.

Risk Management reports to an Assistant Executive Director, the Accounting and Risk Management Director, and is composed of five main areas: Admission and Follow-up, Credit Recoveries, Operational Risk, Market Risk and Global and Strategic Risk Management.

Risk Management represents us as a member of the Risk Commission in the A.B.A., the Argentine Banking Association.

Risk Management in 2010

BBVA Banco Francés Risk Area continues to enhance and improve the model that was implemented in 2008. This includes adapting the structure to modernize it and make it more flexible to meet the needs of the new environment. We continued amending the Risks structure, changing tasks and jobs, with a major reorganization of the department, in addition to creating new areas for a better comprehensive Management of all Risks.

At Retail Risks we continued implementing credit policies to foster the credit operations. Credit risks were defined for each customer and these are updated from time to time to enable customers to have the full array of bank products available in real time. This year we have also updated credit tools to be able to offer the Bank's products to a larger number of argentinians. We reviewed reactive and behavioral scores for this purpose. Furthermore, we should also mention the implementation of a new customers and collections follow up tool that shows in a single application all the efforts made by the participating areas: call center, collection offices and agencies. The efficient handling of the retail sector made it possible to report excellent quality indicators.

On the other hand the Company and Wholesale Risks Area continued handling Risks efficiently, responding to all requests from corporations and SME's requests, emphasizing follow up and the preventive alerts implemented in 2009. These alerts indicate the portfolio sensitivity to environmental changes within a general framework, trying to make sure that we are always aware of any changes in every sector of the industry. At present, about 90% of the bank's qualified portfolio is being monitored by this system.

Based on the above, and in a positive macroeconomic trend in 2010 we developed a series of actions that accompanied investment plans. These entailed, among others: increasing admission resources, increasing the authority of officers for all levels of approval, a better planning and coordination with business areas of customer contact plans and process review and upgrading. We achieved a significant increase in the portfolio of loans granted to companies, keeping up our market leadership as regards risking quality indicators.

Credit products: The number of personal loans and credit cards granted increased, and we also had a significant increase in our credit offer to corporations and SME's with credit lines earmarked to finance working capital and fixed assets investment projects. These are aimed at meeting domestic demand and export market requirements (check discounts, leasing, medium term loans and the Comex line)

Non-Performing Loans: There was a significant decrease in NPLs, 1.00% in December 2009 down to 0.47% in December 2010. The same happened with the private portfolio which went from 1.01% in 2009 to 0.43% in 2010. These are absolute minimum ratios in the Argentine financial system. Risk Premium ratio continues topping the financial system with a ratio of 4.53%; BBVA Banco Francés managed to keep this place throughout the year.

Concurrently a very powerful Risk Strategic Management Area was created to accompany the Management process. This new area focuses on the principles ruling the New Basle Capital Accord (BIS II) where expected portfolio losses are analyzed, based on assumed risks. It is also centered upon the development of a new Information Management Area to define risk decisions and an in-depth analysis of operation, structural and market risks. The Global Management Unit continues working hard to strengthen the Capitals Map (Expected Loss and Economic Capital) methodologies targeted to mitigate risks.

The purpose of the Capitals Map is to quantify calculated risks with the expected and unexpected model, breaking it down on the basis of Banco Francés types, as well as that of its subsidiaries and associated companies. This methodology, based on the Basle II documents produces calculation methods that allow a breakdown of possible losses, bearing in mind the type of company involved. This way we can obtain an Expected Loss calculation broken down by portfolio, area, banks, products and customers. This helps us to determine the most dangerous area to apply differential policies in the future in order to mitigate investments risks. Expected Risks are part of the calculation that

help us to determine profits adjusted to risks in every portfolio. At present we are attempting to get parameters by item and economic region.

We also continued with the development of internal processes that will allow our Bank to reach the standards of the New Basel Capital Accord (BIS II), going beyond the requirements of the Argentine Central Bank, whose directives aim at the implementation of the Simplified Method of this Accord (BIS II).

Along the same lines, the Internal Control and Operational Risk Model is updated and assessed on an ongoing basis by Internal Controls and New Products since 2007. This is also reviewed by Internal Audit in connection with those companies that are subjected to the SOX Act.

Internal Controls and New Products includes the Internal Controls and Operational Risks Unit, which has the responsibility of ensuring an updated, standardized and pertinent control environment in all the Group's units in Argentina. There are other compliance

units also: Financial Information Internal Control Unit whose main job is to ensure compliance with the SOX Certification legal requirements; Global Business Internal Control that is in charge of ensuring and assessing internal controls of the market area processes, and the Technical Secretary that monitors compliance with formal provisions of risks committees, as well as ensuring that assumed risks fall within the risk levels and breakdown required by the Argentine Central Bank (BCRA.)

In 2010 we emphasized the development of the Internal Control and Operational Risk Officer (CIRO - Control Interno y Riesgo Operacional, in Spanish) at all the Group's divisions in Argentina. These officers are directly responsible for guaranteeing the review, assessment and ongoing update of the Internal Control and Operational Risk model. The CIRO's continued documenting the model that includes all of Group's companies, based on the identification of all operating processes, risks and controls designed for mitigation. There is a global risks map for a dynamic and ongoing assessment of all business activities, inherent risks, and in the most critical cases, efficiency of related controls. An evaluation of the Bank's Operational Risk and Internal Control Model included 624 risks with 443 associated controls which did not show any material weaknesses. We also updated the EvRos (annual) and Trasnvar (quarterly) Tools and held quarterly meetings of the Operational Risk and Internal Control Committees for every area where we followed up the risk factors and corresponding mitigation measures.

With this we can be certain that we have a modern, updated Operational Risk and Internal Control Model which is permanently assessed which complies with international risk standards and is structured with all of its officers on line, which brings them closer to the processes and better prospective to assess risks and correct any weak points.

The year 2010 was also useful for the expansion and consolidation of the Market Risks Unit that continued monitoring and following up market risks using the AC VaR corporate tool and we also implemented the new management tools Lambda and STAR. These support and monitor all money desk transactions, providing information to Lambda (in-house credit risk) and Sigma (Management results) to maximize follow up and monitoring of all transactions that may bring about financial risks.

Market Risk reported a significant progress, refining its methodologies and management models to work out market stress testing that guarantee foreseeable action frameworks for the bank and an adequate response when faced with an unforeseeably unfavorable scenario.

Credit Recovery continued to have an outstanding role thanks to efficient management of "non-performing" and "write-off" portfolios, which resulted in a high collection level. Non-performing loans Collection during the year amounted to Ps.74 million, while write-off collections were Ps.51 million. Both of them exceeded budget figures and placed BBVA Banco Francés among first line banks because of the good results achieved here.

In addition and in connection with the associated companies, we established liquidity risk monitoring and follow-up systems, along with market and credit monitoring for all managed portfolios.

All of this has made it possible for BBVA Banco Francés to close down an exceptional year from the point of view of Risk. This is further enhanced when taking into consideration a context full of challenges for the banking industry.

Loans by Economic Activity

The table below analyzes our loan portfolio according to the borrowers' main economic activity as of December 31, 2010, 2009 and 2008. Where appropriate, personal loans are allocated to the economic activity of the borrower. Loans are stated before deduction of the allowance for loan losses.

	Fiscal year ended December 31,								
	2010		2009		2008				
	Loan Portfolio	% of Loan Portfolio	Loan Portfolio	% of Loan Portfolio	Loan Portfolio	% of Loan Portfolio			
	(in thousands of pesos, except percentages)								
Agricultural and livestock	474,384	2.77 %	292,020	2.42 %	311,226	2.45 %			
Beverage	382,504	2.24 %	254,800	2.11 %	165,130	1.30 %			
Construction	137,591	0.80 %	89,022	0.74 %	128,242	1.01 %			
Consumer	6,816,984	39.87 %	4,451,310	36.82 %	4,270,716	33.62 %			
Electricity, oil, water and sanitary services	161,948	0.95 %	57,789	0.48 %	92,258	0.73 %			
Financial sector	772,161	4.52 %	384,331	3.18 %	598,755	4.71 %			
Foodstuff	395,994	2.32 %	307,960	2.55 %	265,929	2.09 %			
Government services	1,297,642	7.59 %	1,400,243	11.58 %	2,400,511	18.90 %			
Industrial metals	477,156	2.79 %	328,187	2.71 %	259,660	2.04 %			
Leather and fur product	15,077	0.09 %	8,299	0.07 %	9,375	0.07 %			
Mining products	396,875	2.32 %	567,374	4.69 %	263,913	2.08 %			
Oil and carbon	107,730	0.63 %	153,418	1.27 %	304,147	2.39 %			
Others	3,765,356	22.02 %	2,842,973	23.52 %	2,575,617	20.27 %			
Other manufacturing	61,110	0.36 %	46,362	0.38 %	95,143	0.75 %			
Paper products	22,869	0.13 %	20,253	0.17 %	19,959	0.16 %			
Rubber products	80,849	0.47 %	43,648	0.36 %	61,248	0.48 %			
Retail trade	722,860	4.23 %	264,130	2.18 %	354,681	2.79 %			
Services	210,516	1.23 %	119,954	0.99 %	35,530	0.28 %			
Shoes, apparel and other textile products	49,186	0.29 %	6,976	0.06 %	22,473	0.18 %			
Textile	80,367	0.47 %	39,181	0.32 %	36,836	0.29 %			
Tobacco	6,656	0.04 %	7,095	0.06 %	5,021	0.04 %			
Transportation material	107,213	0.63 %	93,105	0.77 %	96,173	0.76 %			
Wholesale trade	528,076	3.09 %	298,835	2.47 %	318,442	2.51 %			
Wood products and cork	24,975	0.15 %	12,310	0.10 %	13,095	0.10 %			
Total	17,096,079	100.00 %	12,089,575	100.00 %	12,704,080	100.00 %			

Maturity Composition of the Loan Portfolio

The following table analyzes our loan portfolio as of December 31, 2010 by type and by the time remaining to maturity. Loans are stated before deduction of the allowance for loan losses. We expect most loans to be repaid at maturity in cash or through refinancing at market terms.

	Amount at December 31, 2010	Maturing			
		Within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years
	(in thousands of pesos, except percentages)				
To the non-financial public sector	1,297,642	21,003	170,436	1,059,000	47,203
To the financial sector	578,878	145,647	176,599	256,085	547
	15,219,559	6,559,154	4,374,411	3,771,890	514,104

To the non-financial private sector and residents abroad										
Overdrafts	2,431,980	961,566	1,448,778	21,636	—					
With privileged guarantees	1,689,470	85,250	334,363	766,288	503,569					
Credit cards	2,462,463	2,462,463	—	—	—					
Other	8,635,646	3,049,875	2,591,270	2,983,966	10,535					
Total	17,096,079	6,725,804	4,721,446	5,086,975	561,854					
Percentage of total loan portfolio	100.00	%	39.34	%	27.62	%	29.76	%	3.29	%

Foreign Country Outstanding Positions

The following table sets forth, as of December 31, 2010, 2009 and 2008, the aggregate amount of our “cross-border outstandings” exceeding 1% of total assets at each date. Cross-border outstandings are defined as loans (including accrued interest), acceptances, interest-bearing deposits with other banks, other interest-bearing investments and any other monetary assets which are denominated in dollars or other non-local currency. Our cross-border outstandings are denominated exclusively in dollars, converted into pesos in the chart below.

	Fiscal Year Ended December 31,		
	2010	2009	2008
	(in thousands of pesos)		
Cross-border outstandings to Spanish borrowers	193,283	—	—
Total	193,283	—	—

Interest Rate Sensitivity of Outstanding Loans as of December 31, 2010

The following table analyzes, by currency of denomination, the interest rate sensitivity of our loan portfolio as of December 31, 2010. Loans are stated before deduction of the allowance for loan losses.

	Fiscal Year Ended December 31, 2010 (in thousands of pesos)
Variable Rate	
Pesos — including adjustable loans	1,724,930
Foreign currency	29,873
	1,754,803
Fixed Rate	
Pesos	12,657,163
Foreign currency	2,603,736
	15,260,899
Non-performing (1)	
Pesos	78,940
Foreign currency	1,437
	80,377
Total	17,096,079

(1) For additional information on non-performing loans see “Item 4. Information on the Company—Selected Statistical Information—Non-performing and Restructured Loans” below.

The following table sets forth a breakdown of our fixed and variable rate loans which have a maturity of one year or more at December 31, 2010.

Interest Sensitivity of Outstanding Loans Maturing in More Than One Year	
Fixed Rate	Variable Rate
(in thousands of pesos)	

To the non-financial public sector	33,578	1,072,625
To the financial sector	381,290	76,961
To the non-financial private sector and residents abroad	3,753,284	251,201
Total	4,168,152	1,400,787

Allowance for Loan Losses and Loan Loss Experience

BBVA Banco Francés classifies its borrowers in accordance with the regulations of the Central Bank, its primary bank regulator, and not in the manner established by the Securities and Exchange Commission. As a result, BBVA Banco Francés does not keep records classifying loans as “non-accrual”, “past due”, “restructured” and “potential problem loans”, as those terms are defined by the SEC.

Classification System According to Central Bank Regulations

The Central Bank established requirements with respect to the classification of borrowers and the provisions for loan losses. The following is a summary of the Central Bank's loan classification requirements up to the date of this annual report.

The loan classification system is a bifurcated system, which requires the application of one set of criteria to classify loans in a bank's "consumer" portfolio, and another set of criteria to classify loans in a bank's "commercial" portfolio.

The principal criterion applied to loans in the consumer portfolio is delinquency aging, legal situation and refinancing compliance, irrespective of the fact that, prior to the granting of financing, debtors' payment capacity should be analyzed, evaluating:

- § The allocation of their periodic income in relation to the totality of credit commitments assumed; or
- § Through the use of the credit scoring and screening methods.

The principal criterion applied to loans in the commercial portfolio is the borrower's ability to pay, as measured by such borrower's future cash flow. We can opt to apply the consumer loan classification criteria to commercial loans of up to Ps.750,000 (Ps.500,000 until September 2009).

Under the regulations, consumer borrowers are classified as follows:

1. "Normal" if all payments on its loans are current or less than 31 days overdue and, in checking account overdrafts, less than 61 days overdue;
2. "Low Risk" if payments with respect to principal, interest or otherwise, on any of its loans, are overdue for more than 31 and up to 90 days;
3. "Medium Risk" if payments on any of its loans are overdue for more than 90 and up to 180 days;
4. "High Risk" if payments on any of its loans are overdue for more than 180 days and up to one year or if it is subject to judicial proceedings for default on any of those loans;
5. "Irrecoverable" if payments on any of its loans are overdue for more than one year, if the borrower is in bankruptcy or liquidation proceedings or if it is insolvent; and

6. "Irrecoverable for Technical Decision" if such borrower is:

- (a) In arrears for more than 180 days according to a list provided by the Central Bank, which includes:

- § Financial institutions liquidated by the Central Bank,
- § Entities created as a result of the privatization of public financial institutions and in the process of dissolution,
- § Financial institutions whose licenses have been revoked by the Central Bank and are under judicial liquidation or bankruptcy, and
- § Any trust in which SEDESA is the beneficiary.

- (b) A foreign borrower (including banks or other financial institutions) which is not classified as "investment grade" by any of the rating agencies admitted by the Central Bank pursuant to the Evaluation of Financial Entities standards,

except for the following:

§ Foreign banks or other financial institutions controlling or controlled by the financial entity under the consolidated or other supervision systems approved by the Central Bank;

§

Financing that is:

o Secured by foreign banks and classified as “Investment Grade” by any of the international rating agencies admitted by the Central Bank;

o Related to the buying or selling of securities through custodian banks admitted by the Central Bank (Caja de Valores, Cedel, Euroclear or The Depository Trust Company), arising from the usual business practices in the market in which they are made;

- o Related to foreign trade transactions;
- o Entailing swaps of dollars and domestic government bonds at market price, with sufficient margins, involving custodians admitted by the Central Bank;
- o Foreign banks or financial institutions subject to the consolidated supervision system which controls local financial institutions organized as corporations (sociedades anónimas);
- o Other foreign banks authorized to take part in reciprocal payment and credit regimes to which the Central Bank is a party, to the extent the controlling financial entity is subject to a consolidated supervision system;

§ Assistance provided through foreign subsidiaries or branches of local financial institutions under the consolidated supervision system, to the extent the financial assistance is not funded directly or indirectly by local financial institutions; and

§ Clients from the non-financial private sector whose debt (all items included) plus the requested financing amount at the time of granting exceeds the lesser of 2.5% of the RPC (Responsabilidad Patrimonial Computable or “RPC”) on the last day of the preceding month or the equivalent of Ps.2,000,000, and who have not submitted a sworn statement as to whether they are or are not linked to the respective financial broker or whether their relationship with the latter implies the existence of a controlling influence, or who have not updated their previous presentation, except for those debtors under bankruptcy proceedings or requested extrajudicial composition proceedings or under judicial administration who, during a period of up to 540 days after the filing of the bankruptcy proceedings or the request of extrajudicial composition proceedings or the start of judicial collection proceedings, as the case may be, shall have not submitted the documentation that would allow the transaction, provided that a lawyer’s report from the financial creditor entity shall have been issued regarding the reasonability of recovering the relevant credits.

Irrespective of the fact that the analyses that preceded the granting of financing should also take into account debtors’ payment capacity by evaluating the allocation of their periodical income in relation to the totality of credit commitments assumed, the classification of these clients shall be made (at the end of each month) exclusively considering objective patterns related to the degree of compliance of their obligations as they become due or their legal situation, as well as the information deriving from the “Financial System Debtors Department” provided they reflect quality levels lower than those assigned by the entity.

Payment capacity evaluation based on the borrower’s income will not be mandatory, as long as specific evaluation methods are used or the borrowers’ loans are for minimal amounts in terms of point 1.1.3.3, Section 1 of the “Credit Management” rules.

The specific evaluation methods mentioned above are those known as “Credit Scoring and Screening”.

The limits to take into account for applying these methods are as follows:

i) Eligible borrowers:

Natural persons not related to the financial entity.

ii) Individual limit:

The capital owed may not at any time exceed the following limits, per class of credit and per client:

§ Dwelling mortgage loans: Ps.200,000

§ Chattel mortgage car loans: Ps.75,000

§ Personal loans and financing by credit card: Ps.15,000

On December 26, 2008, by Communication “A” 4891, Point 7.4 of the Debtors Classification Regulation was incorporated. It contemplates controlling the totality of our entity’s non-performing consumer portfolio (Categories 3, 4 and 5) in respect of the financial system. If the result from the formula below is greater than 5% on the last day of a calendar quarter or greater than 10% in a year, the financial institution must inform the origin of such circumstance to the Superintendency of Financial Institutions and Exchanges, providing such explanations as may be requested and, if applicable, the amendments to be introduced in its credit policy so as to improve the quality of its credit portfolio.

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Where:

FICC: a quotient, expressed as a percentage between the totality of financings corresponding to the consumer or household portfolio of the financial institution, classified as Category 3 through 5 according to the “Debtors Classification Regulations” and the total amount of their financings for the consumption or household portfolio.

FICCS: a quotient, expressed as a percentage between the total amount of financings of the consumer or household portfolio corresponding to the whole financial system, classified as Category 3 through 5, according to the “Debtors Classification Regulations”, and the total amount of their financings for the consumption or household portfolio, according to such information as may be published by the BCRA.

T: the last day of a calendar quarter for which the calculation of the quotient is applicable.

T-1: the last day of the immediately preceding calendar quarter and the last day of the same quarter corresponding to the prior year, as the case may be.

On November 26, 2007, by Communication “A” 4738, two significant points were incorporated into, or modified in, the Borrower Rating Standard and Minimum Bad Debt Risk Provisions:

- 1) The treatment for refinancing in the Consumption Portfolio, depending on the refinanced borrower’s compliance record, according to the following criteria:

Criterion for an improving situation

In a normal situation, up to two refinancings are admitted within the past twelve months with arrears of less than 31 days. Counting starts as of the date of the last refinancing. For all other situations, the basic criterion is that the greatest penalty must be applied to the borrower who delays the refinancing, for which reason:

§ Once the Refinancing Agreement has been signed, the previous situation applies, unless the borrower makes payments in advance which can be computed.

§ The borrower must accumulate a greater number of installments or percentage of cancellation in order to improve his situation.

- (i) For a situation improved by payment of installments, the following table applies (*):

Change of category	Quantity of quotas			
	from Irrecoverable	from High Risk	from Medium Risk	from Low Risk
Change to High Risk	3	—	—	—
Change to Medium Risk	6	3	—	—
Change to Low Risk	8	5	2	—
	9	6	3	1

Change to
Normal

(*) The refinancing requires a punctual payment or with delays of not more than 31 days according to the German or French Amortization System. Regularity may be monthly or bimonthly.

(ii) For a situation improved by Percentage of Capital Cancellation, the following table applies (also applicable to Commercial Portfolio) (**):

Until December 31, 2009:

Change of category	Percentage of cancellation							
	from Irrecoverable		from High Risk		from Medium Risk		from Low Risk	
Change to High Risk	20	%	—		—		—	
Change to Medium Risk	35	%	15	%	—		—	
Change to Low Risk	45	%	25	%	10	%	—	
Change to Normal	55	%	35	%	20	%	10	%

(**) For amortization systems with periods greater than bimonthly or irregular.

From January 1, 2010:

Change of category	Percentage of cancellation							
	from Irrecoverable		from High Risk		from Medium Risk		from Low Risk	
Change to High Risk	15	%	—		—		—	
Change to Medium Risk	25	%	10	%	—		—	
Change to Low Risk	30	%	15	%	5	%	—	
Change to Normal	35	%	20	%	10	%	5	%

(**) For amortization systems with periods greater than bimonthly or irregular.

Collections are not applied and rebates may not be counted in order to improve the situation (they belong to the debt preceding the signing of the Refinancing Agreement).

Up-front payments may be computed as per their equivalent in installments or amortization percentage in order to improve borrower's situation.

The choice must be for a single parameter depending on the refinancing mode:

§ Refinancings with regular monthly or bimonthly payments: by the timely payment of installments. This is the criterion adopted by BBVA Banco Francés.

§

All other forms: by capital amortization.

Criterion for deteriorating the situation by noncompliance with the refinancing and for improving it once again at a later stage.

Arrears are considered to exist in refinancing if a delay exceeding 31 days occurs.

The criteria determining the situation of a refinanced client are as follows:

1. Tranches of arrears are allocated in any applicable situation according to the table below:

Situation	Minimum delay time (in days)
Normal	0
Low Risk	32
Medium Risk	91
High Risk	181
Irrecoverable	More than 1 year

2. To the above must be added the refinancing arrears, and according to this the situation in which the refinanced client must be placed is determined:

Example:

Assumption a)

Days of delay at the time of refinancing	Situation at the time of refinancing	Number of cancelled installments of the refinanced debt	Situation considering installment cancellations
400	Irrecoverable	6	Medium Risk

Assumption b) –new delay -

Situation at the time of incurring arrears	Minimum time of delay (days)	New delay (refinanced debt) (days)	Delay at end of month (days)	New situation
Medium Risk	91	95	186 (91+95)	High Risk

If the client is in arrears for which his category was degraded, the client must catch up on its payments (or show a delay of less than 31 days), and in such event he may be improved in respect of all payments made while he remained in arrears, his situation then being once again improved. In the previous example, if the client descends to High Risk and then catches up on its payments by cancelling six installments in arrears, the client may be moved to Normal.

2) Procedure for constituting provisions above the minimum ones established by the regulations for a portfolio in normal situation.

The main criterion is based on the provisions of point 7.1, third paragraph of the Borrower Rating Standard and Minimum Bad Debt Provisions. More stringent criteria may be adopted on the basis of the objective guidelines mentioned in the first paragraph of the same point, provided this constitutes a generally applied policy which must be duly detailed in the “Rating and Provision Procedures Manual”, without this affecting the rating that must be allocated to eligible borrowers as provided hereunder, and provided this is duly grounded on objective criteria based on behavioral studies that give support to the higher provisions (be it for the active portfolio as a whole or by type of financing).

In accordance with the regulations in force, we apply provision percentages above the established minimum. The main objective of these requirements is to generate a coverage according to the expected arrears and an estimate of expected losses per portfolio and per type of financing in our entity. We control on a regular basis the behavior of the different portfolios and financing types.

This procedure also requires authorization by the same member officers who are responsible for approving the “Significant Financings” (those exceeding 2.5% of the Entity’s RPC), for which reason it was discussed and confirmed by our Technical Committee of Operations and validated by our Board of Directors.

Commercial borrowers are classified as follows:

1. “Normal” if there is no doubt that the borrower can meet all of its financial obligations.

2.(a) “Special Tracking-Under Observation” if the borrower is able to meet all of its financial obligations but is sensitive to changes that could compromise such ability absent timely corrective measures.

2.(b) “Special Tracking-Under Negotiation or with Refinancing Agreements” if the borrower is unable to comply with its obligations as agreed and formally states, at least 60 days before the date on which the payment of its obligations is due, its intention to refinance such debts.

The borrower must enter into an agreement with the lender within 90 days (if up to two lenders are involved) or 180 days (if more than two lenders are involved) after the date on which the obligations become overdue. If no agreement has been reached within the established deadline, the borrower must be reclassified to the next category below according to the indicators established for each level.

3. “Problem” if the borrower has problems in meeting its ordinary financial obligations.
4. “High Risk of Insolvency” if the borrower is highly unlikely to meet its financial obligations.
5. “Irrecoverable” if it is clear, at the time of the classification, that the borrower will not meet its financial obligations to the classifying bank.
6. “Irrecoverable for Technical Decision” if such borrower meets the same criteria as described above for consumer borrowers.

In classifying a commercial borrower, banks must take into account other factors depending upon the classification category, such as the quality of the borrower’s management, the borrower’s operating history, its present and projected financial situation, the adequacy of its financial reporting, the general risks associated with the market in which the borrower operates, the borrower’s relative position within such market, its payment history and ability to service debt.

In the case of legal proceedings, whether these proceedings are initiated by us or at the instance of the borrower, commercial borrowers must be classified according to pre-determined circumstances, independently from the classification under which they would fall.

Under this classification system, all loans to a given borrower are grouped under the highest classification assigned to that borrower by the classifying bank. The classification of a given borrower must not differ by more than one higher category from a lower classification given to that borrower by at least two other banks whose aggregate loans outstanding to that borrower represent 40% or more of the total loans outstanding to that borrower in the Argentine financial system at the time of the classification.

Under the Central Bank regulation, banks must establish the following loan loss provisions based on the amount owed on the loan (including accrued but unpaid interest). As the table suggests, the presence of preferred guarantees reduces the level of required provisions.

Loan Loss Provision Required
Consumer and Commercial Borrowers

	With Preferred “A” Guarantees		With Preferred “B” Guarantees		Without Preferred “A” or Preferred “B” Guarantees	
	1	%	1	%	1	%
Normal	1	%	1	%	1	%
Low risk / Special tracking - under observation	1	%	3	%	5	%
Special tracking - under negotiation or with refinancing agreements (2)	1	%	6	%	12	%
Medium risk / Problem	1	%	12	%	25	%
High risk / High risk of insolvency	1	%	25	% (3)	50	% (3)
Irrecoverable	1	%	50	%	100	%
Irrecoverable for technical decision	1	%	100	% (1)	100	% (1)
Additional loans (3)	1	%	1	%	1	%

(1)The classification of a debtor under this category will require a loan loss provision of 100% of any financings, such as rollovers, extensions and express or implied waits, that may be granted after 90 days have elapsed since the day following the announcement by the Central Bank of the data base that includes the debtor. The presence of

preferred guarantees does not affect this obligation.

- (2) The entity has not yet classified its debtors in the “Special tracking -under negotiation or with refinancing agreements” category.
- (3) Extensions of credit that do not surpass the result of applying the percentages indicated below over the balance of the existing debt on the day prior to the extension of the additional credit:

Irrecoverable	10%
Difficult recovery / High risk of insolvency	20%
Deficient servicing / Problem	30%
Inadequate servicing / Potential risk	40%

Non-compliance with the payments for the services corresponding to this additional assistance will determine the obligation to provide assistance consistent with the objective standards for overdue payments or legal requirements pursuant to the classification of debtors included in the consumer portfolio for consumption or housing. This also applies to borrowers in the commercial portfolio, in which case the additional financing will be considered independently of the rest of the client's debt.

Furthermore, banks are required to establish provisions equal to 100% of any interest accrued on loans to borrowers classified as “Problem” or lower or “Medium Risk” or lower. The Bank chooses to interrupt interest accrual accounting as permitted by the regulation.

By Communication “A” 4683 the BCRA introduced the possibility for debtors of the Consumer and Consumer-like Portfolio to be assigned a percentage above the minimum estimate for the situation without having to be automatically reclassified to the next category. BBVA Banco Frances has not used this possibility further supported by the regulations.

In accordance with the regulations in force, the internally established coverages and their revisions, the provisions policy has been amended as follows:

§ Commercial, Consumer and Consumer-like Portfolio Clients in a Normal Situation:

Product	Provision Percentage
Foreign Trade	
Corporate Bonds	
Personal	
Loans to	
Companies	
Financial Loans	2.00%
Negotiated	
Securities	
Pledges	
Checks	
Credit Accounts	
Credit Cards	2.50%
Overdrafts	
Mortgages	1.00%
Other	
provisionable	1.25%
products	

§ Consumer Portfolio Clients (other than normal):

Situation	Category	(in percentages)		
		Without Preferred Guarantees	With Preferred Guarantees B	With Preferred Guarantees A
2	Low Risk	5	3	1
3	Medium Risk	100	(*) 12	1
4	High Risk	100	(*) 50	1
5	Irrecoverable	100	50	1
6	Irrecoverable for Technical Reasons	100	100	100

(*) In the event of clients classified under the current situations by the Mandatory Reclassification process, the applicable provision percentage will be 95%.

§ Consumer-like Portfolio Clients (other than normal):

Situation	Category	Without Preferred Guarantees	With Preferred Guarantees	
			B	A
			(in percentages)	
2	Low Risk	5	3	1
3	Medium Risk	100	(*) 12	1
4	High Risk	100	(*) 50	1
5	Irrecoverable	100	50	1
6	Irrecoverable for Technical Reasons	100	100	100

(*) In the event of clients classified under the current situations by the Mandatory Reclassification process, the applicable provision percentage will be 95%.

This Policy will be applicable except as authorized by the Special Tracking Committee.

§ Commercial Clients Portfolio (other than normal):

Situation	Category	Without Preferred Guarantees	With Preferred Guarantees	With Preferred Guarantees
			B	A
(in percentages)				
2.a.	Under Observation	5	3	1
2.b.	Under Negotiation	6	12	1
3	With Problems	25	12	1
4	High Risk of Insolvency	50	25	1
5	Irrecoverable	100	50	1
6	Irrecoverable for Technical Reasons	100	100	100

The Central Bank regulations set requirements for the review by banks of their classification of borrowers. The classification given to borrowers whose outstanding loans represent at any given time more than 5% of the lending bank's risk-weighted capital must be reviewed at least on a quarterly basis. The classification given to borrowers whose outstanding loans represent at any time between 1.00% and 5.00% of the lending bank's risk-weighted capital, or are for an amount greater than Ps.1.0 million, must be reviewed at least every six months. The classification of all other types of borrowers must be reviewed at least once a year. In addition, banks must review the classification given to a borrower in any of the following situations:

§ Any time the Central Bank modifies the definition of its borrower classifications;

§ Any time another bank downgrades a borrower whose loan standings are greater than 10% of the total loans outstanding in the Argentine financial system;

§ Any time a credit rating agency downgrades by more than one category the rating assigned to bonds issued by such borrower;

§ If the Central Bank requires it as a result of an inspection; and

§ In case of discrepancy by more than one level between the rating given by the financial entity and those granted by at least another two financial entities or trusts in categories below that assigned by it, and whose credits as a whole represent at least 20% and are below 40% of the total amount informed by all creditors, as per the latest information available at the Debtors Department of the financial system".

We are therefore fully compliant with the Central Bank requirements relating to borrower declassifications. We also fully complied with the provisioning requirements regarding all our normal loans; that is, we had established the full 1.0% provision for normal loans, as well as the 100% provision required for loans with preferred guarantees being twenty-five months in arrears and classified as "High Risk", "High Risk of Insolvency" and "Irrecoverable". In addition, we believe that we have adequate provisions to cover any known losses and any losses inherent in the loan portfolio. See Note 3.4.5 to the Consolidated Financial Statements.

The Bank stops accruing interest on a loan as soon as any scheduled payment is 90 days overdue, or earlier if the customer is classified as "With Problems", "Medium Risk", "High Risk of Insolvency", "High Risk", "Irrecoverable"

“Irrecoverable for Technical Reasons”.

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

Loan Portfolio Categories	Fiscal Years Ended December 31,								
	2010	%		2009	%		2008	%	
	(in thousands of pesos, except percentages)								
Normal	16,940,541	99.09	%	11,878,068	98.25	%	12,527,583	98.61	%
Low risk / Special tracking	75,161	0.44	%	90,007	0.74	%	65,798	0.52	%
Medium risk / Problem	32,929	0.19	%	45,918	0.38	%	36,340	0.29	%
High risk / High risk of insolvency	35,114	0.21	%	64,933	0.54	%	67,812	0.52	%
Irrecoverable	12,152	0.07	%	10,392	0.09	%	5,820	0.05	%
Irrecoverable for technical decision	182	—		257	—		727	0.01	%
Total	17,096,079	100.00	%	12,089,575	100.00	%	12,704,080	100.00	%

Classification of Loan Portfolio

The following table presents our consumer and commercial loan portfolio as of December 31, 2010, 2009, 2008, 2007 and 2006 under the classification system of the Central Bank, before the deduction of the allowance for loan losses:

	Fiscal Years Ended December 31,									
	2010		2009		2008		2007		2006	
	Total	%	Total	%	Total	%	Total	%	Total	%
(in thousands of pesos, except percentages) (1)										
Normal (Consumer)	6,411,481	98.18 %	4,417,993	96.47 %	4,358,063	97.19 %	3,332,574	98.29 %	2,086,773	98.29 %
Normal (Commercial)	10,529,060	99.65 %	7,460,075	99.33 %	8,169,520	99.39 %	8,149,489	99.40 %	7,487,039	99.40 %
	16,940,541	99.09 %	11,878,068	98.25 %	12,527,583	98.61 %	11,482,063	99.08 %	9,573,812	99.08 %
Low risk (Consumer)	50,854	0.78 %	54,838	1.20 %	55,071	1.23 %	26,168	0.77 %	20,138	0.77 %
Special tracking (Commercial)	24,307	0.23 %	35,169	0.47 %	10,727	0.13 %	17,733	0.22 %	27,546	0.22 %
	75,161	0.44 %	90,007	0.74 %	65,798	0.52 %	43,901	0.38 %	47,684	0.38 %
Medium risk (Consumer)	31,016	0.47 %	42,503	0.93 %	33,008	0.74 %	12,027	0.35 %	8,061	0.35 %
Problem (Commercial)	1,913	0.02 %	3,415	0.05 %	3,332	0.04 %	4,790	0.06 %	5,212	0.06 %
	32,929	0.19 %	45,918	0.38 %	36,340	0.29 %	16,817	0.15 %	13,273	0.15 %
High risk (Consumer)	27,252	0.42 %	58,605	1.28 %	35,076	0.78 %	837	0.02 %	6,357	0.02 %
High risk of insolvency (Commercial)	7,862	0.07 %	6,328	0.08 %	32,736	0.40 %	25,857	0.31 %	23,376	0.31 %
	35,114	0.21 %	64,933	0.54 %	67,812	0.53 %	26,694	0.24 %	29,733	0.24 %
Irrecoverable (Consumer)	9,613	0.15 %	5,364	0.12 %	2,362	0.05 %	17,689	0.52 %	6,158	0.52 %
Irrecoverable (Commercial)	2,539	0.02 %	5,028	0.07 %	3,458	0.03 %	518	0.01 %	29,883	0.01 %
	12,152	0.07 %	10,392	0.09 %	5,820	0.05 %	18,207	0.16 %	36,041	0.16 %
Irrecoverable for technical decision (Consumer)	120	—	98	—	480	0.01 %	1,260	0.05 %	827	0.05 %
Irrecoverable for technical decision (Commercial)	62	—	159	—	247	0.01 %	—	—	—	—
	182	—	257	—	727	0.01 %	1,260	0.01 %	827	0.01 %
Total consumer loans	6,530,336	100.00 %	4,579,401	100.00 %	4,484,060	100.00 %	3,390,555	100.00 %	2,128,314	100.00 %
	10,565,743	100.00 %	7,510,174	100.00 %	8,220,020	100.00 %	8,198,387	100.00 %	7,573,056	100.00 %

Total
commercial
loans

Total	17,096,079	100.00%	12,089,575	100.00%	12,704,080	100.00%	11,588,942	100.00%	9,701,370
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(1) Percentages for each category are of total consumer, commercial or total loans, as the context requires.

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Non-performing and Restructured Loans

Applying the Central Bank's loan classification criteria described above, the following table analyzes at each of the dates indicated below our gross non-performing and restructured loan portfolio, and further breaks down the total into loans with preferred guarantees and those which are unsecured:

	Fiscal Years Ended December 31,				
	2010	2009	2008	2007	2006
	(in thousands of pesos)				
Non-performing loans (1)	80,377	121,500	110,699	62,978	79,874
Total	80,377	121,500	110,699	62,978	79,874
With preferred guarantees	15,228	15,929	10,408	3,900	3,777
Unsecured	65,149	105,571	100,291	59,078	76,097
Total	80,377	121,500	110,699	62,978	79,874

(1) Non-performing loans includes all loans to borrowers classified as "Medium Risk", "Problem", "High Risk", "High Risk of Insolvency", "Irrecoverable" and "Irrecoverable for Technical Decision" under the Central Bank loan classification system. Non-performing loans also include all loans contractually past due 90 days or more. At December 31, 2010, 2009, 2008, 2007 and 2006, non-performing loans include Ps.46,538 thousand, Ps.91,671 thousand, Ps.93,573 thousand, Ps.57,439 thousand and Ps.74,848 thousand, respectively, of non-accrual loans.

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The table below sets forth non-performing loans by economic activity as of each of the dates indicated:

	Fiscal Years Ended December 31,											
	2010		2009		2008		2007		2006			
	Total	%	Total	%	Total	%	Total	%	Total	%		
(in thousands of pesos, except percentages)												
Agriculture and livestock	78	0.10 %	61	0.05 %	156	0.14 %	20	0.03 %	412	0.52 %		
Beverage	1	—	—	—	—	—	—	—	5	0.01 %		
Construction	862	1.07 %	1,498	1.23 %	1,980	1.79 %	774	1.23 %	436	0.55 %		
Consumer	34,909	43.43 %	41,814	34.41 %	34,780	31.42 %	12,264	19.47 %	6,339	7.94 %		
Electrical machinery	3	—	16	0.01 %	—	—	1	—	2	—		
Financial sector	5	0.01 %	—	—	—	—	—	—	—	—		
Foodstuff	2	—	16	0.01 %	35	0.03 %	26	0.04 %	6	0.01 %		
Government services	1	—	1	—	—	—	—	—	—	—		
Industrial metals	—	—	9	0.01 %	1	—	5	0.01 %	—	—		
Leather and fur products	—	—	4	—	2	—	—	—	—	—		
Mining products	2	—	—	—	—	—	1	—	—	—		
Oil and carbon	81	0.10 %	—	—	—	—	—	—	—	—		
Others	33,257	41.37 %	64,826	53.35 %	54,024	48.80 %	39,637	62.94 %	67,205	84.12 %		
Other manufacturing	56	0.07 %	1	—	—	—	—	—	—	—		
Printer, publishers and related industries	3	—	8	0.01 %	—	—	—	—	1	—		
Rubber products	—	—	3	—	—	—	4	0.01 %	—	—		
Retail trade	9,590	11.93 %	8,105	6.68 %	13,294	12.01 %	7,526	11.95 %	3,711	4.65 %		
Services	43	0.05 %	156	0.13 %	37	0.03 %	23	0.04 %	19	0.02 %		
Shoes, apparel and other textile products	86	0.11 %	3	—	—	—	—	—	—	—		
Textile	4	—	1	—	9	0.01 %	1	—	1	—		
Tobacco	—	—	5	—	—	—	—	—	—	—		
Transportation material	1	—	7	0.01 %	4	—	—	—	—	—		
Wholesale trade	1,387	1.74 %	4,966	4.10 %	6,377	5.77 %	2,696	4.29 %	1,737	2.18 %		
Wood products and cork	6	0.01 %	—	—	—	—	—	—	—	—		
Total	80,377	100.00 %	121,500	100.00 %	110,699	100.00 %	62,978	100.00 %	79,874	100.00 %		

As of December 31, 2010, the majority of our loan portfolio, and non-performing and restructured loan portfolio, consisted of loans to Argentine borrowers. At that date, approximately Ps.255.0 million, or 1.49% of our total loan portfolio, consisted of loans to foreign borrowers.

Gross interest income that would have been recorded on non-performing loans during the fiscal years ended December 31, 2010, 2009, 2008, 2007 and 2006 amounted to Ps.51.0 million, Ps.59.8 million, Ps.56.9 million, Ps.54.2 million and Ps.56.1 million, respectively.

Analysis of the Allowance for Loan Losses

The table below sets forth the activity in the allowance for loan losses for the fiscal years ended December 31, 2010, 2009, 2008, 2007 and 2006. See Note 19.6 to the Consolidated Financial Statements. In conformity with Central Bank requirements, we charge-off non-performing loans when we believe that recovery is unlikely and, in any event, no later than seven months after a loan has been classified as “irrecoverable” without preferred guarantees. We continue to try to collect all amounts past due, even if they have been charged-off, if we believe that the likelihood of collecting such amounts justifies the commitment of resources to do so.

	Fiscal Years Ended December 31,				
	2010	2009	2008	2007	2006
	(in thousands of pesos, except percentages)				
Balance at the beginning of the year	337,686	196,489	198,728	167,097	184,885
Provisions for loan losses	178,800	244,800	38,124	61,985	69,799
Charge-offs (1)	(120,259)	(103,603)	(40,363)	(30,354)	(87,587)
Advances	(23,977)	(32,520)	(1,767)	(10,311)	(3,513)
Consumer	(72,849)	(24,645)	(14,658)	—	(4,543)
Notes discounted and purchased	(22,842)	(26,451)	(4,499)	(8,239)	(8,711)
Other	(590)	(19,987)	(19,439)	(11,804)	(70,820)
Balance at the end of year	396,227	337,686	196,489	198,728	167,097
Net charge-off / average loans	0.85	0.85	% 0.34	% 0.29	% 0.97

(1) Charge-offs are not concentrated in any particular economic activity. Our management estimates that of the Ps.120.3 million charged-off in the fiscal year ended December 31, 2010, Ps.77.3 million, or 64.25%, were related to corporate borrowers and Ps.43.0 million, or 35.75%, were related to individual consumers. Of the Ps.103.6 million charged-off in the fiscal year ended December 31, 2009, Ps.28.4 million, or 27.45%, were related to corporate borrowers and Ps.75.2 million, or 72.55%, were related to individual consumers. Of the Ps.40.4 million charged-off in the fiscal year ended December 31, 2008, Ps.18.6 million, or 46.06%, were related to corporate borrowers and Ps.21.8 million, or 53.94%, were related to individual consumers. Of the Ps.30.4 million charged-off in the fiscal year ended December 31, 2007, Ps.21.0 million, or 69.04%, were related to corporate borrowers and Ps.9.4 million, or 30.96%, were related to individual consumers. Of the Ps.87.6 million charged-off in the fiscal year ended December 31, 2006, Ps.69.1 million, or 78.90%, were related to corporate borrowers and Ps.18.5 million, or 21.10%, were related to individual consumers. Charge-offs include reversal and applications.

Allocation of the Allowance for Loan Losses

The following table allocates the allowance for loan losses and sets forth the percentage distribution by each category of loans in the total loan portfolio (principals only) for each of the fiscal years ended December 31, 2010, 2009, 2008, 2007 and 2006.

	Fiscal Years Ended December 31,									
	2010		2009		2008		2007		2006	
	Total	%	Total	%	Total	%	Total	%	Total	%
	(in thousands of pesos, except percentages)									
Advances	34,201	14.57 %	25,192	16.31 %	17,131	12.74 %	20,158	13.06 %	19,947	19.02 %
Notes discounted and purchased	29,306	12.84 %	15,692	10.23 %	15,194	11.19 %	22,295	14.09 %	12,359	10.27 %
	19,412	5.18 %	15,379	8.03 %	10,975	8.53 %	12,877	7.60 %	8,081	5.96 %

Secured with mortgages													
Chattel mortgage	17,604	5.12 %	10,641	1.00 %	7,015	4.61 %	3,648	2.49 %	1,403	0.13 %			
Consumers loans	214,847	30.35 %	197,786	31.43 %	75,869	27.90 %	51,387	21.07 %	23,296	15.73 %			
Financial Loans	12,156	3.29 %	7,595	5.22 %	8,909	4.98 %	9,819	4.98 %	5,188	5.33 %			
Other loans to governmental sector	—	3.97 %	—	1.12 %	—	8.67 %	—	10.45 %	—	14.18 %			
Other	68,701	24.68 %	65,402	26.66 %	61,396	21.38 %	78,544	26.26 %	96,823	29.38 %			
Total	396,227	100.00 %	337,686	100.00 %	196,489	100.00 %	198,728	100.00 %	167,097	100.00 %			

Composition of Deposits

The following table sets out the composition of each category of deposits that exceeded 10% of average total deposits in each of the fiscal years ended December 31, 2010, 2009 and 2008.

	Fiscal Year ended December 31,		
	2010	2009	2008
	(in thousands of pesos)		
Deposits in domestic Bank's offices			
Non-interest-bearing demand deposits			
Average			
Pesos	4,427,600	3,181,698	2,932,651
Dollars	542,521	92,396	57,159
Total	4,970,121	3,274,094	2,989,810
Saving accounts			
Average			
Pesos	3,881,058	3,363,193	3,242,023
Dollars	2,273,514	1,840,846	1,190,844
Total	6,154,572	5,204,039	4,432,867
Average real rate			
Pesos	(12.60)%	(8.94)%	(8.02)%
Dollars	(8.53)%	(0.09)%	0.65 %
Total	(11.09)%	(5.81)%	(5.69)%
Time deposits			
Average			
Pesos	6,335,859	5,651,906	5,732,426
Dollars	1,789,633	1,871,652	1,359,527
Total	8,125,492	7,523,558	7,091,953
Average real rate			
Pesos	(4.28)%	2.34 %	3.02 %
Dollars	(8.18)%	1.53 %	3.11 %
Total	(5.14)%	2.14 %	3.03 %

Maturity of Deposits at December 31, 2010

The following table sets forth information regarding the maturity of our deposits at December 31, 2010.

	Total	Maturing			
		Within 3 months	After 3 but within 6 months	After 6 but within 12 months	After 12 months
	(in thousands of pesos)				
Checking	5,181,852	5,181,852	—	—	—
Savings	7,533,437	7,533,437	—	—	—
Time deposits	9,271,788	8,400,476	510,922	230,954	129,436
Investment accounts	80,904	27,304	53,600	—	—
Other	393,326	388,102	409	4,815	—
Total	22,461,307	21,531,171	564,931	235,769	129,436

The following table sets forth information regarding the maturity of our certificates of deposit and other time deposits in denominations of U.S.\$100,000 or more at December 31, 2010.

	Total	Within 3 months	Maturing, After 3 but within 6 months	After 6 but within 12 months	After 12 months
	(in thousands of pesos)				
Domestic offices	4,739,250	4,137,122	278,542	200,306	123,280
Foreign offices	—	—	—	—	—
Total	4,739,250	4,137,122	278,542	200,306	123,280

Return on Equity and Assets

The following table presents certain selected financial information and ratios of BBVA Banco Francés for the fiscal years indicated.

	Fiscal Years ended December 31,					
	2010		2009		2008	
	(in thousands of pesos, except percentages)					
Net income	1,198,179		718,462		321,510	
Average total assets (1)	29,485,920		26,108,529		23,924,232	
Average stockholders' equity (1)	3,336,694		2,501,248		2,066,431	
Stockholders' equity at the end of the fiscal year	3,746,915		2,926,472		2,076,024	
Net income as a percentage of:						
Average total assets	4.06	%	2.75	%	1.34	%
Average stockholders' equity	35.91	%	28.72	%	15.56	%
Declared dividends (2)	804,000		480,000		100,000	
Dividend payout ratio (3)	67.10	%	66.81	%	31.10	%
Average stockholders' equity as a percentage of average total assets	11.32	%	9.58	%	8.64	%

(1) Computed as the average of fiscal year-beginning and fiscal year-ending balances.

(2) For the fiscal year ended December 31, 2010, the dividends authorized at the Ordinary and Extraordinary Shareholders' Meeting on March 30, 2011 were Ps.804 million (see Note 14.b) to the Consolidated Financial Statements). For the fiscal years ended December 31, 2009 the dividends were paid totally in cash. For the fiscal year ended December 31, 2008 the dividends paid in 2009 were Ps.35 million in cash and Ps.65 million through the issue of new shares.

(3) Declared dividends stated as percentage of net income. Since April 2002, the Central Bank had suspended the payment of dividends. As of June 2, 2004, financial institutions that are allowed to make distributions will have no effect on the prior authorization of the Central Bank provided that certain conditions are met. See "Item 8. Financial Information—Dividends".

Short-Term Borrowings

Our short-term borrowings, which equaled or exceeded 30% of stockholders' equity, totaled approximately Ps.1.9 billion, Ps.1.2 billion and Ps.3.0 billion for the fiscal years ended December 31, 2010, 2009 and 2008, respectively. The table below shows those amounts at the end of each fiscal year.

	2010		At December 31, 2009			2008	
	Amount	Weighed Average Interest Rate	Amount	Weighed Average Interest Rate	Amount	Weighed Average Interest Rate	
	(in thousands of pesos, except percentages)						
Total amount outstanding at the end of the reported period	1,930,388	1.1 %	1,172,743	10.4 %	3,003,372	2.2 %	
Average during year	2,419,380	1.7 %	2,108,840	6.0 %	2,110,645	5.0 %	
Maximum month-end balance	4,844,829		3,314,174		3,003,372		

THE ARGENTINE BANKING SYSTEM AND ITS REGULATORY FRAMEWORK

Argentine Banking System

On November 30, 2010, Argentina's banking system consisted of 64 commercial banks, of which 12 were government-owned or government-related banks and 52 were privately owned banks. The principal regulators of financial institutions in Argentina are the Central Bank, the Superintendencia de Entidades Financieras y Cambiarias (the Superintendency of Financial Institutions and Exchanges, referred to as the "Superintendency") and, in the case of financial institutions that publicly offer their own securities in Argentina or otherwise engage in the offering or trading of third parties' securities in Argentina, the CNV.

Private Sector Banks

According to information published by the Central Bank, on November 30, 2010, the largest privately owned locally based commercial banks, in terms of total assets, were the following: Banco Santander Río S.A., Banco Macro S.A., BBVA Banco Francés, Banco de Galicia y Buenos Aires S.A. and HSBC Bank Argentina. Some of these banks, including BBVA Banco Francés, have one or more significant foreign investors. Similarly, private financial institutions accounted for approximately 52.51% of deposits and approximately 62.09% of gross loans in the Argentine financial system. In addition, the ten largest private financial institutions accounted for 41.12% of all deposits and 49.20% of all loans in the Argentine financial system. The largest foreign bank at such date was Citibank. Foreign banks compete under the same regulatory conditions as Argentine banks.

Public Sector Banks

The principal state owned banks are: Banco de la Nación Argentina, Banco de la Provincia de Buenos Aires and Banco de la Ciudad de Buenos Aires. As of November 30, 2010, based on the available data of the Central Bank, such entities accounted for approximately 41.79% of deposits and approximately 30.65% of gross loans in the Argentine banking system.

Under the provisions of the Argentine financial institutions Law No. 21,526 (the "Financial Institutions Law"), government owned or government-related banks and private banks have comparable rights and obligations except that the former have the sole right and obligation to handle public revenues and promote regional development. Government-owned banks are required to meet the credit needs of public sector entities. Moreover, the by-laws of some government-owned banks, which include federal, provincial and locally owned banks, require that the principalities which own them guarantee their commitments.

Central Bank

The Financial Institutions Law regulates banking activities in Argentina and places the supervision and control of the Argentine banking system in the hands of the Central Bank, an autonomous institution. The Financial Institutions Law provides the Central Bank with broad access to the accounting systems, books, correspondence, documents and other papers of banking institutions. The Central Bank regulates the provision of credit and supervises the liquidity and the general operation of the Argentine financial markets. The Central Bank enforces the Financial Institutions Law and authorizes banks to operate in Argentina. This law distinguishes between public and private financial institutions. It was amended in February 1994 to eliminate the previous distinctions between locally owned and foreign owned private financial institutions. The Central Bank does not have the authority to supervise the liquidation of financial institutions.

The Central Bank establishes “technical ratios” to limit the levels of indebtedness, liquidity, maximum credit that may be granted per customer and foreign exchange assets and liabilities positions, among others. The Central Bank carries out formal inspections from time to time of all banking institutions to monitor their compliance with legal and regulatory requirements. Since September 1994, the Central Bank has supervised banks on a consolidated basis. During 1997, the Central Bank organized a supervision department of internal and external auditors of financial institutions that evaluate performance comprehensively in internal audit areas as well as firms and professionals working as external auditors of financial institutions. See “Item 4. Information on the Company—The Argentine Banking System and its Regulatory Framework—BASIC System” below. If a bank does not comply with the technical ratios, it must explain such noncompliance to the Central Bank. There are specific regulations governing reinstatement plans and other measures arising from the failure of these plans. Furthermore, the Central Bank has the power to impose sanctions for noncompliance, which vary from a strong reprimand to revocation of banking licenses.

The Central Bank requires banks to submit information to it on a daily, monthly, quarterly, semiannual and annual basis. These reports contain, among other important information, balance sheets and income statements, information relating to reserve funds, use of deposits and indicators on portfolio quality, including details on principal debtors and any loan-loss provisions established. The reports are designed to allow the Central Bank to monitor the banks’ business practices. If the Central Bank’s rules are breached, various sanctions may be imposed depending on the gravity of the violation, ranging from calling attention to the infraction to the

imposition of fines or even the revocation of a bank's operating license. Moreover, noncompliance with certain rules may result in the obligatory presentation to the Central Bank of specific capital adequacy or regularization plans. These plans must be approved by the Central Bank for a bank to maintain its license.

On January 23, 2002, the Congress amended the charter of the Central Bank, eliminating certain restrictions on the Central Bank's ability to provide financial assistance to financial institutions with liquidity constraints. On February 4, 2002, by virtue of Decree No. 214/02, the Central Bank was also allowed until December 2003 to grant financial assistance to financial institutions whose solvency had been affected. Before these measures, the Central Bank had limitations on its ability to make loans or otherwise extend financial assistance to banks with financial difficulties. Primarily, such assistance could not be granted, other than in exceptional circumstances, for more than 30 days or if it would affect the Central Bank's foreign currency reserves.

On September 5, 2003, Law No. 25,780 was enacted, which introduced amendments to the Financial Institutions Law Corporate and the Central Bank charter. Among the most significant of such modifications are the following:

§ Except by express provision to the contrary established by-law, the Central Bank will not be affected by any regulations of a general character which may have been or shall have been enacted with reference to Public Administration bodies and which may introduce limitations to the authority or powers of the Central Bank as set forth in its own Charter.

§ The Central Bank is empowered to make temporary advances to the Government up to an amount equivalent to 12% of the monetary base, which for this purpose includes amounts constituted by the monetary circulation plus the sight deposits of the financial institutions with the Central Bank, in current account or in special accounts. It may also grant advances up to an amount not exceeding 10% of the cash resources obtained by the Government in the past twelve months. At no time may the amount granted as temporary advances, excluding those exclusively allocated to the payment of obligations with the multilateral credit institutions, exceed 12% of the monetary base. All advances so granted must be reimbursed within the next twelve months; should any of these advances remain unpaid after its due date, it will not be possible to use these powers again until all owed amounts shall have been reimbursed.

§ The provisions of Decree No. 1131/01 are abrogated, and the validity of Articles 44, 46 paragraph (c), 47 and 48 of the Central Bank Charter, regarding the powers and authority of the Superintendency of Financial and Foreign Exchange Entities, is reestablished in terms of the text approved as Article 1 of Law No. 24,144.

§ A temporary regulation was introduced, applicable until December 2005, authorizing the Central Bank to: (i) provide assistance to financial institutions with liquidity and/or solvency problems, including those undergoing restructuring by resolution of the Central Bank in terms of Article 35 bis of the Financial Institutions Law; and (ii) authorize the integration of the reserve requirements for financial institutions with financial assets other than cash, in the form of sight deposits with the Central Bank or in foreign currency accounts as per Article 28 of the Central Bank Charter.

§ Decree No. 1599/05 modified the Law No. 23,928 by allowing reserves exceeding 100% of the monetary base to be allocated to the payment of obligations assumed with international financial entities.

Supervision on a Consolidated Basis

According to Communication "A" 2227 dated July 15, 1994 and its amendments and correlative provisions, since 1994 the Argentine financial entities are subject to supervision in consolidated form by the Central Bank (irrespective of the observance on an individual basis of the regulations applicable thereto). In other words, the financial statements and

other information regarding them must reflect the transactions of their head office as well as those of their branches in the country and abroad, and those of any local and foreign “significant subsidiaries”. Consequently, the requirements as to liquidity, solvency, minimum capital, risk concentration, and provisions for loan losses, among others, must be calculated on a consolidated basis.

From the above-mentioned communication it is clear that the financial institutions must submit certain information to the Central Bank, including the following:

§ financial statements and other quarterly and annual reports reflecting in consolidated form the transactions of the financial entity, its local and foreign branches and its local and foreign “significant subsidiaries” (as defined below);
and

§ financial statements and other quarterly and annual reports reflecting in consolidated form the transactions of the financial entity, its local and foreign branches, its local and foreign “significant subsidiaries” (as defined below) or entities or companies in the country and abroad where the financial entity has possession or control over more than 12.5% of the

shares entitled to vote, in those cases determined by the Superintendency of Financial and Foreign Exchange Institutions, and those companies not subject to consolidated supervision which the financial entity may have chosen to include with the prior approval of the Superintendency of Financial and Foreign Exchange Institutions.

For the purposes of these regulations:

§ A “subsidiary” of a local financial entity is any local or foreign financial entity or company in any of the following positions:

- (1) the local financial entity has direct or indirect control of more than 50% of the total votes of any instrument with voting rights in such entity or company,
- (2) the local financial entity has direct or indirect control as to determining by itself the composition of most of the management bodies of such entity or company, or
- (3) a majority of the directors of the local financial entity is also a majority of the directors of such entity or company.

The possession or control by the financial entity is considered indirect if exercised through another legal person, its controlling shareholders or directors appointed by such controlling shareholders or persons linked to them, in control of more than 50% –measured as a whole– of the total votes of any instrument with voting rights in another entity or company. Also considered indirect is any other form of control or interest where, in the opinion of the Superintendency of Financial and Foreign Exchange Institutions, and even if the shareholders’ interest does not exceed 50%, a situation of control, and therefore the subsidiary character of an entity or company is configured or can be inferred from the evidence collected.

§ A “significant subsidiary” is any subsidiary:

- (1) whose assets, possible commitments and other transactions recorded in memorandum accounts represent 10% or more of the RPC of the local financial entity and its subsidiaries abroad; or
- (2) whose results of operations corresponding to the current fiscal year represent 10% or more of the results of operations for the current fiscal year of the local financial entity and its subsidiaries abroad.

Legal Reserve

The Central Bank requires that on an annual basis banks allocate a certain percentage of their net income, set by the Central Bank, to a legal reserve which is currently set at 20%. This reserve can only be used during periods in which a bank has incurred losses and has exhausted all unappropriated retained earnings and other reserves on profit. Banks may not pay dividends if the legal reserve has been impaired. However, as of April 24, 2006, the Central Bank has established by Communication “A” 4526 that whenever the Legal Reserve is used to absorb losses, profits could be distributed if the balance prior to absorption were greater than 20% of the corporate capital plus capital adjustment, once this last amount is achieved.

Reserve Requirements and Liquidity Requirements

The minimum cash system determines what portion of their deposits or obligations the entities must keep available, that is to say, not as part of their lending capacity. The minimum cash requirement is calculated on the monthly average of daily balances for comprised obligations as recorded at the close of each calendar month, and must be observed separately for each currency of denomination of the comprised obligations. Compliance must take place in

the same currency of the requirement, except in the event of sight obligations for transfers from abroad in foreign currencies other than the U.S. dollar which must be accounted for in this currency, making use of one of the following:

- (i) cash held in treasury and in custody at other banks. This item cannot exceed 67% calculated on total items included;
- (ii) current accounts in Pesos of the financial entities with the Central Bank;
- (iii) minimum cash accounts of the financial entities with the Central Bank, denominated in U.S. dollars or other foreign currencies;
- (iv) special guarantee accounts in favor of electronic clearing houses;
- (v) current accounts of non banking financial institutions;

- (vi) cash in transit and in value carriers. This item cannot exceed 67% calculated on total items included;
- (vii) special current accounts in connection with the attention of pension benefits; and
- (viii) minimum cash account of public securities and instruments issued by the Central Bank, at market value and of the same type.

Minimum daily cash: on no day of the month, as of the close of each day, may the sum of the balances admitted for integration as mentioned in (ii), (iii), (iv), (v) and (vii) above be less than 50% of the total minimum cash required deposits consisting of public securities and debt instruments issued by the BCRA will not be taken into account for purposes of the calculation of the minimum daily cash requirement, as determined for the immediately preceding month, or less than 70% if the immediately preceding calculation period showed a monthly average deficiency exceeding the admitted margin to be transported.

The balances maintained on accounts opened with the Central Bank as eligible for minimum cash integration are remunerated up to those amounts corresponding to legal requirements, that is to say, no remuneration applies for any excess reserves. Commencing on April 2006 and according to Communication "A" 4509 of the Central Bank and supplementary regulations, the accounts mentioned above will only be remunerated up to the amounts set forth for term transactions. Therefore, no interest will be acknowledged for the payment of the pertinent sight deposits and obligations.

Pursuant to Communication "A" 4147, and supplementary regulations, of May 28, 2004 and in effect as of June 1, 2004, the Central Bank set forth the application of different requirements for deposits in pesos as opposed to foreign currencies.

The following table discloses the minimum cash requirements with respect to each type of account in force since December 2010:

Type of Account	From Dec 2010
Current accounts and sight accounts open in Credit Unions (1)	19%
Other demand deposits, basic account and universal free account (2)	
In pesos	19%
In foreign currency	20%
Savings accounts	
In pesos	19%
In foreign currency	20%
Unused balances from current account advances effected	19%
Current accounts of financial institutions (3)	100%
Fixed-term deposits, bonds for acceptances (including liabilities for the sale or assignment of credits to subjects other than financial institutions), reverse repurchases, bonds and stock-exchange reverse swaps, investments at constant term, with advanced cancellation or renewal option (4):	
In pesos	
Up to 29 days	14%
From 30 to 59 days	11%
From 60 to 89 days	7%
From 90 to 179 days	2%
From 180 to 365 days	0%
In foreign currency	
Up to 29 days	20%
From 30 to 59 days	15%
From 60 to 89 days	10%
From 90 to 179 days	5%
From 180 to 365 days	2%
More than 365 days	0%
Bonds for foreign financial lines	0%
Debt securities (including corporate bonds)	
a) Debt issued as of January 1, 2002, including those from restructured bonds, as per their residual term:	
In pesos	
Up to 29 days	14%
From 30 to 59	11%
From 60 to 89 days	7%
From 90 to 179 days	2%
From 180 to 365 days	0%
In foreign currency	
Up to 29 days	20%
From 30 to 59	15%
From 60 to 89 days	10%
From 90 to 179 days	5%
From 180 to 365 days	2%
More than 365 days	0%

b) Others	0%
Bonds with the Trust Fund for Assistance to Financial and Insurance Institutions	0%
Sight and term deposits made by judicial order with funds originated in legal actions currently under course and their immobilized balances	
In pesos	10%
In foreign currency	10%
Mutual Funds deposits (except mutual funds sight deposits made according to CNV rules)	
In pesos	19%
In foreign currency	20%
Special deposits related to funds revenues from abroad – Decree No. 616/05	100%
Deposits and other demand obligations in pesos, whose return exceeds 15% BADLAR rate of private financial institutions' average	100%
Term investments instrumented by nominative non-transferable certificates in pesos corresponding to public sector security holders, entitled to exercise the prepayment option within a term not greater than 30 days after constitution thereof	16%

(1)In accordance with the Communication “A” 5108.

(2)In accordance with the Communication “A” 5164.

(3)Computable for payment of their Minimum Required Reserves.

(4)Except term deposits made by judicial order with funds originated in legal actions currently under course and their immobilized balances, mutual funds term deposits, special deposits related to funds revenues from abroad (Decree No. 616/05) and term investments instrumented by nominative non-transferable certificates in pesos.

In addition to the above mentioned requirements, the following requirement must be observed:

§ 100% reserve for any defect in the application of resources in foreign currency for the month in respect to which the calculation of the minimum cash requirement is made. See “Item 4. Information on the Company—The Argentine Banking System and its Regulatory Framework—Lending Capacity Provided by Deposits in Foreign Currency”.

Lending Capacity Provided by Deposits in Foreign Currency

According to Communication “A” 3528 and complementary communications of the Central Bank, the lending capacity provided by deposits denominated in foreign currency must be applied in the denomination of the currency of the deposits. This includes those deposits denominated in dollars and payable in pesos and applies to the following purposes:

- (1) Prefinancing and financing of exports, carried out directly or through agents, consignees or other proxies acting for the account and order of the owner of the goods. It also comprises operations to finance suppliers of services to be directly exported. This comprises those operations for the purpose of financing working capital and/or the acquisition of objects related to the production of goods to be exported, provided the flow of income in foreign currency deriving from such exports is sufficient to settle such transactions.
- (2) Financing transactions granted to goods, producers or processors, provided they have firm sale contracts for the goods to be produced for an exporter, with prices fixed or to be fixed in a foreign currency (regardless of the currency in which the transaction is settled) and involving fungible goods with a regular and customary quotation in foreign currency which is widely known and easily accessed by the public in local or international markets. In all cases of term purchase and sale agreements for a price to be fixed, such price must be in direct relation with the price of such products in local markets. It also comprises transactions to finance suppliers of services directly used in the process of exporting goods.
- (3) Financing transactions for producers of goods to be exported, either in the same condition or as part of other goods, by third-party purchasers, provided they have total pledges or guarantees in foreign currency from such third parties.
 - (4) Financing of investment projects, working capital and/or the acquisition of any kind of goods, including temporary importation of commodities, which may increase or be related to the production of goods for exportation. Even though income from exporter companies does not totally derive from sales abroad, financing may only be allocated if the income flow deriving from exportation is sufficient.

It comprises those transactions where financing is granted via the Bank’s participation in “syndicated loans”, be they with local or foreign entities (in force as from September 23, 2005 as per Central Bank Communication “A” 4423, and supplementary regulations).

- (5) Financing to clients from the commercial portfolio and of a commercial nature who receive treatment for their consumption or housing credits –under the provisions of the “Debtors’ Classification” regulations–destined for the importation of capital goods (“BK” according to the Common Nomenclature for the MERCOSUR attached as Annex I to Decree No. 690/02 and other complementary provisions) which will result in an increase in the production of goods destined for domestic consumption. In order to grant such financing, the financial entities must verify that their clients have sufficient paying capacity considering at least two scenarios which contemplate significant exchange rate variations within a term of up to one year and which, in either case, exceed the latest estimate available resulting from the “Market Expectations Survey” published by this institution (in force since December 9, 2005 under Central Bank Communication “A” 4453, and supplementary regulations).

- (6) Debt securities or certificates of participation in financial trusts -including other collection rights specifically acknowledged in the trust agreement to be constituted within the within the framework of loans established by multilateral credit institutions of which Argentina is a party whose assets under management are loans originated by financial entities under the terms described in points (1) through (3) above and the first paragraph of point (4).
- (7) Debt securities or certificates of participation in financial trusts, issued in foreign currency and with public offer authorized by the CNV, whose assets under management are documents guaranteed by mutual guarantee companies or by provincial funds created for the same purpose, and admitted by the Central Bank, acquired by the trustee for the purpose of financing transactions under the terms and conditions described in points (1) through (3) above.

(8) Financing transactions for purposes other than mentioned in points (1) to (3) above and the first paragraph of point (4), included in the credit program "IDB Loan No. 1192/OC-AR", without exceeding 10% of the lending capacity.

(9) Interfinancing loans (any interfinancing loans granted with such resources must be identified).

The lending capacity will result from the sum of all deposits in foreign currency plus all inter-financial loans received originated in the lending capacity for this type of deposit, after deduction of the minimum reserve requirements applicable to deposits.

Any deficiencies in the application of foreign currency lending capacity, net of a portion of: (i) cash balances, (ii) cash under custody in other financial entities, (iii) cash in transit and (iv) cash with armored car transport companies (not computed as integration of the minimum cash exigency for application of the existing limit), requires an equivalent increase in the minimum cash requirement.

Reporting Requirements

On September 26, 1995, the Central Bank issued Communication "A" 2374, later restated by the Communication "A" 2879 and amendments. It complements the regulations designed to limit the liquidity risk that financial institutions in Argentina assume. Under this regulation, beginning in April 1996, banks have to draw up monthly reports on cash flow, detailing the following:

- § contractual cash flow of assets and liabilities,
- § current cash flow to renew assets and liabilities,
- § cash flow designed to prevent illiquidity of the bank, and

§ cash flow designed to anticipate illiquidity in the financial system, both with and without compliance with minimum requirements.

Financial institutions also have to adopt management and control policies to assure reasonable levels of liquidity to effectively manage the different potential scenarios which may affect deposits and other financial obligations. These policies must establish procedures to evaluate and sufficiently anticipate the liquidity of the institutions in the context of the market so as to revise projections, adopt measures to eliminate liquidity problems and obtain funds on market terms sufficient to maintain a prudent level of assets over the long term. These policies must also address:

- § the concentration of assets and liabilities in particular clients;
- § the general economic situation, probable trends and the impact on available credit; and
- § the ability to obtain funds through the sale of public debt instruments and/or liquid assets.

Furthermore, Communication "A" 2374 requires financial institutions to establish a "daily tracking" of its liquidity and of the market, calling for the participation of and coordination with the highest level management of the institution. Additionally, financial institutions must appoint one member of the board of directors to be informed at least weekly of the changes in the liquidity condition of the institutions and the market which may require new strategies to protect the liquidity of the institution. Communication "A" 3465 of the Central Bank dated February 7, 2002 suspended the implementation of this scheme from December 2001 and in 2006, the Central Bank, by Communication "A" 4482,

decided to leave without effect the application of said informative regime.

Limitations on Types of Business

Argentine commercial banks may conduct all activities and operations that are not specifically prohibited by law or by regulations of the Central Bank. Banks are permitted, among other things, to:

§ make loans in pesos and foreign currency,

§ receive deposits in pesos and foreign currency,

§ issue guarantees,

§ underwrite, place and broker equity and debt securities in the over-the-counter market, subject to the prior approval of the CNV,

§ conduct transactions in foreign currency,

§ act as fiduciary, and

§ issue credit cards.

According to the Financial Institutions Law, banks in Argentina are prohibited from investing in commercial, industrial or agricultural entities, or other entities without the express authorization of the Central Bank. The Central Bank may then impose conditions and limits to guarantee the safety and soundness of the financial institutions.

These limitations include:

§ the prohibition of a bank from pledging its shares,

§ restriction on incurring any liens upon its properties without prior approval from the Central Bank, and

§ limitations on transactions with directors or officers, including any company or person related to such directors or officers, on terms more favorable than those normally provided to clients. See “Item 4. Information on the Company—The Argentine Banking System and its Regulatory Framework—Lending and Investment Limits—Related Persons” below in this section.

Notwithstanding the foregoing, banks may own shares in other financial institutions with prior approval of the Central Bank and in public service companies if necessary to obtain those services.

Capital Adequacy Requirements

Basel Accord

In July 1988, the Basel Committee on Banking Regulations and Supervisory Practices (the “Basel Committee”), which includes the supervisory authorities of twelve major industrial countries, adopted an international framework (the “Basel Accord”) for capital measurement and capital standards of banking institutions. The Basel Accord established a risk asset ratio as the principal measure of capital adequacy. The framework provides:

§ definitions for Tier I (core) capital (“Tier I Capital”) and Tier II (supplemental) capital (“Tier II Capital”),

§ a system for weighing assets and off-balance sheet items according to credit risk (this weighted total referred to as the “Basel Risk Weighted Assets”), and

§ as of the end of 1992, a requirement that banks engaged in international operations maintain:

(1) Tier I Capital at least equal to 4.0% of Basel Risk Weighted Assets; and

(2) “Total Capital”, equal to Tier I Capital plus up to an equal amount of Tier II Capital, at least equal to 8.0% of Basel Risk Weighted Assets.

These requirements, subject to certain transition rules which effectively reduce the amount of capital required in the first two years, went into effect at the end of 1990. If the Basel Accord had been applied to us at December 31, 2010, our Total Capital would have been approximately 2.19 times the minimum required.

In June 2004, the Basel Banking Supervision Committee published the “International convergence of capital measures and rules. Revised framework” document (“Basel II” or the “New Framework”), which establishes new criteria for determining the regulatory capital of financial entities. The New Framework has an integral vision for the treatment of risks assumed by the entities and at the same time offers greater flexibility with a variety of approaches for measuring regulatory capital. Basel II is structured into three sections, the first of which establishes minimum capital requirements, the second of which describes the supervisor’s revision process and the third of which deals with market discipline.

With respect to the minimum capital requirements of Tier I, the Central Bank has adopted the Simplified Standardized Approach for credit risk (to date this methodology has not been implemented by the BCRA). As mentioned in its publication “Route sheet for implementing Basel II”, the Central Bank considers that such approach will not imply major modifications or variations in the calculation, or in the global capital requirement for financial entities. As far as the capital requirement for Operational Risk is concerned, the Central Bank deems it convenient to continue analyzing the available measuring alternatives in order to identify the one that can be best applied –in its own view- to the local financial system; in spite of which it will encourage the adoption of good practices regarding the administration of this risk. In addition, the Central Bank will maintain the scheme for calculating the capital requirement for market risk, which is in line with the provisions set forth by the Basel Committee in 1996, in respect of which no amendments were introduced by Basel II, as well as the capital requirement for interest rate risk, which is incorporated by Basel II within the risks to be quantified in Tier II. The Central Bank also foresees the adoption of measures to fully implement Tiers II and III of the New Framework, on a gradual basis and prior to the full enforcement of the capital requirements contained in Tier I, as established by the good practices suggested by the Basel Committee for a healthy implementation of the New Framework.

Central Bank Rules

Under the Financial Institutions Law, Argentine financial institutions must comply at all times with the minimum capital requirements described by the Central Bank. In July 1991, the Central Bank amended its minimum capital adequacy rules to follow those recommended by the Basel Committee more closely. However, the Central Bank’s capital adequacy rules remain stricter than the Basel Committee’s recommendations. Under rules issued by the Central Bank in July 1993 and its amendments, a commercial bank must maintain its “Minimum Capital” above a certain level.

“Minimum Capital” is equal to:

- | | |
|-----|---|
| § | “Basic Net Worth”, which includes: |
| (1) | Capital stock, |
| (2) | Capital adjustments, |
| (3) | Reserves and irrevocable capital contributions, |
| (4) | Unappropriated earnings, |
| (5) | Representative instruments of debt, and |

- (6) Third parties’ participations for those corporations subject to a supervision system on a consolidated basis;

Minus:

Balances favorable to the entity as registered in the assets, corresponding to the minimum presumed income tax for such portion as exceeds 10% of the basic net equity without computing this item, or 10% of the Bank’s RPC for the preceding period, whichever is smaller (Communication “A” 4576 and supplementary regulations, dated October 1, 2006);

Plus:

“Complementary Net Worth”, which includes 50% of loan loss provisions for loans to borrowers classified as “Normal” under Central Bank rules, certain subordinated debt and certain unaudited net income, minus unaudited losses and certain items such as permanent investments in other financial institutions and intangible assets.

Minimum Capital must be, at least, the greater of:

§ Minimum basic capital, and

§ Minimum capital required for credit risk, which includes the minimum capital requirement for market risk, plus the minimum capital requirement for interest rate risk.

Effective as of July 1, 2005, changes were made to the minimum capital requirements applicable to financial entities. Differential requirements were established for banks and other financial entities, mainly based on the area where their head offices are located, in order to benefit those areas with smaller banking coverage according to Central Bank criteria, which now enjoy less

stringent requirements with respect to minimum basic capital. Those banks which act as custodians and/or registration agents of securities representing the investments of the retirement and pension funds and/or as registration agents for registered mortgage letters must certify a minimum capital equal to or above the greater of Ps.50 million or the equivalent of 5% of the securities under custody (in the case of mortgage letters, considering the net value of any amortizations effected).

By Communication “A” 3959 dated May 30, 2003 and other complementary communications, the Central Bank modified the regulations for calculating minimum capital requirements for credit, interest rate and market risk. These modifications became fully effective as of January 2004. There follows a description of such regulations as are applicable as of the date of this report.

The minimum capital requirement for credit risk is the sum of:

- (a) 10% of the value of our fixed or illiquid assets;
- (b) 8% of the value of certain categories of financial or liquid assets, net of certain allowances and reserves, multiplied by a coefficient based on the perceived risk of such assets; and
- (c) 8% of certain assets of the non-financial public sector as accounted for in investment accounts or under special valuation criteria determined by the Central Bank.

The sum of (a), (b) and (c) shall then be multiplied by a second coefficient ranging from 0.970 to 1.15 based on the rating that the Superintendency grants to the bank based on the its net worth, asset quality, management, profitability and liquidity. To determine a bank’s risk-weighted assets, the Central Bank has assigned to each category of liquid asset a risk value based on the type of asset, borrower, collateral or guarantee, if any. For example, consider the risk values assigned to the following assets:

§ cash, gold, public securities subject to minimum capital requirements for market risk, and debt instruments issued by the Central Bank were assigned a 0% risk value;

§ correspondents’ accounts and other accounts at sight with banks of the country and abroad rated as “investment grade” and bonds issued by governments of member countries of the Organization of Economic Cooperation and Development (“OECD”), which are internationally rated “AA” or higher, were assigned a 20% risk value;

§ debt instruments issued by Argentine provinces, municipalities or other public sector agencies, which are not expressly guaranteed by the national government were assigned a 100% risk value;

§ loans to the non-financial private sector with preferred guarantees in cash, gold or bonds on fixed-term deposit certificates issued by the creditor entity itself and with automatic reimbursements for export transactions corresponding to multilateral and bilateral foreign trade agreements were assigned a 0% risk value;

§ loans to the non-financial private sector with preferred guarantees granted by mutual guarantee companies registered with the Central Bank, export credit insurance policies and documentary credits in use were assigned a 50% risk value;

§ purchase money, home mortgage loans and automobile-backed loans were assigned a 50% risk value, provided they do not exceed 75% of their appraisal value;

§

the amount of a loan exceeding 75% of their appraisal value and most unsecured loans and debt instruments as well as holdings of listed stock were assigned a 100% risk value; and

§ loans to the non-financial public sector not guaranteed by the national government were assigned a 100% risk value.

On July 25, 2003, the Central Bank introduced Communication “A” 3986, effective as of January 2004, which provided for the application of a correction coefficient (ALFA 1) for the purpose of temporarily reducing the minimum capital requirement for credit risk with respect to assets in investment accounts and financing transactions granted to the non-financial public sector up to May 31, 2003, for instruments received by the financial entities on account of the compensation implemented under articles 28 and 29 of Decree No. 905/02, for instruments issued by the Trust Fund for Provincial Development under Decree No. 1579/02, even if their reception or incorporation takes place after the established date, and for “Discount Bonds” and the corresponding “GDP-related negotiable securities issued under the conditions of Annexes IV and V, respectively, of Decree No. 1735/04, received in exchange for assets on record as May 31, 2003 as a consequence of the sovereign debt restructurings. Therefore, the application of this coefficient

excludes those financing and refinancing transactions -including express or tacit renewals or time extensions- to the national non-financial public sector granted as of June 1, 2003. Such coefficient was fixed in the following values:

Period	ALFA1
January / December 2004	0.05
January / December 2005	0.15
January / December 2006	0.30
January / December 2007	0.50
January / December 2008	0.75
From January 2009	1.00

Any excesses incurred for noncompliance with other technical regulations must be added to the credit risk requirement calculated as indicated in the preceding paragraphs. Finally, commencing on February 1, 2007, the increase for extension of the global negative net position in foreign exchange must be added to the credit risk requirement. See “Item 4. Information on the Company—The Argentine Banking System and its Regulatory Framework—Foreign Currency Position”.

Minimum Capital Requirement for Market Risk: under Communication “A” 2435 and supplementary regulations, dated May 16, 1996 the Central Bank implemented, effective from September 1, 1996, additional minimum capital requirements in relation to market risk associated with positions held by financial institutions in “local assets”, “foreign assets”, “foreign currency” and “gold”, including derivatives bought or sold on such positions.

“Local Assets” include:

§ debt securities issued by the National Government and instruments of monetary regulation of the BCRA (including the holding available for sale), except for those held in investment accounts, public securities acquired since June 1, 2007 by primary subscription denominated in pesos, and quotas in common investment funds that invest in those securities; provided that, such securities and/or holdings are usually listed on a national securities exchange; and

§ shares of capital stock of Argentine companies included in the Argentine stock market index (or “Merval Index”) and quotas in common investment funds that invest in those shares.

“Foreign Assets” are defined to include:

§ debt securities (including positions held in debt securities issued by foreign companies, sovereign securities issued by foreign governments and quotas in common investment funds; provided that, such securities and/or holdings are usually listed on a national securities exchange); and

§ shares (including positions held in shares of capital stock of foreign companies, quotas in common investment funds; provided that, such securities, holdings and/or indexes are usually listed on a national securities exchange). If any of the assets mentioned in this clause are listed in different stock markets in diverse foreign currencies, the listing price and foreign currency of the most representative stock market (in terms of the volume of transactions in the relevant asset) will be taken into consideration for purposes of these new capital requirements.

The positions under consideration must be separated according to the currency of issue of each instrument, regardless of the issuer's residence. In the cases of assets expressed in foreign currency, the entity must consider the risk for two positions: that which corresponds to the assets and the position in foreign currency, the relevant capital requirement being determined on the basis of the latter. The value of all positions will be expressed in pesos by using the reference exchange rate published by the Central Bank for the U.S. dollar, after application of the swap rate corresponding to the other currencies.

"Foreign currency" includes the net positions for each foreign currency, considering the totality of assets and liabilities in such currencies, and the gold position. Those positions in foreign currency which, individually considered at the close of each day of transactions, are below the equivalent of Ps.300,000 may be excluded. This exclusion will not apply if the computable foreign currencies considered as a whole at the close of each day exceeds Ps.1,500,000. Purchase or sale of contracts that give the right to buy or sell local assets and foreign assets are taken into consideration in calculating minimum capital requirements. The swaps and other derivatives on assets not affected by these regulations will be excluded from the portfolios that are subject to risk value calculation, provided such transactions are for the purpose of covering financial intermediation risks.

The market risk-related capital requirements are determined by using specific risk methodologies and are based on the financial institution's daily net positions in any of the above-mentioned assets. These requirements follow, in general, standards established by the Basel Committee and the European Union.

Minimum Capital Requirement for Rate Risk: under Communication "A" 2793, and supplementary regulations, dated October 27, 1998, the Central Bank has implemented certain modifications, to be made effective by March 1999, to the methodology financial institutions use to calculate minimum capital requirements. This regulation requires that additional items be considered for purposes of determining minimum capital requirements, including risks associated with fluctuations in interest rates, credit quality and certain types of market risk. Communication "A" 3959 dated May 30, 2003 and effective as of January 2004 included the calculation of risk for those transactions adjustable by CER and CVS. However, the following items are excluded from this Regulation:

§ securities and derivative instruments that are already subject to minimum capital requirements for market risk;

§ holdings in foreign currency not subject to minimum capital for market risk as they are below the minimum applicable limits;

§ banker's acceptances;

§ assets affected, covered by derivatives agreements made with foreign banks with international risk rate "A" or above, granted by international rating agencies accepted by the Central Bank;

§ subordinated debt that is included in the calculation of Complementary Net Worth, and other assets deductible from minimum capital integration; and

§ operations for spot markets of securities and foreign currency.

Effective as of January 2004 according to the terms of Communication "A" 3986 dated July 25, 2003, the Central Bank determines the application of an "ALFA2" coefficient in order to temporarily reduce the requirement for interest rate risk. For these purposes, the following values are fixed:

Period	ALFA2
January / December 2004	0.20
January / December 2005	0.40
January / December 2006	0.70
From January 2007	1.00

According to the Central Bank regulations on Minimum Capitals, the financial entities must adjust to such regulations on an individual and consolidated basis.

The Bank fully complied on an individual and consolidated basis with the ratios for minimum capital.

If a financial institution does not comply with all these minimum capital requirements, it must submit a regulatory and redress plan to the Central Bank, which may impose various penalties, including:

§ temporary limitation on the amount of deposits a bank may accept;

§ institutional restrictions as per expansion capacity and dividends distribution in cash;

§ revocation of the license of a bank to conduct foreign exchange transactions; and, in some extreme cases;

§ revocation of the license of a bank to operate.

The following table presents, at December 31, 2010, both the calculation of our ratio of capital to risk-weighted assets computed under the Basel Accord and our capital under the minimum capital rules of the Central Bank. In addition, see Note 19.13 to the Consolidated Financial Statements.

	At December 31, 2010 (in millions of Pesos, except percentages)
Basel Accord	
Total capital	3,811.9
Risk-weighted assets	21,784.7
Ratio of total capital to risk-weighted assets (1)	17.5%
Required capital	1,742.8
Excess capital	2,069.1
Central Bank's Rules (2)	
Total capital	3,690.5
Risk and Fixed weighted assets	20,764.1
Ratio of total capital to risk-weighted assets (3)	17.8%
Required capital (4)	2,036.4
Excess capital	1,654.1

(1) Under the risk-based capital requirements of the Basel Accord, the Bank would be required to maintain a minimum ratio of total capital to risk-weighted assets of 8%.

(2) Calculated on a consolidated basis in accordance with Central Bank requirements.

(3) Under the risk-based capital requirements of the Central Bank, we are required to maintain a minimum ratio of total capital to risk and fixed weighted assets of 10% and 8% (depending upon the nature of the asset) by application of an alpha correction factor equal to 0.05 over financing to the national public sector granted up to May 31, 2003.

(4) The Bank must maintain a surplus of minimum paid-in capital amounting to at least Ps.92.9 million, equivalent to 0.25% of the amount of values under custody for securities representing investments from pension funds, as well as in connection with its function as registrar of mortgage-backed bonds, invested in national public securities and other destinations authorized by the BCRA and guaranteed in favor of the given entity.

System Governing the Holding of Securities in Investment Accounts and Available for Sale

Investment Account and Special Investment Account

As of June 1, 2001, according to Communication "A" 3083 of the Central Bank, the criteria for the accounting registration of holdings in investment accounts was modified. Such holdings, national public securities subject to market risk capital requirements, are registered at cost value exponentially increased up to each service due date according to its internal return rate and the time elapsed since their incorporation to such accounts.

By Communication "A" 3785 the Central Bank added a new chapter to the regulations, applicable only to those bonds received under the compensation mechanism implemented by the National Government in order to reimburse the entities for certain negative equity effects generated by the conversion into pesos at different exchange rates of those credits and obligations denominated in foreign currency, as well as by the negative net position deriving from such conversion (Articles 28 and 29, Decree No. 905/02). Such bonds may be registered by the entities at their technical

value. By Communication “A” 3857 the Central Bank restricts the application of these provisions to those securities incorporated up to December 31, 2002, except for those received by the financial institutions as part of the compensation implemented by Articles 28 and 29 of Decree No. 905/02. By Communication “A” 4114 dated March 12, 2004, the Central Bank included those bonds to be received by the financial institutions as compensation for the transformation of loans adjustable by CER into loans adjustable by CVS (Chapter II of Law No. 25,796 and Annex II to Decree No. 117/04). For so long as this procedure was in force, the entities may only distribute dividends for such amount as the profits exceed the difference between the above-mentioned accounting value for registration purposes and the quotation of the bonds after all legal and statutory appropriations have been made.

In August 2007, the accounting valuation scheme for investment accounts was incorporated for debt securities issued by the BCRA (Lebac and Nobac), provided such debt securities are included in the monthly list of volatilities published by the BCRA. The maintenance term for these holdings will be up to their expiration. All holdings incorporated in investment accounts will be registered at their cost value, with monthly increases according to its internal return rate. For a pre-existing holding, the market quotation will be considered at cost value; in the event of unlisted holdings acquiring volatility as published by the BCRA, the latest accounting value will be considered at cost value; otherwise the market value will be considered.

On June 26, 2009, Communication “A” 4961, excluded from such regulation those securities received as part of the compensation implemented by Articles 28 and 29 of Decree No. 905/02 and Chapter II of Law No. 25,796 (Annex II to Decree No. 117/04).

Under the Special Investment Accounts system are included those national public securities denominated in pesos for terms of five years or more at a fixed rate, without CER (“Coeficiente de Estabilización de Referencia”) adjustment, acquired through primary underwriting effected by the financial entities as from June 1, 2007. These may be accounted for, at the Bank’s option, at either:

- (i) market value; or
- (ii) cost value increased according to their internal rate of return.

Whenever the market value is lower than the book value, such accrual will be allocated for compensation in a balancing account, until the book value is equal to the market value. Such balancing account will be released and charged to income to the extent that its balance exceeds the positive difference between market value and book value. The system created by this regulation shall have been totally canceled by December 31, 2010; therefore beginning January 1, 2010, the incorporation of new debt instruments to this regulation will not be admitted.

By Communication “A” 4861, dated October 30, 2008, the BCRA established a special treatment for the issuance of national public securities and monetary regulation instruments. Commencing on October 31, 2008, the financial institutions have the possibility of totally or partially transferring to investment accounts and/or special investment accounts those national public securities and BCRA’s monetary regulation instruments contemplated in the monthly list of volatilities published by such body for purposes of calculation of the minimum capital requirement by market risk.

The incorporations must be carried out at purchase price if the option is exercised on the same day of acquisition or, if effected after incorporation to the assets, at the market price corresponding to the closing of operations on the date the option is exercised. Afterwards, it will be valued according to points (i) and (ii) above. In the case of public securities (be they in pesos or in foreign currency), it has been decided that the position as at October 31, 2008 may be totally or partially accounted for in a special investment account at the book value of September 30, 2008 and to the extent that it does not exceed the position at such date. The securities incorporated in October 2008 must be valued at their acquisition value.

Furthermore, it has been resolved that beginning November 1, 2008, the total value of national public securities accounted for in investment accounts and special investment accounts may not exceed 7.5% of the total assets corresponding to the last day of the preceding month. Such limit is increased by an additional 7.5% for national public securities assigned to “investment accounts” only in the event that they shall have been received by the financial entities by virtue of a swap, payment or exchange transaction, and provided that the financial entities’ decision on the subject involves the incorporation of those instruments received on the same date of implementation of such transactions in the framework of operations conducted beginning January 1, 2009 under specific decisions made by the relevant authority. Any excess thereon will determine an equivalent increase of the minimum capital requirement for credit risk. These provisions were removed by Communication “A” 5180 of February 11, 2011 effective from March 1, 2011.

In addition, the BCRA has decided to admit, until October 31, 2008, the following total or partial releases:

§ national public securities comprised within the margin for purchase and sale or brokerage transactions admitted in case of excesses over the limits to credit risk division due to financing for the non-financial public sector that must be charged to this special system. The released instruments will continue to be taken into account in calculating the excess over the limits to credit risk division due to financing for the non-financial sector originated in operations in existence prior to March 31, 2003, whose margin may not exceed 25% of the RPC corresponding to the last day of the pertinent preceding month;

§

national public securities acquired by the financial entities through primary underwritings from June 1, 2007, denominated in pesos at terms of five years or more, at a fixed rate without CER adjustment, chargeable investment accounts at the net book value of the relevant portion corresponding to the amount of the balancing account; and

§ BCRA's monetary regulation instruments contained in investment accounts, so that they may be totally or partially charged to the special investment account system.

Available for Sale

In addition, it is admitted that holdings of national public securities and debt instruments issued by the BCRA be classified as “available for sale”, provided they are contemplated in the monthly list of volatilities published by the BCRA for calculating the minimum capital requirement for market risk. They will be registered at their quotation value, and the difference (if any) between the incorporation cost and the quotation value will be shown in the Shareholders’ Equity (unrealized valuation difference).

The holdings registered under “available for sale” may be reversed only in the following cases:

- § sale;
- § collection of the corresponding amortization services and / or capital revenue;

§ whenever the volatility published by this Institution ceases to be available, in which case they must be registered as holdings without quotation; or

§ whenever it is decided to use the “Special Investment Account” or “Investment Account” valuation method.

New rule on valuation of public sector debt instruments and BCRA’s monetary regulation instruments

Since the issuance of Communication “A” 5180 of February 11, 2011 the BCRA revokes as from March 1, 2011 the valuation criteria currently applicable to debt instruments in the public sector and monetary regulation instruments of that institution. Earlier application is permitted to December 31, 2010 after notifying the SEFyC (“Superintendica de Entidades Financieras y Cambiarias”).

The new rules establish that the holdings of securities referred to in the previous paragraph may be valued: (i) at fair value or (ii) at cost value increased according to their internal rate of return.

§ Fair value: includes government securities and monetary regulation instruments contemplated in the monthly list of volatilities or present value published by the BCRA, as well as debt instruments of trusts whose underlying assets are constituted by these assets.

They will be recorded at their market value or present value.

They will be used for trading unless the entities expressly choose to value at cost value increased according to their internal rate of return.

§ Cost value increased according to their internal rate of return: comprising (i) government bonds received under the provisions of Articles 28 and 29 of Decree No. 905/02 and in Chapter II of Law No. 25,796, unless at February 28, 2011 and subsequently the entity decides to value them at market value; (ii) federal governmental loans issued by the Government under Decree No. 1387/01 and notes with similar conditions to the issuance of government securities; (iii) debt instruments (which have not been acquired in the secondary market) signed by the entities as of January 1, 2009 through an exchange, or payment in exchange for other debt instruments expressly admitted, unless at February 28, 2011 and subsequently the entity decides to value them at market value; (iv) monetary regulation instruments of the BCRA which are not covered in the list of volatilities published by that institution; (v) securities which are not covered in the list of volatilities published by the BCRA, not included in point (iii) above; (vi) public sector financing existing at March 31, 2003 (except securities and guarantees loans); (vii) other public sector financing after March 31, 2003; (viii) debt instruments of trusts whose underlying assets are constituted by one of

the instruments listed in the preceding points; and (ix) securities that can be valued at fair value and the entity decides to value at cost increased according to their internal rate of return.

They will be recorded at their incorporation value increased monthly by the internal rate of return.

CAMEL Quality Rating System

Under Law No. 24,144, the Central Bank established the “CAMEL” quality rating system which is based on weighting consistent and comparable criteria, creditworthiness, compliance with the Financial Institutions Law, its administrative order and the general operating solvency of the entity. Each letter of the CAMEL system corresponds to the following areas of the operations of each bank that is being rated: “C” represents capital, “A” represents assets, “M” represents management, “E” represents earnings and “L” represents liquidity. Each factor is evaluated and rated on a scale from 1 to 5, 1 being the highest rating an institution can receive. By combining the individual factors that are under evaluation, a combined index can be obtained which represents the final rating for

the entity. The rating a bank receives from the CAMEL system can be used by the Central Bank in making decisions such as determining the levels of minimum capital or the amount of contributions a bank is required to contribute to the insurance guarantee system.

BASIC System

The Central Bank established a control system known as “BASIC” which requires that all financial institutions comply with a set of procedures affecting their transactions. The system allows public access to a higher level of information and security as regards its placements in the Argentine banking system. Each letter in the name of the BASIC system identifies one of the following procedures:

B (“Bonds”). By decision of the Central Bank’s board, banks were expected to issue bonds and other securities or obtain placements from international top-rated banks for an equivalent of 2% of their deposits in pesos and foreign currency. The placement of such bonds would make it possible for depositors to know the perception of the market on the equity situation of each financial entity. The Central Bank required that all financial institutions in Argentina should once a year perform at least one of the following actions:

§ a debt issue in a country which must be a member of the OECD and at the same time have an “AAA” rating in respect of its sovereign debt;

§ an issue of capital stock approved by the relevant local authorities and according to which the shares could be freely traded either in such local market or in the market of a member nation of the OECD with an “AAA” rating in respect of its sovereign debt;

§ a debt issue to an Argentine financial entity which complies with the alternative procedure described in (a) above;
or

§ a transaction with a foreign bank with a minimum credit rating of “A”, by which the Argentine entity would receive deposits or take loans from such foreign bank. The purpose of such requirement was to have the Argentine financial institutions exposed to scrutiny and analysis by third parties considered by the Central Bank to be rating demanding in matters that have to do with credit analysis and quality control. The need to respond to the expectations of such third parties at the same time created for the Central Bank an additional source of quality control over the Argentine banking system. While this requirement remained in force the Bank complied with it at all times.

The requirement was abrogated by Communication “A” 3498 of the Central Bank, dated March 1, 2002.

A (“Audit”). The Central Bank requires a number of auditing procedures which include:

§ the creation of a registry of auditors;

§ the implementation of strict accounting procedures to be observed by auditors;

§ the payment of a guarantee of compliance by such auditors so as to induce them to fully comply with the procedures; and

§ the creation of a Central Bank division in charge of verifying the observance of the established regulations by the external auditors.

The purpose of this requirement is to ensure accurate representations by the financial institutions to both the Superintendency and to the public. It involves verifying the figures presented by the entity as well as an in-depth investigation into whether such figures appropriately reflect the activities of the bank in question.

S (“Supervision”). The supervision by the monetary authorities is not replaced but is naturally complemented and reinforced by the information from market sources and continues to be a basic element for controlling the financial system. In Argentina, as in most of the world, what is in use is a combination of remote analysis and inspections in the bank itself. The Argentine supervision system specifically applies an internationally recommended classification system, known as the above-mentioned CAMEL system. In summary, this requirement implies that the Central Bank reserves the right to regularly inspect all financial institutions.

I (“Information”). This is a fundamental element in banking supervision and also as regards the control exercised by the market. It is clear that no effective supervision is possible without relevant, reliable and timely information. No discipline can be imposed by the market on the banks and no control will be effective on the supervision if there is no access to such information. This is why the

Central Bank requires that the financial institutions disclose certain statistical information on a daily, weekly, monthly and quarterly basis.

C (“Calificación” (Spanish for Rating)). The rating agencies play a significant role in banking supervision. The ratings serve to bring attention to the available guarantees and informs the less-specialized investors about the risk involved in the different securities. The investor’s information universe is thus expanded and this increases the efficiency of the information process. It would be economically inefficient for the smaller investors to conduct their own collection and analysis of information for each alternative present in the marketplace. This is the reason that justifies the existence of the rating agencies which appear in the marketplace to fulfill such role. The Central Bank established a system that requires that a credit evaluation be regularly performed by internationally recognized rating agencies.

Foreign Currency Position

As at the date of this report, the maximum limit for the general foreign exchange position that must be maintained on a daily basis by the financial institutions is the greater of:

§ 15% of the equivalent in dollars of their Bank’s RPC, as registered at the close of the month that is two months prior to the relevant month plus the amount that results from multiplying 5% of the total amount transacted with clients in the purchase and sale of foreign currencies in the month that is two months prior to the relevant month, and 2% of the total deposits at sight and at term locally constituted and payable in foreign bank notes (excluding deposits under custody), as registered at the close of the calendar month that is two months prior to the relevant month; and

§ a minimum equivalent to U.S.\$8,000,000, which may be increased according to the number of establishments devoted to foreign exchange transactions and by operations with holdings in foreign currencies other than the dollar or the Euro and other permitted transactions. BBVA Banco Francés maintains the limit indicated in the immediately preceding bullet point.

The maximum limit is reduced by 50% if the financial entity has a debt on record for rediscounts and/or advances with the Central Bank for an amount exceeding 50% of the latest RPC recorded by the entity, excluding from the calculation of the indebtedness those transactions which the entity chose to refinance in terms of Communication “A” 3941 of the Central Bank.

To this effect, the Central Bank defined the general foreign-exchange position as the sum of the following items:

- § gold and foreign currency resources available in the country;
- § gold and foreign currency resources available abroad;
- § foreign public and private securities;
- § cash or future foreign-exchange purchases pending settlement;
- § cash or future public and private security purchases pending settlement;
- § cash or future foreign-exchange sales pending settlement;
- § cash or future public and private security sales pending settlement; and

§

foreign-exchange holdings in the form of deposits and investments at any term in banks from abroad and all kinds of liquid investments abroad.

The general foreign exchange position does not include foreign assets of third parties under custody, balances with correspondents of third parties pending settlement, purchases and sales of foreign currencies or securities at a term and direct investments abroad.

In addition to the limit described above, all funds from foreign currency deposits and received financial loans granted with funds from foreign currency deposits must be applied mainly to the financing of foreign trade transactions, any deficiencies in the application of foreign currency lending capacity, net of a portion of: (i) cash balances, (ii) cash under custody in other financial entities, (iii) cash in transit and (iv) cash with armored car transport companies, requires an equivalent increase in the minimum cash requirement. See “Lending Capacity Provided by Deposits in Foreign Currency” above.

Effective May 1, 2003, under the terms of Communication “A” 3889 and supplementary regulations, of the Central Bank, the global net position in foreign currency may not exceed the following limits:

§ Negative global net position (liabilities exceeding assets), 30% of the RPC until December 31, 2006. As from January 1, 2007 and according to the provisions of Communications “A” 4577 and 4598, 15% of the RPC, with the possibility of an additional 15% to the extent that the entity at the same time has recorded: (a) medium and long term financings in pesos to non-financial private sector under certain conditions for an amount equivalent to the increase of such limit and (b) an increase in the minimum capital requirement equivalent to the increase of the general limit of the global negative net position in foreign currency.

§ Positive global net position (assets exceeding liabilities), which is the lesser of the following:

- (1) 30% of the RPC, and
- (2) Own liquid resources.

Own liquid resources means the excess of RPC with respect to immobilized assets and other concepts computed according to the rules on “Relationship of Immobilized Assets and Other Concepts”. See “Fixed Assets and other items” below.

The global net position in foreign currency will include all assets and liabilities from financial intermediation in foreign currency and securities in foreign currency (deriving from cash and term transactions) including those contracts for derivatives linked to these concepts, those items which must be included in the General Foreign Exchange Position, all deposits in such currency in accounts opened with the Central Bank, as well as the gold position, the fixed-term deposits in U.S. dollars payable in pesos and any Central Bank bills in U.S. dollars as well as foreign currency debt securities. Term transactions made within a framework agreement in the area of self-regulatory markets of the country based on liquidation by difference will be also computed, without delivery of the negotiated underlying asset. Furthermore, the pass-through certificates or debt securities issued by financial trusts as well as the credit rights regarding ordinary trusts, in the pertinent proportion, when their underlying asset is constituted by assets in foreign currency, will also be considered.

In addition to the above and irrespective of the observance of the limit set forth above, the net global position, considering the balances of accounts at sight and other related assets and liabilities –whichever the nature or character of the transaction- (be they assets negotiated on a customary basis or by significant volumes in institutionalized markets) realized or expiring within the following 180 days, may not exceed the percentage applied over the computable equity responsibility of the month prior to that duly indicated by the Central Bank. In order to determine the above position, only the securities registered on the accounts at market value will be considered, irrespective of the calculation in the position of the services whose expiration falls within 180 days (Communication “A” 4135 of May 5, 2004).

By Communication “A” 4350 dated May 12, 2005, the Central Bank suspended as of May 1, 2005 the limits for the global positive net position and the additional short-term limit (transactions due within 180 days), as mentioned above. The additional short-term limit was abrogated by Communication “A” 4577 dated September 28, 2006.

Any excess above the limits will be subject to a charge amounting to the greater of twice the annual rate at due date for Central Bank drafts in dollars or twice the LIBOR rate at thirty days for transactions in such currency.

For financial information regarding our net foreign currency exposure, see Note 19.12 to the Consolidated Financial Statements.

Fixed Assets and Other Items

The Central Bank determines that the fixed assets and other items maintained by the financial entities must not exceed 100% of the entity's RPC. The BCRA has resolved to increase by 50 percentage points the specified limit to the extent that the immobilization of the assets is originated in the holding of national public securities and/or monetary regulation instruments of the BCRA appropriated as guarantee by financial institutions in favor of such entity according to the regulations in force for operations implemented by the ALADI Reciprocal Payments and Credits Agreement.

Such fixed assets and other items include the following:

§ Shares of local companies.

§ Assets appropriated as guarantee.

§ Various credits (including the net balance favorable to the given entity corresponding to the Tax on minimum presumed income or “TOMPI” undeductible of Basic Net Worth).

§ Property for own use.

§ Various property items.

§ Organization and development expenses.

§ Goodwill.

§ Financing transactions for related clients.

Excluded from the above items are those assets deductible for calculating the entity’s RPC and assets affected as guarantee for certain operations mainly related to swaps and derivatives, as well as the financing transactions with certain related companies, provided the participation in the company exceeds 50% of the corporate capital and 50% of the votes.

The calculation of such assets will be effected according to the balances at the close of each month, net of depreciations, accumulated amortizations and bad debt risk allowances (except for 50% of the allowance on the portfolio in a normal situation). It will also be possible to deduct certain liabilities related to the assets being calculated. In the case of financing transactions with related clients, the calculation will be based on the balance at the close of each month or the largest assistance provided to each client during the period in question.

Any excesses in this relationship generate an equivalent increase of the minimum capitals. Furthermore, any entity incurring noncompliance violations in three consecutive or four non-consecutive months within a period of twelve consecutive months must submit a regularization and normalization program.

Lending and Investment Limits

Private sector

Central Bank rules limit the amount of credit, including guarantees, that a commercial bank may extend to, and the amount of equity that it may invest in, any entity at any time. These limits are based on the Bank’s RPC on the last day of the immediately preceding month.

According to Central Bank rules, a commercial bank may not extend credit to a single non-related client and its affiliates, or invest in that client’s equity, in an amount in excess of 15% of the bank’s RPC. However, we may extend additional credit to that client up to 25% of the Bank’s RPC if that additional credit is secured with certain senior preferred liquid assets, including public or private debt securities. Total loans or other extensions of credit that a commercial bank may grant to any particular borrower and its affiliates are also limited based on the borrower’s net worth. Total loans or other extensions of credit to any particular borrower and its affiliates may not exceed, in general, 100% of such borrower’s net worth, but such limit may be increased to 300% of the borrower’s net worth if such

amount does not exceed 2.5% of the Bank's RPC.

Effective October 1, 1995, the Central Bank requires that extensions of credit in any form in excess of 2.5% of a Bank's RPC must be approved by the relevant branch manager, regional manager, relevant first line administrative officer of the credit area, general manager and credit committee, if any, of the bank, as well as by its board of directors, administration council or similar corporate body.

In addition, an equity investment of a commercial bank in another company that does not provide services that are complementary to the services provided by a commercial bank may not exceed 12.5% of the stockholders' equity of such company.

Related Persons

The Central Bank limits the amount a bank can lend to, and the amount of equity it may invest in, a “Related Person”. A Related Person is defined to include:

§ any individual or entity controlling a bank, controlled by a bank or affiliated with a bank, as defined by the Central Bank;

§ any entity that both controls the bank and has common directors to the extent such directors, voting together, will constitute a simple majority of the boards of directors of the bank and such entity; or

§ in certain exceptional cases, any individual or entity that the Central Bank has determined to be in a position to adversely affect the financial condition of the bank.

“Control” is defined as:

§ holding or controlling, directly or indirectly, 25% of the voting stock of the controlled entity;

§ having held 50% or more of the voting stock of the controlled entity at the time of the last election of such entity’s board of directors;

§ any type of equity holding that creates the ability to vote or direct the vote so as to prevail on any issue considered at the controlled entity’s general shareholders’ meeting or meeting of the board of directors; or

§ when a person is determined by the board of directors of the Central Bank to be exercising any influence, directly or indirectly, on the management or policies of the bank.

Under Communication “A” 3129 dated June 30, 2000, and amendments, applied from July 1, 2000 and supplementary regulations, the Central Bank established that the total amount of financing to a company or related person may not exceed the following percentages of their computable equity as of the last day of the month prior to that to which they apply:

- § Entities with CAMEL 1 to 3:
 - (i) For each related client:
 - 1. General:
 - a) Transactions with guarantee: 10% RPC
 - b) Transactions without guarantee: 5% RPC
 - 2. Complementary services entities or companies subject to consolidation:

Granting financial entity	Rating of the recipient	Additional			
		General	Tranche I	Tranche II	Tranche III
	1	100%	25% earmarked by the financial institution acquiring assistance to finance transactions that comply with certain conditions.	25% in the event of financing transactions with guarantee or assignment of credit portfolio where assignor is responsible provided the requirements of Tranche I are met.	—
with rating 1, 2 or 3	2	20%	25% earmarked by the financial institution acquiring assistance to finance transactions that comply with certain conditions.	25% if the financing transactions involve guarantee or assignment of credit portfolio where assignor is responsible provided the requirements of Tranche I are met.	55% for financing transactions for an agreed initial term of up to 180 days.
	3	10%	20% earmarked by the financial institution acquiring assistance to finance transactions that comply with certain conditions.	20% if the financing transactions involve guarantee or assignment of credit portfolio where assignor is responsible provided the requirements of Tranche I are met.	—
	4 or 5	10%	—	—	—
	1 to 5	0%	—	—	—

with rating 4
or 5

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Complementary services companies	Rating of granting entity	Additional			
		General	Tranche I	Tranche II	Tranche III
	1	100%	—	—	—
stock exchange agent or other broker, leasing, factoring or temporary acquisition of participation in companies to sell the holdings afterwards	2	10%	90% for financing transactions for an agreed initial term of up to 180 days.	—	—
	1	100%	25% earmarked by the financial institution acquiring assistance to finance transactions that comply with certain conditions.	25% in the event of financing transactions with guarantee or assignment of credit portfolio where assignor is responsible provided the requirements of Tranche I are met.	—
credit card issuers	2	20%	25% earmarked by the financial institution acquiring assistance to finance transactions that comply with certain conditions.	25% in the event of financing transactions with guarantee or assignment of credit portfolio where assignor is responsible provided the requirements of Tranche I are met.	55% for financing transactions for an agreed initial term of up to 180 days.
	3	10%	20% earmarked by the financial institution acquiring assistance to finance transactions that	20% in the event of financing transactions with guarantee or assignment of credit portfolio where assignor is	—

comply with
certain
conditions.

responsible
provided the
requirements of
Tranche I are
met.

4 or 5

0%

—

—

—

3. Investment grade bank from abroad: 10% RPC.

(ii) For all linked clients, excepting financial entities or complementary services companies, subject to consolidation: 20%.

(iii) Total of financing transactions for linked clients plus total of frozen assets, excluding complementary leasing, factoring and credit card issuing services: 100%.

As of November 13, 1998, pursuant to Communication "A" 2800 of the Central Bank, as supplemented, all lending to or investing in Related Persons is prohibited for any financial institution having a CAMEL rating of 4 or 5 (Communication "A" 2829 of the Central Bank) except in the following situations and under the following limitations:

§ foreign financial institutions which are subsidiaries of the domestic institution subject to oversight on a consolidated basis (Communication "A" 2829 of the Central Bank);

§ foreign banks controlling domestic financial institutions or their branches or subsidiaries abroad (Communication "A" 2829 of the Central Bank);

§ when the Related Person is a company that has been fully consolidated by the bank and is exclusively involved in certain activities that are complementary to financial intermediation, the foregoing traditional restrictions with regard to investments and loans apply; and

§ when the Related Person is a company expressly referred to as an exempted entity under Article 28 of Law No. 21,726 and only in respect of equity investments, the bank is limited to lending to such Related Person and only in accordance with the previous traditional restrictions.

In addition, with respect to Related Persons who are natural persons, the total amount of loans to those Related Persons cannot exceed Ps.50,000, which amount must be used exclusively for personal or family purposes. Failure to properly observe these requirements can result in an increase of the minimum capital requirements for credit risk in an amount equal to 100% of the daily excess amounts over the requirements beginning on the month when the excess amounts are not corrected and continuing while the excess amounts remain. In the case of information registered out of term, this increase will be applied beginning on the month when the information is registered and for as long as the default exists. Moreover, once the default has been corrected, the increase will be applied for a number of months equal to the period during which the Central Bank was not informed. For repeated defaults the increase can reach up to 130% of the excess amount.

At December 31, 2010, the aggregate of computable loans, other extensions of credit and equity investments by BBVA Banco Francés on a consolidated basis to Related Persons totaled Ps.484.2 million, or 13.04% of BBVA Banco Francés' RPC.

Non-financial Public Sector

By Communication "A" 3911 dated March 28, 2003 and supplemented, and which became effective in April 2003, the Central Bank set forth new limits for those transactions carried out with the non-financial public sector.

The non-financial public sector includes, inter alia:

- § the national government;
- § provincial governments;
- § the city of Buenos Aires;
- § municipal governments;

§ central administration, ministries, departments and their decentralized and autonomous entities and other official bodies; and

§ trusts and trust funds whose final beneficiary or trustee, as determined by the respective contracts or applicable regulations, belongs to the non-financial public sector, including other trusts or trust funds where such sector is the final destination of the financed works.

Communication "A" 4527 dated April 25, 2006 and supplementary regulations provide that the Central Bank may apply to public sector companies governed by Law No. 20,705 the general treatment foreseen for the non-financial private sector in connection with all effects of the rules applicable on the subject, provided they:

§ do not require resources from the state budget whether national, municipal, provincial or belonging to the Autonomous City of Buenos Aires for such items as transfers, capital contributions (excepting those corresponding to their incorporation) or reimbursable financial assistance to be used for covering expenses and/or investments made in the course of their normal and customary businesses, except those which may have been contemplated in the 2001 and 2002 budgets;

§ maintain technical and professional independence of their managerial bodies for implementing corporate policies;

§ trade their goods and/or services at market prices;

§ possess fixed assets; the use of which in the activity is not subject to any condition from their shareholders; and

§ do not distribute of dividends among their shareholders.

Compliance with all the above conditions must have been verified continuously during at least the ten years immediately preceding the date of the granting of financial assistance.

By Communication "A" 4581 dated September 29, 2006 and supplementary regulations, the Central Bank of the Argentine Republic may agree on the general treatment for persons of the non-financial private sector, to all effects of the rules applicable on the subject to public sector companies which are not incorporated under Law No. 20,705 and which also comply with the following requirements:

§ Their creation must have been ordered by a national law;

§ They must create a stock corporation according to the rules of Chapter II, Sections V and VI of the Law of Corporations Number 19,550 (stock corporations and corporations with majority state participation);

§ They must have majority National State participation, be it direct or indirect, according to the provisions of said Law;

§ They must be for the specific purpose of developing activities in the power supply sector; and

§ They must be subject to internal and external control by the National Public Sector in terms of the Financial Administration Law and the National Public Sector's Control System Law No. 24,156.

Consequently, those corporations receiving the treatment set forth in this resolution will be exempted from the application of the provisions regarding financial assistance to the owners of entities in the non-financial public sector.

All financing granted to the above entities may not exceed the following limits with respect to the entity's RPC as at the last day of the preceding month:

§ for transactions in the national public sector: 50%, which includes loans granted to governments from other jurisdictions guaranteed by their participation in the federal tax collection system;

§

for all transactions granted to each provincial jurisdiction and the City of Buenos Aires (excluding those comprised in the previous paragraph which must be guaranteed by the collection of local taxes or by pledge or implemented under leasing agreements): 10%. This limit includes financing operations granted to municipal governments in the respective jurisdiction and guaranteed by their participation in the collection of provincial taxes;

§ for all transactions with each municipal jurisdiction, which must be guaranteed by the collection of local taxes or by pledge, or implemented under leasing agreements: 3%. Total financing granted to the above-mentioned jurisdictions (excluding those mentioned in the previous paragraph): 15%; and

§ for all transactions referred to in the first three points above: 75%.

On the other hand, the Central Bank determined that any excesses to the above relations and to the limit mentioned in the last paragraph of this point, exclusively originated in the application of the new limits and conditions for computing financing transactions, will not be considered as non-compliances, provided that such excesses result:

- a) From transactions existing prior to March 31, 2003;
- b) From increases in the transactions mentioned in point a) above by the receipt of:
 - (i) compensation bonds or promissory notes as per Articles 28 and 29 of Decree No. 905/02, or of those eventually received by application of other specific provisions after that date, and deriving from Law No. 25,561 of Public Emergency and Foreign Exchange Reform;
 - (ii) bonds received within the framework of the Mortgage Refinancing System established by Law No. 25,798;
 - (iii) bonds issued in terms of Decree No. 1735/04 which may be received within the framework of the Argentine debt restructuring, in exchange for eligible securities pre-existing as at March 31, 2003; or
 - (iv) public debt instruments of the Argentine government subscribed by financial entities through swap, payment or exchange since January 1, 2009, within the framework of specific regulations issued by the relevant authority; or
- c) From participations greater than 50% by the Argentine government as trustee in financial trusts for the financing of construction work as contemplated by paragraph i), point 3.2.4 of the regulations entitled "Financing to the Non-Financial Public Sector".

The excesses registered in the case of new transactions in accordance with points a) and b) above will also not be considered as non-compliances, provided that they originate exclusively in the granting of financing to the non-financial public sector with funds originated in amortization services or partial or total payments of the aforementioned debt. These funds must be applicable within 180 calendar days following the due date. In the case of a primary subscription of National Government debt securities, point 2 of Communication "A" 4343 authorizes the reinvestment of the funds to be collected for amortizations or partial or total payments, with an anticipation of up to 180 calendar days to their due date.

In addition, by point 1 of Communication "A" 4455 and effective as of December 1, 2005 and complementary communications, a margin has been admitted for those entities exceeding the observance of the limits (due to the above-mentioned preexisting operations) to carry out the purchase and sale of, or financial transactions with, national public securities responsible for applying minimum capital requirements for market risk, that is to say, with such volatility as informed by the Central Bank, provided it does not exceed the equivalent to 25% of the RPC. Such limit will be constituted with the allocation, as from the date referred to above, of any of the following: i) the realization of non-financial public sector assets in the portfolio which are computable for determining such limits, ii) the allocation at market value of national public securities holdings, and iii) funds received for amortization services corresponding to the public sector assets involved.

However, no financing will be granted in those cases where the ratio of transactions comprised with respect to the Bank's RPC determined as of March 31, 2003 is exceeded owing to reductions in this last parameter and until such relationship is reestablished.

Apart from the above-mentioned limits, the guarantee provided by the collection of taxes (either federal or local) and/or by the collection of royalties by provincial or municipal jurisdictions may not exceed 40% of the total of such

income at the time of evaluating the granting of new financing, and considering the new financing about to be granted. This requirement does not apply to transactions guaranteed by pledge or leasing agreements.

Effective July 1, 1993, the amount of non-exempted credit to and equity stakes in a single client, whether related to us or not, of a given bank which individually exceeds 10% of that bank's RPC may not exceed, in the aggregate, three or five times the bank's RPC, excluding loans in domestic financial institutions and including equity stakes in domestic financial institutions. This last limit does not consider those guaranteed loans received in exchange for national public debt securities implemented through guaranteed loans (Communication "A" 3366). Also excluded until December 31, 2008 will be the compensation bonds or promissory notes received according to the provisions of Articles 28 and 29 of Decree No. 905/02 as amended (point 3 of Communication "A" 4093, as amended by point 7 of Communication "A" 4467).

Loan Loss Allowance

The Central Bank has established specific loan loss allowance requirements for loans to borrowers in the categories of “Problem”, “Deficient Servicing”, “High Risk of Insolvency”, “Difficult Recovery”, “Irrecoverable” and “Irrecoverable Technical Decision” (in effect prior to October 2007), and loans to borrower classified as “Problem”, “Medium Risk”, “High Risk of Insolvency”, “High Risk”, “Irrecoverable” and “Irrecoverable for Technical Decision” under the new Central Bank loan classification system effective in November 2007. In addition, in 1993, the Central Bank established a mandatory general allowance requirement for all performing loans. See “Item 4. Information on the Company—Selected Statistical Information—Allowance for Loan Losses and Loan Loss Experience”.

Priority of Deposits

Law No. 24,485 in force since April 18, 1995, as amended by Laws No. 24,627 and 25,780, sets forth that in case of judicial liquidation or bankruptcy of a bank, all depositors, irrespective of the type, amount or currency of their deposits, would be senior to the other remaining creditors (such as the shareholders of the bank), with exceptions made for certain labor creditors (Article 53 paragraphs “a” and “b”) and for those creditors backed by a pledge or mortgage, in the following order of priority: (a) deposits of up to 50,000 pesos per person (including any amount of said person deposited with a financial entity), or their equivalent in foreign currency; (b) any and all deposits higher than Ps.50,000, or their equivalent in foreign currency; and (c) the liabilities originated in commercial lines granted to the Bank and that directly affect international commerce.

Furthermore, pursuant to article 53 of Law No. 21,526, as amended by Laws No. 24,627, 25,562 and 25,780, Central Bank credits will have absolute priority over the other credits, except for pledged or mortgaged credits, certain labor credits, the depositors' credits as per art. 49, paragraph e), points i) and ii), credits granted under Article 17, paragraphs (b), (c) and (f) of the Central Bank's Charter (including discount granted by financial entities due to temporary lack of liquidity, advances in favor of financial entities with security interest, assignment of rights, pledge or special assignment of certain assets) and credits granted by the Banking Liquidity Fund backed by pledge or mortgage.

The amendment introduced to art. 35 bis of Law No. 21,526 of Financial Entities by Law No. 25,780, sets forth that if a bank is in a situation where the Central Bank may revoke its authorization to operate and become subject to dissolution or liquidation by judicial resolution, among the options that the Central Bank's Board may decide by absolute majority, in case of excluding assets and liabilities for their transfer in favor of financial trusts or other financial entities, the Central Bank may totally or partially exclude the liabilities mentioned in article 49, paragraph e), as well as its credits defined in art. 53, observing the order of priority among its creditors. Regarding the partial exclusion, the order of priority of point e) art. 49 must be followed, without assigning, in any case, a differentiated treatment to liabilities of the same grade.

Capital Markets

Under the Financial Institutions Law, banks may underwrite and place both equity and debt securities. There are currently no statutory limitations on the size of a bank's underwriting commitments. However, a bank's underwriting commitment would be treated as an extension of credit subject to the limitations discussed under “Item 4. Information on the Company—The Argentine Banking System and its Regulatory Framework—Lending and Investment Limits”.

Commercial banks are authorized to trade public and private debt securities in the Argentine over-the-counter market if they are members of the MAE and authorized to act as over-the-counter brokers (“agentes de mercado abierto”). The MAE is a self-regulatory institution that has been authorized by the CNV. In our capacity as an over-the-counter broker, we are subject to MAE rules and the supervision of the CNV as our primary regulator, and accordingly, we must comply with certain reporting requirements.

Since 1990, the Buenos Aires Stock Market (Mercado de Valores de Buenos Aires—“MERVAL”) has authorized brokerage firms or houses organized as sole purpose corporations to operate as securities brokers on the MERVAL. Commercial banks may freely own a Securities Brokerage Company, as there are no current restrictions on ownership, and most of the principal commercial banks operating in Argentina have already established their own Securities Brokerage Company. All brokers, individuals or firms, are required to own at least one share of stock in the MERVAL to be admitted as a securities broker on the MERVAL.

An agreement between the MERVAL and representatives of the MAE dealers provides that trading in shares and other equity securities will be conducted exclusively on the Buenos Aires Stock Exchange and that all debt securities listed on the MERVAL may also be traded on the MAE. Trading in Argentine government securities, which are not covered by the agreement, is conducted mainly on the MAE. The agreement does not extend to other Argentine exchanges.

Commercial banks may operate as both managers and custodians of Argentine mutual funds; provided, however, that a bank may not act simultaneously as manager and custodian for the same fund.

We have been registered as an over-the-counter broker since 1989. In 1991, we created Francés Valores Sociedad de Bolsa S.A.

Financial Institutions with Economic Difficulties

Under the Financial Institutions Law, if a financial institution

- § evidences a cash reserve deficiency,
- § has not satisfied certain technical standards,
- § has not maintained minimum net worth standards, or
- § is deemed by the Central Bank to have impaired solvency or liquidity;

then such financial entity must submit a regularization and normalization plan under such terms and conditions as may be established by the Central Bank within a term that may not exceed thirty days. This notwithstanding, the Central Bank may appoint overseers with veto powers and/or demand the creation of guarantees and restrict or prohibit the distribution of remittances or profits. The lack of submission, the rejection of or any noncompliance with the regularization or normalization plans entitle the Central Bank to revoke the authorization to operate as a financial entity and to apply sanctions. If the plan is accepted, the Central Bank may grant a temporary exemption with respect to the observance of the technical regulations and excuse or postpone the payment of fines (if any).

Likewise, and prior to the revocation of the authorization to operate as a financial entity, the Central Bank may authorize the restructuring of the entity for the protection of its depositors, by applying any of the following decisions or a combination thereof in a sequential, gradual or direct manner: reduction, increase and assignment of the corporate capital, exclusion of assets and liabilities and their transfer to other financial institutions, judicial intervention, responsibility for and transfer of excluded assets or liabilities.

Dissolution and Liquidation of Financial Institutions

As provided in the Argentine Financial Institutions Law, the Central Bank must be notified of any decision adopted by a financial institution's legal or corporate authorities concerning its dissolution. The Central Bank, in turn, must then submit such decision to a competent court, which should determine whether the corporate authorities or an appointed independent liquidator will liquidate the entity. The court's decision will be based on whether or not there is sufficient assurance that the corporate authorities are capable of carrying out such liquidation properly.

Pursuant to the Argentine Financial Institutions Law, the Central Bank no longer acts as liquidator of financial institutions. However, if a restructuring plan has failed or is not deemed feasible, or violations of local laws and regulations have been incurred, or significant changes have occurred in the institution's condition since the original authorization was granted, then the Central Bank may revoke a bank's license to operate as a financial institution. In this event, the law allows for judicial or extra-judicial liquidation. During the liquidation process and once the license to operate as a financial institution has been revoked, a court of competent jurisdiction may adjudge the former financial institution in bankruptcy or a petition in bankruptcy may be filed by any creditor of the bank after a period of 60 calendar days has elapsed since the license was revoked.

Money Laundering

The concept of money laundering is generally used to denote transactions intended to introduce criminal proceeds into the institutional system and thus to transform profits from illegal activities into assets of a seemingly legitimate origin.

On April 13, 2000, the Argentine Congress enacted Law No. 25,246 (as amended by Laws No. 26,087, 26,119 and 26,268) which defines money laundering as a type of crime. Also, the Law creates the so-called Financial Information Unit (FIU), which establishes an administrative criminal system and replaces several articles of the Argentine Criminal Code.

Law No. 26,087 grants the FIU the power to obtain secret or confidential information at its sole request, requiring no Judicial Power intervention and eliminating any absolatory excuses for asset-laundering crimes. Law No. 26,119 modifies the integration of the FIU and Law No. 26,268 incorporates into the Criminal Code the crimes of illegal terrorist association and financing terrorism.

Money laundering is defined in the Criminal Code as providing for criminal sanctions whenever a person converts, transfers, manages, sells, encumbers or in any other manner uses money or any other asset deriving from illegal activities, in which such person has not participated, with the possible result that the original or substitute assets may appear as deriving from a legitimate origin; provided, however that the value of the assets exceeds the amounts indicated in the regulation, irrespective of whether such amounts are the result of one or more transactions.

The main purpose of Law No. 25,246 is to prevent money laundering. In line with internationally accepted practice, it does not attribute responsibility for controlling these criminal transactions only to government agencies, but also assigns certain duties to diverse private sector entities such as banks, stockbrokers, brokerage houses and insurance companies. These duties consist of information capturing functions. The Central Bank regulation requires banks to take certain minimum precautions to prevent money laundering.

Financial entities must also inform the Superintendence of any transaction that is suspicious or unusual, devoid of any economic or legal justification, or which is unnecessarily complex, whether occurring on isolated occasions or repeatedly.

The Bank believes that it is in compliance with all applicable regulations on money laundering pursuant to the provisions issued by the Ministry of Foreign Affairs, International Commerce and Culture on funds freezing and measures against presumed terrorists, by the Central Bank and by the FIU, in particular Resolution No. 2 of the FIU dated October 25, 2002, as amended by Resolution No. 2 of the FIU dated June 13, 2007, which regulates Article 21, sections a) and b) of Law No. 25,246 providing for the gathering of information in respect of suspicious transactions and their notification to the authorities.

Law No. 26,476, published and in force since December 24, 2008 and declared a public policy rule, establishes a system of tax regularization, promotion and protection of registered employment with priority for small and medium-sized entities, and of declaration and repatriation of capital. Subjects who decide to adhere to the declaration and repatriation of capital must comply with the provisions of Law No. 25,246 on asset laundering prevention. The term in order to adhere to this repatriation has expired, but the term regarding the registration of employment and tax regularization is still in force. Excluded from its scope of application are the amounts deriving from conducts liable to be included in article 6 of Law No. 25,246, with the exception of tax evasion or attempted tax evasion situations. The Argentine Public Revenue Administration – the Argentine Tax Authority (AFIP) issued this regulation on February 2, 2009.

Moreover, Decree No. 1936/10 issued on December 9, 2010, introduced important changes into the Anti-Money Laundering Legislation. The principal dispositions of this Decree are to: (i) set forth the new role of the FIU, as the representative of the State to the FATF; (ii) reduce from 6 months to 30 days the maximum term to inform any suspicious activity by the corresponding entities that must control those activities; (iii) reduce to 48 hours the term to inform of any suspicious operation regarding possible terrorist financing; (iv) determine that each controlling entities must appoint a member of the board of directors as the maximum authority for Anti-Money Laundering Policies in charge of centralizing any information the Central Bank may require on its own initiative or at the request of any competent authority. In addition, this officer or other person will be responsible for the implementation, tracking, and control of internal procedures to ensure compliance with the regulations.

Finally, the Central Bank issued a resolution widening the concept of Politically Exposed Individuals, including any person which has a material economic relation with the subject. These people must be clearly identified and closely monitored according to the Anti-Money Laundering New Rules. Also, the FIU has recently issued over 20 new resolutions in order to regulate the activities of all private and public entities in charge of controlling Anti-Money Laundering activities, establishing different deadlines in order to implement procedures which require among other things, the filing of (i) sworn statement regarding the legal origin of funds; (ii) certain documentation in order to prove the origin of the funds involved in the execution of operations, in the event those funds are equal or more than

Ps.20,000 in the case of credit card limits, or Ps.200,000 in case of regarding transactions involving securities, etc.

Deposit Guarantee Insurance System

Law No. 24,485, published on April 18, 1995 and Decree No. 540/95 of the same date provided for the organization of a Bank Deposit Guarantee Insurance System. This system is limited, mandatory, and for valuable consideration, designed to provide coverage for risks inherent in bank deposits, as a subsidiary and supplementary protection to that offered by the system of bank deposit privileges and protection created by the Financial Institutions Law.

That Law provided for the organization of the company “Seguros de Depósitos Sociedad Anónima” to manage the Deposit Guarantee Fund, whose shareholders, as amended by Decree No. 1292/96, will be the Central Bank, with one share, as a minimum, and the trust made up of the financial institutions in such proportion as may be determined by the Central Bank for each one, based on their contributions to the Deposit Guarantee Fund.

This guarantee system does not include:

§ deposits made by other financial institutions, including certificates of deposit acquired by secondary trading;

§ deposits made by persons directly or indirectly related to the financial institution;

§ deposits acquired by means of offering incentives, including deposits under the El Libretón program;

§ certificates of deposit of securities, acceptances or guarantees;

§ those deposits made between July 1, 1995 and September 17, 1998, at a rate exceeding by two percentage points per annum or more than paid by the Banco Nación on similar terms and, after such later date, at a rate exceeding by two percentage points per annum the rolling average for the last five banking days of the deposit rates found by the survey performed by the Central Bank; and

§ transferable certificates of deposit whose ownership has been acquired by way of endorsement.

§ fixed amounts from deposits and other excluded transactions.

In August 1995, Seguros de Depósitos Sociedad Anónima was organized. We hold a 12,3149% equity interest in the company as of December 31, 2010.

By Communication "A" 2337 of May 19, 1995, the Central Bank notified the financial institutions of the approval of the regulations on the application of the guarantee system as of April 18, 1995.

Decree No. 1127/98 dated September 24, 1998, increased the amount covered by the deposit guarantee system to Ps.30,000 irrespective of the term. By Communication "A" 5170 dated January 11, 2011 the covered amount increased to Ps.120.000. In the case of transactions in the name of two or more persons, the guarantee will be prorated among the respective holders. The total guarantee amount by persons may not exceed Ps.120,000, regardless of the number of accounts and/or deposits.

The deposits for amounts over Ps.120,000 are also included in the guarantee system up to the Ps.120,000 limit. The Central Bank may decide at any time to amend the guarantee system cover amount based on continued consolidation of the Argentine financial system or any other indicators.

The Argentine insurance system was financed by monthly contributions from all financial institutions operating in Argentina, ranging from 0.03% to 0.06% of average peso and foreign currency deposits held by such financial institutions.

According to Communication "A" 3064 of the Central Bank, applicable to contributions from January 2000, financial institutions may choose to make a contribution to the Deposit Guarantee Fund equivalent to 50% of the amount mentioned in the preceding paragraph and arrange a loan with Seguros de Depósitos Sociedad Anónima to provide for the remaining 50%.

Such loans are for a maximum term of 36 months and interest is due on the twelfth day of each month. The balances owed for Deposit Guarantee Fund accrue interest equivalent to the yield obtained from the placement to the Deposit Guarantee Fund resources in instruments that are similar to those chosen for the investment of foreign currency reserves of the Central Bank.

Under Communication “A” 3153 dated August 24, 2000, the Central Bank decided to cancel, effective September 2000, the obligation to lend to SEDESA 50% of the monthly contributions and reduced these contributions to a rate ranging from 0.015% to 0.03% of the monthly average of deposits in pesos and foreign currency held at each entity.

As of November 2001, the contribution to the Deposit Guarantee Fund made by the financial entities has had the following evolution:

§ Under Communication “A” 3358 of November 9, 2001 of the Central Bank, the contributions percentage increased to 0.03% effective as of the contribution due December 2001.

§ Under Communication “A” 4206 of September 14, 2004 of the Central Bank, the contributions percentage decreased to 0.02% effective as of the contribution due September 2004.

§ Under Communication “A” 4271 of December 30, 2004 of the Central Bank, the contributions percentage decreased to 0.015% effective as of the contribution due January 2005.

During 2002, Decree No. 214/02 of the Executive, in its Article 16, made changes to the provisions of Decree No. 540/95 as amended, which allowed SEDESA to issue nominative non-endorsable securities to be offered to depositors as payment of the deposit guarantee whenever it did not have sufficient funds for such purpose. Such securities, whose conditions would be established for general purposes by the Central Bank, must be accepted by the financial entities in order to constitute deposits.

Credit Cards Law No. 25,065

Law No. 25,065, enacted in 1999, governs different aspects of the credit, purchase and debit card system. In its main aspects, this law: (i) creates an obligation to sign a contract between the bank and the holder of the credit card before the card is issued, (ii) fixes a maximum limit to financial interest charged on balances, which may not exceed by more than 25% of the rate applied to personal loan transactions, (iii) sets a maximum 3% fee to be charged by the banks to commercial establishments, and is not entitled to charged commercial establishments in the same line of business with different rates and (iv) prohibits providing information to financial background databases regarding particulars of credit card holders in delinquent payment situations.

Law No. 26,361, enacted in 2008, amended article 50 of Law No. 25,065, thus empowering the Secretariat of the Domestic Commerce, dependent on the Ministry of Economy and Production, in those commercial aspects deriving from its function as authority of application, to issue regulatory provisions and exercise its powers to control, survey and determine compliance. The City of Buenos Aires and the Provinces will act as local authorities of application, with powers which they may delegate, if applicable, to their dependent bodies or to municipalities. Irrespective of the above, the national authority of application may act concurrently, even if the presumed infringements occur only within the scope of the Autonomous City of Buenos Aires or the Provinces.

The Central Bank of the Argentine Republic, with the enforcement of Law No. 25,065, is the Authority of Application in matters concerning financial aspects unmodified to this date.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Considerations on Politics and Economy in Argentina

Economic activity grew at a vigorous pace in 2006, despite a somewhat slower rate in the first quarter, so the year ended with an average increase of 8.5%, led by investment. Reflecting steady economic growth, the unemployment rate continued to decrease and reached a low of 8.7% in the fourth quarter of 2006.

During 2006, the Government managed to maintain fiscal solvency. The primary surplus of the non-financial public sector was Ps.23.2 billion, an increase of 17.8% compared to the result of the previous year. Tax collection increased at a strong pace, mainly driven by the social security contributions which increased at rates of around 50% per annum due to improvements in employment in formal labor markets and in nominal wages. With respect to primary expenses, the increase in capital expenditures in 2006 was essentially due to higher public investment.

In the first quarter of 2006, the inflation rate, greatly influenced by hikes in the prices of meat and other foodstuffs, averaged 1% monthly. The Government, which had been negotiating price agreements with supermarkets and producers in order to moderate inflationary expectations, took more drastic measures in April and limited the exports of beef and increased export duties on dairy products. This change in the regulations led to an increase in the domestic supply of meat which impacted prices and resulted in slightly lower inflation rates (0.6% monthly average) in the second quarter of 2006. However, in the last months of 2006 inflation seemed to regain momentum under the influence of certain seasonal items and a weakening of the price agreements, as a result of which the year closed with an overall increase of 9.8% in retail prices.

In 2007, the Argentine economy grew at a pace close to 8.7%, according to EMAE (Monthly Economic Activity Estimator) published by INDEC. In the first three quarters of 2007 and for the first time since the devaluation, the services sectors, along with financial intermediation, grew at higher rates than the goods production sectors. Unemployment dropped 1.7 percentage points year-over-year on average in 2007.

Fiscal accounts deteriorated during 2007. Tax collection grew by 33%, driven by VAT (IVA), tax on debits and credits on bank accounts, export taxes and Social Security contributions in particular. However, primary public spending accelerated at a faster pace than total fiscal revenues growing by 44% when compared to the previous year. The factors with the strongest impact on the increase in spending were social security services and transfers to the private sector. Additionally, public accounts were favorably impacted by the Retirement and Pensions Reform, which contributed an additional Ps.7,800 in revenues due to the transfer of the funds accumulated in the Private Pension Fund System (AFJPs) to the public social security system as affiliates switched from one system to another.

The Consumer Price Index (CPI) for Greater Buenos Aires (GBA) increased 8.5% year-over-year as of the end of 2007. Due to the fact that methodological changes introduced in the GBA CPI index were not applied in all of the provinces, the national inflation rate, excluding the Greater Buenos Aires area, rose to 12.3% year-over-year to December 2007.

The economic activity in Argentina was affected in 2008 by several national and international events that resulted in a slowdown of the Argentine GDP growth rate. During the first half of the year, confrontations of the National Government with the agriculture and livestock sector, due to the introduction of escalating export duties on grain, led to a rise of the country risk level and to a fall of consumer confidence. The impact of this phenomenon was partly cushioned by the large increase in the terms of trade during that period. However, during the last six months of 2008, the decline in global demand started to have an impact on the economy, the first sign of which was a fall of approximately 40% in agricultural raw materials prices. The worsening of the Global Financial Crisis and the reform of the social security system in Argentina increased risk aversion and the demand for dollarized assets. After five years of expansion rates of more than 8.5%, the rate of economy grew by 7% in 2008.

Unemployment had a slight decline in 2008, mainly due to a reduction in labor force participation since there was a certain stagnation in the creation of new jobs.

Public accounts benefited from pension fund reform as personal contributions from workers previously affiliated to private pension funds were transferred to the pay-as-you-go state-owned scheme at the end of 2008. Primary surplus reached Ps.32,529 million in 2008, which represented 3.15% of GDP.

The Argentine terms of trade increased by 12.9% on average during 2008, due to an increase in the international prices of raw materials. Exports increased by 26.5% as a result of the high prices of these exported products during most of 2008. On the other hand, imports grew by 28.4%, at the same rate as in 2007. During the last quarter of 2008, both exports and imports slowed down sharply as a consequence of the Global Financial Crisis.

Higher portfolio dollarization during May and October of 2008 resulted in higher volatility in the exchange rate as compared with previous years. In the last quarter of 2008, the worsening of the Global Financial Crisis caused severe currency depreciations within Argentina's main trading partners, such as Brazil, Chile and Europe, and boosted the devaluation of the Argentine peso. The exchange rate (BCRA reference) increased by 9% in 2008, closing at an average rate of 3.42 pesos to the dollar at the end of 2008.

In 2009, economic activity in Argentina was also affected by the Global Financial Crisis, and, to a lesser extent by the swine flu, all of which led to a strong deceleration in GDP growth after six years of continuous increases. Preliminary data as provided by the Monthly Activity Estimator (EMAE) showed that the economy grew by only 0.8% during 2009.

As a consequence of the slowdown and higher uncertainty, the unemployment rate increased from 7.3% in the fourth quarter of 2008 to 8.4% in the last quarter of 2009.

Tax collection was up by 13.2% as a result of social security contributions (up by 48.1%). Primary expenditure was up by 30.2% prompted mainly by capital expenditures and salaries. Primary surplus was Ps.17,286 million.

CPI for the Greater Buenos Aires Area was up by 7.7% in 2009.

In terms of international trade, exports dropped by 20.4% year over year, while imports contracted even further by 32.5% year over year, which resulted in a record trade surplus of U.S.\$16,980 million during the year.

The aftermath of the Global Financial Crisis continued to be felt in Argentina during the first half of 2009 and private capital outflows increased. As a consequence of a higher demand for U.S. dollars, the Argentine Central Bank intervened by selling international reserves, continuing to apply a “managed float” policy from January to June. The nominal foreign currency depreciated by 11% during that period and remained approximately constant for the rest of the year. The U.S. dollar closed at 3.797 to the Argentine Peso.

Economic activity reactivated in 2010, after it was affected by the previous year's international crisis. GDP grew considerably, prompted mainly by important increases in consumption and investment. In the third quarter of the year the GDP grew 8.6% in annual terms, while the EMAE (Monthly Estimator of Economic Activity) augmented by 9.1% in 2010.

As a result of increased activity, unemployment rates decreased during the year to 7.3% in fourth quarter of 2010.

Private sector employees' salaries improved by 28.8% as of November 2010 from November 2009. Salaries of workers in the informal and public sectors also increased but less than those of formal employees.

Tax collections increased 34.4% this year. This increase was mainly due to international trade taxes, which was the result of record crops production and the high prices of exported agricultural products from Argentina.

Greater Buenos Aires Consumer Price Index (CPI) increased 10.9% in 2010, showing acceleration in connection to the same period of 2009. The main increases were for food and drinks, and clothing.

Argentine terms of trade showed a substantial increase. In accordance with trade balance information export prices were up 8% in 2010 and import prices increased by 5%. An excellent harvest, together with higher prices was positive for exports which increased 23.0% in yearly terms. However, imports increased even more by 45.5% during the same period, reinforced by the growing economic activity and the actual exchange rate appreciation. This caused deterioration in the trade balance of U.S.\$12,056.8 million in 2010.

Despite the fact that throughout the year the international economic situation continued to be sensitive, mainly due to the financial problems in several peripheral European countries, there were no major capital flights in Argentina as it happened during the first part of 2009. A differentiating factor which favored Argentina was the re-opening of the negotiations related to the default debt exchange that had started in 2005. Over U.S.\$12 billion in default public securities were exchanged, which accounted for 66% of eligible bonds. There was a global adhesion level in both exchanges of 92.4% of defaulted debt in 2002. Public debt /GDP ratio was 48.6 % after this exchange.

Effects of Recent Events on BBVA Banco Francés

Following a four-year recession, the Argentine economy has recovered significantly over the past eight years and deposits flowed back into the system. This positive trend continued during the following years both in terms of economic activity as well as fiscal solvency.

After six years of expansion at rate of 8.3% on average, the economic activity in Argentina during the year 2009 was affected by the global financial crisis. In this context the rate of economy ended the year 2009 with a reduction of 2.1%.

However, during 2010, the Argentine economy reached again very good level of growth (7.5% of GDP), prompted by consumption and investment, showing once more its capacity of adapting to the new economic environment. Supporting economic growth, international reserves held at the Central Bank reached U.S.\$52.15 billion. Interest rates continued to be stable, as well as the exchange rate that ended the year at U.S.\$3.98 per peso. In line with the economy's growth, unemployment was reduced to 7.5% and the CPI for the Greater Buenos Aires Area was 10.9%.

After the 2010 re-opening of the debt swap, 95% of sovereign bonds are now out of default and negotiations with Paris Club are underway, which helped to achieve a credit upgrading in 2010.

In the financial system, private sector deposits in pesos increased by 29.3% in 2010, while private sector loans increased by 37.5% by year end.

During last year, we faced a strong momentum of the Argentine economy, mainly due to higher consumer spending. Within this context, BBVA Banco Francés, always keeping focused on customers, has consolidated its leadership position in the Argentine financial system, showing an excellent performance during the year. BBVA Banco Francés private loan portfolio grew 44.3% in the last twelve months with strong performance of retail businesses and SME's. The increase in the retail portfolio was mainly driven by growth in credit card and personal loans, whereas discounted notes, leasing, and financial loans were the main products in the middle market sector. The increase in large corporations financing was due to an increase in overdrafts and in other loans.

Private loans market share was 7.1%, 33 basic points more than in December 2009.

In 2010, we implemented the following measures:

- § increased private sector loans focusing in the middle-market and retail segments;
- § developed, in accordance with the strategic plan, a range of products and services tailored to the needs of each client;
- § emphasized service quality and increased cross-selling, through an effective promotion and advertising campaign;
- § maintained our excellent asset quality standards; and
- § increased investment in electronic channels.

Critical Accounting Policies (amounts expressed in thousands)

Our Consolidated Financial Statements are prepared in accordance with the rules prescribed by the Central Bank, which differ in certain respects from generally accepted accounting principles in Argentina, as described in Notes 3 and 4 to the Consolidated Financial Statements. These rules require us and our subsidiaries to make estimates and assumptions. Some of these estimates require difficult, subjective or complex judgments about matters that are inherently uncertain, and as a result, actual results could differ from those estimates. Due to the estimation process involved, the following summarized accounting policies and their applications are considered to be critical to understanding the business operations, financial condition and results of operations of the Bank and its subsidiaries.

Allowance for Commercial Loan Losses

We provide for estimated possible losses on loans and the related accrued interest generally through the establishment of an allowance for loan losses. The allowance for commercial loan losses charged to expense is determined by management based on a periodic analysis of updated financial information provided by the debtor at our request. The basic assessment criterion is the future debt payment capacity or the collateral granted to us on the basis of the estimated cash flow. We also take into account other circumstances such as timely compliance with obligations, qualified and honest management, whether the company is engaged in economic activities with acceptable prospects and the competitiveness of the debtor within its industry.

On the basis of these conditions, the customer is placed in one of six categories established by the Central Bank that have been assigned minimum fixed allowance requirements. Based on our analysis, we book additional allowances for certain debtors, which does not require recategorizing the debtor under the rules of the Central Bank. The use of different estimates or assumptions could result in different allowances for commercial loan losses.

Contingent Liabilities

We are subject to proceedings, lawsuits and other claims related to labor, commercial, civil and other matters. We make determinations of the amount of reserves required, if any, for these contingencies after a careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in the settlement strategy.

We are a defendant in several actions in which the petitioner claims the government measures taken with respect to their deposits during the Argentine Crisis was a violation of constitutional law. Several judges in these actions have issued injunctions against us ordering: 1) the reimbursement of deposits in amounts larger than those provided for

under current legislation, 2) the release of rescheduled deposits or 3) inapplicability of the “emergency framework” legislation passed by the National Congress and the measures issued by the Federal Executive or the Central Bank. In the Massa Case, the Supreme Court confirmed by a majority vote of its members the validity of the emergency legislation enacted as a response to the Argentine Crisis. In other words, the Supreme Court accepted the re-denomination into pesos of deposits as well as the calculation methodology for the reimbursement of the bank deposits subject to the emergency regime imposed by the Government whose unconstitutionality was claimed in the case mentioned. This decision by the Supreme Court establishes a calculation modality different from the modality decreed by the Executive Branch, establishing in this particular case the following criteria: each depositor is entitled to receive from the banking institution a reimbursement of the amount deposited converted into pesos at the U.S.\$1 = Ps.1.40 exchange rate, adjusted by CER until the date of effective payment, plus compensatory interest at the annual, non-compoundable 4% interest rate accruing as of the establishment of restrictions upon the availability of bank deposits or as of the date of maturity of the deposit if it was after February 28, 2002, subject to the monetary limit resulting from the decision handed down by the Court of Appeals, in so far as its judgment has not been appealed by the plaintiff. This criterion remains in a more recent judgment, “Kujarchuk versus the Argentine Executive Branch”, in which the Supreme Court lays down a methodology that consists of calculating the amount to be reimbursed in pesified deposits if

there were partial reimbursements or deliveries through a comparison to the amounts withdrawn by the bank as a result of decisions handed down by a court or resulting from out-of-court arrangements. Those payments shall be deemed to be partial payments and a deduction is to be performed out of the original deposit denominated in foreign currency of the percentage that, when converted into such currency, is represented by such payments converted into dollars at the exchange rate quoted in the floating foreign exchange market prevailing on each date. The amounts withdrawn on such concepts are to be consolidated and deducted according to the rules there established and always according to the guidelines of the Massa Case. Additionally, the Court placed a cap on the amount pending reimbursement equivalent to the limit established by the Court of Appeals, and if applicable, the value in dollars of the original deposit. As of December 31, 2010 and 2009, we estimated this contingency and it has raised allowances for the total amount.

At December 31, 2010, as described in Note 3.4.13 to the Consolidated Financial Statements, the Bank records as an intangible asset the difference in nominal terms between the deposit at the free market exchange rate at the moment of each payment compared to the book value of 1.40 pesos per dollar plus CER to that date. This asset has been amortized in 60 monthly installments from April 2003. As of December 31, 2010 these assets have been fully amortized, with the total accumulated amortization as of December 31, 2010 amounting to Ps.1,330,841. Moreover, we explain in that note to the Consolidated Financial Statements that the amortization described above is charged solely to comply with the regulations of the Central Bank and that it should not be interpreted as an implicit waiver of possible compensation or recovery of the exchange rate differences resulting from the compliance with court orders granted in actions seeking the protection of civil rights or other legal actions derived from the mandatory conversion of bank deposits into pesos.

Fair Value

We prepare our financial statements in accordance with the rules of the Central Bank related thereto, which differ from U.S. GAAP in valuing financial instruments. U.S. GAAP requires financial instruments to be valued at fair value. We estimate the fair value as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and such value is best evidenced by a quoted market price, if one exists. In cases where quoted market prices are not available, fair value estimation is based on the quoted market price of a financial instrument with similar characteristics, the present value of expected future cash flows, or other valuation techniques, all of which are significantly affected by the assumptions used (see Note 20.14 to Consolidated Financial Statements).

Although we use our best judgment in estimating the fair value of these financial instruments, there are inherent weaknesses in any estimation technique. As a result, the fair value may not be indicative of the net realizable or liquidation value. Moreover, minor changes in the assumptions used could have a significant impact on the resulting estimated fair values.

For a detailed description of the applicable accounting principles, please see Note 3 to the Consolidated Financial Statements.

Differences Between Central Bank Rules and Generally Accepted Accounting Principles Effective in Argentina

The most significant valuation differences between the rules prescribed by the Central Bank and the professional accounting standards effective in Argentina are detailed below (see Note 4 to the Consolidated Financial Statements).

§	Valuation Criteria
(1)	Tax effects

As already indicated in Note 5.1., 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 professional accounting standards currently in force in Argentina, 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 62,300 and 313,700 as of December 31, 2010 and 2009, respectively, should be recovered.

(2) Derivative financial instruments

As explained in Notes 3.4.14. and 12, as of December 31, 2010 and 2009, the Bank recorded the effects of interest rate swap agreements as established by the BCRA. Should the Bank have applied the professional accounting standards currently applicable, the stockholders' equity would have increased in 2,594 and in 124, respectively. By contrast, the effect of the application of the professional accounting standards on the income statement for the fiscal years ended December 31, 2010, 2009 and 2008 would have been 2,470 (income), 3,705 (income) and 3,852 (income), respectively.

(3) Consolidar AFJP S.A. building acquisition

On September 25, 2009, the Bank acquired from Consolidar A.F.J.P. S.A. the latter's undivided interest in the piece of real estate located in Avenida Independencia 169. The Bank booked a 20,109 write-down for the real estate in its stand-alone and consolidated balance sheet as of December 31, 2010 and 2009 to reflect the result from the transaction attributable to the Bank's ownership interest in the company. The professional accounting standards currently in force in Argentina do not require the mentioned adjustment.

In all other material respects, Central Bank rules are consistent with generally accepted accounting principles in Argentina.

§ Valuation criteria and aspects related to disclosure of information

Holdings available for sale

As disclosed in Note 3.4.2., the Entity charged to the account "Unrealized valuation difference" in stockholders' equity an income of 88,131 and a loss of 14,133, as of December 31, 2010 and 2009, respectively, which reflects the difference between the cost of addition of these holdings and increased by the accrual of the internal rate of return and the value as quoted of Government securities and instruments issued by the BCRA, classified as holdings available for sale. The professional accounting standards in force in Argentina do not endorse this accounting treatment. As of December 31, 2010, 2009 and 2008, 102,264 (income), 166,986 (income) and 138,323 (loss), respectively, should have been charged to income for each fiscal year.

Differences Between Other Regulatory Bodies and Accepted Accounting Principles Effective in Argentina

- a) Arising from the application of the accounting standards issued by the National Superintendence of Insurance (S.S.N.) and the main differences with the professional accounting standards in force in Argentina:
 - (i) Federal Government secured loans - Decree No. 1387/01 held by Consolidar Cía. de Seguros de Retiro S.A. amounting to 693,449 and 606,217 as of December 31, 2010 and 2009, respectively, were valued in accordance with the regulations of the S.S.N.

On January 28 and on February 25, 2009, the Board of Directors of Consolidar Cía de Seguros de Retiro S.A. exercised the exchange option provided by Resolution No. 5 of the Secretariat of Finance in connection with its holdings of secured bonds Bonte 2006 and Global 2008 and those received from the financial trusts made up by said loans. Their face values were Ps.131,017 and Ps.3,233 respectively, receiving in exchange Ps.413,653 in face value of Argentine Government notes in Pesos, accruing the Private BADLAR rate plus 275 basis points and maturing in 2014 ("Pagaré de la Nación Argentina en Pesos BADLAR Privada plus 275 pbs Vto 2014").

On September 10, 2009, Consolidar Cía de Seguros de Retiro S.A.'s Board of Directors exercised the exchange options provided by Resolutions No. 52 and 57 of the Secretariat of Finance in connection with its holdings of Bonds for the consolidation of social security debts - Fourth series - In Pesos (PRE 9) ("Bonos de consolidación de deudas previsionales cuarta serie en pesos"), Bonds for the consolidation of suppliers - Fourth series - In Pesos (PR 12) ("Bonos de consolidación proveedores cuarta serie en pesos") and Argentine Government Bonds in Pesos - 2%, maturing in 2014 (BODEN) ("Bonos del Gobierno Nacional en pesos 2% 2014") whose nominal values amounted to Ps.7,938, Ps.2,000 and Ps.42,900, respectively, and it received in exchange Ps.11,882 in par value of Argentine Government notes in Pesos, accruing the Private BADLAR rate plus 275 basis points and maturing in 2014 ("Pagaré de la Nación Argentina en Pesos BADLAR Privada plus 275 pbs Vto 2014") and 57,272 in par value of Argentine Government notes in Pesos, accruing the Private BADLAR rate plus 300 basis points and maturing in 2015 ("Pagaré de la Nación

Argentina en Pesos BADLAR Privada plus 300 pbs Vto 2015”). These promissory notes have been valued in accordance with the rules issued by the National Superintendence of Insurance, which does not give rise to differences with the professional accounting standards in force in Argentina.

(ii) Consolidar Cía. de Seguros de Retiro S.A.: the portfolio of Government securities in investment accounts has been booked in accordance with the standards of the S.S.N.

(iii) The items included under the captions “Other Subsidiaries’ assets” and “Other Subsidiaries’ liabilities” were valued in accordance with the regulations of the S.S.N.

- (iv) Consolidar Cía. de Seguros de Retiro S.A.: the Company included the balance from the technical commitments incurred with the insured in the Other Liabilities caption. The abovementioned caption includes Ps.7,913 and Ps.8,993 at December 31, 2010 and 2009, respectively, corresponding to the regularizing account called "Unaccrued secured loans valuation difference" which, as established by the S.S.N., will be settled through subsequent accrual of the regularizing accounts of secured loans. In accordance with professional accounting standards currently in force in the City of Buenos Aires, such amount should have been recorded as a loss for the year ended December 31, 2003.
- (v) Upon booking the effects of the interest rate swaps as of December 31, 2009, Consolidar Cía. de Seguros de Retiro S.A. abided by the rules established by the S.S.N. Had the currently applicable professional accounting standards been applied, the shareholders' equity in the consolidated financial statements would have been increased by Ps.245 as of December 31, 2009.
- b) Arising from the application of the accounting standards issued by BCRA and the professional accounting standards in force in Argentina:
- (i) Consolidar Cía. de Seguros de Retiro S.A.: a part of its portfolio of instruments issued by the BCRA has been recorded in investment accounts, and they have been valued per Communication "A" 4698 of the BCRA. The net difference with the market values as of December 31, 2010 and 2009 amounted to Ps.1,728 (income) and Ps.7,435 (income), respectively.
- (ii) The commissions paid by PSA Finance Argentina Cía. Financiera S.A. to dealers for granting financing to companies and to the public in general in connection with purchases and sales of automobiles, which in accordance with the rules established by the Argentine Central Bank are charged to the Income Statement, should be accrued throughout the duration of the loans generated by said dealers in accordance with currently applicable professional accounting standards. Had this criterion been applied, shareholders' equity would have been increased by Ps.5,972 and Ps.4,271 as of December 31, 2010 and 2009, respectively.
- (iii) The Bank has not made disclosures required by professional accounting standards in force in Argentina on discontinued operations or discontinuation in relation to the process of liquidating its subsidiary Consolidar AFJP.

Operating Results

The Bank presents its financial statements in equivalent purchasing power, following the restatement method established by FACPCE Technical Resolution No. 6 (modified by Technical Resolution No. 19), using an adjustment rate derived from the internal WPI published by the INDEC.

According to the above-mentioned method, the accounting measurements were restated according to the purchasing power changes of August 31, 1995. As of that date, based on the prevailing economic stability conditions and according to CNV General Resolution No. 272 and Central Bank Communication "A" 2365, the accounting measures were not restated through December 31, 2001. In light of CNV General Resolution No. 415 and Central Bank Communication "A" 3702, the method was reinstated effective as of January 1, 2002, considering the previous accounting measures restated as of December 31, 2001.

By means of Communication "A" 3921 of the Central Bank and CNV General Resolution No. 441/03 in compliance with Decree No. 664/03 of the Executive Branch, the application of the restatement method on financial statements in equivalent purchasing power was suspended as of March 1, 2003. Accordingly, we applied the restatement method only until February 28, 2003.

The following discussion is based upon information contained in the Consolidated Financial Statements and should be read in conjunction with them. The Consolidated Financial Statements have been prepared in accordance with the rules of the Central Bank related thereto (Argentine Banking GAAP), which differ in certain respects from Argentine GAAP and U.S. GAAP. The principal differences between Argentine Banking GAAP and U.S. GAAP are discussed in Note 20 to the Consolidated Financial Statements as they relate to us, together with a reconciliation to U.S. GAAP of our net income and total stockholders' equity. For a more detailed description of the accounting principles and considerations used in preparing the following discussion, see "Presentation of Financial Information".

Results of Operations for the Fiscal Years Ended December 31, 2010, 2009 and 2008.

Overview

Our net income for the fiscal year ended December 31, 2010 was Ps.1,198.2 million (including a loss from discontinued operations of Ps.9.3 million). This income was mainly due to a 18.80% increase in Gross Intermediation Margin; a 23.43% increase in Service Charge Income; a 23.48% decrease in Other Expenses; a 27.08% decrease in Allowances for Doubtful Loans and a 15.00% decrease in Income Tax. This income was partially offset by a 23.59% increase in Operating Expenses; a 45.29% increase in Service Charge Expenses; an 18.93% decrease in Other Income and a 109.24% increase in Minority Interest in Subsidiaries.

Our net income for the fiscal year ended December 31, 2009 was Ps.718.5 million (including a loss from discontinued operations of Ps.96.6 million). This income was mainly due to a 136.33% increase in Gross Intermediation Margin; a 26.23% decrease in Other Expenses and a 1.06% increase in Service Charge Income. This income was partially offset by a 67.25% decrease in Other Income; a 1,088.29% increase in Income Tax; a 15.60% increase in Operating Expenses; a 570.06% increase in Allowances for Doubtful Loans; a 16.23% increase in Service Charge Expenses and a 631.60% decrease on Minority Interest in Subsidiaries.

Financial Income

Our Financial Income increased 7.93% to Ps.3,842.7 for the fiscal year ended December 31, 2010 from Ps.3,560.2 million for the fiscal year ended December 31, 2009, and increased 56.21% from Ps.2,279.1 million for the fiscal year ended December 31, 2008.

The Financial Income discussed above includes income from discontinued operations of Ps.5.9 million, Ps.26.3 million and Ps.22.8 million for the fiscal years ended December 31, 2010, 2009 and 2008, respectively.

The components of our Financial Income are reflected in the following table.

	Fiscal Year Ended December 31,		
	2010	2009	2008
	(in thousands of pesos)		
Interest on cash and due from banks	13	29	11,745
Interest on loans to the financial sector	99,820	203,089	187,728
Interest on overdraft	301,832	366,655	264,989
Interest on loans with privileged guarantees	216,412	213,426	162,553
Interest on credit card loans	229,657	182,231	107,461
Interest on other loans	1,153,528	996,762	886,606
Net income from government and private securities	1,471,135	1,042,950	—
Net income from options	4,494	—	—
Interest from other receivables from financial transactions	13,249	1,322	20,175
Indexation by benchmark stabilization coefficient (CER)	9,117	11,017	199,209
Other	343,414	542,722	438,638
Total	3,842,671	3,560,203	2,279,104

The increase in Financial Income during the fiscal year ended December 31, 2010 was mainly due to an increase in net income from government and private securities, interest on other loans, interest on credit card loans, interest from other receivables from financial transactions, net income from options and interest on loans with privileged guarantees. These increases were partially offset by a decrease in other financial income, interest on loans to the financial sector, interest on overdraft, indexation by benchmark stabilization coefficient (CER) and interest in cash and due from banks. This variation reflected the increase in average volume of assets partially offset by a decrease in nominal interest rate of interest earning assets.

The increase in Financial Income during the fiscal year ended December 31, 2009 was mainly due to an increase in net income from government and private securities, interest on other loans, other financial income, interest on overdraft, interest on credit card loans, interest on loans with privileged guarantees and interest on loans to the financial sector. These increases were partially offset by a decrease in indexation by benchmark stabilization coefficient (CER), interest from other receivables from financial transactions and interest in cash and due from banks. This variation reflected the increase in average volume of assets and in nominal interest rate of interest-earning assets.

The following table sets forth the changes in financial income due to increases or decreases in volume and increases or decreases in nominal rates of average interest-earning assets. Such financial income excludes exchange differences and premiums or forward sales of foreign exchange.

	December 31, 2010	December 31, 2009
	vs.	vs.
	December 31, 2009	December 31, 2008
	Increase (Decrease)	Increase (Decrease)
	(in thousands of pesos)	(in thousands of pesos)
Financial income due to change in: the volume of interest-earning assets	368,956	567,060
average nominal rates of interest-earning assets	(110,459)	1,017,438
the volume and average nominal rates of interest-earning assets	(958)	(1)
Net Change	257,539	1,584,497

Financial Expenses

Financial Expenses decreased 19.34% to Ps.817.8 million in the fiscal year ended December 31, 2010 from Ps.1,014.0 million in the fiscal year ended December 31, 2009, which decreased 15.62% from Ps.1,201.7 million in the fiscal year ended December 31, 2008.

The Financial Expenses discussed above include an income from discontinued operations of Ps.3.2 million and Ps.0.7 million for the fiscal years ended December 31, 2010 and 2008, respectively and include a loss from discontinued operations of Ps.45.3 million for the fiscal year ended December 31, 2009.

The components of our Financial Expenses are reflected in the following table.

	Fiscal Year Ended December 31,		
	2010	2009	2008
	(in thousands of pesos)		
Interest on checking accounts	5,298	21,719	28,083
Interest on savings deposits	6,670	10,002	8,713
Interest on time deposit (1)	610,376	746,267	724,771
Interest from other liabilities from financial transactions	6,424	9,252	28,486
Indexation by benchmark stabilization coefficient (CER)	240	375	7,212
Net expense from government and private securities	—	—	288,141
Net expense from options	—	2	100
Other	188,815	226,342	116,175
Total	817,823	1,013,959	1,201,681

(1)Includes interest on “CEDROS”.

Taxes on Financial Income and Contributions to the Bank Deposit Guarantee Insurance System, included in Financial Expense—Other, amounted to Ps.143.3 million, Ps.131.8 million and Ps.90.8 million as of December 31, 2010, 2009 and 2008, respectively.

Contributions to the Bank Deposit Guarantee Insurance System increased during fiscal years 2010, 2009 and 2008 due to increases in the volume of time deposit and savings deposits.

The following table sets forth the changes in Financial Expenses due to the increases in volume and increases in nominal rates of average interest-bearing liabilities. Such Financial Expense excludes exchange rate variations and premiums on forward purchases of foreign exchange, contributions to Bank Deposit Guarantee Insurance System, mandatory contributions and taxes on interest income.

	December 31, 2010 vs. December 31, 2009 Increase / (Decrease) (in thousands of pesos)	December 31, 2009 vs. December 31, 2008 Increase / (Decrease) (in thousands of pesos)
Financial expense due to changes in:		
the volume of interest-bearing liabilities	29,849	115,453
average nominal rates of interest-bearing liabilities	(265,974)	(46,935)
the volume and average nominal rates of interest-bearing liabilities	683	1
Net Change	(235,442)	68,519

Our average interest-bearing liabilities increased 4.86% from Ps.14.8 billion in fiscal year 2009 to Ps.15.5 billion in the fiscal year ended December 31, 2010. This increase was mainly attributable to increases in savings accounts, time deposits and borrowing from the Central Bank partially offset by a decrease in borrowings from other financial entities and other liabilities. Average dollar-denominated and peso-denominated savings accounts increased 23.50% and 15.40% from Ps.1,840.8 million and Ps.3,363.2 million in the fiscal year ended December 31, 2009 to Ps.2,273.5 million and Ps.3,881.0 million in the fiscal year ended December 31, 2010, respectively. Average dollar-denominated time deposits decreased 4.38% from Ps.1,871.7 million in the fiscal year ended December 31, 2009 to Ps.1,789.6 million in the fiscal year ended December 31, 2010 and average peso-denominated time deposits increased 11.51% from Ps.5,651.9 in the fiscal year ended December 31, 2009 to Ps.6,302.2 million in the fiscal year ended December 31, 2010.

Our average interest-bearing liabilities increased 15.10% from Ps.12.8 billion in fiscal year 2008 to Ps.14.8 billion in the fiscal year ended December 31, 2009. This increase was mainly attributable to increases in savings accounts, borrowing from the Central Bank and other liabilities partially offset by a decrease in time deposits and borrowings from other financial entities. Average dollar-denominated and peso-denominated savings accounts increased 54.58% and 3.74% from Ps.1,190.8 million and Ps.3,242.0 million in the fiscal year ended December 31, 2008 to Ps.1,840.8 million and Ps.3,363.2 million in the fiscal year ended December 31, 2009. Average dollar-denominated time deposits increased 37.67% from Ps.1,359.5 million in the fiscal year ended December 31, 2008 to Ps.1,871.7 million in the fiscal year ended December 31, 2009 and average peso-denominated time deposits decreased 1.40% from Ps.5,732.4 in the fiscal year ended December 31, 2008 to Ps.5,651.9 in the fiscal year ended December 31, 2009.

See “Item 4. Information on the Company—Selected Statistical Information—Changes in Interest Income and Interest Expense; Volume and Rate Analysis”.

Gross Intermediation Margin

Our Gross Intermediation Margin (defined as Financial Income minus Financial Expenses) of Ps.3,024.8 million in the fiscal year ended December 31, 2010 represented a 18.80% increase over our Gross Intermediation Margin of Ps.2,546.2 million in the fiscal year ended December 31, 2009, which in turn represented a 136.33% increase over our Gross Intermediation Margin of Ps.1,077.4 million in the fiscal year ended December 31, 2008.

The Gross Intermediation Margin discussed above includes gains from discontinued operations of Ps.9.1 million and Ps.23.6 million for the fiscal years ended December 31, 2010 and 2008, respectively, and includes a loss from discontinued operations of Ps.19.0 million for the fiscal year ended December 31, 2009.

The following table sets forth the changes in our Gross Intermediation Margin:

	December 31, 2010	December 31, 2009
	vs.	vs.
	December 31, 2009	December 31, 2008
	Increase (Decrease)	Increase (Decrease)
	(in thousands of pesos)	(in thousands of pesos)
Gross Intermediation Margin due to changes in: the volume of interest-earning assets and interest-bearing liabilities	339,107	451,607

average nominal rates of interest-earning assets and interest-bearing liabilities	155,515	1,064,373
the volume and average nominal rates of interest-earning assets and interest-bearing liabilities	(1,641)	(2)
Net Change	492,981	1,515,978

The increase in the Gross Intermediation Margin in the fiscal year ended December 31, 2010 was principally due to an increase in the yield spread (nominal basis) from 8.64% in the fiscal year ended December 2009 to 9.95% in the fiscal year ended December 31, 2010, increase in the volume of interest-earning assets and decreases of average nominal rates of interest-bearing liabilities partially offset by an increase in the volume of interest-bearing liabilities and a decreases in average nominal rates of interest-earning assets.

The increase in the Gross Intermediation Margin in the fiscal year ended December 31, 2009 was principally due to an increase in the yield spread (nominal basis) from 2.95% in the fiscal year ended December 2008 to 8.64% in the fiscal year ended December 31, 2009, increases in average nominal rates of interest-earning assets, decreases of average nominal rates of interest-bearing liabilities and an increase in the volume of interest-earning assets partially offset by an increase in the volume of interest-bearing liabilities.

See “Item 4. Information on the Company—Selected Statistical Information—Average Balance Sheets, Interest Earned on Interest-Earning Assets and Interest Paid on Interest-Bearing Liabilities” and “Item 4. Information on the Company—Selected Statistical Information—Interest-Earning Assets: Net Interest Margin and Spread”.

Allowance for Loan Losses

Loan loss provisions totaled Ps.179.4 million in the fiscal year ended December 31, 2010, a 27.08% decrease over Ps.246.0 million in the fiscal year ended December 31, 2009, which in turn represents a 570.06% increase over Ps.36.7 million in the fiscal year ended December 31, 2008. The decrease in fiscal year ended December 31, 2010 was mainly due to improvement in the quality of the portfolio as a result of the risk policy implemented by the Bank. The increase in fiscal year ended December 31, 2009 was mainly due to the registration of anti-cyclic provisions in the loans portfolio.

Our non-performing loan portfolio amounted to Ps.80.4 million at December 31, 2010, a 33.85% decrease over Ps.121.5 million at December 31, 2009, which in turn was an increase of 9.76% over Ps.110.7 million at December 31, 2008.

The non-performing loan portfolio ratio decreased to 0.47% at December 31, 2010 from 1.00% at December 31, 2009, which in turn increased from 0.87% at December 31, 2008.

Our management believes that our allowance for loan losses is adequate to cover any known losses and any losses inherent in its loan portfolio. For a discussion of our policy with respect to the establishment of our allowance for loan losses see “Item 4. Information on the Company—Selected Statistical Information—Allowance for Loan Losses and Loan Loss Experience”.

Service Charge Income

Service Charge Income was Ps.1,484.8 million for the fiscal year ended December 31, 2010, Ps.1,203.0 million for the fiscal year ended December 31, 2009 and Ps.1,190.4 million for the fiscal year ended December 31, 2008. The fiscal year 2010 amount represented a 23.43% increase from the amount earned in fiscal year 2009. The fiscal year 2009 amount represented a 1.06% increase from the amount earned in fiscal year 2008.

The Service Charge Income discussed above includes an income from discontinued operations of Ps.210.4 million for the fiscal year ended December 31, 2008.

The following table provides a breakdown of our Service Charge Income by category.

	Fiscal Year Ended December 31,		
	2010	2009	2008
	(in thousands of pesos)		
Service charges on deposit accounts	439,817	380,812	301,470
Credit card operations	402,328	289,969	227,626
Other fees related to foreign trade	71,174	67,648	57,833
Credit-related fees	117,747	85,352	70,443
Fund management fees	26,797	16,364	228,408
Capital markets and securities activities	27,014	11,305	13,893
Rental of safety deposit boxes	53,482	34,997	23,354
Fees related to guarantees	1,214	1,414	1,195
Insurance agency	133,843	116,202	94,771
Other	211,430	198,942	171,424
Total	1,484,846	1,203,005	1,190,417

Service charges on deposit accounts are comprised principally of maintenance fees on checking and savings accounts and transaction fees on checking accounts. These fees increased 26.32% from Ps.301.5 million in the fiscal year ended December 31, 2008 to Ps.380.8 million in the fiscal year ended December 31, 2009 and increased 15.49% to Ps.439.8 million in the fiscal year ended December 31, 2010. The increases in the fiscal years 2009 and 2010 were mainly due to increases in the volume and number of transactions of such accounts. At December 31, 2010 we had 2,047,987 of such accounts compared to 1,959,194 of such accounts at December 31, 2009 and compared to 1,891,183 of such accounts at December 31, 2008.

Income from credit card operations, which consists of customer fees, retailer transaction fees, merchant processing fees and penalty charges, increased 27.39% from Ps.227.6 million in the fiscal year ended December 31, 2008 to Ps.290.0 million in fiscal year ended December 31, 2009 and increase 38.75% to Ps.402.3 million in the fiscal year ended December 31, 2010. The increases in the fiscal years 2009 and 2010 were mainly due to increases in activity, in the use of credit cards and in the volume of credit cards issued. At December 31, 2010, the total number of credit cards we issued amounted to 1,724,953 compared to 1,527,599 at December 31, 2009 and 1,361,791 at December 31, 2008.

Other fees related to foreign trade increased 16.97% from Ps.57.8 million in the year ended December 31, 2008 to Ps.67.6 million in the year ended December 31, 2009 and increased 5.21% to Ps.71.2 million in the year ended December 31, 2010. The increases in the fiscal years 2009 and 2010 were mainly due to increases in volume of foreign trade.

Credit related fees increased 21.16% from Ps.70.4 million in the fiscal year ended December 31, 2008 to Ps.85.4 million in the year ended December 31, 2009 and increased 37.95% to Ps.117.7 million in the fiscal year ended December 31, 2010. These increases were mainly due to the increase in the granting of new loans by our PSA subsidiary for the purchase of new and second-hand cars.

Fees related to fund management decreased 92.84% from Ps.228.4 million in the fiscal year ended December 31, 2008 to Ps.16.4 million in the fiscal year ended December 31, 2009 and increased 63.76% to Ps.26.8 million in the fiscal year ended December 31, 2010, owed principally to the increase in volume of securities traded by the Bank and its subsidiary Francés Administradora de Inversiones.

Income from capital markets and securities activities principally represents fees from underwriting and placement of corporate bonds, commercial paper and equity securities. It also reflects fees for our corporate advisory business, but excludes gains from trading Government Securities. Trading gains or loss are included in "Financial Income" or "Financial Expenses", respectively, under "Net income / (expense) from Government and Private Securities". Finally, income from capital markets and securities activities also includes brokerage commissions earned by Francés Valores, BBVA Banco Francés' securities brokerage subsidiary, but does not include similar income earned by BBVA Banco Francés itself, which is recorded as "Financial Income" under "Net income from Government and Private Securities". Income from capital markets and securities activities decreased 18.63% from Ps.13.9 million in the fiscal year ended December 31, 2008 to Ps.11.3 million in the fiscal year December 31, 2009 and increased 138.96% to Ps.27.0 million in the fiscal year ended December 31, 2010, mainly due to the increase in securities trading.

Rental of safety deposit boxes increased 49.85% from Ps.23.4 million in the fiscal year December 31, 2008 to Ps.35.0 million in the fiscal year ended December 31, 2009 and increased 52.82% to Ps.53.5 million in the fiscal year ended December 31, 2010. These increases were mainly due to the increase in the demand of this service and to increases in prices.

Fees related to guarantees increased 18.33% from Ps.1.2 million in the fiscal year ended December 31, 2008 to Ps.1.4 million in the fiscal year ended December 31, 2009 and decreased 14.14% to Ps.1.2 million in the fiscal year ended December 31, 2010. The variations of this item reflect the activity in this line of products.

Fees related to insurance agency increased 22.61% from Ps.94.8 million in the fiscal year ended December 31, 2008 to Ps.116.2 million in the fiscal year ended December 31, 2009 and increased to Ps.133.8 million in the fiscal year ended December 31, 2010. These increases were due to the increase in consumer economic activity.

Other service charge income increased 16.05% from Ps.171.4 million in the fiscal year ended December 31, 2008 to Ps.198.9 million in the fiscal year ended December 31, 2009 and increased to Ps.211.4 million in the fiscal year ended December 31, 2010, mainly due to an increase in fees for use and transactions in ATMs.

Service Charge Expenses

Service charge expenses, which consist of fees related to credit and debit cards and taxes on service charge income, increase 45.29% to Ps.406.4 million from Ps.279.7 million in the fiscal year ended December 31, 2009 which increased 16.23% from Ps.240.6 million in the fiscal year ended December 31, 2008, mainly as result of the increase in commissions paid for promotion with credit and debit cards.

The Service Charge Expenses discussed above include a loss from discontinued operations of Ps.6.1 million for the fiscal year ended December 31, 2008.

Operating Expenses

Our operating expenses increased 23.59% to Ps.2,019.4 million in the fiscal year ended December 31, 2010 from Ps.1,633.9 million in the fiscal year ended December 31, 2009, which in turn increased 15.60% from Ps.1,413.4 million in the fiscal year ended December 31, 2008.

The Operating Expenses discussed above include a loss from discontinued operations of Ps.30.0 million, Ps.53.4 million and Ps.229.1 million for the fiscal years ended December 31, 2010, 2009 and 2008, respectively.

Operating expenses increased in fiscal year 2010 mainly because of increases in: (i) personnel expenses, (ii) fees and external administrative service, (iii) advertising and promotion, (iv) taxes, (iv) other operating expenses, (vi) credit card advertising and issuance expenses, (vii) maintenance and repairs, (viii) rent, (ix) courier transportation, (x) depreciation of Bank premises and equipment, (xi) utilities, (xii) amortization of organization and development expenses, (xiii) business travel and development expenses and (xiv) staff welfare expenses.

The components of our Operating Expenses are reflected in the following table:

	Fiscal Year Ended December 31,		
	2010	2009	2008
	(in thousands of pesos)		
Personnel expenses	1,057,202	875,452	707,198
Fees and external administrative services	126,703	82,346	59,268
Taxes	130,768	103,613	63,235
Utilities	34,940	28,675	28,995
Depreciation of Bank property and equipment	57,737	49,244	42,468
Credit card advertising and issuance expense	93,379	74,396	60,592
Courier transportation	33,947	25,049	21,942
Advertising and promotion (excluding credit card advertising)	90,215	55,957	65,396
Maintenance and repairs	69,351	59,694	53,718
Business travel and development	14,877	11,381	19,435
Staff welfare	26,599	24,433	37,836
Amortization of organization and development expenses	23,858	18,520	32,706
Rentals	78,646	69,531	57,832
Other	181,156	155,608	162,827
Total	2,019,378	1,633,899	1,413,448

The largest component of Operating Expenses in each of these years was personnel expenses, which increased 20.76% to Ps.1,057.2 in the fiscal year ended December 31, 2010 from Ps.875.5 million in the fiscal year ended December 31, 2009, which in turn increased 23.79% from Ps.707.2 million in the fiscal year ended December 31, 2008, principally as result of increases in salaries (which include payroll, termination payments and bonuses) and charges related to voluntary retirement.

The number of our full-time employees decreased from 4,252 in the fiscal year ended December 31, 2008 to 4,082 in the fiscal year ended December 31, 2009 which in turn increased to 4,576 in the fiscal year ended December 31, 2010 (not including 752 employees, 172 employees and 137 employees from non-banking subsidiaries, at December 31, 2008, 2009 and 2010, respectively). The increase in fiscal year 2010 was mainly due to the enlisting of staff who was working with fixed term contracts and those working in call centers and the increase in fiscal year 2008 was mainly due to the recovery and increases of our business activity. The decrease in fiscal year 2009 was mainly due to voluntary retirement.

Fees and external administrative services increased 53.87% to Ps.126.7 million in the fiscal year ended December 31, 2010 from Ps.82.3 million in the fiscal year ended December 31, 2009 which in turn increased 38.94% from Ps.59.3 million in the fiscal year ended December 31, 2008. The increases in fiscal years 2010 and 2009 were mainly due to increases in the cost of services and in increases in the cost of hiring external resources.

Advertising and promotion fees increased 61.22% to Ps.90.2 million in the fiscal year ended December 31, 2010 from Ps.56.0 million in the fiscal year ended December 31, 2009 which in turn decreased 14.43% from Ps.65.4 million in the fiscal year ended December 31, 2008. The variations in this item were mainly due to an increase and decrease of advertising expenses to credit products launched during the fiscal years ended December 31, 2010 and 2009, respectively.

Taxes, other than income tax, increased 26.21% to Ps.130.8 million in the fiscal year ended December 31, 2010 from Ps.103.6 million in the fiscal year ended December 31, 2009 which in turn increased 63.85% from Ps.63.2 million in the fiscal year ended December 31, 2008. The increases in fiscal years 2010 and 2009 were mainly due to an increase in activity.

Other operating expenses increased 16.42% to Ps.181.2 million in the fiscal year ended December 31, 2010 from Ps.155.6 million in the fiscal year ended December 31, 2009 which in turn decreased 4.43% from Ps.162.8 million in the fiscal year ended December 31, 2008. The increase in fiscal year 2010 was mainly due to the increases in costs and the increase in activity and the decrease in fiscal year 2009 was mainly due to the spending control policy.

Credit card advertising and issuance expenses increased 25.52% to Ps.93.4 million in the fiscal year ended December 31, 2010 from Ps.74.4 million in the fiscal year ended December 31, 2009 which in turn increased 22.78% from Ps.60.6 million in the fiscal year ended December 31, 2008. The increases in fiscal years 2010 and 2009 were mainly due to the launching of credit card products.

Maintenance and repairs expenses increased 16.18% to Ps.69.4 million in the fiscal year ended December 31, 2010 from Ps.59.7 million in the fiscal year ended December 31, 2009 which in turn increased 11.12% from Ps.53.7 million in the fiscal year ended December 31, 2008. The increases in fiscal years 2010 and 2009 were mainly due to the higher maintenance and repairs costs.

Rentals expenses increased 13.11% to Ps.78.6 million in the fiscal year ended December 31, 2010 from Ps.69.5 million in the fiscal year ended December 31, 2009 which in turn increased 20.23% from Ps.57.8 million in the fiscal year ended December 31, 2008. The increases in fiscal years 2010 and 2009 were mainly due to the higher rental costs. At December 31, 2010 our branch network consisted of 240 branches, of which 112 were located in properties we own and 128 were located in properties we lease.

Courier transportation increased 35.52% to Ps.33.9 million in the fiscal year ended December 31, 2010 from Ps.25.0 million in the fiscal year ended December 31, 2009 which in turn increased 14.16% from Ps.21.9 in the fiscal year ended December 31, 2008. The increases in fiscal years 2010 and 2009 were mainly due to increases in the cost of the service.

Depreciation of Bank property and equipment increased 17.25% to Ps.57.7 million in the fiscal year ended December 31, 2010 from Ps.49.2 million in the fiscal year ended December 31, 2009 which in turn increased 15.96% from Ps.42.5 million in the fiscal year ended December 31, 2008. The increases in fiscal years 2010 and 2009 were mainly due to increases in additions to the Bank's properties and equipment.

Utilities costs increased 21.85% to Ps.34.9 million in the fiscal year ended December 31, 2010 from Ps.28.7 million in the fiscal year ended December 31, 2009 which in turn decreased 1.10% from Ps.29.0 million in the fiscal year ended December 31, 2008. The increase in fiscal year 2010 was mainly due to an increase in activity and the decrease in fiscal year 2009 was mainly due to the minor activity level of Consolidar AFJP.

Amortization of organization and development expenses increased 28.82% to Ps.23.8 million in the fiscal year ended December 31, 2010 from Ps.18.5 million in the fiscal year ended December 31, 2009 which in turn decreased 43.37% to from Ps.32.7 million in the fiscal year ended December 31, 2008. The increase in fiscal year 2010 was mainly due to a large number of additions and the decrease in fiscal year 2009 was mainly due to the complete amortization of these assets during the fiscal year ended December 31, 2008 by Consolidar AFJP.

Business travel and development increased 30.72% to Ps.14.9 million in the fiscal year ended December 31, 2010 from Ps.11.4 million in the fiscal year ended December 31, 2009 which in turn decreased 41.44% from Ps.19.4 in the fiscal year ended December 31, 2008. The increase in fiscal year 2010 was mainly due to increases in the costs of service and the decrease in fiscal year 2009 was mainly due to the spending control policy and the decrease in the activities of our subsidiary, Consolidar AFJP.

Staff welfare expenses increased 8.87% to Ps.26.6 million in the fiscal year ended December 31, 2010 from Ps.24.4 million in the fiscal year ended December 31, 2009 which in turn decreased 35.42% from Ps.37.8 million in the fiscal year ended December 31, 2008. The variations in this item reflect the grant in other personnel benefits.

Other Income

Other Income decreased 18.93% to Ps.205.4 million in the fiscal year ended December 31, 2010 from to Ps.253.3 million in the fiscal year ended December 31, 2009 and decreased 67.25% from Ps.773.5 million in the fiscal year ended December 31, 2008.

The Other Income discussed above includes an income from discontinued operations of Ps.5.7 million and Ps.4.7 million for the fiscal years ended December 31, 2010 and 2008, respectively, and include a loss from discontinued operations of Ps.52.6 million for the fiscal year ended December 31, 2009.

The decrease in fiscal year 2010 was mainly due to a decrease in the valuation of certain government debt securities not generating a charge in deferred income tax and 13.00% decrease in premiums of insurance companies. These decreases were partially offset by 120.89% increased in recoveries of charged-off loans and reversal of allowances and 43.58% increase in other income.

The decrease in fiscal year 2009 was mainly due to a 93.56% decrease in premiums of insurance companies, a 71.58% decrease in recoveries of charged-off loans and reversal of allowances and a 68.00% decrease in long-term investments. These decreases were partially offset by a 83.11% increase in interest on other assets and a 58.47% increase in punitive interests.

Other Expenses

Other Expenses decreased 23.48% to Ps.564.8 million in the fiscal year ended December 31, 2010 from Ps.738.1 million in the fiscal year ended December 31, 2009 and decreased 26.23% from Ps.1,000.5 million in the fiscal year ended December 31, 2008.

The Other Expenses discussed above include a loss from discontinued operations of Ps.1.4 million, Ps.2.3 million and Ps.37.2 million for the fiscal years ended December 31, 2010, 2009 and 2008, respectively.

The decrease in the fiscal year ended December 31, 2010 was mainly due to a 79.75% decrease in provisions for other receivables and other allowances (from Ps.246.5 million in fiscal year ended December 31, 2009 to Ps.49.9 million in fiscal year ended December 31, 2010), a 99.94% decrease in losses for operations with premises and equipment and other assets (from Ps.16.4 million in the fiscal year ended December 31, 2009 to Ps.0.01 million in the fiscal year ended December 31, 2010) and a 28.17% decrease in depreciation on differences paid on constitutional protection action (from Ps.48.8 million in the fiscal year ended December 31, 2009 to Ps.35.1 million in the fiscal year ended December 31, 2010), partially offset by a 12.58% increase in other expenses (from Ps.416.4 million in the fiscal year ended December 31, 2009 to Ps.468.8 million in the fiscal year ended December 31, 2010), a 27.86% increase in donations (from Ps.5.9 million in fiscal year ended December 31, 2009 to Ps.7.5 million in fiscal year ended December 31, 2010) and a 45.35% increase in depreciation of other assets (from Ps.0.5 million in fiscal year ended December 31, 2009 to Ps.0.7 million in fiscal year ended December 31, 2010).

The decrease in the fiscal year ended December 31, 2009 was mainly due to a 38.14% decrease in other expenses (from Ps.673.2 million in the fiscal year ended December 31, 2008 to Ps.416.4 million in the fiscal year ended December 31, 2009), a 54.72% decrease in depreciation on differences paid on constitutional protection action (from Ps.107.8 million in the fiscal year ended December 31, 2008 to Ps.48.8 million in the fiscal year ended December 31, 2009), a decrease in goodwill amortization (completely amortized during the fiscal year ended December 31, 2008) and a 12.78% decrease in depreciation of other assets (from Ps.0.6 million in fiscal year ended December 31, 2008 to Ps.0.5 million in fiscal year ended December 31, 2009), partially offset by a 23.49% increase in provisions for other receivables and other allowances (from Ps.199.6 million in fiscal year ended December 31, 2008 to Ps.246.5 million in fiscal year ended December 31, 2009) and a 1,483.14% increase in losses for operations with premises and equipment and other assets (from Ps.1.0 million in the fiscal year ended December 31, 2008 to Ps.16.4 million in the fiscal year ended December 31, 2009).

Income Tax

Income Tax expenses were Ps.315.8 million in the fiscal year ended December 31, 2010, a 15.00% decrease from Ps.371.6 million in the fiscal year ended December 31, 2009 which in turn represents a 1,088.29% increase from Ps.31.3 million in the fiscal year ended December 31, 2008. The decrease in fiscal year 2010 was mainly due to a decrease in the valuation of certain government debt securities generating a tax loss carry-forwards. The increase in fiscal year 2009 was mainly due to the Bank has completed its absorption of tax deficits in the second quarter of 2009.

The following table illustrates, for each of the last three fiscal years, our income before tax, the income tax expense that would have been payable at the statutory rate, various adjustments and our actual income tax expense.

	Fiscal Year Ended					
	2010		2009		2008	
	December 31,					
	(in thousands of pesos, except percentages)					
Net Income before income tax and minority interest	1,545,176		1,104,930		349,979	
Statutory tax rate	35	%	35	%	35	%
Income tax (at statutory rate)	540,812		386,726		122,493	
Deferred tax	(87,990	)	(42,052	)	48,319	
Tax-exempt income	(42,693	)	(19,276	)	(27,359)
Allowances on deferred tax assets	87,990		42,052		48,318	
Other	(182,278	)	4,128		(223,040)
Income tax (gain) / loss (Allowances)	315,841		371,578		(31,270)
Income tax (gain) / loss, net	315,841		371,578		(31,270)
Actual income tax	(315,841	)	(371,578	)	31,270	
Deferred income tax (1)	—		—		—	

(1) Included in Other Income and Income Tax.

Our effective income tax rates differ significantly from the statutory income tax rate applicable to us. The difference between the statutory rate and the effective rate is principally due to the following factors. First, the income from local subsidiaries is tax exempt and depreciation of goodwill is not tax deductible. Second, the effective tax rate is affected by the different treatment of loan loss provisions for financial and tax reporting purposes. Additionally, the allowance made on public loans is not tax deductible. Finally, Government Securities are generally marked-to-market for tax reporting purposes, with unrealized gains and losses included in taxable income, even if such securities are carried on a cost-plus-yield basis for financial reporting purposes. See Note 20.1 to the Consolidated Financial Statements.

Minority interest in subsidiaries

Losses on minority interest were Ps.31.2 million and Ps.14.9 million for the fiscal years ended December 31, 2010 and 2009, respectively and income on minority interest was Ps.2.8 million in the fiscal year ended December 31, 2008. These changes were mainly due to the changes in net income of Consolidar Group, for which we hold, for the fiscal years ended December 31, 2010 and 2009, a 53.89% interest in Consolidar AFJP (undergoing liquidation proceedings), a 66.21% interest in Consolidar Seguros de Retiro and a 50% interest in PSA Compañía Financiera. For the fiscal year ended December 31, 2008, we held a 53.89% interest in Consolidar AFJP, a 65.96% in Consolidar Compañía de Seguros de Vida, a 66.67% interest in Consolidar Seguros de Retiro; and a 50% interest in PSA Compañía Financiera.

Financial Condition

Total Assets

At December 31, 2010 we had total assets of Ps.32,580.2 million, which represented a 23.45% increase from Ps.26,391.6 million as of December 31, 2009.

The increase was mainly due to a 42.10% increase in loans net of allowances (from Ps.11,751.9 million at December 31, 2009 to Ps.16,699.9 million at December 31, 2010), which is in turn mainly due to an increase in loans to retail

sector and PyMES; a 8.30% increase in cash and due from banks (from Ps.5,255.4 million at December 31, 2009 to Ps.5,691.8 million at December 31, 2010); a 3.90% increase in government and private securities (from Ps.7,214.2 at December 31, 2009 to Ps.7,495.4 at December 31, 2010); a 62.75% increase in receivables from financial leases (from Ps.328.4 at December 31, 2009 to Ps.534.5 at December 31, 2010); a 56.90% increase in other receivables (from Ps.243.1 million at December 31, 2009 to Ps.381.4 million at December 31, 2010); a 14.10% increase in other receivables from financial transactions (from Ps.914.9 million at December 31, 2009 to Ps.1,043.9 million at December 31, 2010); a 7.63% increase in bank premises and equipment (from Ps.486.5 million at December 31, 2009 to Ps.523.7 million at December 31, 2010); a 11.22% increase in intangible assets (from Ps.59.8 million at December 31, 2009 to Ps.66.5 million at December 31, 2010); a 3.62% increase in investments in other companies (from Ps.106.3 million at December 31, 2009 to Ps.110.1 million at December 31, 2010); a 4.83% increase in other assets (from Ps.26.5 million at December 31, 2009 to Ps.27.8 million at December 31, 2010) and a 19.14% increase in suspense items (from Ps.4.2 million at December 31, 2009 to Ps.5.0 million at December 31, 2010).

Total Liabilities and Stockholders' Equity

At December 31, 2010, we had total liabilities and minority interests in subsidiaries of Ps.28,833.3 million representing a 22.88% increase from the Ps.23,465.1 million at December 31, 2009.

The increase was mainly due to a 22.51% increase in deposits (from Ps.18,334.8 million at December 31, 2009 to Ps.22,461.3 million at December 31, 2010), which is in turn mainly due to increases in checking accounts, savings deposits and time deposits; a 62.72% increase in other liabilities from financial transactions (from Ps.1,224.7 million at December 31, 2009 to Ps.1,992.8 million at December 31, 2009); a 73.36% increase in other liabilities (from Ps.471.7 million at December 31, 2009 to Ps.817.8 million at December 31, 2010) and an 8.42% increase in other subsidiaries' liabilities (from Ps.2,616.2 million at December 31, 2009 to Ps.2,836.6 million at December 31, 2010), partially offset by a 76.80% decrease in suspense items (from Ps.75.0 million at December 31, 2009 to Ps.14.4 million at December 31, 2010), mainly due to a decrease in the allocation of ATM's items; a 15.94% decrease in minority interests in subsidiaries (from Ps.213.2 million at December 31, 2009 to Ps.179.2 million at December 31, 2010) and a 0.22% decrease in allowances (from Ps.529.4 million at December 31, 2009 to Ps.528.3 million at December 31, 2010).

Stockholders' equity increased from Ps.2,926.5 million at December 31, 2009 to Ps.3,746.9 million at December 31, 2010. The 28.04% increase reflected net income for the year (Ps.1,198.2 million) and the unrealized valuation difference (Ps.102.2 million) partially offset by the Ps.(480.0) million cash dividend paid in April 2010.

According to the Central Bank's Communication "A" 4702 dated August 30, 2007, the Government Securities and Instruments issued by BCRA, included in the list of volatilities published by the BCRA on a monthly basis, were classified in the category "Available for sale". These were valued in accordance with the quotations prevailing for each security as of the close of the fiscal year. Differences, if any, between the cost of addition of these holdings and any increase due to the accrual of the internal rate of return and the value of the quotation were charged to unrealized valuation difference in the stockholders' equity. As of December 31, 2010, we recorded Ps.102,264 in income as a result of such unrealized valuation difference.

Liquidity and Capital Resources

Asset and Liability Management

The purpose of asset and liability management is to structure our consolidated balance sheet in light of interest rate, liquidity and foreign exchange risks, as well as market risk, public sector risk and capital structure. Our Asset and Liability Committee establishes specific limits with respect to risk exposure, sets policy with respect to pricing and approves commercial policies which may have a financial impact on our balance sheet. It is also responsible for the follow-up of monetary aggregates and financial variables, our liquidity position, regulations from the Central Bank and the competitive environment in assets, liabilities and interest rates.

Liquidity

Our asset and liability management policy attempts to ensure that sufficient liquidity is available to meet our funding requirements. As a measure of our liquidity, we had a ratio of liquidity assets to total deposits of 43.79%, 52.49% and 48.42% at December 31, 2010, 2009 and 2008, respectively. Liquid assets include cash, amounts due from banks and government and corporate securities (excluding holdings in investment accounts and unlisted government securities).

Our primary source of funds is our deposit base, which primarily consists of peso- and dollar-denominated deposits in checking accounts, savings accounts and time deposits from individuals and corporations, which deposits at December

31, 2010 totaled Ps.22,461.3 million.

Under a medium-term note program that expired in December 2005, we issued the first series of subordinated corporate bonds, on March 31, 1998.

On April 27, 2000, the general ordinary and extraordinary shareholders' meeting approved the increase of the aggregate outstanding maximum amount of the corporate bonds to be issued under the medium-term note program to U.S.\$1,000 million.

On February 9, 2007, the Bank's Board of Directors adopted a resolution to repay in advance the total amount of Series 15 Corporate Bonds and delegated on the Bank's officials the powers to determine the manner, terms and conditions for said repayment. On March 15, 2007 we paid the outstanding amount of this debt.

On July 15, 2003, an Extraordinary Stockholders' Meeting approved the setting up of a Program for the issuance and re-issuance of ordinary non-convertible Negotiable Obligations with ordinary guarantee, or such guarantees as may be decided by the Board of Directors, and unsecured Subordinated Negotiable Obligations, convertible or not into shares. During the life of the Program, which will be five years, it shall be possible to issue and re-issue any number of series and/or classes of Negotiable Obligations 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 U.S.\$300,000,000.

On April 26, 2007, the Ordinary and Extraordinary Stockholders' Meeting delegated to the Board of Directors the authority to make certain amendments to the existing Negotiable Obligations Global Program such as: i) updating the Program so that it is governed by international terms and conditions, ii) existence of an international trustee in respect of one or more series representing the interests of investors, iii) drafting and execution of documentation in the English language and under foreign laws, including global and final securities, and payment agency, registrar, trust and underwriting agreements, as may be necessary, as well as the preparation of information documents for purposes of placement in international markets, including offering circulars and financial statements prepared in a foreign language.

As provided in the Negotiable Obligations Law and BCRA regulations, the proceeds of the Negotiable Obligations Global Program would be applied to: (i) extension of mortgage loans for the purchase and renovation of housing and personal loans in Argentina; (ii) extension of corporate loans in Argentina for purposes of payment of working capital, investment in physical assets located in Argentina or refinancing of liabilities; and (iii) capital contributions in the Bank's subsidiaries or related companies.

The Ordinary and Extraordinary Stockholders' Meeting held on March 28, 2008 decided to extend (i) for the term of five years the life of the Negotiable Obligations Global Program approved by the Extraordinary Stockholders' Meeting held on July 15, 2003 and by Resolution No. 14967 of the CNV issued on November 29, 2004 in accordance with the changes introduced by the Ordinary and Extraordinary Stockholders' Meeting held on April 26, 2007 and (ii) for the term of two years the delegation to the Board of Directors and the authority to sub-delegate the delegated powers in accordance with the applicable regulations approved by Ordinary and Extraordinary Stockholders' Meeting held on April 26, 2007.

As of the date of issuance of these financial statements, the Bank has not issued Corporate Bonds related to this Program.

On December 22, 2003, we paid a Ps.60 million seven-year loan plus CER (originally U.S.\$60 million) granted by the Fiduciary Fund for Assistance to Financial and Insurance Institutions to Banco de Crédito Argentino, on December 20, 1996, for the financing of the acquisition of certain assets and liabilities.

On January 10, 2003, the Federal Executive published Decree No. 53/03, which amended Decree No. 410/02. Decree No. 410/02 had the effect of not converting certain foreign currency obligations of public and private sector companies into pesos. The Decree governed obligations to the National Government as a result of i) subsidiary or other loans and guarantees originally financed by multilateral credit entities or ii) arising from liabilities owed by the National Treasury and refinanced with external creditors. The decision taken by the Managing Committee of the Trust Fund for Reconstruction of Companies at the meeting held on May 28, 2003 stated that 50% of the aforementioned financing was to be converted into pesos while the difference would be remain in its original currency.

On December 29, 2004, we paid the last installment of subordinated corporate bonds issued by Corpbanca, which we thereby acquired. This debt was originally stated in dollars for an amount of U.S.\$30 million and was converted into pesos at the exchange rate Ps.1 per U.S. dollar, and indexed by applying CER in accordance with the regulations established by the Government in February, 2002.

The Bank has filed a subsidiary appeal for reversal before a higher administrative authority applying for a change in the aforementioned criterion and has reiterated its position at the time of each interest and principal payment. Upon the appeal's dismissal, the claims were filed with the hierarchical superior officer on March 16, 2004. On May 17, 2004 the grounds for the appeal before the higher administrative authority were expanded. On February 7, 2005, the Bank was notified of Resolution No. 25 dated January 17, 2005, executed by the Argentine Minister of Economy and Production, which dismissed the Hierarchical Remedy sought. On May 16, 2005, an administrative action under section 100 (Decree No. 1759/72, 1991 revision) was filed against Resolution No. 25 issued by the Ministry of Economy and Production, which dismissed the Hierarchical Appeal filed by the Bank. At present, the case is pending determination by the Federal Executive. However, in May 2005 a liability of U.S.\$25.6 million was recorded under Other Liabilities from Financial Transactions, this being the dollar amount owed estimated by the Bank in the filing mentioned above. This effect was compensated during October 2006, with Boden 2012 (Bono del Gobierno Nacional 2012) having been subscribed for a nominal value of U.S.\$50,288. On November 2006, the Bank submitted to the Trust Fund for Reconstruction of Companies (FFRE) a proposal consisting in a settlement and total payment for the purpose of fully and totally repaying the amounts owed by the Bank to the Trust

Fund, offering to pay for all purposes the total amount of Ps.84,337. Since January 22, 2007 the Trust Fund has requested several extensions, the last until April 15, 2007 to serve notice as to whether the proposal submitted has been accepted or rejected. On April 13, 2007 the FFRE accepted the proposal of cancellation above mentioned for an amount of Ps.88,462, for which the Bank proceeded to transfer the funds corresponding to cancel fully and totally the debt on April 20, 2007. The difference of Ps.4,125 was absorbed with allowances recorded to such purpose at the end of the prior year.

Dividends and other payments from our Argentine non-banking subsidiaries also provide an additional potential source of liquidity, even though relatively insignificant in amount. Each Argentine non-banking subsidiary is required to allocate 5% of its annual net income to a legal reserve until such reserve equals 20% of the subsidiary's capital stock. This reserve cannot be used to pay us dividends.

Capital Resources

At the regular and special stockholders' meeting held on August 7, 2002, the stockholders approved the Bank's capital increase in the amount of up to 1,250,000 nominal value for the subscription of common, book-entry shares, entitled to one vote per share. Those shares might be paid up in cash and/or with subordinated corporate bonds in foreign currency issued by the Bank, maturing on March 31, 2005, and/or with loans granted by BBVA to the Bank. The Bank management, at its meeting of December 5, 2002, decided to: approve the assets to be contributed, as follows: (i) cash, (ii) subordinated corporate bonds issued by the Bank, maturing on March 31, 2005, and (iii) the loan granted by BBVA on April 19, 2002, in the amount of U.S.\$79.3 million; establish the value of subordinated corporate bonds to capitalize in U.S.\$58.10 per U.S.\$100 nominal value, based on valuation reports made by independent third parties; and establish the amount of shares to be listed as 209,631,892.

On December 31, 2002, in accordance with the issuance conditions of the new shares, 158,361,439 new shares in the exercise of preemptive rights and 135,101 new shares in the exercise of the option to buy additional shares that were not purchased by other shareholders in exercise of their preemptive rights, were subscribed and integrated. The Bank's capital stock amounts to Ps.368,128,432 as of December 31, 2002 and 2003.

At the regular and special meetings held on April 22, 2004, the stockholders approved the Bank's capital increase in the amount of up to 385,000 nominal value for the subscription of common, book-entry shares, entitled to one vote per share. The stockholders delegated to the Board of Directors the power to establish the remaining conditions.

On June 11, 2004, the Bank filed an application for public offering of shares to be sold through subscription (Chapter VI Rules of the National Securities Commission, General Resolution No. 368/01) with the Buenos Aires Stock Exchange and the National Securities Commission.

The public offering of 103,232,874 ordinary shares of Ps.1.00 par value each, entitled to one vote per share and with rights equal to the rights of the remaining shares of the Bank, according to what was established by the Board of Directors Meeting held on June 10, 2004, and the Meeting of Sub-Delegates appointed by the Board of Directors Meeting of October 5, 2004, was authorized by Resolution No. 14,917 of the National Securities Commission on October 4, 2004. The stock-market listing of the referred shares was authorized by the Buenos Aires Stock Exchange on October 7, 2004. It was stated that the preferential subscription period began on October 18, 2004 and ended on November 17, 2004.

On November 2, 2004, BBVA subscribed to 65,326,744 new shares. The integration of the amount of Ps.230,603,406.32 corresponding to the new shares was carried out by the capitalization of BBVA by means of a loan amounting to U.S.\$77,701,464.68 plus interest up to November 2, 2004 inclusive, of U.S.\$21,288.07.

On November 19, 2004 the subscription procedure came to an end. An aggregate of 103,232,874 new shares was issued for a paid-in amount of Ps.364,412,045.22, which resulted in an additional paid-in capital of Ps.261,179,171.12.

Our General Annual Shareholders Meeting on March 27, 2009, resolved, ad referendum of BCRA approval, to pay dividends in an aggregate amount of Ps.100,000, to be distributed as follows: Ps.35,000 cash and Ps.65,000 by the issuance of 65,000,000 new shares. On September 4, 2009, the BCRA by Resolution No. 313/47/09 approved such distribution of dividends. On October 5, 2009, the new shares were inscribed in the Public Registry of Commerce. The National Securities Commission, by Issuers Management Certificate No. 354 dated September 11, 2009, authorized the issuance of new shares. The stock-exchange listing was authorized by the Buenos Aires Stock Exchange on September 16, 2009.

As at December 31, 2010 the Bank's stock capital amounted to 536,361,306.

Interest Rate Sensitivity

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

Our interest rate sensitivity strategy takes into account not only the rates of return and their underlying degree of risk, but also liquidity requirements, including minimum regulatory cash reserves, mandatory liquidity ratios, withdrawal and maturity of deposits and additional demands for funds. Our gap limits are established and subsequently monitored by the Asset and Liability Management Committee.

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

It is important to highlight that given the devaluation of the peso and the following conversion into pesos of assets and liabilities in foreign currency, the Government measures introduced an important interest rate gap in our Net Financial Income. While a part of the Bank's risk assets, mainly Public sector loans and bonds, accrue CER adjustment plus an annual interest rate, most liabilities accrue interest at a fixed rate. Fixed rate assets and liabilities with a maturity of no more than three months and total adjusted assets and liabilities, are included in the following chart, in the 0-3 months interval, given that CER adjustment changes on a monthly basis. The chart shows our exposure to a positive interest rate gap, but it is important to bear in mind that CER behavior may differ from interest rate behavior.

	Remaining Maturity or Earliest Repricing Intervals at December 31, 2010					
	0-3 months	3 Months- One Year	1-5 Years	5-10 Years	Over 10 Years	Total
	(in thousands of pesos, except percentages)					
Interest-earning assets						
Interest earning deposits						
in banks	4,575,848	—	—	—	—	4,575,848
Government securities	4,218,261	1,710,425	792,522	660,286	10,473	7,391,967
Corporate bonds	171,568	3,349	87	—	—	175,004
Loans (1)	7,993,575	4,860,773	3,966,562	190,452	84,717	17,096,079
Total	16,959,252	6,574,547	4,759,171	850,738	95,190	29,238,898
Interest-bearing liabilities						
Deposits	15,034,268	776,106	122,406	—	—	15,932,780
Corporate bonds	48,018	21,982	—	—	—	70,000
Due to other banks	1,010,836	162,664	279,693	—	—	1,453,193
Total	16,093,122	960,752	402,099	—	—	17,455,973
Asset/liability gap	866,130	5,613,795	4,357,072	850,738	95,190	11,782,925
Cumulative sensitivity gap	866,130	6,479,925	10,836,997	11,687,735	11,782,925	
Cumulative sensitivity gap as a percentage of total interest-earning assets	2.96	% 22.16	% 37.06	% 39.97	% 40.30	%

(1) Loan amounts are stated before deducting the allowance for loan losses. Non-accrual loans are included with loans as interest-earning assets.

The following table shows the interest rate sensitivity of our peso-denominated interest-earning assets and interest-bearing liabilities.

	Remaining Maturity or Earliest Repricing Intervals at December 31, 2010					Total
	0-3 months	3 Months- One Year	1-5 Years	5-10 Years	Over 10 Years	
(in thousands of pesos, except percentages)						
Interest-earning assets:						
Interest earning deposits in banks	2,284,130	—	—	—	—	2,284,130
Government securities	4,202,215	1,493,365	524,284	655,460	10,352	6,885,676
Corporate bonds	99,666	3,220	—	—	—	102,886
Loans (1)	6,856,740	3,685,176	3,644,711	190,452	84,717	14,461,796
Total	13,442,751	5,181,761	4,168,995	845,912	95,069	23,734,488
Interest-bearing liabilities:						
Deposits	11,134,987	603,932	121,695	—	—	11,860,614
Corporate bonds	48,018	21,982	—	—	—	70,000
Due to other banks	442,895	161,717	278,446	—	—	883,058
Total	11,625,900	787,631	400,141	—	—	12,813,672
Asset/liability gap	1,816,851	4,394,130	3,768,854	845,912	95,069	10,920,816
Cumulative sensitivity gap	1,816,851	6,210,981	9,979,835	10,825,747	10,920,816	
Cumulative sensitivity gap as a percentage of total interest-earning assets	7.65	% 26.17	% 42.05	% 45.61	% 46.01	%

(1) Loan amounts are stated before deducting the allowance for loan losses. Non-accrual loans are included with loans as interest-earning assets.

The following table shows the interest rate sensitivity of our foreign currency denominated interest-earning assets and interest-bearing liabilities. Variations in interest rate sensitivity may also arise within the repricing periods presented.

	Remaining Maturity or Earliest Repricing Intervals at December 31, 2010					Total
	0-3 months	3 Months- One Year	1-5 Years	5-10 Years	Over 10 Years	
(in thousands of pesos, except percentages)						
Interest-earning assets:						
Interest earning deposits in banks	2,291,718	—	—	—	—	2,291,718
Government securities	16,046	217,060	268,238	4,826	121	506,291
Corporate bonds	71,902	129	87	—	—	72,118
Loans (1)	1,136,835	1,175,597	321,851	—	—	2,634,283
Total	3,516,501	1,392,786	590,176	4,826	121	5,504,410
Interest-bearing liabilities:						
Deposits	3,899,281	172,174	711	—	—	4,072,166
Due to other banks	567,941	947	1,247	—	—	570,135
Total	4,467,222	173,121	1,958	—	—	4,642,301
Asset/liability gap	(950,721)	1,219,665	588,218	4,826	121	862,109

Cumulative sensitivity gap	(950,721)	269,944	857,162	861,988	862,109
Cumulative sensitivity gap as a percentage of total interest-earning assets	(17.27)%	4.89 %	15.57 %	15.66 %	15.66 %

(1) Loan amounts are stated before deducting the allowance for loan losses. Non-accrual loans are included with loans as interest-earning assets.

Exchange Rate Sensitivity

At December 31, 2010, our total foreign exchange-denominated asset position was Ps.6,840.2 million and our total foreign exchange-denominated liability position was Ps.5,952.3 million, resulting in a net asset currency position of Ps.887.8 million, which is 23.69% of stockholders' equity.

For a description of the changes in the exchange rates since December 2010, see "Item 4. Information on the Company—Recent Political and Economic Developments in Argentina" and Note 19.12 to the Consolidated Financial Statements. For a description of foreign exchange risk, see "Item 11. Quantitative and Qualitative Disclosures About Market Risk—Foreign Exchange Risk".

Capital Requirements

As of December 31, 2010, we had a consolidated excess capital of Ps.1,654.1 million pursuant to the Central Bank's rules. At such date, "Basic Net Worth" and "Complementary Net Worth", subject to applicable deductions, amounted to Ps.3,690.5 million under the Argentine risk-based capital guidelines, which are based on the Basel Committee.

As of December 31, 2009, we had a consolidated excess capital of Ps.1,376.2 million pursuant to the Central Bank's rules. At such date, "Basic Net Worth" and "Complementary Net Worth", subject to applicable deductions, amounted to Ps.2,948.4 million under the Argentine risk-based capital guidelines, which are based on the Basel Committee.

As of December 31, 2010, we complied with the Central Bank's capital requirements on a consolidated basis and our capital resources were sufficient for our capital requirements. See a description of the minimum capital requirements currently in effect in "Item 4. Information on the Company—The Argentine Banking System and its Regulatory Framework".

As of December 31, 2010, 2009 and 2008, our stockholders' equity was Ps.3,746.9, Ps.2,926.5 and Ps.2,076.0 million, respectively. At such dates, our ratio of average stockholders' equity/average total assets was 11.32%, 9.58% and 8.64%, respectively. See "Item 4. Information on the Company—Selected Statistical Information—Return on Equity and Assets".

In our opinion, our capital resources are sufficient for the Bank's present requirements on an individual and a consolidated basis.

We are not aware of any legal or economic restrictions on the ability of our subsidiaries to transfer funds to us in the form of dividends, loans, advances — subject to the regulations of each industry — or by other means. However, there can be no assurance that in the future such restrictions will not be adopted and that, if adopted, they will not negatively affect our liquidity.

As of December 31, 2010, the Bank had no material commitments for capital expenditures.

The following table sets forth, for the dates indicated, the calculation of our excess capital under the Central Bank's rules and certain capital and liquidity ratios.

	At December 31,					
	2010 (4)		2009 (4)		2008 (4)	
	(in thousands of pesos, except ratios and percentages)					
Calculation of excess capital (1)						
Allocated to assets at risk	1,293,189		951,717		892,463	
Allocated to Bank premises and equipment, intangible assets and equity investment assets	101,939		99,308		86,167	
Interest rate risk	227,840		167,116		158,065	
Public sector and securities in investment account	286,391		267,954		236,321	
A- Minimal exigency by adds up risks	1,909,359		1,486,095		1,373,016	
B- Basic exigency for custody of titles of the AFJP and / or agent of record of hypothecary letters						
	1,858,458		1,289,541		836,005	
Maximum between A and B	1,909,359		1,486,095		1,373,016	
Market risk	127,025		86,074		52,360	
Required minimum capital under Central Bank rules	2,036,384		1,572,169		1,425,376	
Basic net worth	2,460,605		2,222,143		1,946,516	
Complementary net worth	1,169,871		629,422		180,655	
Deductions	(119,186)		(116,341)		(97,956)	
Minority interest	179,192		213,182		248,139	
Total capital under Central Bank rules	3,690,482		2,948,406		2,277,354	
Excess capital	1,654,098		1,376,237		851,978	
Selected capital and liquidity ratios						
Average stockholders' equity as a percentage of average total assets (1)(2)	11.32	%	9.58	%	8.64	%
Total liabilities as a multiple of total stockholders' equity	7.70	x	8.02	x	11.44	x
Cash and due from banks as a percentage of total deposits	25.34	%	28.66	%	24.84	%
Liquid assets as a percentage of total deposits (1)(3)	58.71	%	68.01	%	55.49	%
Loans as a percentage of total assets	51.26	%	44.53	%	48.43	%

(1) See "Item 4. Information on the Company—The Argentine Banking System and Its Regulatory Framework—Capital Adequacy Requirements" for a discussion of the Central Bank's capital requirements.

(2) Average stockholders' equity and average total assets computed as the average of period-beginning and period-ending balances.

(3) At December 31, 2010, 2009 and 2008, "Liquid Assets" includes cash and due from banks and government and private securities.

(4) The Bank had to maintain a surplus of minimum paid-in capital amounting to at least Ps.92,923, Ps.64,477 and Ps.41,800 as at December 31, 2010, 2009 and 2008 respectively, equivalent to 0.25% of the amount of values under custody for securities representing investments from pension funds, as well as in connection with its function as registrar of mortgage-backed bonds, invested in national public securities and other destinations authorized by the BCRA and guaranteed in favor of the said Entity.

Contractual Obligations and Commercial Commitments

The following table represents our contractual obligations and commercial commitments as of December 31, 2010:

	Total	Payments due by Period (in thousands of pesos)			
		Less than 1 year	1-3 years	4-5 years	After 5 years
Contractual obligations					
Long-term debt	1,992,801	1,919,534	72,111	1,156	—
Operating leases	109,279	23,300	39,429	29,136	17,414
Total	2,102,080	1,942,834	111,540	30,291	17,414
Commercial commitments					
Lines of credit	70,538	70,538	—	—	—
Foreign trade acceptances	67,353	67,040	313	—	—
Guarantees	439,231	329,620	721	100,816	8,074
Total	577,122	467,198	1,034	100,816	8,074

Off-Balance Sheet Arrangements

We enter into various transactions involving off-balance sheet financial instruments (see Note 19.18 to the Consolidated Financial Statements). We use these instruments to meet the risk management, trading and financing needs of clients or for our proprietary trading and asset and liability management purposes. These instruments are subject to varying degrees of credit and market risk. We monitor credit risk and market risk associated with on- and off-balance sheet financial instruments on an aggregate basis.

We use the same credit policies in determining whether to enter or extend call and put option contracts, commitments, conditional obligations and guarantees as we do for granting loans. Our management believes that the outstanding off-balance sheet items do not represent an unusual credit risk.

Derivatives

The market risk of derivatives arises from the potential for changes in value due to fluctuations in market prices. We reduce our exposure to market risk, if necessary, by entering into offsetting transactions in accordance with the hedging global policy defined by BBVA Group for its subsidiaries. The credit risk of derivatives arises from the potential of a counterparty to default on its contractual obligations. The effect of such a default varies as the market value of derivative contracts changes. Credit exposure exists at a particular point in time when a derivative has a positive market value. We attempt to limit our credit risk by dealing with creditworthy counterparties and obtaining collateral where appropriate. Our activities related to hedging and derivatives transactions in 2010 are explained in Notes 12 and 19.18 to the Consolidated Financial Statements.

Credit Commitments

Commitments to extend credit are agreements to lend to a customer at a future date, subject to compliance with contractual terms. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent actual future cash requirements for the Bank. The Bank evaluates each customer's creditworthiness on a case-by-case basis. Foreign trade acceptances represent Bank customers' liabilities on outstanding drafts or bills of exchange that have been accepted by the Bank and the Bank's liability to remit payment upon the presentation of the accepted drafts or bills of exchange. The credit risk involved in foreign trade acceptances and guarantees granted is essentially the same as that involved in extending loan facilities to customers.

Financial Trusts

We act as trustee in several financial trusts established for various purposes. We are in no case personally liable for the liabilities assumed in the performance of the trust obligations. Any liabilities resulting from the trust are satisfied with and up to the full amount of the trust assets or their proceeds. See Note 10.1. to the Consolidated Financial Statements.

Non-Financial Trusts

In addition, we act as trustee in 28 non-financial trusts. We are in no case personally liable for the liabilities assumed in the performance of the contract obligations. Any liabilities are satisfied with and up to the full amount of the trust assets and their proceeds. The non-financial trusts at issue were set up to secure the receivables of several creditors (beneficiaries) and the trustee was entrusted with the management, care, preservation and custody of the trust assets. The trust assets represent about Ps.207.6 million and consist mainly of cash, creditors' rights, real estate and shares.

See Note 10.2. to the Consolidated Financial Statements.

U.S. and Argentine Banking GAAP Reconciliation

We prepare our financial statements in accordance with the rules of the Central Bank related thereto, which differ from U.S. GAAP in certain respects, as discussed in Note 20 to the Consolidated Financial Statements. The differences and the most significant effects on our net income and Stockholders' Equity over the fiscal years ended December 31, 2010, 2009 and 2008 are described below.

Under ASC 740-10, Income Taxes: Overall, deferred tax assets or liabilities are recorded for temporary differences between the financial reporting basis and the tax basis of assets and liabilities at statutory tax rates expected to be in effect when such amounts will be realized. Deferred tax assets are recognized if it is more likely than not that such assets will be realized. As explained in Note 5.1 to the Consolidated Financial Statements, we applied this method to determine the charge for income tax. The adjustments required in order to reconcile assets and liabilities with U.S. GAAP, as detailed in the following paragraph, are shown without considering their effect on income tax. The effect over continued operations of reflecting such adjustments on the Bank's net assets causes them to

decrease by Ps.80.2 million as of December 31, 2010 and would have them increased by Ps.205.8 million and Ps.307.0 million as of December 31, 2009 and 2008, respectively. In addition, income over continued operations would have decreased by Ps.26.3 million and Ps.415.6 million as of December 31, 2010 and 2008, respectively, and would be increased by Ps.202.2 million as of December 31, 2009. The effect over discontinued operations of reflecting such adjustments on the Bank's net assets causes them to increase by Ps.13.1 million, Ps.9.4 million and Ps.4.8 million as of December 31, 2010, 2009 and 2008, respectively. On the other hand, income over discontinued operations would have increased by Ps.3.7 million, Ps.4.6 million and Ps.8.9 million as of December 31, 2010, 2009 and 2008, respectively.

Under Argentine Banking GAAP, loan origination and credit card issuance fees are recognized when collected. Under ASC 310-20, Receivables: Nonrefundable Fees and Other Costs, these fees are recognized over the life of the related loan as an adjustment to yield. The effect of applying U.S. GAAP to continued operations would be to decrease our net income by Ps.22.4 million and Ps.26.1 million for the fiscal years ended December 31, 2010 and 2008, respectively, and would be increase our net income by Ps.19.3 million for the fiscal year ended December 31, 2009. The effect of U.S. GAAP treatment would have been to decrease the principal balance of outstanding loans to our financial statements over continued operations by Ps.78.0 million, Ps.55.6 million and Ps.74.9 million for the fiscal years ended December 31, 2010, 2009 and 2008, respectively. The effects of applying U.S. GAAP to discontinued operations would be to decrease assets by Ps.11.9 million for the fiscal year ended December 31, 2008. On the other hand, income over discontinued operations for the fiscal year ended December 31, 2009 would increase by Ps.11.9 million and would decrease by Ps.12.2 million for the fiscal year ended December 31, 2008.

Under Argentine Banking GAAP, certain software development expenses are amortized over the estimated useful life of the software, for up to a maximum of 60 months. Under Argentine Banking GAAP, the Consolidar Group capitalized expenses incurred in connection with the launching of certain activities. The Pension Fund Manager Superintendency (the agency overseeing Consolidar AFJP) authorized the capitalization of disbursements made through September 25, 1994, for "salaries, advertising, software, agent's commissions, fees, brochures, forms, printing and leases and rentals". Under U.S. GAAP, these expenses are charged-off to income when incurred. If U.S. GAAP had been applied our net income over discontinued operations would increase by Ps.6.8 million for the fiscal year ended December 31, 2008.

Under Argentine Banking GAAP, Government Securities that we decide to classify as investment accounts (including those used for forward purchases under repurchase agreements) are carried at a cost adjusted for the accrual at fiscal year-end of interest based on the internal rate of return from the time elapsed from acquisition date. According to U.S. GAAP, these securities should be considered as available for sale and carried at fair value (market value if available) with unrealized gains and losses reported as a net amount, net of income tax within the stockholder's equity accounts. However, ASC 320-10, Investments-Debt and Equity Securities: Overall, requires that if the decline in fair value is judged to be other than temporary, the cost of the security shall be written down to fair value, and the amount of the write-down shall be included in earnings. Had U.S. GAAP been applied, our assets over continued operations would have increased by Ps.205.9 million and Ps.46.8 million as of December 31, 2010 and 2009, respectively, and would be decreased by Ps.216.2 million as of December 31, 2008. Our net income over continued operations would have decreased by Ps.480.6 million and Ps.436.7 million for the fiscal years ended December 31, 2010 and 2009, respectively, and would be increased by Ps.660.8 million for the fiscal year ended December 31, 2008.

Under Argentine Banking GAAP, the allowance for loans has been calculated based on the Bank's estimated loan loss risk in light of debtor compliance and the collateral supporting the respective transactions, as provided by Communication "A" 2950 and supplemented by the Central Bank. ASC 310-10, Receivables: Overall, requires a creditor to measure impairment of a loan based on the present value of expected future cash flows discounted at the loan's effective interest rate, or at the loan's observable market price or the fair value of the collateral if the loan is

collateral dependent. This statement is applicable to all loans (including those restructured in a troubled debt restructuring involving a modification of terms), except large groups of smaller-balance homogenous loans that are collectively evaluated for impairment. Had U.S. GAAP been applied over continued operations the Bank's assets would have increased by Ps.215.5 million, Ps.204.9 million and Ps.92.8 million at December 31, 2010, 2009 and 2008, respectively. On the other hand, our income would have increased by Ps.10.6 million and Ps.112.1 million for the years ended December 31, 2010 and 2009, respectively, and would have decreased by Ps.14.4 million for the year ended December 31, 2008.

During the fiscal year ended December 31, 2001, under Argentine Banking GAAP, BBVA Banco Francés and its subsidiaries swapped Federal State Securities, bonds, treasury bills and unsecured loans at face value for Federal Government secured loans. The initial value of the certificates matched that of the prior book value as of the date of the swap. According to U.S. GAAP, non-temporary impairment affects the swapped obligations and therefore requires that, in the event that such obligations have been classified as "held to maturity", a loss be recorded for the difference between the book value of the obligation swapped and its quotation at the date of the swap, as such quotation is considered the best measure for recognizing the above mentioned impairment. The effects of adjustments required to state the amounts swapped in accordance with U.S. GAAP would be to decrease assets over continued operations by Ps.78.0 million, Ps.72.1 million and Ps.203.8 million at December 31, 2010, 2009 and 2008, respectively. On the other hand, income over continued operations would be decreased by Ps.6.0 million for the fiscal year ended December 31, 2010

and would have increased by Ps.131.8 million and Ps.121.4 million for the fiscal years ended December 31, 2009 and 2008, respectively. The effects over discontinued operations would be to decrease assets by Ps.13.6 million at December 31, 2008. On the other hand, income over discontinued operations would have increased by Ps.13.6 million and Ps.3.5 million for the fiscal years ended December 31, 2009 and 2008, respectively.

On January 28, 2009 and February 25, 2009, the Board of Directors of Consolidar Cía. de Seguros de Retiro S.A. exercised the exchange option to exchange certain bonds for Argentine Government notes in pesos. The debt swap was subject to the provisions of ASC 310-30 Restructured or Refinanced Loans. According to ASC 310-30, if an investor subsequently refinances or restructures the loan, other than through a troubled debt restructuring, the refinanced or restructured loan shall not be accounted for as a new loan. According to ASC 310-20, Receivables: Nonrefundable Fees and Other Costs, the Bank recognizes income for each fiscal year using the accretion interest method. Under U.S. GAAP the effects of adjustments over continued operations would have decreased assets by Ps.21.7 million and Ps.31.6 million for the fiscal years ended December 31, 2010 and 2009, respectively. On the other hand income for the fiscal year ended December 31, 2010 would have increased by Ps.9.9 million and would have decreased by Ps.31.6 million at December 31, 2009.

Pursuant to Argentine Banking GAAP, at December 31, 2003 the Bank recorded as assets the difference between the paid amounts for constitutional protection actions and the deposit amounts registered in accordance with the existing regulations. The Government has not indicated that it will compensate the Bank for the difference between the amounts paid for constitutional protection actions and the deposit amounts registered in accordance with the existing regulations. ASC 450-30, Contingencies: Gain Contingencies, requires that contingencies that might result in gains should not be reflected in the accounts since to do so might be to recognize revenue prior to its realization. Had U.S. GAAP been applied, our assets over continued operations would have decreased by Ps.23.5 million, Ps.22.6 million and Ps.19.9 million at December 31, 2010, 2009 and 2008, respectively. On the other hand net income over continued operations would have decreased by Ps.0.9 million and Ps.2.7 million at December 31, 2010 and 2009, respectively, and would have increased by Ps.58.3 million at December 31, 2008.

Under Argentine Banking GAAP the Bank accounted for its investment in the Buenos Aires Stock Exchange at market value. Under U.S. GAAP, such investments would have been valued at cost or at a lesser amount where there is a non-temporary impairment in value. Additionally, the companies that are under 20% were valued by the equity method in accordance with Central Bank rules. Under U.S. GAAP, those investments that are non-marketable securities would have been valued at cost. Had U.S. GAAP been applied, the Bank's assets over continued operations would have decreased by Ps.43.8 million, Ps.35.7 million and Ps.39.2 million at December 31, 2010, 2009 and 2008, respectively. On the other hand, the income over continued operations would have decreased by Ps.8.1 million and Ps.11.4 million at December 31, 2010 and 2008, respectively, and would have increased by Ps.3.5 million for the fiscal year ended December 31, 2009.

Pursuant to Argentine Banking GAAP, we generally record the cost of vacation payments earned by employees when paid, U.S. GAAP requires that this expense be recorded on an accrual basis as the vacations are earned. If U.S. GAAP had been applied, our liabilities over continued operations would have increased by Ps.0.3 million, Ps.0.3 million and Ps.23.2 million for the fiscal years ended December 31, 2010, 2009 and 2008, respectively. Net income would have increased over continued operations by Ps.22.8 million and Ps.36.8 million at December 31, 2009 and 2008, respectively.

Pursuant to Argentine Banking GAAP, we do not give accounting recognition to checks drawn against the Bank or other banks or other items to be collected, until such time as the related item clears or is accepted. Such items are recorded by the Bank in memorandum accounts. U.S. banks, however, account for such items through balance sheet clearing accounts at the time the items are presented. Had U.S. GAAP been applied, the Bank's assets and liabilities would have increased by approximately Ps.1,187.0 million and Ps.1,055.1 million at December 31, 2010 and 2009,

respectively.

Under Argentine Banking GAAP, the Bank recognizes forward and unsettled spot transactions as receivable and payable at the time of the agreement, which reflect the amount of cash, currency or securities to be exchanged at the closing date. The receivable or payable representing the receipt or delivery of securities or currency is stated at the quoted market value of such securities or currency. Under U.S. GAAP, in general entities would not recognize a receivable or payable but would recognize the differences arising from changes in the market price of securities or currency to be received or delivered if the transaction did not qualify as a hedge. Had U.S. GAAP been applied, the Bank's assets and liabilities would have decreased by approximately Ps.460.0 million and Ps.11.8 million at December 31, 2010 and 2009, respectively.

Under Argentine Banking GAAP, foreign trade acceptances are not recorded on the balance sheet by the Bank. In accordance with Regulation S-X, acceptances and related customer liabilities should be recorded on the balance sheet. The effect of the adjustment required to state balance sheets in accordance with Regulation S-X would be to increase assets (due from customers on acceptances) and increase liabilities (bank acceptances outstanding) by Ps.67.4 million and Ps.113.5 million at December 31, 2010 and 2009, respectively.

For the fiscal years ended December 31, 2010 and 2009, Consolidar Cía. de Seguros de Retiro S.A. and for the fiscal year ended December 31, 2008, Consolidar Cía. de Seguros de Retiro S.A. and Consolidar Cía. de Seguros de Vida S.A. maintain reserves accounted in Other Liabilities from Subsidiaries valued in accordance with accounting standards established by the Superintendence of Pension Fund Administrators and the National Superintendence of Insurance (see Notes 4.3.a)(iv) and 6.h). Had U.S. GAAP been applied over continued operations, liabilities would have decreased by Ps.267.9 million, Ps.225.4 million and Ps.176.8 million for the years ended December 31, 2010, 2009 and 2008, respectively. On the other hand, income over continued operations for the years ended December 31, 2010, 2009 and 2008 would have increased by Ps.42.5 million, Ps.48.6 million and Ps.159.9 million, respectively.

On May 4, 1998, our shareholders approved the reversal of the shares issuance premium related to the capital increase paid on December 19, 1997 and relating to the business goodwill from the acquisition of 71.754% of the capital stock of Banco de Crédito Argentino. Under Argentine Banking GAAP, we recognize the issuance premium under “Issuance premiums” and capitalize the related amount under Intangible assets. The effect of adjustments required to state such amounts in accordance with U.S. GAAP would have been to increase assets over continued operations by Ps.254.9 million for the fiscal years ended December 31, 2010, 2009 and 2008.

On May 13, 1999, BBVA acquired Corp Banca S.A. and Atuel Fideicomisos S.A. and on September 13, 1999, BBVA sold its interests in both companies to BBVA Banco Frances. For the difference between the definitive price of the transaction and the incorporation value of both companies, the Bank recognized a goodwill and amortized it in proportion to the months of estimated useful life (120-month period). Under U.S. GAAP, we would be required to account for the acquisition of the mentioned companies at BBVA’s book balance. Had U.S. GAAP been applied over continued operations, the Bank’s assets would have increased by Ps.54.7 at December 31, 2010, 2009 and 2008. Additionally, the income over continued operations would have increased by Ps.12.2 million for the fiscal year ended December 31, 2008.

ASC 350-20, Intangibles-Goodwill and Other: Goodwill requires, effective January 1, 2002, that goodwill no longer be amortized, but now be subject to an impairment test annually or more frequently if events or changes in circumstances indicate that the asset may be impaired. Accordingly, we have recognized an impairment loss. Had U.S. GAAP been applied over continued operations our assets would have decreased by Ps.309.6 million as of December 31, 2010, 2009 and 2008.

ASC 815, Derivatives and Hedging, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. Had U.S. GAAP been applied, our assets would have increased by Ps.2.6 million at December 31, 2010. On the other hand, income for the fiscal year ended December 31, 2010 would have increased by Ps.2.2 million.

The bank maintains reserves accounted in Allowance for other contingencies valued in accordance with the accounting standards established by BCRA (see Note 3.4.18). Had U.S. GAAP been applied over continued operations, allowance for other contingencies would have decreased by Ps.34.8 million and Ps.29.1 million at December 31, 2010 and 2009, respectively. On the other hand, income over continued operations for the fiscal years ended December 31, 2010 and 2009 would have increased by Ps.5.7 million and Ps.29.1 million, respectively.

The Bank acquired Consolidar AFJP S.A.’s undivided interest in a piece of real estate (see Note 4.1.c). ASC 810-10, Consolidation: Overall, established that any intercompany profit or loss on assets remaining within the Group should be eliminated. Had U.S. GAAP been applied over continued operations, the Bank’s assets would have decreased by Ps.37.9 million and Ps.38.1 million at December 31, 2010 and 2009, respectively. On the other hand income over continued operations would have increased by Ps.0.2 million at December 31, 2010 and would have decreased by Ps.38.1 million at December 31, 2009.

The Bank exhibits its non-controlling interests in consolidated subsidiaries like a caption outside its equity. In accordance with ASC 810-10, Consolidation: Overall, non-controlling interests in consolidated subsidiaries shall be reported in the Consolidated Balance Sheets within equity and separately from the parent's equity. Had U.S. GAAP been applied over continued operations, the Bank's Stockholders' Equity would have increased by Ps.357.8 million, Ps.277.4 million and Ps.82.0 million at December 31, 2010, 2009 and 2008, respectively. In addition, income for the fiscal years ended at December 31, 2010, 2009 and 2008 would have increased by Ps.83.2 million, Ps.254.6 million and Ps.12.1 million, respectively. Had U.S. GAAP been applied over discontinued operations, the Bank's Stockholders' Equity would have increased by Ps.18.9 million, Ps.26.8 million and Ps.87.6 million at December 31, 2010, 2009 and 2008, respectively. In addition, income for the fiscal years ended at December 31, 2010, 2009 and 2008 would have decreased by Ps.7.9 million, Ps.32.8 million and Ps.16.9 million, respectively.

Calculated in accordance with U.S. GAAP, our net income over continued operations for the fiscal years ended December 31, 2010, 2009 and 2008 would have been Ps.817.6 million, Ps.1,129.1 million and Ps.939.9 million, respectively. Under Argentine

Banking GAAP, our net income over continued operations was Ps.1,207.4 million, Ps.815.0 million and Ps.341.2 million for the same respective periods. In addition our net income over discontinued operations applying U.S. GAAP for the fiscal years ended December 31, 2010, 2009 and 2008 would have been Ps.(13.5) million, Ps.(99.3) million and Ps.(29.6) million, respectively. Under Argentine Banking GAAP, our net income over discontinued operations was Ps.(9.3) million, Ps.(96.6) million and Ps.(19.7) million for the same respective periods.

Credit Ratings

As a consequence of the Argentine Crisis and the downgrade of the sovereign ceiling, the international rating agencies downgraded our ratings in 2001 and 2002. Standard & Poor's rated our counterparty credit risk rating "SD" (selective default) and our senior debt rating "CC", while Moody's Investors Service rated our financial strength credit rating "E" and our senior debt rating "Ca".

In light of the deep crisis in Argentina and in the financial system, on June 15, 2002, we asked the international rating agencies to temporarily suspend the ratings of Banco Francés. The decision was made as a measure to reduce costs, and because we believed that our ratings would not improve in the medium term.

As of June 1, 2005, with the restructuring of the sovereign debt, Standard & Poor's upgraded the new sovereign debt to rating "B-", with stable outlook. During the year 2006, Standard & Poor's once again upgraded its rating and the debt received a rating of "B+". In view of that, at the end of that year our senior debt achieved the rating "AA".

On August 11, 2008, the foreign and local currency long-term credit ratings on the Republic of Argentina was downgraded by Standard & Poor's from "B+" to "B", and maintained the stable outlook. The sovereign's weaker financial profile, combined with a deteriorating political environment, makes Argentina's creditworthiness more consistent with a "B" rating. Additionally, Standard & Poor's lowered its national scale rating of Argentina to "AA-" from "AA". Therefore, it rated our local counterparty credit risk "AA-" and our senior debt, with stable outlook.

On October 31, 2008, Standard & Poor's lowered again its foreign and local currency long-term credit ratings on Argentina to "B-". The downgrade reflects heightened concerns about the deteriorating economic, political environment in Argentina and the resulting increased fiscal stress. A weaker global economy could hurt the prices of agricultural commodities, the exports of which greatly support the sovereign's fiscal and external accounts. Besides, Standard & Poor's lowered its national scale rating on Argentina to "A+". Accordingly, it rated our local counterparty credit risk and senior debt "A+", with stable outlook.

During 2010, after the completion of the second defaulted debt swap with a 67% participation rate, Fitch Ratings and Standard & Poor's raised its foreign and local currency long-term credit ratings on the Republic of Argentina. The ratings are supportive by comparatively high per capita income levels, high economic growth in recent years, a relatively favorable public debt composition and eight consecutive years of current account surpluses. In line with this, Standard & Poor's improved BBVA Banco Francés' ratings to "raAA/Stable".

Research and Development, Patents and Licenses

We incur research and development expenses in connection with technology information systems. See "Item 4. Information on the Company—Business Overview—Information Technology". We hold no material patents and do not license to others any of our intellectual property. We plan infrastructure development (processing, telecommunications, Internet, information security) based upon present and projected future demand of such services. We acquire the necessary technology, and equipment from third parties.

Trend Information

In the growing economy, with a stable exchange rate, continuing fiscal solvency and inflation under control, the financial system will continue to be focused in expanding the private sector lending activity, with emphasis in the middle-market and retail segment. For a description of recent changes in our business strategy and a summary of the main consequences of the current economic scenario on our business and future prospects see “Item 4. Information on the Company—Business Overview”.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors and Senior Management

Directors

The corporate by-laws of BBVA Banco Francés S.A. state that the Bank's management is led by a board of directors consisting of a minimum of three and a maximum of nine directors, who are elected by the shareholders to hold such office for a period of three years and may be re-elected (the "Board"). The by-laws also provide the appointment of alternate directors. According to the by-laws, the Board meets at least once per month.

The table below indicates the names of the members of our Board, their present position in the company, their business background and the date of expiration of the period for which they were elected.

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Name	Current Term Ends	Position as of December 31, 2009	Date of Birth	Present principal occupations outside BBVA Banco Francés and business experience
Jorge Carlos Bledel (*)	December 2011	Chairman	04/19/1954	<p>Present principal occupations: Director, Rombo Compañía Financiera S.A. (“Rombo Compañía Financiera”); Chairman, Inversora Otari S.A. (“Inversora Otari”);</p> <p>Business experience: Vice Chairman, Francés Valores Sociedad de Bolsa S.A. (“Francés Valores”); Director, Credilogros Compañía Financiera S.A. (“Credilogros”); Chairman, Consolidar AFJP S.A. (“Consolidar AFJP”); Chairman, Consolidar ART S.A. (“Consolidar ART”); Chairman, Consolidar Compañía de Seguros de Vida S.A. (“Consolidar Seguros de Vida”); Chairman, Consolidar Compañía de Seguros de Retiro S.A. (“Consolidar Seguros de Retiro”); Chairman, BBVA Consolidar Seguros S.A. (“BBVA Seguros”) and Chairman, Consolidar Salud S.A. (“Consolidar Salud”); Credit Manager, Banco del Interior y Buenos Aires; Business Manager, Corporación Metropolitana de Finanzas; Financial Manager, BBVA Banco Francés; Wholesale Banking Director, BBVA Banco Francés and Retail Banking Director, BBVA Banco Francés.</p> <p>Mr. Bledel joined the staff of BBVA Banco Francés in 1986 and was first elected to the Board in March 2003.</p>
José Manuel Tamayo Pérez (**)	December 2012	Vice chairman	05/22/1950	<p>Present principal occupation: Director, BBVA Banco Francés S.A.</p> <p>Business experience: Director, Consolidar AFJP; Director, Consolidar Seguros de Retiro Retail Banking Director, BBVA S.A.; Retail Banking Director, BBVA Banco Francés S.A.; Marketing Director España and Portugal, BBVA S.A.</p> <p>Mr. Tamayo Pérez was elected Director in April 2007.</p>
Marcelo Gustavo Canestri (*)	December 2012	Director	04/23/1953	<p>Present principal occupations: Director, Francés Valores; Director, Inversora Otari; Director, PSA Finance; Alternate Director, Rombo Compañía Financiera.</p> <p>Business experience: Corporate Assistant Manager, BBVA Banco Francés; Wholesale Banking Assistant Manager, BBVA Banco Francés; Asset Management Director, BBVA Banco Francés and Financial Director, BBVA Banco Francés; Director, Consolidar Seguros de Retiro;</p>

Director, Consolidar AFJP; Director, Consolidar ART;
Director, Consolidar Seguros de Vida; Director, BBVA
Seguros.

Mr. Canestri joined the Bank in 1973 and was first elected
to the Board in September 2001.

Javier José D'Ornellas (***)	December 2012	Director	06/07/1940	Present principal occupation: Director, BBVA Banco Francés S.A.
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Business experience: Director, Asociación Argentina
Cultural Inglesa (AACI); Chairman, Rentar S.A., Director,
Inversiones Robert S.A.;
Chairman, Rentar S.A.; Chairman, VASA S.A.; Chairman,
MASISA Argentina S.A.; Chairman, Vidrios Lirquén S.A.;
Chairman, Santa Lucía Cristal SACIF; Director, Concord
S.A. Colombia; Director, Santa Lucia Cristais Brasil.

Mr. D'Ornellas was elected Director in 1998.

Name	Current Term Ends	Position as of December 31, 2009	Date of Birth	Present principal occupations outside BBVA Banco Francés and business experience
Oscar Miguel Castro (***)	December 2011	Director	12/04/1945	Present principal occupations: Independent Director, Zurich Argentina Cia. de Seguros S.A.; Director, Zurich Argentina de Seguros de Retiro S.A.; Alternate Director, Transportadora Gas del Sur. Independent Consultant. Business experience: Executive member of the Committee of Financial Services member, Arthur Andersen Worldwide; Partner in charge of Financial Services Division, Arthur Andersen Latin America and Argentina; International Partner, Arthur Andersen.
Manuel Méndez del Río Piovich (**)	December 2012	Director	12/18/1952	Mr. Castro was elected Director in 2003. Present principal occupations: Chairman, Fundación Microfinanzas BBVA; Chairman, Banco de las Microfinanzas; Chairman, Caja de Ahorro y Crédito Nuestra Gente; Chairman, Corporación de las Microfinanzas; Chairman, Servicios Microfinancieros S.A.; Director, BBVA S.A. (Chile); Director Banco Continental S.A. (Perú). Business experience: General Director and Risks Director, BBVA Group. Head of the Departments of Presidency; Strategic Analysis and Risks; General Director, Argentaria; Wholesale Banking Director, Financial Director, Asset Management Director, Global Risks Management Director, Santander Group, among others.
Luis Bernardo Daniel Juango Fitero (**)	December 2013	Director	08/24/1949	Mr. Méndez del Río Piovich was elected to the Board in April 2010. Present principal occupation: Director, BBVA Banco Francés S.A. Business experience: President, BBVA Colombia S.A.; Regional Director, BBVA S.A.

(*) According to the provisions of General Resolution No. 368 (New Text 2001), as amended by General Resolution No. 400 of the CNV, Mr. Jorge Carlos Bledel and Marcelo Gustavo Canestri do not qualify as independent directors, as they are former employees of the Bank.

(**) On December 16, 2010 Mr. Méndez del Río Piovich presented a letter of resignation to the Board of Directors which was approved by the Board and became effective immediately .

Mr. José Manuel Tamayo Pérez, Manuel Mendez del Río Piovich and Luis Bernardo Juango Fitero do not qualify as independent directors according to the independence criteria set forth by General Resolution No. 368 (New Text

2001), as amended by General Resolution No. 400 of the CNV, as they are former employees of BBVA S.A.

(***)Mr. D'Ornellas and Mr. Castro qualify as independent directors according to the independence criteria established by General Resolution No. 368 (New Text 2001), as amended by General Resolution No. 400 of the CNV.

The Regular and Special Shareholders Meeting dated March 27, 2009: (i) re-elected two regular directors, Messrs. Jorge Carlos Bledel and Oscar Miguel Castro, for a period of three years; (ii) re-elected one alternate director, Mr. Martín Ezequiel Zarich, for a period of three years. Mr. Zarich does not qualify as an independent director as per General Resolution No. 400 of the CNV.

The Regular and Special Shareholders Meeting dated April 30, 2010: (i) re-elected three regular directors, Messrs. Marcelo Canestri, José Manuel Tamayo Pérez and Javier D'Ornellas for a period of three years; and (ii) elected Manuel Méndez del Río Piovich as a new Director.

The Regular and Special Shareholders Meeting dated March 30, 2011 re-elected Mr. Juango Fitero as regular director for a period a three years.

Executive Officers

The table below shows the names of the members of the management committee who have been our executive officers during 2010, and the year of their appointment to such position, as well as their business background. The chief executives are appointed for an indefinite period.

Name	First Appointed	Current Position	Date of Birth	Background and Work Experience
Ricardo Enrique Moreno	2009	Executive Director	07/15/1963	Consultant, specialized in financial branch and capital markets, Andersen Consulting; Systems Manager, Banco de Crédito; Director of Media, CEO of Unofirst Latin America, COO Global, BBVA; Director of Transformation an Productivity BBVA Mr. Moreno joined the Bank in 1994.
José Carlos López Álvarez	2007	Director, Planning and Financial Area; Director Presidency Areas	03/15/1959	Assistant Executive Director, Regulations Compliance, Coordination, Legal Services, Accounting and Auditing, Economic Studies Services, Risks, General Subdirector and Financial Director of Banco del Comercio (Spain) and Vice Chairman, Risk Management Director and Financial Director of BBVA Brasil. Mr. López Alvarez joined the Bank in 2003.
Juan Alberto Estrada	2008	Director, Global Markets	07/12/1972	Asset Management Area; Head of the Trading Area. Mr. Estrada joined the Bank in 1992.
Martín Ezequiel Zarich	2010	Director, Innovation and Development	04/09/1964	Other positions currently held: Director, Inversora Otar; Director, Francés Valores; Director, Aplica Soluciones Argentina S.A; Director, Consolidar ART; Director, BBVA Seguros; Director, Consolidar Seguros de Retiro; Director, Consolidar Comercializadora. Work Experience: Alternate Director, Consolidar ART; Alternate Director, Consolidar Seguros de Vida; Alternate Director, Consolidar AFJP; Alternate Director, Consolidar ART; Alternate Director BBVA Seguros; Economist, Banco de Crédito Argentino; Management Control and Budget Manager, Banco de Crédito Argentino; Planning Director, Banco de Crédito Argentino; Merger Director, BBVA Banco Francés; Planning Director, BBVA Banco Francés; Financial Director, BBVA Banco Francés; Retail Banking Director, BBVA Banco Francés; Director, Credilogros; Director, BBVA Banco Francés Uruguay; Director, BBVA Banco Francés Cayman Ltd.; Deputy

General Director, Business Development BBVA Group.

Mr. Zarich joined the Bank in 1987.

Gabriel
Milstein

2002

Director,
Human
Resources,
Procurement,
Real Estate,
General
Services and
Safety

08/14/1958

Organization Manager, BBVA Banco Francés.

Mr. Milstein joined the Bank in 1995.

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Name	First Appointed	Current Position	Date of Birth	Background and Work Experience
Jorge Gustavo Allen	2007	Director, Companies Banking	12/07/1956	Goods and Services Manager, Banco Francés del Río de la Plata; Logistics Director, BBVA Banco Francés; President, BBVA Seguros; Territorial Director, BBVA Banco Francés. Mr. Allen joined the Bank in 1994.
Carlos Villahoz	2010	Director, Corporate Banking and Investment Banking	09/28/1955	Manager, The Chase Manhattan Bank; Director, Hidro Piedra del Aguila; Director, Hidroneuquen; Director, Trasener; Director, Transba; Director, Citelec; Director, Cerámica Zanon; Director, Barugel y Azulay; Director, BBVA Banco Francés Cayman; Manager, Investment Banking, BBVA Banco Francés. Mr. Villahoz joined the Bank in 1991.
Jorge Delfín Luna	2010	Director, Retail Banking	11/17/1958	Regional Manager, Sucursal Citibank, Citicorp; Regional Manager of Local Branches, Banco de Crédito Argentino; General Manager, Easy-Bank (Banco Francés); General Manager and Vicepresident, BBVA Banco Uruguay; Companies Banking Manager, BBVA Banco Francés. Mr. Luna joined the Bank in 1996.
Gustavo Osvaldo Fernandez	2010	Director, Technology and Operations	01/22/1964	Coordinator, Systems and Organizations, Banca Nazionale del Lavoro; Systems Coordinator, Banco Galicia; Manager of Organization and Systems Development, Banco de Crédito Argentino; Design and Development Manager, Banco Francés; Media Director, Banco Francés; Director of Design and Development América, BBVA; Business Partner America, BBVA. Mr. Fernandez joined the Bank in 1995.
Adriana Fernandez de Melero	2010	Director, Corporate Development and Transformation	04/02/1961	Credits Recovery Analyst, Banco Español; Financial Analyst, Banco Español; Financial Profitability and Planning Analyst, Banco Español; Planning and Management Control Analyst, Banco de Crédito Argentino; Head of Budget, Planning and Management Control, Banco de Crédito Argentino; Leader of Reengineering Project, Banco de Crédito Argentino; Human Resources Development and Planning Manager, Banco de Crédito Argentino; Manager of Human Resources Management, BBVA Banco Francés; Manager of Structures and Projects, BBVA Banco Francés;

Organization Manager, BBVA Banco Francés;
Commercial Development and Channels Manager, BBVA
Banco Francés.

Mrs. Fernandez de Melero joined the Bank in 1987.

Juan Eugenio Rogerio González	2010	Director, Risks	06/20/1956	Mr. Rogerio González joined BBVA in 1973. His background includes: Branch Director Corporate Banking, Bilbao BBVA; Risks and Corporate Director, BBVA Puerto Rico; Insurances Development Director, BBVA America and Global Director of Corporate Risks Control, BBVA; Risks Director, BBVA Banco Francés; Corporate Polices and Wholesale Portfolios Director, BBVA.
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Mr. Rogerio González first joined the Bank in 2005.

Name	First Appointed	Current Position	Date of Birth	Background and Work Experience
Enrique César Bartolomé (*)	2007	Director, Innovation and Development	01/23/1965	Human Resources Analyst, Banco de Crédito Argentino; Team Leader Management Control, Budget and Audit, Banco de Crédito Argentino; Manager, Management and Budget Control, BBVA Banco Francés; Director, Transformation and Development BBVA Banco Francés.

Mr. Bartolomé joined the Bank in 1989.

(*)Mr. Bartolomé resigned his positions with BBVA Banco Francés S.A. on November, 2010 and was replaced by Mr. Zarich.

The service contracts of the directors and the executive officers do not provide for benefits upon termination of employment, except as described in “Directors, Senior Management and Employees—Compensation of Directors and Officers”.

Supervisory Committee

At the General Ordinary and Special Shareholders Meeting of BBVA Banco Francés held on April 30, 2010, the following members of the Supervisory Committee were appointed:

		Expiration of term
Regular	Mario Rafael Biscardi	December 31, 2010
	Marcelino Agustín Cornejo	December 31, 2010
	Alejandro Mosquera	December 31, 2010
	Agustín Isola	December 31, 2010
Alternate	Julieta Paula Pariso	December 31, 2010
	Daniel Oscar Celentano	December 31, 2010

As of December 31, 2010, both the regular and alternate members of the Bank’s Supervisory Committee, in their capacity as lawyers, have represented to the Bank that: (a) they perform or are prepared to perform the function of legal advisors with the professional independence required by Technical Resolution No. 15 of the Argentine Federation of Professional Councils in Economic Sciences; (b) they are members of Biscardi & Asociados S.R.L. and qualify as “independent” according to General Resolution No. 368 (New Text 2001), as amended by General Resolution No. 400 of the CNV; and (c) they have filed all the information required by the mentioned dispositions of the CNV, regarding their professional relations with the Bank.

At the General Ordinary and Special Shareholders Meeting of BBVA Banco Francés held on March 30, 2011, the abovementioned members of the Supervisory Committee were appointed for a new period.

Background information

- Mario Rafael Biscardi: Lawyer, member of Biscardi & Asociados S.R.L., member of the Supervisory Committee of Consultatio Asset Management Gerente De Fondos Comunes De Inversión S.A; Electrónica Megatone S.A; Inta Industria Textil Argentina S.A.; Sociedad Comercial Del Plata S.A; Best Market S.A.; Bridgestone Argentina S.A.I.C.; Centro Automotores S.A.; Coeur Argentina S.R.L.; Compañía General De Combustibles S.A; Compañía Previsional Metlife S.A. Cormasa S.A.; Courtage S.A. (Síndico Titular); Duke Energy Cerros Colorados S.A; Faurecia Argentina S.A.), among others.
- Alejandro Mosquera: Lawyer, member of Biscardi & Asociados S.R.L., member of the Supervisory Committee of Centro del Norte S.A; CNA ART S.A; HCA S.A.; Industrial Valores Sociedad De Bolsa S.A.; Inversora Otar S.A; Met AFJP S.A.; Metalúrgica Tandil S.A; Metlife Seguros De Retiro S.A.); Metlife Seguros De Vida S.A; Plan Rombo S.A. De Ahorro Para Fines Determinados; Procter & Gamble Argentina S.R.L., among others.
- Marcelino Agustín Cornejo: Lawyer, member of Biscardi & Asociados S.R.L., member of the Supervisory Committee of Carbochlor S.A. Consultatio Asset Management Gerente De Fondos Comunes De Inversión S.A. Electrónica Megatone S.A.; Inta Industria Textil Argentina S.A.; Rombo Compañía Financiera; Best Market S.A.; Centro Automotores S.A.; Centro del Norte S.A.; CNA ART S.A.; Compañía General De Combustibles S.A., among others.

- Julieta Paula Pariso: Lawyer, member of Biscardi & Asociados S.R.L., alternate member of the Supervisory Committee of CNA ART S.A.; Compañía General De Combustibles S.A.; Compañía Previsional Metlife S.A.; Consolidar AFJP S.A. (En Liquidación); Consolidar Aseguradora De Riesgos Del Trabajo S.A. Consolidar Comercializadora S.A. Consolidar Compañía De Seguros De Retiro S.A.; Cormasa S.A.; Courtage S.A; Duke Energy Cerros Colorados S.A.; Duke Energy Generating S.A.; among others.
- Agustín Isola, Lawyer, member of Biscardi & Asociados S.R.L., alternate member of the Supervisory Committee of Cormasa S.A.; Duke Energy Generating S.A.; Duke Energy International Southern Cone S.R.L.; Francés Valores Sociedad De Bolsa S.A.; Industrial Valores Sociedad De Bolsa S.A.; Inversora Otar S.A.; Met AFJP S.A.; Metalúrgica Tandil S.A.; Metlife Seguros De Retiro S.A.; Metlife Seguros De Vida S.A.; Tavex Argentina S.A., among others.
- Daniel Oscar Celentano, Lawyer, member of Biscardi & Asociados S.R.L., alternate member of the Supervisory Committee of Aplica Soluciones Argentina S.A.; Rombo Compañía Financiera S.A; Francés Valores Sociedad De Bolsa S.A. ; Industrial Valores Sociedad De Bolsa S.A.; Inversora Otar S.A.; Consolidar Aseguradora De Riesgos Del Trabajo S.A.; Consolidar Comercializadora S.A.; Consolidar Compañía De Seguros De Retiro S.A.; Consolidar Seguros S.A.

There are no agreements between the Bank and its directors, members of the Supervisory Committee or main executives, as a consequence of which the directors, members of the Supervisory Committee or main executives might have interests in opposition to those of the Bank, according to the provisions of Article 272 of LC.

Advisors

All legal advice is provided to the Bank by its own Legal Services Department.

The Bank has no financial advisors.

External Auditors

As of October 1, 2002, Deloitte & Co. S.R.L. acts as the Bank's external auditor. The Regular and Special Shareholders Meetings held on August 7, 2002, April 30, 2003, April 22, 2004, April 28, 2005, April 27, 2006, April 26, 2007, March 28, 2008, March 27, 2009, April 30, 2010 and March 30, 2011 approved such appointment.

According to the provisions of General Resolution No. 368 of the CNV (New Text 2001): (i) the auditor of the financial statements for fiscal years closing on December 31, 2008 and December 31, 2009 was Mr. Pablo Francisco Tonina, National Public Accountant (Buenos Aires Catholic University) who is registered with the Professional Council of Economic Sciences of the City of Buenos Aires, Volume 160, Page 164 ; (ii) the auditor of the financial statements for the fiscal year closing on December 31, 2010 was Roxana Mabel Fiasche, National Public Accountant (Buenos Aires University) who is registered with the Professional Council of Economic Sciences of the City of Buenos Aires, Volume 274, Page 40 and (iii) the auditors of the financial statements for the fiscal year closing on December 31, 2011 are Roxana Mabel Fiasche (regular) and Luis Alberto Curuchaga (alternate): National Public Accountant (Buenos Aires University), registered with the Professional Council of Economic Sciences of the City of Buenos Aires, Volume 97, Page 249.

The firm Deloitte & Co. S.R.L. has its domicile at Florida 234, 5th floor (C1005AAF), City of Buenos Aires, Argentina and is registered with the Professional Council in Economic Sciences of the City of Buenos Aires, under Volume 1, Page 3.

Audit Committee (I)

BBVA Banco Francés established the Audit Committee (I) as described in the Minutes of the Board of Directors No. 4989 to comply with the provisions set out by the Central Bank in its Communication “A” 2525, as supplemented, dated April 1997.

As of this date, the Audit Committee (I) is comprised of:

- | | |
|----|--------------------------|
| a) | Marcelo Gustavo Canestri |
| b) | Oscar Miguel Castro |
| c) | Jorge Carlos Bledel |
| d) | Eduardo Zerega |

Permanent Assistants to the Committee: Jorge Luna; Jorge Allen; José Carlos López Álvarez; Adrián Bressani and Javier D'Ornellas.

The Audit Committee (I) meets once a month. In each of these meetings, the Internal Audit Director presents the projects undertaken by the Internal Audit Department. The minutes of the meeting are then drawn up detailing the issues discussed as well as those items requiring further discussion. The minutes are transcribed into an internal control book which is sent to the Board of Directors for their information.

The Audit Committee (I)'s duties are to:

§ supervise the appropriate implementation of the internal control systems defined in the Bank through a regular evaluation;

§ provide assistance to improve the effectiveness of the internal controls;

§ inquire about external audit planning and comment as necessary on the nature, scope and time for the performance of the audit proceedings;

§ revise and approve the annual work program of the Bank's internal audit area ("Internal Audit Planning Memorandum" or "Annual Planning") to be carried out under said Annual Planning, as well as the level of compliance with such program;

§ revise the reports issued by the internal auditors pursuant to the provisions set forth in these rules;

§ consider the observations made by the external and the internal auditors regarding the internal control weaknesses found during the performance of their duties, as well as the corrective measures implemented by the general management to minimize or cure such weaknesses;

§ review the results obtained by the Supervisory Committee of the Bank during the performance of its duties, as informed in the applicable reports;

§ maintain a permanent communication with the officers of the Superintendency of Financial and Exchange Institutions in charge of the control of the Bank, so as to learn about their concerns, and the problems identified during the inspections conducted in the Bank, and control the actions adopted to solve such problems;

§ keep informed of the annual financial statements and the financial statements for the respective three-month periods as well as the external auditors' report issued with respect to the former, and any other applicable accounting information; and

§ regularly control compliance with the independence rules applicable to external auditors.

Audit Committee (II) (as per Decree No. 677/01 and General Resolution No. 400/02 which complies with NYSE Listing Standards)

BBVA Banco Francés has an Audit Committee (II) with the following composition, according to Board's Resolution dated May 18, 2010:

Members: José Manuel Tamayo Pérez
Oscar Miguel Castro

Javier D'Ornellas

According to Section 303A.07(b) NYSE all of the members of this Audit Committee must be “independent”. Moreover, according to Decree No. 677/01 and Resolution No. 400/02 the Audit Committee (II) must consist of at least three members of the Board, the majority of whom should be independent directors. Mr. José Manuel Tamayo Pérez qualifies as an “independent” director according to NYSE regulations, but does not qualify as an independent director according to the independence criteria set forth by General Resolution No. 368, as he is a former employee of BBVA S.A.

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The powers and duties of the Audit Committee (II) are as follows:

§ to render an opinion on the Board's proposal to appoint the external auditors to be retained by the company, and ensure their independence.

§ to supervise the operation of internal control and administrative accounting systems, as well as ensure the reliability of the latter and of all financial information or other significant facts submitted to the CNV and the self-regulated bodies in compliance with the applicable information regulations.

§ to supervise the application of policies regarding the information about the company's risk management.

§ to furnish the market with comprehensive information in respect of operations which may involve conflicts of interest with members of the corporate bodies or controlling shareholders.

§ to render an opinion on the reasonableness of proposals concerning fees and share option plans for the company's directors and managers as submitted by the administration body.

§ to render an opinion on the observance of legal requirements and the reasonableness of the conditions for the issuance of shares or securities convertible into shares in the event of a capital increase, with exclusion or limitation of preference rights.

§ to verify the observance of the applicable standards of behavior.

§ to issue a duly grounded opinion with regard to operations with related parties in those cases contemplated by the Decree No. 677/01.

§ to issue a duly grounded opinion and forward it to the self-regulated entities as determined by the CNV whenever there is a conflict of interests or the possibility of such a conflict in the company.

§ to prepare annually an action plan to be submitted to the Board and the Supervisory Committee.

§ to examine the plans prepared by the external and internal auditors, evaluate their performance and issue an opinion on the matter on occasions of the presentation and publication of the annual financial statements.

All directors, members of the Supervisory Committee, managers and external auditors must, at the request of the Audit Committee, attend its sessions and cooperate with it, facilitating its access to such information as may be available to them. In order to ensure a more appropriate exercise of the powers and duties contemplated herein, the committee may request the advice of lawyers and other independent professionals and retain their services for the account of the company within the budget allocated for such purposes by the shareholders meeting. The Audit Committee shall have access to such information and documentation as it may deem necessary in order to comply with its obligations.

Compensation of Directors and Officers

The Bank has a Nominations and Compensation Committee which was created on March 30, 2009. Its members must be Directors with no executive functions, and the majority of its members must be "independent". Its main functions are to provide assistance to the Board of Directors in all issues regarding compensation policies and other benefits. Moreover, it is also in charge of stating the terms and conditions for the selection and hiring of the key principal executives of the company. As of December 31, 2010 it consisted of: (i) Oscar Miguel Castro; (ii) Javier José

D'Ornellas; (iii) José Manuel Tamayo Pérez; (iv) Gabriel Milstein and (v) Adrián Bressani.

The aggregate amount of compensation paid by the Bank and its subsidiaries during the fiscal year ended December 31, 2010, to all directors and officers for services in all capacities, including salaries and bonuses, was Ps.27,526 million. This amount also includes compensation accrued during 2009 and paid in 2010. Compensation in the amount of Ps.19,724 million accrued during 2010 and was fully paid in 2011 before the date of this annual report. During the fiscal year ended December 31, 2010, the Bank was required to set aside Ps.1.8 million to provide defined contribution pension plans (see Note 19.15 to our Consolidated Financial Statements).

Special Committees

The Bank has the following special committees (i) Management, (ii) Computer Technology (iii) Disclosure; (iv) Asset Laundering and Terrorism Financing Prevention Committee; (iv) Internal Control Evaluation Committee, among others.

§ Management Committee

As of December 31, 2010 the Management Committee consisted of: (i) Ricardo Enrique Moreno, (ii) Martín Ezequiel Zarich, (iii) Jorge Luna, (iv) Carlos Villahoz, (v) Gabriel Milstein, (vi) Gustavo Fernández, (vii) José Carlos López Álvarez, (viii) Juan Eugenio Rogero González, (ix) Jorge Allen, (x) Adriana Melero and (xi) Juan Alberto Estrada.

The obligations of the Management Committee are to: (i) fix the business and investment strategies, the general risks policies, the human resources policies and cooperate with the our General Manager; (ii) delegate powers to other officers; (iii) analyze and approve the general annual budget; (iv) monitor its evolution and determine corrective measures according to internal and market variables and (v) create business synergies with other companies of the group.

The Management Committee meets monthly.

§ Computer Technology Committee

The Computer Technology Committee is responsible for the institutional treatment of the policies, goals and planning of the information systems area, and consists of: (i) Gustavo Fernández, (ii) Rubén Stempellato, (iii) Marcelo Gustavo Canestri, (iv) Daniel Neme, (v) Guillermo de la Plaza and (vi) Gustavo Siciliano.

The Computer Technology Committee meets quarterly.

§ Disclosure Committee

The Disclosure Committee consists of: (i) the Director of the Presidency Areas and the Planning and Financial Area, José Carlos López Álvarez; (ii) Independent Director, Oscar Miguel Castro; (iii) the Legal Services Director, Adrián Bressani; (iv) the Audit Director, Eduardo Zerega; (v) the Accounting Manager, Mónica Etcheverry; (vi) the Planning and Efficiency Manager, Jaquelina Kuscich; and (vii) the Secretary for Investors Relations, Vanesa Bories.

The general functions of the Disclosure Committee are to make sure that all information supplied to the Bank's shareholders, the markets where its shares are listed and the regulatory bodies of such markets is true and complete, adequately represents its financial situation and the results of its operations and is communicated in compliance with the terms and other requirements of the applicable regulations and with general market operation and good corporate governance principles. It must therefore ensure the existence and maintenance by the Bank of procedures and controls regarding the preparation and content of all information included in the financial statements as well as of any accounting or financial information which must be registered with the CNV and other regulatory bodies and agents of the stock exchanges where the shares of BBVA Banco Francés are listed.

The Disclosure Committee meets quarterly.

§ Asset Laundering and Terrorism Financing Prevention Committee

As of December 31, 2010, the Asset Laundering and Terrorism Financing Prevention Committee consisted of: the Chief Director (member), a Director (member), the Manager of the Regulations Compliance Department (Coordinator), the Presidency Areas Director (Vice coordinator), the Chief Money Laundering Officer of the Regulations Compliance Management (Vice coordinator), the Corporate Banking and Investment Director (member), the Director of Legal Services Department (member), a member of the Legal Services Department (secretary), the Chief of Internal Control and New Products (member), the Director of Human Resources, Procurement, Real Estate, General Services and Safety (member), the Director of Companies Banking (member), the Director of Global Markets—Head Officer in financial brokerage (member), the Innovation and Development Director (member), the Director of Retail Banking (member) and the President of Francés Administradora de Inversiones (member).

In order to comply with its control and prevention purposes, the Terrorism Assets and Money Laundering Prevention Committee assumes the following responsibilities:

- to deal with all matters related to the prevention of terrorism assets laundering and financing.
- to define operational policies and continuously monitor their degree of advancement.
 - to assign duties to the different areas involved.

Each member assumes the following functions:

- to render his or her area of activity more sensitive as to the importance of preventing terrorism assets laundering and financing.
 - to detect any relevant situation which may occur in his or her area in this connection.
 - to analyze any new product or service and evaluate potential asset laundering risks.
- to assume the necessary commitments in his or her area in order to implement prevention systems in coordination with the officer responsible for Asset Laundering Prevention.

The Terrorism Asset Laundering and Financing Committee has delegated some of its powers in order to optimize the treatment of reports received. To this effect a Prevention Subcommittee has been created with powers to receive, analyze and report any unusual or suspicious operations according to the procedure determined by the Bank's internal regulations.

The Terrorism Asset Laundering and Financing Committee meets every three months, or extraordinarily whenever the coordinator should deem it convenient due to the existence of relevant matters to be discussed.

Not fewer than five business days in advance of the meeting shall the Regulatory Compliance Director discuss with the secretary the subjects to be treated at the quarterly meeting, and the Secretary will submit the agenda to the members of the Committee.

§ Internal Control Evaluation Committee

Participants

The Internal Control Evaluation Committee consists of: the Regulations Compliance Manager (who acts as coordinator), the Internal Control Supervisor (who acts as vice-coordinator and secretary), the Director of the Presidency Areas, the Chief of Internal Control and New Products, the Human Resources Director, the Media Director, the Internal Audit Director, the Accounting Manager, the Legal Services Director and the Financial Information Internal Control Manager.

Functions

The Internal Control Evaluation Committee is the last step in the "Pyramidal Certification" process established in compliance with section 404 of the Sarbanes Oxley Act.

In order to fulfill its goals, the Committee assumes the following responsibilities:

- to discuss the issues related to the internal control model.

- to evaluate control weaknesses evidenced in the work performed in compliance with section 404 of the Sarbanes Oxley Act and the group's internal control model.
 - to decide on possible discrepancies occurred in the internal certification procedures.
- to analyze, if applicable, the internal control report proposal in compliance with the requirements of section 404 of the Sarbanes Oxley Act and the group's internal control model.
- to approve the internal control report that will support the internal control certification to be included in the 20-F documentation to be filed with the SEC.

Regular meetings

The Internal Control Evaluation Committee meets once per year, or at the request of the Committee's coordinator or vice-coordinator, or when the person responsible for their coordination deems appropriate due to the existence of some relevant issue.

Also in compliance with resolutions of the Central Bank or other controlling bodies, the Bank has appointed different offices responsible for specific subjects, as detailed below:

– Responsible for Foreign Exchange Positions (Communication "A" 4246 BCRA)
Main Officer Responsible: Mr. Manuel Mansilla
Alternate Officer Responsible: Mr. Gustavo Viturro

– Responsible for Foreign Exchange Control (Communication "A" 4246 BCRA)
Main Officer Responsible: Mr. Alejandro Chiaradia
Alternate Officer Responsible: Mr. José Luis Frete

– Responsible for relations with entities and their clients (Communication "A" 4378 and 4394 BCRA)
Main Officer Responsible: Mr. Daniel Enrique Ferreri
Alternate Officer Responsible: Mr. Roberto Adragna

– Responsible for the Liquidity Policy (Communication "A" 2879 BCRA)
Mr. Carlos Marí

– Responsible for Information Systems (Communication "A" 2593 BCRA)
Main Officer Responsible: Mr. José Carlos López Alvarez
Alternate Officer Responsible: Mr. Martín Ezequiel Zarich

– Responsible for Market Relations (Decree No. 677/01)
Main Officer Responsible: Mr. José Carlos López Alvarez
Alternate Officers Responsible: Mr. Martín Ezequiel Zarich, Mr. Adrián Bressani

– Compliance Officer on Money Laundering Prevention (Communication "A" 5004 BCRA)
Mr. Marcelo Gustavo Canestri

Employees

The following table shows the breakdown of our full-time payroll employees as of December 31, 2010, 2009 and 2008:

	As of December 31,		
	2010 (1)	2009 (1)	2008 (1)
Main office	1,951	1,600	1,544
Branches	2,625	2,482	2,708
Total	4,576	4,082	4,252

(1)Excludes 137, 172 and 752 employees from non-banking subsidiaries as of December 31, 2010, 2009 and 2008, respectively.

Our employees are represented by a national bank union with optional membership. As of December 31, 2010, 773 employees were unionized. The union negotiates a collective bargaining agreement to establish minimum salaries for all of its members. We have not experienced any conflicts with the union for over 20 years and we consider relations with our employees to be satisfactory.

We have a personnel Training and Development Department, which is in charge of the training of all of the Bank's employees. This includes in-house training courses and seminars in all the areas: Operations, Technology and Business (Branches, Corporate Banking). We provide bonuses to individual employees throughout the bank on a discretionary basis, taking into consideration individual merit and overall profit levels. We do not have a formal profit-sharing plan.

Share Ownership

As of February 28, 2011, Jorge Carlos Bledel (Chairman), Marcelo Gustavo Canestri (Director), Gabriel Milstein (Human Resources, Procurement, Real Estate, General Services and Safety Director), Martín Ezequiel Zarich (Innovation and Development Director) and Gustavo Osvaldo Fernández (Technology and Operations Director) owned shares in BBVA Banco Francés, which represented less than 1% of the capital stock of the Bank.

None of our directors or our remaining senior executives own shares or options on shares of BBVA Banco Francés.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

The following table sets forth certain information regarding the beneficial ownership of our ordinary shares as of December 31, 2010, by each person who, to our knowledge, owns beneficially more than 5% of our ordinary shares. These persons do not have different voting rights.

Beneficial Owner	Ordinary Shares Beneficially Owned At December 31, 2010	
	Number of Shares	Percentage of Shares Outstandings
Banco Bilbao Vizcaya Argentaria (1)	244,870,968	45.65
Bilbao Vizcaya America BV (2)	112,192,349	20.92
Inversora Otar S.A. (3)	50,410,182	9.40
The Bank of New York (4)	43,748,916	8.16
Administración Nacional de Seguridad Social	36,707,858	6.84

(1) Number of shares and percent of class owned directly and indirectly by BBVA except for shares held through Bilbao Vizcaya América BV.

(2) Banco Bilbao Vizcaya América BV is controlled by BBVA.

(3) Inversora Otar S.A. is controlled indirectly by BBVA.

(4) As holder agent of ADSs.

As of October 2009 the total number of authorized and issued ordinary shares, par value Ps.1.00 per share, increased by 65,000,000 as a result of the distribution of share dividends approved by the Stockholders' Meeting on March 27, 2009. Accordingly, our capital stock increased from 471,361,306 shares to 536,361,306 shares and BBVA maintained its equity interest in the Bank at 75.97%.

We are a corporation registered under Argentine law whose shareholders restrict their liability to the shares they have subscribed and paid-in under the Business Companies Law. Therefore, and in terms of Law No. 25,738, no shareholder of the Bank, whether foreign or local, is liable beyond such paid-in shares for obligations deriving from transactions made by the Bank.

Except as described above, we are unaware of any arrangements the operation of which may, at a subsequent date, result in a change of control of BBVA Banco Francés.

As of December 31, 2010, according to our records and the records of the Depositary, 24 holders of ordinary shares and 33 registered holders of ADSs have an address in the United States, representing, in the aggregate, 8.23% of our issued and outstanding ordinary shares.

Related Parties Transactions

The following table presents the loans granted, guarantees given and extensions of credit granted (unused portions) to related parties for the fiscal years ended December 31, 2010 and 2009. Related parties include controlled companies, controlling shareholders and entities under common control, key management and directors and associated entities.

The loans described below (a) were made in the ordinary course of business, (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and (c) did not involve more than the normal risk of collectibility or present other unfavorable features.

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Related Party	Fiscal Year ended December 31, 2010					Fiscal Year ended December 31, 2009				
	Largest Outstanding Amount (1)(2)	Interest Rates	Outstanding Amount (2)	Interest Rates	Nature	Largest Outstanding Amount (1)(2)	Interest Rates	Outstanding Amount (2)	Interest Rates	Nature
Controlled, Controlling and Under Common Control Entities										
BBVA and subsidiaries	244,614	32.73%	195,097		—Guarantees given, credit cards loans, other loans and correspondents	173,533	25.43%	141,219	26.77%	Guarantees given, advances, credit cards loans, other loans and correspondents
Francés Valores Sociedad de Bolsa S.A.	19,968		—12,285		—Other loans and equity investment	6,062		8,586		—Other loans and equity investment
Francés Administradora de Inversión	37,266	32.73%	37,266	32.73%	Credit card loans, other loans and equity investment	1,833	28.84%	1,833	28.84%	Credit card loans, other loans and equity investment
Consolidar AFJP S.A. (undergoing liquidation proceedings)	33,563		—11,507		—Other loans, guarantees given and equity investment	40,983	45.00%	33,564		—Advances, other loans, guarantees given and equity investment
Consolidar Seguros de Vida S.A.			—		—	9,356		—		—Other loans and equity investment
Consolidar Seguros de Retiro S.A.	16,493		—16,493		—Other loans and equity investment	8,914	18.00%	12,884	26.65%	Credit card loans, other loans, guarantees given and equity investment
Consolidar ART S.A.	6,529	32.73%	4,754	32.61%	Advances, credit cards loans and equity investment	14,161	32.36%	14,161	32.36%	Advances, credit cards loans and equity investment
PSA Finance	494,789	20.27%	494,789	20.27%	Call money, other loans, guarantees given and	370,368	22.44%	341,348	24.28%	Call money, other loans and equity investment

				equity investment				equity investment		
BBVA Consolidar Seguros S.A.	20,917	85.78%	19,487	85.78%	Advances, credit cards loans, other loans and equity investment	17,852	45.00%	16,583	85.77%	Advances, credit cards loans, other loans and equity investment
Consolidar Comercializadora S.A.	182	—	52	—	Other loans and credit cards loans	131	—	131	—	Other loans
Atuel Fideicomisos S.A.	38,030	—	—	—	Equity investment	35,048	—	35,048	—	Equity investment

(1) Largest amount during the period indicated.

(2) In thousands of pesos.

Related Party	Fiscal Year ended December 31, 2010					Fiscal Year ended December 31, 2009				
	Largest Outstanding Amount (1)(2)	Interest Rates	Amount Outstanding (2)	Interest Rates	Nature	Largest Outstanding Amount (1)(2)	Interest Rates	Amount Outstanding (2)	Interest Rates	Nature
Associated Entities										
Rombo Cia Financiera S.A.	328,401	18.53%	328,401	18.53%	Call money, other loans, guarantees given and equity investment	179,410	18.70%	165,078	23.32%	Call money, other loans, guarantees given and equity investment
Key Management Personnel (3)	3,702	16.00%	3,702	16.00%	Advances, credit card loans, personal loans, other loans and real state mortgage	1,364	21.50%	1,364	21.00%	Advances, credit card loans, personal loans, other loans and real state mortgage

(1) Largest amount during the period indicated.

(2) In thousands of pesos.

(3) Includes directors, senior managers, members of the audit committee and managers with relevant authority. The transactions included in this section (a) were made in the ordinary course of business, (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and (c) did not involve more than the normal risk of collectibility or present other unfavorable features.

As of December 31, 2010, the Bank did not register assistance received from BBVA.

ITEM 8. FINANCIAL INFORMATION

Financial Statements

See “Item 18. Financial Statements”.

Legal Proceedings

The measures taken by the Argentine government at the beginning of 2002, including the repeal of the Convertibility Law, the “pesification” of all assets and liabilities in the formal economy and the default by the Argentine government on its debt, led to a massive withdrawal of deposits and a breakdown in the chain of payments. We have faced many lawsuits brought by depositors to recover their deposits in cash and in their original currency interest on their foreign currency deposits. During 2010, BBVA Banco Francés paid Ps.35,056,961 regarding exchange rate difference of deposit refunds, in compliance with court orders in lawsuits brought by the Bank’s customers.

Dividends

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 favorably 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. According to Communication “A” 5072 of the Central Bank from May 6, 2010, such distribution must have the prior authorization of the Central Bank and any of the following situations may not have occurred during the month immediately preceding the request for authorization made to the Central Bank’s Superintendence of Financial and Foreign Exchange Entities:

1. The Bank falls under the provisions of Articles 34 “Regularization and restructuring” and 35 bis “Restructuring of the entity for the protection of credit and bank deposits” of the Financial Entities Law;
2. The Bank has received financial assistance from the Central Bank, other than assistance received for lack of liquidity in terms of Decree No. 739/03 and its regulatory provisions (Communication “A” 3941 and complementary provisions), within the framework of article 17 of this Bank’s Charter, and in terms of the transactions foreseen by Communication “A” 4268;
3. The Bank incurs delays or noncompliance with respect to the information system set forth by the BCRA; or
4. The Bank shows deficiencies as to the payment of its minimum capital, either individually or on a consolidated basis (without computing for such purpose the effects of individual franchises granted by the Superintendent of Financial and Foreign Exchange Entities) or as regards its average minimum cash requirements in pesos or foreign currencies.

For a description of the declared dividends that we have paid on our ordinary shares and ADSs for the years 2004 to 2010, see “Item 3. Key Information–Declared Dividends”.

ITEM 9. THE OFFER AND LISTING

We were one of the first companies listed on the Buenos Aires Stock Exchange (“BCBA”). Since 1993 our shares have also been listed on the New York Stock Exchange (“NYSE”) in the form of American Depositary Shares (“ADSs”) and,

since December 1999, our shares have also been listed on the Madrid Stock Exchange. Before 1993, there was no public market for our shares outside of Argentina. The ordinary shares are currently traded on the BCBA under the symbol "FRAN" and the ADSs are currently traded on the NYSE under the symbol "BFR". We cannot give assurance that a public market in the United States for the ADSs will continue to exist.

The table below shows the quarterly high and low closing prices of the ordinary shares in pesos on BCBA for the periods indicated. Prices have not been adjusted to reflect all stock dividends paid through the date of this annual report.

	Pesos Per Ordinary Share (1)	
	High	Low
March 2011	16.25	14.85
February 2011	16.60	14.95
January 2011	16.60	15.00
Fiscal year ended December 31, 2010	17.80	7.28
Fourth quarter	17.80	12.90
December, 2010	15.95	15.20
November, 2010	17.80	14.90
October, 2010	15.95	12.90
Third quarter	13.10	8.40
Second quarter	10.10	7.28
First quarter	9.95	7.43
Fiscal year ended December 31, 2009	8.73	2.50
Fourth quarter	8.73	6.97
Third quarter	7.80	5.30
Second quarter	6.10	3.30
First quarter	3.90	2.50
Fiscal year ended December 31, 2008	8.55	2.42
Fiscal year ended December 31, 2007	13.10	8.04
Fiscal year ended December 31, 2006	9.60	6.90

(1) Pesos per ordinary share data reflect nominal prices at trading date.

Source: BCBA.

The ordinary shares trade on the NYSE in the form of ADSs issued by The Bank of New York, as depositary. Each ADS represents three ordinary shares. The table below shows the quarterly high and low closing prices of the ADSs in dollars on the NYSE for the periods indicated.

	U.S.\$ Per ADS (1)	
	High	Low
March 2011	11 20/29	10 8/17
February 2011	12 2/67	10 39/50
January 2011	12 19/50	10 9/10
Fiscal year ended		5
December 31, 2010	13 33/50	9/20
Fourth quarter	13 33/50	9 43/50
December, 2010	12 1/10	11 17/50
November, 2010	13 33/50	11 20/69
October, 2010	12 17/50	9 43/50
Third quarter	9 9/10	6 3/13
Second quarter	7 4/5	5 9/20
First quarter	7 19/25	5 67/77
Fiscal year ended		1
December 31, 2009	7 16/39	4/5
Fourth quarter	7 16/39	5 1/3
Third quarter	6 1/15	3 33/50
Second quarter	4 19/20	2 2/5

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First quarter	3 25/51	1 4/5
Fiscal year ended		1
December 31, 2008	8 21/50	4/7
Fiscal year ended		7
December 31, 2007	13 1/10	12/25
Fiscal year ended		
December 31, 2006	9 7/10	6 7/10

(1) Source: BNY Mellon Depository.

Trading on the BCBA

There are nine exchanges in Argentina, of which five have affiliated stock markets and, accordingly, are authorized to quote publicly offered securities: Buenos Aires, Rosario, Córdoba, Mendoza and Santa Fe. The oldest and largest of these exchanges is the BCBA, which was founded in 1854. Usually, the overwhelming majority of all Argentine equity trades take place on the BCBA. As of December 31, 2010, the shares of 107 Argentine companies, excluding mutual funds, were listed on the BCBA. During the year 2010, the total volume traded on the exchange raised 33% in comparison with the volume of previous year. All publicly offered securities may be traded on authorized securities exchanges and, except for equity securities, in the Argentine over-the-counter market or MAE. See “Item 4. Information on the Company—The Argentine Banking System and its Regulatory Framework—Capital Markets”.

The Merval, which is affiliated with the BCBA, is the largest stock market in Argentina. The Merval is a corporation which regulates its members (all of whom are stockholders of the corporation) and transactions conducted on that market. Only stockholders of the Merval are allowed to effect transactions either as principal or as agent in that stock market. In 1990, brokerage houses, including bank subsidiaries, were allowed to enter as full members of the market. Trading in the Merval is conducted through three different trading systems:

- § the “Floor”;
- § the “SINAC”; and
- § the “Continuous”.

The operations at the traditional auction system (“the Floor”) start from 11:00 A.M. and end at 5:00 P.M. each business day. Also available is an electronic auction system called “SINAC” where each broker inputs both its buys and sells while the system matches the operations. Since July 1998, both auction systems (the Floor and SINAC) have been considered to be a single market. Both systems allow for the trade of securities, public bonds, private bonds, futures and derivatives. Additionally, the Buenos Aires Stock Market’s trades are made through an electronic Continuous Market System (the “Continuous”) that operates from 11:00 A.M. to 5:00 P.M. each business day. The Continuous is a system that registers and makes public trades that were privately arranged by registered brokers and brokerage companies on behalf of their clients. In this system only public and private bonds may be traded. Such trades are reported on the “Mercado Abierto”, an electronic reporting system similar to, but different from, the Continuous Market System. To control price volatility, the BCBA operates a system which suspends dealing in shares and bonds of a particular issuer for 30 minutes or less when changes in the price of such shares exceed or fall more than 10% of the preceding day’s closing share price. From then on, the BCBA suspends trading for a few minutes when prices rise or fall an additional 5% or more in the same day. In both markets, the operations can be executed in pesos or dollars from local accounts or foreign accounts.

As of December 31, 2010, the market capitalization of the 107 companies listed on the BCBA was approximately U.S.\$477.43 billion. At the same time, the market capitalization of the domestic companies totalled U.S.\$63.78 billion.

The following table summarizes certain historical information about the Buenos Aires Stock Exchange.

	Year ended December 31,		
	2010	2009	2008
Market capitalization (U.S.\$ billion)	477.4	574.2	357.1
Number of companies listed	107	106	110

Rate of return in dollars (1)	45.81	%	95.18	%	(54.22)%
Market/book ratio (2)	2.65		1.41		0.93	

(1) Based on the Merval Index
(2) Estimated

Source: BCBA and Instituto Argentino de Mercados de Capitales (IAMC).

Market Regulation

Both the CNV and BCBA oversee the regulation of the Argentine capital markets. The CNV is responsible for authorizing public offerings of securities and supervising stockbrokers, including those which are subsidiaries of banking institutions. Generally, Argentine securities markets are regulated by Law No. 17,811, which created the CNV and which regulates securities exchanges, stockbrokers, market operations and the public offering of securities.

Under Law No. 17,811, public trading of securities on exchanges must be made with stock markets organized as stock corporations, which must be affiliated with a stock exchange.

Each stock market has the operating responsibility for all transactions performed by stockbrokers and has disciplinary power over them. Each stock market guarantees the proper settlement or clearance of transactions entered into by stockbrokers. The effect of such a guarantee is to provide brokers assurances that transactions will be consummated in a timely manner.

The CNV has passed a set of resolutions establishing a system of self-regulatory entities, under which each self-regulatory entity (which currently includes each exchange and the MAE) is responsible for developing and implementing regulations governing its respective securities market, subject to the approval and oversight of the CNV. Internal rules of each exchange for its affiliated stock market establish conditions for listing securities, admitting brokers, conducting trades and controlling the truthfulness of any information which is required to be reported.

In recent years, changes to the legal framework have been introduced permitting the issuance and trading of new financial products in the Argentine capital markets, including commercial paper, new types of corporate bonds, trust bonds, other credit instruments and futures and options over shares, bonds, indexes and the U.S. dollar. In 1991, brokerage fees were deregulated and transfer taxes and stamp taxes on publicly offered securities were eliminated.

In compliance with the provisions of Law No. 20,643, most debt and equity securities traded on the exchanges and on the MAE must, unless otherwise instructed by the stockholders, be deposited by the stockbrokers or over-the-counter dealers in the Caja de Valores, which is a corporation owned by the BCBA, the MERVAL and certain provincial exchanges. The Caja de Valores provides central depository facilities for securities and acts as a transfer and paying agent. In September 2000, the Caja de Valores started Argenclear S.A. (“Argenclear”), a clearing house owned by the most important private and public banks of Argentina, MERVAL and BCBA. Argenclear provides services to the brokers for the settlement of public bond trades registered in the MAE. It also handles settlement of securities transactions carried out by the BCBA and operates the computerized “Exchange Information System”.

On May 17, 2001, by means of General Resolution No. 368 the CNV approved a new restated text for a number of regulations in force in order to unify, harmonize and simplify the different requirements established by them. The new text incorporates the changes implemented by all general resolutions issued after General Resolution No. 290. On May 28, 2001, the Official Bulletin published the text of Decree No. 677/01 which created a regulatory framework to ensure Public Offer Transparency.

In order to offer securities to the public in Argentina, an issuer must meet certain requirements of the CNV regarding assets, operating history, management and other matters, and only securities for which an application for a public offering has been approved by the CNV may be listed on the BCBA. This approval does not imply any kind of certification or assurance related to the merits or the quality of the securities, or the solvency of the issuer. Issuers of listed securities are required to file with the CNV and the BCBA quarterly financial statements and audited annual financial statements, as well as various other periodic reports.

Although participation by foreign investors in BCBA has historically been low, it has increased since 1991 as a consequence of the economic reform programs implemented by the Argentine government and the liberalization of restrictions to the access by foreign investors to securities in the Argentine securities market. Currently, an important amount of floating capital and public bonds is held by foreign investors, but since 2002 a decrease in the flow of foreign capital has been evident due to the economic crisis and the BCRA regulations.

In 2002, through Decree No. 216/02, the Mercado Unico y Libre de Cambios (“MULC”) was created and a series of other BCRA regulations that fixed limits to capitals flows were adopted. In 2005, the BCRA regulated the currency for the transactions in the regulated markets. Since 2005, all transactions can be converted in Pesos or U.S. dollars in local accounts and foreign accounts.

ITEM 10. ADDITIONAL INFORMATION

Memorandum and Articles of Association

The following summarizes certain material provisions of our by-laws and Argentine law, the main bodies of regulation governing BBVA Banco Francés. This summary is qualified in its entirety by reference to the Business Companies Law, the Financial Institution Law and our by-laws. Copies of our by-laws have been filed as exhibits to our 2010 annual report on Form 20-F.

At our Ordinary and Extraordinary Stockholders' Meeting held on April 28, 2005, our stockholders voted to amend section 11 of the by-laws in order to comply with Resolution No. 20/04 of the Office of Corporations – Public Registry of Commerce (“Inspección General de Justicia”), and its amendments. This amendment will require each of our Directors to (i) pledge an amount of at least Ps.10,000 as a guarantee of the Director's performance and (ii) maintain a special domicile within the Argentine Republic. This amendment has been filed with the Public Registry of Commerce, which has been approved as of the filing of this annual report, on December 12, 2005, under Number 16,335, Book 30.

At the Ordinary and Extraordinary Stockholders' Meeting held on March 27, 2009, our shareholders agreed and authorized to amend sections 10 and 13 of the corporate by-laws that will make it possible for the company to replace its Board of Directors either partially or in stages through the appointment or re-election of its members, as well as to hold its meetings with the attendance of non-resident directors by video-teleconference. This amendment has been registered with the Public Registry of Commerce on April 21, 2010, under Number 7.192, Book 49.

At the Ordinary and Extraordinary Stockholders' Meeting held on April 30, 2010, our shareholders agreed and authorized to: (i) the amendment of section 10 of the corporate by-law regarding the different denominations that could be used by the company's CEO, and (ii) to the amendment of section 21 and to eliminate section 17, regarding the Executive Committee which was no longer in use. These amendments have been registered with the Public Registry of Commerce on August 2, 2010, under Number 13.784, Book 50.

Registry and Company's Objects and Purposes

BBVA Banco Francés is registered with the Public Registry of Commerce of the Argentina (Registro Público de Comercio) under company number 1,065, Page 359, Book 5, Volume "A" of Local Corporate By-laws. Section 3 of our by-laws provides that the object of BBVA Banco Francés is to engage in the commercial banking business, including financial brokerage, whether in Argentina or abroad. Under our by-laws, BBVA Banco Francés is authorized to perform the following activities:

§ accept term and demand deposits;

§ grant short-term bullet and other amortizable loans;

§ discount, purchase and sell bills of exchange, promissory notes, pledges, checks, drafts and other negotiable instruments;

§ grant guarantees, bonds or other forms of collateral; accept bills of exchange, drafts and other orders of payment, transfer funds and issue and accept letters of credit;

§ grant advances on credits from property sales, acquire the same and undertake the risks resulting therefrom, take steps to collect them and offer technical and administrative assistance;

§ invest in government securities;

§ make temporary investments in liquid assets;

§ invest in new stock or securities issues, in pursuance of such regulations as may be set forth to that purpose;

§ accept securities in custody and provide other services related to the banking business;

§ manage, on account of third parties, the purchase and sale of securities, and act as paying agents in relation to dividends, redemption and interest;

§ engage in brokerage activities in the over-the-counter securities market;

§ perform foreign exchange transactions;

§ comply with agencies related to its operations;

§ receive deposits of participation in mortgage loans and in special accounts;

§ issue mortgage obligations;

§ grant loans for the acquisition, construction, enlargement, repair, improvement and maintenance of urban or rural real estate, and for the substitution of mortgages taken out for that same purpose;

§ receive loans from abroad and act as intermediary in local or foreign currency-denominated loans;

§ issue private bonds, and

§ carry out such lending, borrowing and service-related operations as are not forbidden under the Financial Institutions Law.

Directors

Under Section 18 of our by-laws, the Board of Directors receives an annual fee established by the shareholders. This fee is subject to the restrictions of Section 261 of the Business Companies Law, which provides that the aggregate compensation of the directors may not exceed 25% of the income of the company, or 5% of the income if no dividends were distributed to the shareholders.

The compensation of the members of the Board of Directors is previously approved by the Nominations and Compensation Committee and the Audit Committee (II) of the Bank, taking into consideration the reasonability and legality of the amount proposed. The decision of these two Committees regarding the compensation amount will then be submitted to the approval of the Board of Directors and the Annual Shareholders Meeting.

Under Section 272 of the Business Companies Law, a director may not vote in respect of any proposal in which he, or any person connected to him, has an interest contrary to the interests of BBVA Banco Francés. Moreover, Directors are not entitled to carry out personal transactions with the company or its affiliates, other than the banking common operations, unless they are approved by a special procedure that guarantees the transparency of proposed transaction.

Directors need not hold shares in BBVA Banco Francés or any of our subsidiaries to qualify and be appointed as directors of BBVA Banco Francés.

The bank has no policies regarding age limits or retirement age.

Rights Attaching to Shares

As of the date of the filing of this annual report, our capital is formed by a single class of shares, all of which are ordinary shares and have the same voting and economic rights. Shareholders participate in the distribution of dividends pro rata of the paid-in capital. Furthermore, shareholders are entitled to participate in the distribution resulting from the liquidation of BBVA Banco Francés in proportion to the paid-in capital.

Shareholders are entitled to vote cumulatively one-third of the vacancies of the board of directors. The board may not be partially reelected if it impairs or prevents the exercise by shareholders of their cumulative voting rights.

Shareholders may no longer claim the payment of dividends from BBVA Banco Francés once three years have elapsed from the date on which the relevant dividend was made available to such shareholder.

Our by-laws do not contain any provisions related to sinking funds or potential liability of shareholders of BBVA Banco Francés to make additional contributions.

Communication “A” 5072, from May 6, 2010, provides that financial entities can distribute retained profits, with the corresponding authorization from the Central Bank, which must verify the following regarding such financial entity:

§ the Bank falls under the provisions of articles 34 “Regularization and restructuring” and 35 bis “Restructuring of the entity for the protection of credit and bank deposits” of the Financial Entities Law;

§ the Bank has received financial assistance from the Central Bank, other than assistance received for lack of liquidity in terms of Decree No. 739/03 and its regulatory provisions (Communication “A” 3941 and complementary ones), within the framework of article 17 of this Bank’s Charter, and in terms of the transactions foreseen by Communication A 4268;

§ the Bank incurs delays or noncompliance with respect to the information system set forth by the BCRA; or

§ the Bank shows deficiencies as to the payment of its minimum capital, either individually or on a consolidated basis (without computing for such purpose the effects of individual franchises granted by the Superintendence of Financial and Foreign Exchange Entities) or as regards its average minimum cash requirements in pesos or foreign currencies.

Shareholders Meetings

All general meetings apart from annual regular meetings are called regular or special meetings. Regular and special shareholders' meetings are to be convened by the Board of Directors of the Bank or by the Supervisory Committee in such instances as set forth by law, or whenever they may deem it necessary, or upon requisition of shareholders representing at least 5% of our stock capital, as provided by Section 236 of the Business Companies Law.

Shareholders' meetings are called by publication for five days, at least 20 and not more than 45 days before the date of the meeting, in the Official Gazette and in one of the most widely circulated newspapers in Argentina. The notice must include the nature, the date, time and place of the meeting, the agenda, and any special requirements in our by-laws for the shareholders to attend.

In case of adjournment of a regular shareholders meeting, the meeting on second call may be held on the same date, at least one hour after the time set for the meeting on first call, in compliance with Section 237 of the Business Companies Law. In case of adjournment of a special shareholders' meeting, the meeting on second call must be held within the following thirty days, and the publication must appear for three days at least eight days before the date set for that meeting.

In order to attend and vote at any shareholders' meeting, shareholders must deposit with us their shares or a share certificate or a statement of account representing book-entry shares, as the case may be, issued by us, a securities depository or any other authorized institution, to be recorded in the record book of attendance, at least three business days before the date of the meeting.

Holders of registered or book-entry shares, the record of which we keep, are only required to notify us to register their names in the record book of attendance, at least three business days before the date of the meeting. We must provide such shareholders with certificates authorizing them to attend the meeting.

Shareholders may be present at meetings by power-of-attorney or proxy. In the latter case, the principal's signature shall be certified by a court, notary public or bank. Directors, statutory auditors, managers or any other of our employees may not act as agents for these purposes.

A quorum must be present at any regular shareholders' meetings on first call upon the attendance of shareholders representing the majority of voting stock. On second call, there is a quorum with the attendance of any number of shares present. A quorum is present at any special shareholders' meeting on first call upon the attendance of shareholders representing 60% of the voting stock. Shareholders representing 30% of our voting stock shall constitute a quorum at a special shareholders' meeting on second call. In any case, resolutions require the absolute majority of the voting stock present.

Restrictions on Voting and Shareholding

There are no restrictions imposed by Argentine law or our by-laws or other organizational documents regarding the rights of non-residents or foreign persons to hold or vote our ordinary shares or ADSs of the Bank.

Change of Control

There are no provisions in our articles of incorporation or by-laws that would have the effect of delaying, deferring or preventing a change of control of BBVA Banco Francés and that would operate only with respect to a merger, acquisition, corporate restructuring involving BBVA Banco Francés or any of its subsidiaries.

Ownership Disclosure

There are no provisions in our by-laws governing the ownership threshold above which shareholder ownership must be disclosed.

Change in the Capital

Our by-laws do not establish conditions for the changes in the capital of BBVA Banco Francés more stringent than those conditions imposed by the Business Companies Law.

Material Contracts

No material contracts outside the ordinary course of business have been entered into during the last two years.

Exchange Controls

On January 7, 2002, Congress approved the Public Emergency Law that introduced dramatic changes to the country's economic model and amended the currency board that pegged the peso at parity with the dollar which had been in effect since April 1, 1991 pursuant to the Convertibility Law. The law empowers the Executive Branch to implement, among other things, additional monetary, financial and exchange measures to overcome the economic crisis in the medium term, including the power to establish a system to determine the exchange rate applicable to the peso. The Central Bank, among other restrictive measures, restricted the transfer of U.S. dollars abroad without its prior approval. In 2003 and 2004, the government substantially eased these restrictions. However, on June 26, 2003, the government set restrictions on capital flows into Argentina, which mainly consisted of a prohibition against the transfer abroad of any funds until 180 days after their entry into the country. Furthermore, on June 10, 2005 the government issued Decree No. 616/05 establishing further restrictions on capital flows into Argentina, with the following provisions:

- (i) all incoming and outgoing funds from the Argentine Exchange market, and any debt operation with non-residents which could demand future payments in foreign currency to non-residents, are subject to registration with the Central Bank for informative purposes;
- (ii) any debt entered into between non-governmental persons or entities and non-residents must be agreed for a term of at least 365 days, except for the financing of import and export operations and the primary placements of public debt listed in an authorized stock exchange; and
- (iii) all incoming funds relating to foreign private debt, and all incoming funds of non-residents, excluding foreign direct investments and certain types of portfolio investments (purchases in the primary market of debt instruments and equity, listed in authorized stock exchanges, etc) regardless of the agreed payment procedure, must be agreed for at least 365 days, and 30% of incoming funds must be deposited with a bank in Argentina in a non-interest bearing account, known as "encaje" [legal reserve].

Decree No. 616/05 also states certain exceptions for the "encaje" such as settlements in foreign currency of resident loans granted by a local financial entity, certain capital contributions in local corporations, etc.

As a general rule, transfer of funds abroad required prior Central Bank approval. However, this general principle was eased by numerous exceptions introduced since December 2002. Currently, in order to purchase and/or transfer foreign currency abroad, the transaction should be specifically admitted among the list of "items" (authorizing the purchase and/or transfer of foreign currency) that is published by the Central Bank. Certain items are, however, still subject to restrictions.

Cross Border Transfers of Funds, Foreign Debts

Under the Central Bank's exchange regulations, proceeds of new financing must be transferred into Argentina and converted into pesos in the local exchange market within 365 days as from the relevant disbursement.

Repayment of principal of, and interest on, foreign indebtedness, was initially subject to the Central Bank's prior authorization. Currently, due to the changes introduced by the Central Bank, local companies (with the exception of financial institutions), following certain requirements, may:

- § Pay abroad interest on foreign debt on its due date or up to 15 days in advance. Access to the local foreign exchange market in connection with the servicing of foreign indebtedness is available only if and after the date the original proceeds from the financing have been transferred into Argentina and the foreign

currencies liquidated as explained before.

§ Repay principal of foreign debt at maturity (or 30 days in advance, to the extent that the amounts so prepaid were brought into the local market and exchanged for pesos, and repayment takes place at least 365 days therefrom) without prior Central Bank authorization. Communication “A” 4177 (as amended) also allows prepayment of principal with an anticipation of more than 30 days, but subject to the following conditions:

- (1) If prepayment of principal is not made in the context of a debt restructuring process, then the amount prepaid should not exceed the present value of such amount, calculated according to the formula provided by the Central Bank.
- (2) If the prepayment is made within the context of a debt restructuring process, then the new terms and conditions of the debt after the restructuring, including the amount prepaid, shall not result in an increase of the present value of the whole debt (according to the formula of the Central Bank).

Regulations Regarding Imports and Exports

The Central Bank established under Communication “A” 3473, as amended, an obligation to transfer from abroad to Argentina the foreign currency obtained from the collection of exports and to settle the foreign currency in the single free exchange market. This is a general obligation applicable to all export transactions, except certain specific cases such as oil exports. In addition, all collections by exporters must be collected between 60 and 360 calendar days from the date of the export, depending on the product being exported, for the exporter to negotiate the foreign currency in the domestic exchange market. Additionally, exporters have another 120 business days to bring in the foreign currency.

In respect to imports, advanced or at sight payments of any goods are allowed, upon condition that the clearance of the imported goods (nationalization) is credited within 360 and 90 days, respectively. Deferred import of goods may be paid at any moment.

Purchase of Foreign Currency

A. Local individuals and companies

Local individuals and companies are now authorized to buy up to certain amounts of foreign currency for purposes of (i) real estate investments outside of Argentina; (ii) loans granted to persons not domiciled in Argentina; (iii) direct investments outside of Argentina of persons domiciled in Argentina and (iv) portfolio investments outside of Argentina, among others.

The limit for local individuals and companies currently in force is U.S.\$2 million per month.

B. Non-residents

Notwithstanding the above, Communications “A” 4662 and “A” 4692 (as amended) state that no authorization from the Central Bank will be required with regard to the repatriation of direct and portfolio investments of non-residents, in the following cases:

§ Transfers abroad arising out of:

- (1) Residents foreign indebtedness of residents related to Argentine imports of goods and services;
- (2) Domestic collections of:
 - Services, rents and other current transfers abroad of financial debts originated in non-residents foreign loans;
 - Inheritances according to the Declaration of a Decedent’s Heirs;
 - National Government Bonds and Guaranteed Loans Income issued in local currency;
- Benefits or services or sale of values received, granted by the National Government as per Laws No. 24,043, 24,411 and 25.914.
- Recoveries under local bankruptcy proceedings as long as the foreign creditor has been admitted as such by the Bankruptcy Court;
- (3) Sales proceeds from direct investments in local non-financial companies; and
- (4) The proceeds from final liquidation of direct investments in local non-financial companies;
- (5) Capital reduction; and
- (6) Restitution of irrevocable contributions made by the local company.

§ Transfers abroad of an aggregate equivalent of up to U.S.\$500,000 per month arising out of:

(1) Proceeds of sales of other portfolio investments and their revenues, such as investments in shares of local companies, investment funds and local trusts;

Also excepted from the approval of the Central Bank are the transactions effected by:

§ International bodies or entities that operate as official export credit agencies.

§ Diplomatic and consular representations as well as diplomatic staff accredited in the country for transfers made in exercise of their duties.

Legal representations in the country of Courts, Authorities or Offices, Special Missions, Commissions or Bilateral Bodies established by International Treaties or Agreements, to which the Argentine Republic is a party, for as long as the transfers are made in exercise of their duties.

Transfer of Corporate Bonds

According to Communication “A” 3859 (as amended), Argentine companies may freely transfer corporate profits and dividends corresponding to audited financial statements certified by external public accountants (i.e., no prior Central Bank approval is needed). Moreover, transfers abroad in order to pay reinsurance premiums will be subject only to the issuance of a statement by the Argentine Superintendency of Insurance (the regulatory authority on insurance matters) detailing the amount to be transferred.

Direct Investments

On March 4, 2005, the Argentine Central Bank issued Communication “A” 4305 that regulates the reporting system of direct investments and real estate investments carried out by non-residents in Argentina and by Argentine residents abroad, which had been implemented through Communication “A” 4237 dated November 10, 2004.

§ Direct investments in Argentina of non-Argentine residents

Non-Argentine residents are compelled to comply with the reporting regime if the value of their investments in Argentina reaches or surpasses the equivalent of U.S.\$500,000 – measured in terms of the net worth of the company in which they participate or fiscal value of the real estate owned. If the investments do not reach such amount, the compliance with such regime is optional.

According to Communication “A” 4237, companies in which non-Argentine residents participate in and administrators of real estate pertaining to non-Argentine residents are those obliged to comply with the reporting regime.

§ Direct investments made abroad by Argentine residents

Argentine investors are compelled to comply with the reporting regime if the value of their investments abroad reaches or surpasses the equivalent of U.S.\$1,000,000 – measured in terms of net worth of the company in which they participate or the fiscal value of the real estate they own.

If the value of those investments abroad does not exceed the equivalent of U.S.\$5,000,000, the declaration could be carried out annually instead of semi-annually. If the investments do not reach the equivalent of U.S.\$1,000,000, the compliance with such regime is optional.

Future and Forward Operations

Communication “A” 4049 dated November 11, 2003, as amended, and Communication “A” 4805 (and additional ones) dated May 15, 2008, eased restrictions on foreign currency transactions by revoking the requirement of prior approval by the Central Bank so as to effect certain Future and Forward operations and have access to the exchange market for their cancellation. These transactions include agreements on foreign currency hedging, interest rates and product prices, as well as foreign exchange REPO transactions.

Taxation

The following is a summary of certain Argentine and United States federal tax consequences of the ownership and disposition of our ADSs or ordinary shares by a U.S. Holder (as defined below). This summary is not a complete analysis or listing of all possible tax considerations that may be relevant to a holder of our ADSs or ordinary shares. Holders of our ADSs or ordinary shares should consult their own tax advisers as to the United States, Argentine and other tax consequences of the ownership and disposition of ADSs or ordinary shares.

1. Argentine Taxes

General

The following is a summary of certain Argentine tax matters that may be relevant with respect to the ownership and disposition of ADSs or ordinary shares by U.S. Holders. Such summary is based upon the tax laws of Argentina, and regulations thereunder, in effect as of the date of this annual report and is subject to any subsequent change in Argentine laws and regulations which may come into effect after such date. Investors in ADSs or ordinary shares should consult their own tax advisers as to the United States, Argentine and other tax consequences of the ownership and disposition of ADSs or ordinary shares.

Taxation of Dividends

Pursuant to Law No. 25,063, as enacted into law on December 30, 1998, dividend payments on the ordinary shares (and ADSs), whether in the form of cash, stock, or other types of consideration, are subject to Argentine withholding taxes at a rate of 35% to the extent the aggregate amount distributed exceeds the sum, for the previous year, of: (i) our accumulated taxable earnings and (ii) certain tax-exempt income (such as dividend payments from other corporations).

Cash and stock dividends distributed in 2010 were not subject to income tax withholding.

Taxation of Capital Gains

To the extent the ADSs or ordinary shares are listed on a local or foreign stock exchange market, capital gains derived by non-resident individuals or foreign companies from the sale, exchange or other disposition of ADSs or ordinary shares are not currently subject to income tax.

In the event that capital gains should become subject to income tax in the future, such taxation would be the responsibility of the beneficial owners of ADSs and not the responsibility of “Euroclear” or “Cedel”, as the case may be.

Value Added Tax (“VAT”)

Neither the sale, exchange or other disposition of ADSs or ordinary shares nor the payment of dividends thereunder is subject to VAT.

Transfer Taxes

The sale or transfer of ADSs or ordinary shares is not subject to transfer tax.

Personal Property Tax

According to Law No. 23,966, as amended, and Decrees No. 127/96 and 812/96, all individuals and undivided estates are subject in Argentina to a personal property tax on all assets held at December 31 of each fiscal year (the “Personal Property Tax”). This tax applies to our ADSs and ordinary shares held by U.S. Holders. In the case of individuals and undivided estates domiciled or located in Argentina, an exemption is available to taxpayers whose assets included in the tax base for purposes of the Personal Property Tax do not exceed Ps.305,000. Corporations and other legal entities domiciled or located in Argentina are not subject to the Personal Property Tax. Individuals and undivided estates domiciled or located in a foreign country are subject to the Personal Property Tax only with respect to assets located in Argentina.

Pursuant to Law No. 25,585, it is presumed — without the right to rebut such presumption — that shares of stock corporations, such as ADSs (held in book-entry form or evidenced by ADRs), shares of common stock and equity interests in entities governed by the Business Companies Law No. 19,550, as amended, whose holders are corporations or any other entities, companies, permanent establishments or trusts, domiciled, settled or located in a foreign country, belong indirectly to individuals or undivided estates domiciled in a foreign country.

Pursuant to Law No. 25,585, published in the Official Gazette on May 15, 2002, BBVA Banco Francés is responsible for paying the Personal Property Tax on our ADSs or ordinary shares held by individuals or undivided estates domiciled in Argentina or a foreign country, or corporations or any other entities located in a foreign country. The tax rate to be applied is 0.50% and the taxable base is the value of the shareholders’ equity arising from the last balance

sheet of the company at December 31. The minimum exempted amount of Ps.305,000 is not applicable. The tax so paid is considered a definitive payment.

Companies responsible for the tax payment, such as BBVA Banco Francés, are entitled to obtain refunds of the amounts paid from holders of ADSs or ordinary shares and may retain or foreclose on the property included in the tax base for purposes of the Personal Property Tax that originated the payment.

In May 2010, BBVA Banco Francés paid Ps.5,039,095 to the Argentine authorities on account of its shareholders in connection with Personal Property Tax due with respect to assets held as of December 31, 2009.

In 2011 the Bank expects to make payments on account of its shareholders in connection of personal property tax due with respect to assets held as of December 31, 2010. The tax may be withheld from future dividends.

Other Taxes

There are no Argentine inheritance, succession or gift taxes applicable to the ownership, transfer or disposition of ADSs or ordinary shares. There are no Argentine stamp, issue, registration or similar taxes or duties payable by holders of ADSs or ordinary shares. Such holdings are also not affected by the tax applied on bank-account debits and credits and other transactions.

Deposit and Withdrawal of Ordinary Shares in Exchange for ADSs

No Argentine tax is imposed on the deposit or withdrawal of ordinary shares in exchange for ADSs.

Income Tax Treaty

There is currently no income tax treaty or convention in effect between Argentina and the United States.

2. U.S. Tax Considerations

The following summary describes the material U.S. federal income tax consequences to U.S. Holders of owning and disposing of ordinary shares or ADSs, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person's decision to hold such securities. The discussion applies only to U.S. Holders (as described below) that hold ordinary shares or ADSs as capital assets for U.S. federal income tax purposes and it does not describe all of the tax consequences that may be relevant in light of the U.S. Holder's particular circumstances, including alternative minimum tax consequences and tax consequences applicable to U.S. Holders subject to special rules, such as:

§ certain financial institutions;

§ dealers and traders in securities who use a mark-to-market method of tax accounting;

§ persons holding ordinary shares or ADSs as part of a hedging transaction, straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the ordinary shares or ADSs;

§ persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;

§ entities classified as partnerships for U.S. federal income tax purposes;

§ tax-exempt entities, including an "individual retirement account" or "Roth IRA";

§ persons holding ordinary shares or ADSs that own or are deemed to own ten percent or more of our voting stock; or

§ persons who acquired ordinary shares or ADSs pursuant to the exercise of an employee stock option or otherwise as compensation.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds ordinary shares or ADSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Partnerships holding ordinary shares or ADSs and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of holding and disposing of the ordinary shares or ADSs.

This discussion is based on the Internal Revenue Code of 1986, as amended (the “Code”), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date hereof. These laws are subject to change, possibly on a retroactive basis, which may affect the tax consequences described herein. It is also based in part on representations by the Depositary and assumes that each obligation under the Deposit Agreement and any related agreement will be performed in accordance with its terms. Holders of the ADSs or ordinary shares are urged to consult their own tax advisers as to the United States, Argentine and other tax consequences of the ownership and disposition of ADSs or ordinary shares in their particular circumstances, including the effect of any U.S. state or local tax laws.

As used herein, a “U.S. Holder” is a beneficial owner of ordinary shares or ADSs that is, for U.S. federal tax purposes:

§ a citizen or individual resident of the United States;

§ a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States or any political subdivision thereof; or

§ an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

In general, a U.S. Holder of ADSs will be treated as the holder of the underlying shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying shares represented by those ADSs.

The U.S. Treasury has expressed concerns that parties to whom American depositary shares are pre-released, or intermediaries in the chain of ownership between U.S. Holders and the issuer of the security underlying the American depositary shares, may be taking actions that are inconsistent with the claiming of foreign tax credits for U.S. Holders of American depositary shares. Such actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends received by certain non-corporate holders. Accordingly, the analysis of the creditability of Argentine taxes, and the availability of the reduced tax rate for dividends received by certain non-corporate holders, each described below, could be affected by actions taken by such parties or intermediaries.

U.S. Holders should consult their tax advisers concerning the U.S. federal, state, local and foreign tax consequences of owning and disposing of ordinary shares or ADSs in their own particular circumstances.

This discussion assumes that the Company is not, and will not become, a passive foreign investment company, as described below.

Taxation of Distributions

Distributions paid on ADSs or ordinary shares will generally be treated as dividends to the extent paid out of current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because the Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that distributions will be reported to U.S. Holders as dividends. Subject to applicable limitations, dividends paid by qualified foreign corporations to certain non-corporate U.S. Holders in taxable years beginning before January 1, 2013, are taxable at a maximum rate of 15%. A foreign corporation is treated as a qualified foreign corporation with respect to dividends paid on stock that is readily tradable on a securities market in the United States, such as the New York Stock Exchange where our ADSs are traded. U.S. Holders should consult their tax advisers to determine whether the favorable rate will apply to dividends they receive and whether they are subject to any special rules that limit their ability to be taxed at this favorable rate. The amount of a dividend will include any amounts withheld in respect of Argentine taxes. The amount of the dividend generally will be treated as foreign-source dividend income to U.S. Holders and will not be eligible for the dividends-received deduction generally allowed to U.S. corporations under the Code. Dividends will be included in a U.S. Holder's income on the date of such holder's (or in the case of ADSs, the Depository's) receipt of the dividend. The amount of any dividend income paid in Argentine Pesos will be a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of such receipt regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, U.S. Holders should not be required to recognize foreign currency gain or loss in respect of the dividend income. U.S. Holders may have foreign currency gain or loss if they do not convert the amount of such dividend into U.S. dollars on the date of its receipt.

Subject to applicable limitations, some of which vary depending upon the U.S. Holder's circumstances, Argentine income taxes withheld from dividends on ordinary shares or ADSs generally will be creditable against a U.S. Holder's U.S. federal income tax liability. Amounts paid on account of the Argentine Personal Property Tax, if any, will not be eligible for credit against the U.S. Holder's U.S. federal income tax liability. U.S. Holders should consult their tax advisers to determine the tax consequences applicable to them as result of amounts paid on account of the Argentine Personal Property Tax, including whether such amounts are includible in income or deductible for U.S. federal income tax purposes. The rules governing foreign tax credits are complex and, therefore, U.S. Holders should consult their tax

advisers regarding the availability of foreign tax credits in their particular circumstances. Instead of claiming a credit, a U.S. Holder may, at its election, deduct such otherwise creditable Argentine taxes in computing its taxable income, subject to generally applicable limitations under U.S. law.

Sale and Other Disposition of Ordinary Shares or ADSs

For U.S. federal income tax purposes, gain or loss a U.S. Holder realizes on the sale or other disposition of ordinary shares or ADSs will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder held the ordinary shares or ADSs for more than one year. The amount of a U.S. Holder's gain or loss will equal the difference between its tax basis in the ordinary shares or ADSs disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. Such gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes.

Passive Foreign Investment Company Rules

We believe that we were not a PFIC for U.S. federal income tax purposes for the taxable year 2010. However, because our PFIC status depends upon the composition of our income and assets and the market value of our assets (including, among others, less than 25 percent owned equity investments) from time to time, and because our analysis of our PFIC status is based upon certain proposed Treasury regulations that are not yet in effect but are generally proposed to become effective for taxable years after December 31, 1994, there can be no assurance that we will not be considered a PFIC for any taxable year. If we are treated as a PFIC for any taxable year, gain recognized by a U.S. Holder on a sale or other disposition of ADSs or ordinary shares would be allocated ratably over the U.S. Holder's holding period for the ADSs or ordinary shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, and an interest charge would be imposed on the amount allocated to such taxable year. Further, any distribution in respect of ADSs or ordinary shares in excess of 125 percent of the average of the annual distributions on ADSs or ordinary shares received by the U.S. Holder during the preceding three years or the U.S. Holder's holding period, whichever is shorter, would be subject to taxation as described above. Certain elections (including a mark-to-market election) may be available to U.S. Holders that may mitigate the adverse consequences resulting from PFIC status. U.S. Holders should consult their tax advisers to determine whether any of these elections would be available and, if so, what the consequences of the alternative treatments would be in their particular circumstances.

In addition, if we were to be treated as a PFIC in a taxable year in which we pay a dividend or the prior taxable year, the 15% dividend rate discussed above with respect to dividends paid to non-corporate holders would not apply.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and may be subject to backup withholding unless (i) the U.S. Holder is an exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

Documents on Display

This annual report and the exhibits thereto and any periodic reports or other information filed pursuant to the Exchange Act may be inspected without charge and copied at prescribed rates at the SEC's public reference room located at 100F Street, N.E., Washington, D.C. 25049. In addition, the SEC maintains a website that contains information filed electronically with the SEC, which can be accessed over the internet at www.sec.gov. The documents concerning BBVA Banco Francés which are referred to in this annual report may also be inspected at our office at Reconquista 199, C1003ABB Buenos Aires, Republic of Argentina.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

Market risk is the uncertainty to which future earnings and financial position are exposed as a result of adverse changes in the financial markets in which we operate. This risk is a consequence of our lending, trading and investments businesses and mainly consists of interest rate risk, foreign exchange risk and equity prices risk.

The estimation of potential losses that could arise from reasonably likely adverse changes in market conditions is the key element of managing market risk. The main tool we use to make this estimation on our trading and investments activities is a value at risk methodology (“VaR”).

VaR is an estimate (made with a given confidence interval) of the maximum potential loss in the fair or market value of a certain instrument or portfolio likely to occur over a specified time period, or “time horizon,” if that portfolio were held unchanged for that time period. This methodology is based on statistical methods that take into account many variables that may cause a change in the value of BBVA Banco Francés’ portfolios, including interest rates, foreign exchange rates, securities prices, volatility, and any correlation among the foregoing.

Additionally, the Bank has an independent area of market risk management called “Market Risk Management” that manages the control of all market activities that may be involved in the calculation of VaR. This area interacts in a daily basis with all the different

areas of the Bank that are related with the trading activities of BBVA Banco Francés and with the Permanent Executive Commission at BBVA Group headquarters in Spain.

We are also involved in a continuous process of improvement of our systems, in order to update them to the latest methodological advances in market risk measurement and control.

Our VaR estimations provide us with a consistent and uniform measure of market risk in our trading portfolios.

VaR uses historical movements in these variables to estimate reasonably likely potential losses in trading activities assuming normal market conditions and market liquidity. The historical observation involves building a distribution of hypothetical daily changes in trading portfolio value. These hypothetical changes are based on daily-observed percentage changes in key market indexes or other market factors to which the portfolio may be sensitive.

Our VaR analysis is updated daily by recalculating the historic volatility and correlation that serve as the basis for this analysis. In the case of our VaR analysis, the period for estimating risk factors is about one year and we assume a one-day holding period and adverse market movement of 2.3264 standard deviations as the standard for risk measurement and comparison. This range approximates a 99% one-tailed confidence interval. For a given portfolio, this implies that changes in market value are statistically likely to deviate adversely from VaR estimates approximately 1% of the time or one day out of 100 days. The volatility and correlation used in the calculation process are obtained by two techniques: (a) “exponential smooth”, or “EWMA” (Exponentially Weighted Moving Average) which confers a higher relative weight to the last historical data considered within the two-year series, and (b) Linear Standard Deviation (also considered within the two year series).

The area of Market Risk Management uses VaR as a corporate tool to estimate and limit market risks related to all of our trading activities. Global VaR limits for trading activities at our dealing room are set by the agreement between the Market Risk Area, the Trading Area and the Permanent Executive Commission at BBVA Group headquarters in Spain. Two types of limits are used to seek control of market risk arising from our trading activities: limits based on VaR amounts and stop-loss limits for the principal portfolios. Also there are loss triggers that derivate in certain specified actions according to the manuals. Limits on particular portfolios and products are established within each business.

The VaR model incorporates several variables that could impact the fair value of our trading portfolio, as well as the correlation between these variables.

We estimate VaR for each of our trading portfolios and all trading portfolios combined. The following table shows the VaR for our combined trading activities for last year.

Daily Trading VaR at BBVA Banco Francés (in millions of pesos)

	2010	2009
Average	2.16	0.79
Minimum	0.24	0.25
Maximum	9.22	4.28
Dec. 31	0.78	3.93

Daily Trading VaR – Categories (in millions of pesos)

Interest	2010	2009
Risk		

VaR

Average	1.94	0.62
Minimum	0.08	0.15
Maximum	9.18	4.21
Dec. 31	0.72	3.67

Currency

Risk	2010	2009
VaR		
Average	0.65	0.44
Minimum	0.10	0.06
Maximum	2.12	1.28
Dec. 31	0.27	1.21

Interest rate risk is mainly explained by investments in short-term floating rate notes and Central Bank's bills. Our exposure to sovereign risk is minimum.

Our exposure to Foreign Exchange Risk is minimal and is primarily a result of Foreign Trade Business.

The graph below indicates the evolution of the risk exposure, measured with VaR, during the year 2010.

The graph below indicates interest rate risk and currency risk, measured with VaR, during the years 2009 and 2010 (thousands of pesos).

Non-Trading Risk

None.

Interest Rate Risk

The discussion that follows relates to interest risk in 2010 and bears no relation to our current or future interest rate risk.

Interest rate sensitivity is the relationship between market interest rates and net portfolio value, on the one hand, and net interest income on the other, due to the repricing of assets and liabilities. Our interest rate sensitivity analysis measures the sensitivity of the net portfolio value and net interest income to parallel changes in interest rates and to changes in the yield curve.

For the purpose of calculating net present value, when the rate of interest is fixed, future cash flows of financial assets and liabilities are calculated on a contractual basis. When the interest rate is variable, cash flows are included that have a maturity during the repricing interval. Such amounts are added to the remaining balance of the asset or the liability at the end of the interval.

Net interest income is calculated as the difference between interest income earned on interest-earning assets and interest expense from interest-bearing liabilities for each month of the fiscal year immediately following the fiscal year ended December 31, 2010.

In general, the usefulness of this calculation is limited to its assumption of a permanent increase or decrease in interest rates and that all of such rates change at the same rate. Accordingly, actual results could differ materially from those projected.

For any given period, the pricing structure is matched when an equal amount of assets and liabilities reprice. Any mismatch of interest-earning assets and interest-bearing liabilities is known as a gap. A positive gap denotes asset sensitivity and normally means that an increase in interest rates would have a negative effect on net portfolio value and a positive effect on interest income, while a decline in interest rates would have a positive effect on net portfolio value and a negative effect on net interest income.

Changes in interest rates affect our profitability as a result of timing differences on the repricing of the assets and liabilities. One measure of the effect of a change in interest rates is to measure the change in net portfolio value (defined as the net present value of interest-earning assets and interest-bearing liabilities) and the effect on net interest income from a given change in interest rates. In the table below, interest rates are assumed to change immediately, while the consistency and levels of interest-earning assets and interest-bearing liabilities, including the effects of derivative financial instruments, remain constant. The table measures the net portfolio value and net interest income under various interest rate scenarios and the percentage changes from amounts generated under a stable interest rate environment.

The following chart includes adjusted assets and liabilities in the 0-3 months interval assuming 10.10% annual adjustment. In order to measure the effect of a change in interest rates in net portfolio value and net interest income, we are assuming the same change in interest rate as in the adjustment rate. However, as this may not be the case, we are including another column showing the impact of a variation in the adjustment rate with no variation in interest rate.

At December 31, 2010

Change in base interest rates (basis points)	Net portfolio value	Percentage change (in millions of pesos, except percentages)		Net interest and adjust income		Percentage change		Net income of adjustable portfolio		Percentage change	
100	8,171.5	(0.92	)%	2,446.6	1.45	%	100.1	(7.59)%		
50	8,209.1	(0.47	)%	2,429.1	0.72	%	104.2	(3.81)%		
0	8,247.6	0.00	%	2,411.6	0.00	%	108.3	0.00	%		
(50	) 8,287.0	0.48	%	2,394.1	(0.73	)%	112.4	3.83	%		
(100	) 8,327.3	0.97	%	2,376.6	(1.45	)%	116.6	7.69	%		

Based on our position at December 31, 2010, and assuming a hypothetical, immediate 50 basis points increase in interests rates affecting all interest rate sensitive assets and liabilities as of January 1, 2010, net portfolio value would

be reduced by Ps.38.5 million and net interest income over 2011 would be increased by approximately Ps.17.5 million.

Foreign Exchange Risk

As of December 31, 2010, as part of our asset and liability management, we aimed to minimize the impact on results of foreign exchange rate fluctuations by maintaining excess balances of assets over liabilities denominated in dollars.

Peso against all other currencies	Effect on net income based	Effect on net income based
	on our position as of December 31, 2010	on our position as of December 31, 2009
	(in millions of pesos, except percentages)	
5%	(44)	(42)
(5)%	44	42

For a description of the changes in the exchange rates since December 2010, see “Item 4. Information on the Company—Recent Political and Economic Developments in Argentina”.

Equity and Commodity Price Risk

Equity and commodity risk are the risks associated with adverse movements in the value of equity securities and commodities or related indexes. We do not have any material exposure to either of them.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

ITEM 12D.3 FEES AND CHARGES FOR HOLDERS OF AMERICAN DEPOSITARY RECEIPTS

The depositary for our American Depositary Receipts (“ADRs”) is the Bank of New York Mellon (“BNYM”).

Holders of our ADRs are generally expected to pay fees to BNYM according to the schedule below:

Persons depositing or withdrawing shares must pay: U.S.\$5.00 (or less) per 100 ADRs (or portion of 100 ADRs)

For:
Issuance of ADRs, including issuances resulting from a distribution, sale or exercise of shares or rights or other property

Cancellation of ADRs for the purpose of withdrawal including if the deposit agreement terminates

A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADRs

Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADR registered holders

Registration or transfer fees

Transfer and registration of shares on the Company’s share register to or from the name of the depositary or its agent when you deposit or withdraw shares

Expenses of the depositary

Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)

Converting foreign currency to U.S. dollars

Taxes and other governmental charges the depositary or the custodian have to pay on any ADR or share underlying an ADR, for example, stock transfer taxes, stamp duty or withholding taxes

As necessary

Any charges incurred by the depositary or its agents for servicing the deposited securities

As necessary

BNYM collects its fees for delivery and surrender of ADRs directly from investors depositing shares or surrendering ADRs for the purpose of withdrawal or from intermediaries acting for them. BNYM also collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. BNYM may collect its annual fee for depositary services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. BNYM may generally refuse to provide fee-attracting services until its fees for those services are paid.

ITEM 12D.4 FEES MADE BY DEPOSITARY TO THE COMPANY

There are no fees or other direct and indirect payments made by BNYM to the foreign issuer of the deposited securities.

- PART II -

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of December 31, 2010, the Bank, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(f) under the Exchange Act). There are, as described below, inherent limitations to the effectiveness of any control system, including disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can provide only reasonable assurance of achieving their control objectives.

Based on such evaluation, the Bank's Chief Executive Officer and Chief Financial Officer concluded that the Bank's disclosure controls and procedures were effective for gathering, analyzing and disclosing the information the Bank is required to disclose in the reports it files under the Exchange Act, within the time periods specified in the SEC's rules and forms.

Management's Annual Report on Internal Control Over Financial Reporting

The management of the Bank is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15 (f) under the Exchange Act. The Bank's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

§ pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank;

§ provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of the Bank's management and directors; and

§ provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of the Bank's management, including our Chief Executive Officer, and the Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, our management concluded that, as of December 31, 2010, our internal control over financial reporting was effective based on those criteria.

Our internal control over financial reporting as of December 31, 2010 has been audited by Deloitte & Co. S.R.L., an independent registered public accounting firm, as stated in their report which follows below.

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Report of Independent Registered Public Accounting Firm

To the President and Board of Directors of
BBVA BANCO FRANCÉS S.A.
Reconquista 199
Buenos Aires, Argentina

We have audited the internal control over financial reporting of BBVA BANCO FRANCÉS S.A. and subsidiaries composing the BBVA BANCO FRANCÉS Group (the “Bank” – Note 2.1. to the Consolidated Financial Statements) as of December 31, 2010, based on the criteria established in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Bank’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Bank’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the Company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the Company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the criteria established in the Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States of America), the consolidated financial statements as of and for the fiscal year ended December 31, 2010 of the Bank, and our report dated April 1, 2011 expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph stating that the accounting rules established by the Argentine Central Bank (“BCRA”) vary in certain significant respects from accounting principles generally accepted in the United States of America (“U.S. GAAP”) and that the information relating to the nature and effect of such differences is presented in Note 20 to the consolidated financial statements of the Bank.

/s/ DELOITTE & Co. S.R.L.
Buenos Aires – Argentina
April 1, 2011

Changes in Internal Control Over Financial Reporting

There has been no change in the Bank's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The Bank's Board of Directors has appointed Mr. Oscar Miguel Castro to serve on its Audit Committees (I and II) and Disclosure Committees. The Bank's Board of Directors has concluded that Mr. Castro is an audit committee financial expert as defined by the SEC based on his extensive audit experience, having been a partner of an international accounting firm until 2001. Mr. Castro qualifies as an independent director according to the independence criteria established by General Resolution No. 368 (New Text 2001), as amended by General Resolution No. 400 of the CNV.

ITEM 16B. CODE OF ETHICS

The standards of ethical conduct that BBVA Banco Francés expects from its employees are found within the "Code of Conduct of BBVA Banco Francés and its group of companies in Argentina", or the Code of Conduct, approved by the Board of Directors on December 18, 2003.

The Code of Conduct is applicable to all our management and employees, including the Executive Chairman, the Financial Director and other senior financial officers of the Bank. All officers and employees are accountable for adhering to the Code of Conduct. Suspected violations of the Code of Conduct may be reported in accordance with procedures designed to address the reported situation and to protect the reporting employee. The failure to comply with criteria and rules of the Code of Conduct may result in disciplinary action in accordance with applicable Argentine employment laws.

The Code of Conduct is accessible via BBVA Banco Francés' corporate website at:

http://www.bancofrances.com.ar/html/institucional/informacion_banco/codigo_etica/inst_info_codigoetica.htm
(the information found at this website is not incorporated by reference into this report).

A copy of our Code of Conduct is also available on request, free of charge, by writing or telephoning us at:

BBVA Banco Francés S.A.
Attention: Investor Relations Department
Reconquista 40
C1003ABB Buenos Aires
Republic of Argentina
Telephone number: (54 11) 4341 5036
e-mail address: jkuscich@bancofrances.com.ar
cecilia.acuna@bancofrances.com.ar

During fiscal year 2010, there have been no amendments to any provisions of the Code of Conduct that apply to our executive officers.

No waivers from any provisions of the Code of Conduct were expressly or implicitly granted to the Executive Chairman, the Financial Director and any other senior financial officer of the Bank in the fiscal year 2010.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Following is a summary of the fees to our independent external auditors for the years ended December 31, 2010 and 2009:

	2010	2009
	(in millions of pesos)	
Audit fees	5.59	4.39
Audit-related fees	—	—
Tax fees	0.32	0.24
All other fees	—	—
Total fees	5.91	4.63

Audit fees are fees for professional services performed by Deloitte & Co. S.R.L. for the audit and limited review of the Bank's annual and quarterly financial statements and services that are normally provided in connection with statutory and regulatory filings.

Audit-related fees consist of fees for assurance and related services performed by Deloitte & Co. S.R.L. that are reasonably related to the performance of the audit or review of the Bank's financial statements and are not reported as Audit fees.

Tax fees consist of tax compliance, tax advice and tax planning services and assistance and advice related to tax audits and appeals.

The Audit Committee has approved policies and procedures for pre-approving all non-audit work that would be performed by Deloitte & Co. S.R.L. Specifically, the policies and procedures prohibit Deloitte & Co. S.R.L. from performing any services for the Bank or its subsidiaries without the prior approval of the Audit Committee. All of the services provided by Deloitte & Co. S.R.L. in 2010 were approved by the Audit Committee pursuant to these approval policies. None of the hours expended on the principal accountant's engagement to audit our financial statements for 2010 were attributed to work performed by persons other than the principal accountant's full-time, permanent employees. The Audit Committee meets once a month. In each of these meetings, the Internal Audit Director presents the projects undertaken by the Internal Audit Department. The minutes of the meeting are then drawn up detailing the issues discussed as well as those items requiring further discussion. The minutes are transcribed into an internal control book which is sent to the board of directors for their information. See "Item 6. Directors, Senior Management and Employees—Directors and Senior Management—Special Committees—Audit Committee (I)".

ITEM 16D. EXEMPTIONS FROM LISTING REQUIREMENTS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY ONE ISSUER AND AFFILIATED PERSONS

None.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

BBVA Banco Francés' corporate governance practices are governed by the applicable Argentine law (particularly, the Business Companies Law, Decree No. 677/01 and the Standards of the CNV), as well as by its by-laws. BBVA Banco Francés has securities that are registered with the SEC and are listed on the NYSE, and is therefore subject to corporate governance requirements applicable to NYSE-listed non-U.S. companies.

NYSE-listed non-U.S. companies may, in general, follow their home country corporate governance practices in lieu of most of the new NYSE corporate governance requirements codified in Section 303A of the NYSE's Listed Company Manual. However, NYSE-listed non-U.S. companies must comply with NYSE Sections 303A.06, 303A.11 and 303A.12(b) and (c).

NYSE Section 303A.11 requires that non-U.S. companies disclose any significant ways in which their corporate governance practices differ from U.S. companies under NYSE listing standards. In accordance with NYSE Section 303A.11, we describe below the relevant differences between BBVA Banco Francés' corporate governance practices and NYSE standards for listed companies.

On the other hand, the CNV has recently passed GR 516/07 providing for the minimum contents of a Corporate Governance Code (“Código de Gobierno Societario”, hereinafter the “CGS”) that it recommends to be adopted, but on a discretionary basis, by corporations which publicly offer shares representing their capital stock in Argentina. This CNV resolution has become effective for fiscal years commencing on or after January 1, 2008.

Director Independence

Under NYSE Section 303A.01, a NYSE-listed company must have a majority of independent directors on its board of directors.

Under Argentine law, the board is not required to consist of a majority of independent directors. Notwithstanding, when directors are appointed, each shareholder that nominates a director is required to report at the meeting whether or not such director is independent. As of May 28, 2004, Argentine companies are required to have at least two independent directors to appoint the Audit Committee (I and II). Since October 29, 1998, BBVA Banco Francés has two independent directors among the seven members of its current Board of Directors.

Standards for Evaluating Director Independence

NYSE Section 303A.02 establishes general standards to evaluate directors’ independence (no director qualifies as “independent” unless the board of directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company)), and emphasizes that the concern is independence from management. The board is also required, on a case by case basis, to express an opinion with regard to the independence or lack of independence, of each individual director.

To qualify as an “independent” or “non-independent” director, CNV standards (General Resolution No. 400) are substantially similar to NYSE standards. CNV standards provide that independence is required with respect to the Bank, and to its controlling shareholders or to shareholders with material holdings (35% or more), and that, for any person to be appointed as an independent director, such person must not perform executive functions within the Bank. Close relatives of any persons who would not qualify as “independent directors” would also not be considered “independent”.

Non-management Directors Meetings

Under NYSE Section 303A.03, non-management directors must meet at regularly scheduled executive meetings not attended by management. Neither Argentine law nor BBVA Banco Francés’ by-laws require that any such meetings be held.

Nominations Corporate Governance Committee

Under NYSE Section 303A.04, listed companies shall have a “nominations/corporate governance committee” comprised entirely of independent directors. Neither Argentine law nor BBVA Banco Francés’ by-laws require the formation of a “nominations/corporate governance committee”. The right to nominate directors is vested in the shareholders and the nomination is made at the shareholders’ meeting. Pursuant to CNV Standards, the person who nominates a director shall report at the shareholders’ meeting whether or not the nominee is an “independent person”, based on criteria established by CNV (which are substantially similar to NYSE standards).

Compensation Committee

Under NYSE Section 303A.05(a), listed companies had to have a “Compensations Committee” comprised entirely of independent directors. Under NYSE Section 303A.05(b), the “Compensations Committee” shall have a written charter establishing certain minimum responsibilities as set forth in NYSE Section 303A.05(b)(i). BBVA Banco Francés has a Nominations and Compensations Committee, although neither Argentine law nor BBVA Banco Francés’ by-laws require the formation of a “compensations committee”.

The CGS sets forth the creation of a Nominations and Compensations Committee, composed of three non-executive directors, most of them independent, whose duties, among others, are to fix the rules and procedures for the selection of key executives and senior staff, to determine the level of remuneration for directors and key executives, to fix policies and practices regarding remunerations and benefits and to approve any relevant changes.

Audit Committee (II)

Under NYSE Section 303A.06, listed companies must have an “audit committee” that complies with SEC requirements. Foreign private issuers shall have this audit committee in place prior to July 31, 2005. Decree No. 677/01 and CNV’s standards require BBVA Banco Francés to have its audit committee in place on or prior to May 28, 2004. The Audit Committee (II) of BBVA Banco Francés currently complies with the standards of Decree No. 677/01 and CNV.

Under NYSE Section 303A.07(a), the audit committee shall consist of at least three members. All of its members shall be financially literate or must acquire such financial knowledge within a reasonable period and at least one of its members shall have experience in accounting or financial administration. Argentine law also requires the Audit Committee to be comprised of at least three members. Pursuant to CNV’s standards, audit committee members are required to be conversant in business, financial, or accounting issues. CNV’s rules provide for the training of its members to carry out their duties and BBVA Banco Francés engages in this training.

Under NYSE Section 303A.07(a), if a member of the audit committee is simultaneously a member of the audit committee of more than three public companies, and the listed company does not limit the number of audit committees on which its members may serve, then, in each case the board shall determine whether the simultaneous service would prevent such member from effectively serving on the listed company’s audit committee, and shall report its decision in the annual proxy statement of the company or in the company’s annual report filed with the SEC. No such provision regarding an audit committee member’s simultaneous membership on public companies exists under Argentine law or BBVA Banco Francés’ by-laws.

Under NYSE Section 303A.07(b), all members of the audit committee are required to be “independent”. In accordance with Decree No. 677/01, a majority of the members of Audit Committee (II) are “independent”.

Under NYSE Section 303A.07(c), the audit committee shall have a charter establishing the duties and responsibilities of its members, including, at a minimum, some of the duties and responsibilities required by Rule 10A-3 of the Securities Exchange Act of 1934 (the “Exchange Act”) and as set forth in NYSE Section 303A.7(c) of the NYSE Manual. The functions and responsibilities of the audit committee in Argentina, established by Decree No. 677/01 and CNV’s standards, are essentially the same as provided for under Rule 10A-3 of the Exchange Act.

NYSE Sections 303A.07(c)(iii)(B) and (C) establish audit committee objectives: (i) to discuss the annual audited financial statements and the quarterly financial statements of the company with management and the independent auditor, including the information disclosed under the heading “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” and (ii) to discuss the company’s press releases relating to its earnings, as well as the financial information and guidelines relating to its earnings that are supplied to equity researchers and rating agencies. No such provision is contained in the Argentine law or BBVA Banco Francés’ by-laws. However, CNV standards establish similar functions for the audit committee, namely, “to verify the reliability of the administrative-accounting system, and of all financial data, or of any significant data submitted to CNV and to self-regulated exchanges, in compliance with the applicable reporting regime”.

NYSE Section 303A.07(c)(iii)(B) provides that the audit committee shall establish clear policies for hiring external auditors’ employees. No such provision regarding hiring external auditors’ employees is contained in Argentine law or BBVA Banco Francés’ by-laws.

NYSE Section 303A.07(d) provides that each company must have an internal audit function in order to provide to the management and to the audit committee permanent assessments on the company’s risk management processes and internal control system. No such provision regarding an internal audit function is required by Argentine law or BBVA Banco Francés’ by-laws. However, BBVA Banco Francés has an Audit Committee according to Central Bank’s rules,

which provides to the management permanent assessments about management and operating processes, and risks of the company.

Disclosure of Corporate Governance Guidelines

NYSE Section 303A.09 provides that companies must adopt and disclose corporate governance guidelines, including several issues for which such reporting is mandatory, and include such information on the company's website, which should also include the charters of the Audit Committee, the Nominations Committee and the Compensation Committee.

Decree No. 677/01 required additional information that companies must include in their annual reports, including information relating to the decision-making organization (corporate governance), the company's internal controls system, norms for director and manager compensation, stock-options, and any other compensation system applicable to Board members and managers. Decree No.

677/01 does not address the remaining issues included in NYSE Section 303A.09. However, all relevant information sent by the Bank to the CNV is forwarded to the CNV through the CNV's Financial Reporting Highway and may be viewed on the CNV's website.

Evaluation of Board Performance

Under NYSE Section 303A.09, the board of directors must make a self-assessment of its performance at least once a year to determine if it or its committees function effectively and report thereon. Under Argentine law, the board's performance is evaluated at the annual shareholders' meeting.

Code of Ethics

NYSE Section 303A.10 provides for the adoption of a Code of Business Conduct and Ethics and sets out the topics that such code must contain. BBVA Banco Francés' Board approved in December 18, 2003 a "Code of Conduct of BBVA Banco Francés and its group of companies in Argentina", which applies to all management and employees, with no exceptions, the English translation of which is available to the public on BBVA Banco Francés' website. See "Item 16B. Code of Ethics". BBVA Banco Francés believes that its Code of Conduct complies with the NYSE requirements.

Certifications by the CEO

NYSE Section 303A.12(a) provides that the CEO shall on a yearly basis certify to NYSE that he/she knows of no violation by the company of NYSE Sections relating to corporate governance. No such certification is required by Argentine law or by BBVA Banco Francés' by-laws.

Notification of Non-fulfillment

Under NYSE Section 303A.12(b), the CEO shall notify the NYSE in writing whenever any executive officer of the company becomes aware of any substantial non-fulfilment of any applicable provision under NYSE Section 303A.

No such provision regarding notification of non-fulfilment of NYSE Section 303A is contained in Argentine law or BBVA Banco Francés' by-laws, but BBVA Banco Francés' CEO will comply with the notice provisions as set forth under NYSE Section 303A.12(b).

- PART III -

ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of this item.

ITEM 18. FINANCIAL STATEMENTS

Reference is made to Item 19 for a list of the financial statements filed as a part of this annual report.

ITEM 19. EXHIBITS

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Consolidated Statements of Changes in Stockholders' Equity for the fiscal years ended December 31, 2010, 2009 and 2008	F-13
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§ Index to Exhibits:

Exhibit Number	Description
1.1	Amended and Restated By-Laws (Estatutos) of BBVA Banco Francés S.A.
1.2	English translation of the Amended and Restated By-Laws (Estatutos) of BBVA Banco Francés S.A.
8.1	Subsidiaries of the Company
12.1	Section 302 Certification of Chief Executive Officer
12.2	Section 302 Certification of Chief Financial Officer
13.1	Section 906 Certification pursuant to 18 U.S.C. Section 1350

We will furnish to the Securities and Exchange Commission, upon request, copies of any unfiled instruments that define the rights of holders of long-term debt of BBVA Banco Francés.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

BBVA BANCO FRANCÉS
S.A.

By: /s/ José Carlos
López Alvarez
Name: José Carlos
López Alvarez
Title: Chief
Financial Officer

Date: April 1, 2011

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BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
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REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM

of
To the President and Board of Directors of
BBVA BANCO FRANCÉS S.A.
Reconquista 199
Buenos Aires, Argentina

We have audited the accompanying consolidated balance sheets of BBVA BANCO FRANCÉS S.A. and subsidiaries composing the BBVA BANCO FRANCÉS Group (the “Bank” – Note 2.1. to the Consolidated Financial Statements) as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in stockholders’ equity, and cash and cash equivalents flows for each of the three fiscal years in the period ended December 31, 2010 (all stated in thousands of Argentine Pesos). These consolidated financial statements are the responsibility of the Bank’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to in paragraph 1 present fairly, in all material respects, the financial position of BBVA BANCO FRANCÉS S.A. and subsidiaries as of December 31, 2010 and 2009 and the results of their operations, changes in stockholders’ equity, and cash and cash equivalents flows for each of the three fiscal years in the period ended December 31, 2010, in conformity with the accounting rules established by the Argentine Central Bank (“BCRA”) applicable to consolidated financial statements.

Accounting rules established by the BCRA vary in certain significant respects from accounting principles generally accepted in the United States of America (“U.S. GAAP”). Information relating to the nature and effect of such differences is presented in Note 20 to the consolidated financial statements.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States of America), the Bank's internal control over financial reporting as of December 31, 2010, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 1, 2011 expressed an unqualified opinion on the Bank's internal control over financial reporting.

/s/ DELOITTE & Co. S.R.L.
Buenos Aires – Argentina
April 1, 2011

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BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2010 and 2009

Stated in thousands of Pesos

	December 31, 2010	2009 (1)
ASSETS		
CASH AND DUE FROM BANKS	5,691,806	5,255,412
Cash	1,456,822	1,357,066
Due from banks and correspondents	4,234,984	3,898,346
Argentine Central Bank (BCRA)	4,098,792	3,723,387
Other local	2,574	34,144
Foreign	133,618	140,815
GOVERNMENT AND PRIVATE SECURITIES (Note 6.a)	7,495,382	7,214,232
Holdings in investment accounts	1,295,373	1,334,763
Holdings for trading or financial transactions	442,478	488,176
Government Securities for repurchase agreements with the BCRA	—	68,250
Holdings available for sale	1,228,297	640,175
Unlisted Government Securities	2,055,451	1,961,046
Instruments issued by the BCRA	2,370,368	2,953,144
Investments in listed private securities	103,604	218,605
Less: Allowances	189	449,927
LOANS	16,699,852	11,751,889
To governmental sector	1,297,642	1,400,243
To financial sector	578,878	384,331
Inter-financial – (Calls granted)	30,000	61,000
Other financing to local financial institutions	504,636	289,367
Interest and listed-price differences accrued and pending of collection	44,242	33,964
To non-financial private sector and residents abroad:	15,219,559	10,305,001
Overdraft	2,366,957	1,703,750
Discounted instruments	2,086,979	1,068,567
Real estate mortgage	840,841	838,410
Collateral loans	831,981	480,694
Consumer	2,473,299	1,819,382
Credit cards	2,457,922	1,464,163
Other (Note 6.b)	4,010,249	2,806,667
Interest and listed-price differences accrued and pending of collection	179,623	139,839
Less: Interest documented together with main obligation	28,292	16,471
Less: Allowances	396,227	337,686
Carried forward	29,887,040	24,221,533

(1) See Note 3.3.

The accompanying Notes 1 to 21 are an integral part of these Consolidated Financial Statements.

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS—(Continued)
 As of December 31, 2010 and 2009
 Stated in thousands of Pesos

	December 31,	
	2010	2009 (1)
Brought forward	29,887,040	24,221,533
OTHER RECEIVABLES FROM FINANCIAL TRANSACTIONS	1,043,859	914,851
Argentine Central Bank (BCRA)	346,396	560,781
Amounts receivable for spot and forward sales to be settled	251,773	9,469
Instruments to be received for spot and forward purchases to be settled	232,152	10,264
Premiums for options bought	5,582	—
Unlisted corporate bonds	102,368	119,488
Non-deliverable forward transactions balances to be settled	20,992	84,070
Other receivables not covered by debtor classification regulations	119	39,357
Other receivables covered by debtor classification regulations	91,109	63,269
Interest accrued and pending of collection not covered by debtor classification regulations	—	51,212
Less: Allowances	6,632	23,059
RECEIVABLES FROM FINANCIAL LEASES	534,457	328,398
Receivables from financial leases	535,619	329,782
Interest accrued pending of collection	6,936	4,177
Less: Allowances	8,098	5,561
INVESTMENTS IN OTHER COMPANIES	110,138	106,289
In Financial institutions	47,700	51,474
Other (Note 6.c)	62,442	54,819
Less: Allowances	4	4
OTHER RECEIVABLES	381,364	243,057
Other (Note 6.d)	480,972	589,442
Other accrued interest receivable	2,695	2,558
Less: Allowances	102,303	348,943
PREMISES AND EQUIPMENT	523,608	486,483
OTHER ASSETS	27,753	26,475
INTANGIBLE ASSETS	66,547	59,835
Organization and development expenses	66,547	59,835
SUSPENSE ITEMS	5,030	4,222
OTHER SUBSIDIARIES' ASSETS (Note 6.e)	450	450
TOTAL ASSETS	32,580,246	26,391,593

(1) See Note 3.3.

The accompanying Notes 1 to 21 are an integral part of these Consolidated Financial Statements.

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS—(Continued)
As of December 31, 2010 and 2009
Stated in thousands of Pesos

	December 31,	
	2010	2009 (1)
LIABILITIES		
DEPOSITS	22,461,307	18,334,845
Governmental sector	785,956	1,004,442
Financial sector	10,406	190,115
Non-financial private sector and residents abroad:	21,664,945	17,140,288
Checking accounts	5,063,665	3,491,170
Savings deposits	7,533,275	5,982,379
Time deposits	8,541,279	7,245,384
Investments accounts	78,009	19,022
Other	389,346	348,397
Interest and listed—price differences accrued payable	59,371	53,936
OTHER LIABILITIES FROM FINANCIAL TRANSACTIONS	1,992,801	1,224,668
Argentine Central Bank — Other	2,747	2,691
Banks and International Institutions	88,536	55,523
Non — subordinated corporate bonds	70,000	—
Amounts payable for spot and forward purchases to be settled	218,075	7,562
Instruments to be delivered for spot and forward sales to be settled	241,915	80,268
Premiums for options written	2,348	—
Financing received from Argentine financial institutions	121,347	38,247
Inter-financial - (Calls received)	5,100	—
Other financing from local financial institutions	116,243	38,247
Interest accrued payable	4	—
Non-deliverable forward transactions balances to be settled	530	2,825
Other (Note 6.f)	1,240,802	1,036,350
Interest and listed—Price differences accrued payable	6,501	1,202
OTHER LIABILITIES	817,784	471,729
Fees payable	62	82
Other (Note 6.g)	817,722	471,647
ALLOWANCES	528,274	529,429
SUSPENSE ITEMS	17,411	75,043
OTHER SUBSIDIARIES' LIABILITIES (Note 6.h)	2,836,562	2,616,225
TOTAL LIABILITIES	28,654,139	23,251,939
MINORITY INTEREST IN SUBSIDIARIES (Note 16)	179,192	213,182
STOCKHOLDERS' EQUITY	3,746,915	2,926,472
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	32,580,246	26,391,593

(1) See Note 3.3.

The accompanying Notes 1 to 21 are an integral part of these Consolidated Financial Statements.

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS—(Continued)
As of December 31, 2010 and 2009
Stated in thousands of Pesos

	December 31,	
	2010	2009
MEMORANDUM ACCOUNTS		
DEBIT ACCOUNTS		
Contingent	4,260,353	3,657,897
Guarantees received	3,581,622	2,999,676
Contra contingent debit accounts	678,731	658,221
Control	57,056,492	40,238,423
Receivables classified as non-recoverable	330,149	317,547
Other (Note 6.i)	56,127,912	39,298,438
Contra control debit accounts	598,431	622,438
Derivatives	4,957,446	4,287,825
“Notional” amount of call options bought	52,702	—
“Notional” amount of put options bought	27,402	—
“Notional” amount of non-deliverable forward transactions	2,478,406	1,940,035
Interest rate SWAP	213,967	102,697
Other	—	50,000
Contra debit derivatives accounts	2,184,969	2,195,093
For trustee activities	12,653	12,119
Funds in trust	12,653	12,119
TOTAL	66,286,944	48,196,264
CREDIT ACCOUNTS		
Contingent	4,260,353	3,657,897
Credit lines granted (unused portion) covered by debtor classification regulations	70,538	56,290
Guarantees provided to the BCRA	101,609	138,433
Other guarantees given covered by debtor classification regulations	363,828	228,366
Other guarantees given non-covered by debtor classification regulations	75,403	121,626
Other covered by debtor classification regulations	67,353	113,506
Contra contingent credit accounts	3,581,622	2,999,676
Control	57,056,492	40,238,423
Items to be credited	510,436	549,582
Other	87,995	72,856
Contra control credit accounts	56,458,061	39,615,985
Derivatives	4,957,446	4,287,825
“Notional” amount of call options written	60,082	—
“Notional” amount of put options written	24,662	—
“Notional” amount of non-deliverable forward transactions	2,100,225	2,195,093
Contra credit derivatives accounts	2,772,477	2,092,732
For trustee activities	12,653	12,119
Contra credit accounts for trustee activities	12,653	12,119
TOTAL	66,286,944	48,196,264

The accompanying Notes 1 to 21 are an integral part of these Consolidated Financial Statements.

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BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
As of December 31, 2010, 2009 and 2008

Stated in thousands of Pesos

	Fiscal year ended December 31,		
	2010	2009 (1)	2008 (1)
FINANCIAL INCOME	3,842,671	3,560,203	2,279,104
Interest cash and due from banks	13	29	11,745
Interest on loans to the financial sector	99,820	203,089	187,728
Interest on overdraft	301,832	366,655	264,989
Interest on discounted instruments	168,201	154,894	176,250
Interest on real estate mortgage	111,507	122,623	107,322
Interest on collateral loans	104,905	90,803	55,231
Interest on credit card loans	229,657	182,231	107,461
Interest on other loans	713,363	581,402	495,666
Interest on other receivables from financial transactions	13,249	1,322	20,175
Interest on financial leases	64,999	58,977	59,025
Income from Federal Government secured loans—Decree No. 1387/01	271,964	260,466	214,690
Net income from governmental and private securities	1,471,135	1,042,950	—
Net income from options	4,494	—	—
Indexation by Benchmark Stabilization Coefficient (CER)	9,117	11,017	199,209
Gold and foreign currency exchange difference	197,821	200,696	206,869
Other	80,594	283,049	172,744
FINANCIAL EXPENSES	817,823	1,013,959	1,201,681
Interest on checking accounts	5,298	21,719	28,083
Interest on savings deposits	6,670	10,002	8,713
Interest on time deposit	609,454	744,526	720,759
Interest on inter-financial financing - (Calls received)	1,665	318	733
Interest on other financing from financial institutions	7,205	5,489	10,824
Interest on other liabilities from financial transactions	6,424	9,252	28,486
Other interest	11,029	3,216	6,832
Net expense from governmental and private securities	—	—	288,141
Net expense from options	—	2	100
Indexation by CER	240	375	7,212
Contribution to the deposit guarantee fund	35,001	31,906	26,702
Other	134,837	187,154	75,096
GROSS INTERMEDIATION MARGIN—GAIN	3,024,848	2,546,244	1,077,423
ALLOWANCES FOR DOUBTFUL LOANS	179,353	245,966	36,708
SERVICE CHARGE INCOME	1,484,846	1,203,005	1,190,417
Related to lending transactions	475,047	368,392	272,266
Related to liability transactions	590,998	502,568	413,474
Other commissions	86,234	77,224	283,494
Other (Note 6.j)	332,567	254,821	221,183
Carried forward	4,330,341	3,503,283	2,231,132

(1) See Note 3.3.

The accompanying Notes 1 to 21 are an integral part of these Consolidated Financial Statements.

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BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS—(Continued)
For the fiscal years ended December 31, 2010, 2009 and 2008

Stated in thousands of Pesos

	Fiscal year ended December 31,		
	2010	2009 (1)	2008 (1)
Brought forward	4,330,341	3,503,283	2,231,132
SERVICE CHARGE EXPENSE	406,376	279,691	240,631
Commissions	304,320	191,896	176,463
Other (Note 6.k)	102,056	87,795	64,168
OPERATING EXPENSES	2,019,378	1,633,899	1,413,448
Payroll expenses	1,245,082	1,009,758	837,175
Fees to Bank Directors and Statutory Auditors	1,489	692	570
Other professional fees	42,782	35,254	36,369
Advertising and publicity	101,134	65,433	72,764
Taxes	130,783	103,615	63,235
Fixed assets depreciation	57,737	49,244	42,468
Organizational expenses amortization	23,858	18,520	32,706
Other operating expenses	251,051	209,624	189,733
Other	165,462	141,759	138,428
NET GAIN FROM FINANCIAL TRANSACTIONS	1,904,587	1,589,693	577,053
NET (LOSS) / GAIN ON MINORITY INTEREST IN SUBSIDIARIES	(31,156)	(14,890)	2,801
OTHER INCOME	205,389	253,339	773,451
Income from long-term investments	21,323	20,841	65,121
Punitive interests	3,471	3,873	2,444
Loans recovered and reversals of allowances	117,858	53,355	187,767
Other (Note 6.l)	62,737	175,270	518,119
OTHER EXPENSES	564,800	738,102	1,000,525
Punitive interests and charges paid to BCRA	222	879	40
Charge for uncollectibility of other receivables and other allowances	49,906	246,484	199,603
Amortization of difference arising from judicial resolutions	35,057	48,804	107,793
Depreciation and losses from miscellaneous assets	734	505	579
Goodwill amortization	—	—	12,200
Other (Note 6.m)	478,881	441,430	680,310
NET GAIN BEFORE INCOME TAX AND TAX ON MINIMUM PRESUMED INCOME	1,514,020	1,090,040	352,780
INCOME TAX AND TAX ON MINIMUM PRESUME INCOME	315,841	371,578	31,270
NET INCOME FOR THE FISCAL YEAR	1,198,179	718,462	321,510
NET INCOME PER ORDINARY SHARE (2) (3)	2.23	1.47	0.68

(1) See Note 3.3.

(2) See Note 19.14.

(3) Stated in pesos.

The accompanying Notes 1 to 21 are an integral part of these Consolidated Financial Statements.

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH AND CASH EQUIVALENTS FLOWS
 For the fiscal years ended December 31, 2010, 2009 and 2008
 Stated in thousands of Pesos

	Fiscal year ended December 31,		
	2010	2009 (1)	2008 (1)
CHANGES IN CASH AND ITS EQUIVALENTS			
Cash and its equivalents at the beginning of fiscal year	5,818,088 (2)	4,661,349 (2)	3,465,634
Cash and its equivalents at the end of the fiscal year	6,251,784 (2)	5,818,088 (2)	4,661,349 (2)
Net increase in cash and its equivalents	433,696	1,156,739	1,195,715
REASONS FOR CHANGES IN CASH AND ITS EQUIVALENTS			
Operating activities			
Net collections/ (payments) from:			
- Governmental and private securities	1,144,287	(722,215)	50,042
- Loans	(2,674,830)	2,940,284	1,097,487
to financial sector	(141,269)	130,962	(26,690)
to non-financial public sector	112,729	203,662	100,151
to non-financial private sector and residents abroad	(2,646,290)	2,605,660	1,024,026
- Other receivables from financial transactions	(1,365,353)	(56,365)	(75,892)
- Receivables from financial leases	(206,059)	65,752	(57,296)
- Deposits	3,320,375	240,976	896,683
to financial sector	(179,708)	(7,078)	2,220
to non-financial public sector	(230,812)	(684,597)	1,623,718
to non-financial private sector and residents abroad	3,730,895	932,651	(729,255)
- Other liabilities from financial transactions	1,784,095	(17,296)	245,531
Financing from financial or inter-financial sector (calls received)	5,100	(550)	(9,469)
Others (except liabilities included in Financing Activities)	1,778,995	(16,746)	255,000
Collections related to service charge income	1,480,733	1,197,698	1,186,610
Payments related to service charge expense	(406,210)	(279,618)	(240,631)
Administrative expenses paid	(1,924,775)	(1,591,412)	(1,332,728)
Organizational and development expenses paid	(13,540)	(2,927)	(8,094)
Net collections from punitive interest	2,891	2,610	1,974
Differences from judicial resolutions paid	(35,057)	(48,804)	(50,304)
Collections of dividends from other companies	11,018	10,557	49,499
Other payments related to other income and expenses	(337,250)	(202,700)	(103,522)
Net cash flows provided by operating activities	780,325	1,536,540	1,659,359
Investment activities			
Net payments from premises and equipment	(94,862)	(108,887)	(84,519)
Net (payments) / collections from other assets	(2,022)	806	9,547
Other payments from investment activities	(175,710)	(224,086)	(207,810)
Net cash flows used in investment activities	(272,594)	(332,167)	(282,782)

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH AND CASH EQUIVALENTS FLOWS—(Continued)
For the fiscal years ended December 31, 2010, 2009 and 2008
Stated in thousands of Pesos

	Fiscal year ended December 31,		
	2010	2009	2008
Financing activities			
Net collections/ (payments) from:			
- Non-subordinated corporate bonds	70,000	—	—
- BCRA	46	(309)	1,133
Others	46	(309)	1,133
- Banks and international agencies	33,013	(275,788)	(224,531)
- Financing received from local financial institutions	77,996	(16,916)	(7,483)
Dividends paid in cash	(480,000)	(35,000)	(164,000)
Other collections from financing activities	224,897	280,350	202,274
Net cash flows used in financing activities	(74,048)	(47,663)	(192,607)
Financial results and results from holdings of cash and its equivalents (including interest)	13	29	11,745
Net increase in cash and its equivalents	433,696	1,156,739	1,195,715

(1) See Note 3.3.

(2) See Note 3.4.21.

The accompanying Notes 1 to 21 are an integral part of these Consolidated Financial Statements.

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH AND CASH EQUIVALENTS FLOWS—(Continued)
For the fiscal years ended December 31, 2010, 2009 and 2008

Stated in thousands of Pesos

SUPPLEMENTAL INFORMATION OF NON-CASH INVESTING AND FINANCING ACTIVITIES

At December 31, 2010, 2009 and 2008 the Bank entered into forward, unsettled spot and repurchase contracts to buy or sell foreign currencies, listed Government and other securities at future dates, exchanging non-cash assets or liabilities for other non-cash assets or liabilities (see Note 19.7).

At January 30, 2009 the Bank swapped Global 2008 secured loans at variable interest rate and maturing in 2011 for a nominal value of 321,340 (whose technical value on the date of the exchange was 1,018,447) for bonds issued by the Argentine Government, denominated in pesos and accruing interest at the private BADLAR rate plus 275 basis points and maturing in 2014.

On January 28 and February 25, 2009 Consolidar Cía. de Seguros de Retiro S.A. swapped secured bonds Bonte 2006 and Global 2008 and those received from the financial trusts made up by said loans. Their face values were 131,017 and 3,233 respectively, receiving in exchange 413,653 in face value of Argentine Government notes in Pesos, accruing the private BADLAR rate plus 275 basis points and maturing in 2014 (“Pagaré de la Nación Argentina en Pesos BADLAR Privada plus 275 pbs Vto 2014”).

On September 10, 2009 Consolidar Cía. de Seguros de Retiro S.A. swapped Bonds for the consolidation of social security debts - Fourth series - In Pesos (PRE 9) (“Bonos de consolidación de deudas previsionales cuarta serie en pesos”), Bonds for the consolidation of suppliers - Fourth series - In Pesos (PR 12) (“Bonos de consolidación proveedores cuarta serie en pesos”) and Argentine Government Bonds in Pesos - 2%, maturing in 2014 (BODEN 2014) (“Bonos del Gobierno Nacional en pesos 2% 2014”) whose nominal values amounted to 7,938, 2,000 and 42,900, respectively, and it received in exchange 11,882 in par value of Argentine Government notes in Pesos, accruing the private BADLAR rate plus 275 basis points and maturing in 2014 (“Pagaré de la Nación Argentina en Pesos BADLAR Privada plus 275 pbs Vto 2014”) and 57,272 in par value of Argentine Government notes in Pesos, accruing the private BADLAR rate plus 300 basis points and maturing in 2015 (“Pagaré de la Nación Argentina en Pesos BADLAR Privada plus 300 pbs Vto 2015”).

SUPPLEMENTAL INFORMATION OF CERTAIN CASH MOVEMENTS

At December 31, 2010, 2009 and 2008, taxes paid amounted to 491,039, 577,360 and 220,440, respectively. At such dates, interest-paid amounted to 722,297, 917,164 and 1,131,510, respectively.

The accompanying Notes 1 to 21 are an integral part of these Consolidated Financial Statements.

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
 For the fiscal years ended December 31, 2010, 2009 and 2008

Stated in thousands of Pesos

Movements	Capital Stock(1)	Non-capitalized contributions Issuance premiums(1)	Adjustments to stockholders' equity(1)	Retained earnings Legal	Unrealized valuation difference	Unappropriated earnings	Total
Balances at December 31, 2007	471,361	175,132	312,979	547,381	(42,796)	592,780	2,056,837
Decisions of Stockholders' Meeting of March 28, 2008:							
- Dividends paid in cash	—	—	—	—	—	(164,000)	(164,000)
- Legal Reserve	—	—	—	47,010	—	(47,010)	—
Unrealized valuation difference (2)	—	—	—	—	(138,323)	—	(138,323)
Net income for the fiscal year	—	—	—	—	—	321,510	321,510
Balances at December 31, 2008	471,361	175,132	312,979	594,391	(181,119)	703,280	2,076,024
Decisions of Stockholders' Meeting of March 27, 2009:							
- Dividends paid in cash	—	—	—	—	—	(35,000)	(35,000)
- Dividends paid in shares (1)	65,000	—	—	—	—	(65,000)	—
- Legal Reserve	—	—	—	64,302	—	(64,302)	—
Unrealized valuation difference (2)	—	—	—	—	166,986	—	166,986
Net income for the fiscal year	—	—	—	—	—	718,462	718,462
Balances at December 31, 2009	536,361	175,132	312,979	658,693	(14,133)	1,257,440	2,926,472
Decisions of Stockholders' Meeting of April 30, 2010:							
- Dividends paid in cash	—	—	—	—	—	(480,000)	(480,000)
- Legal Reserve	—	—	—	143,692	—	(143,692)	—
Unrealized valuation difference (2)	—	—	—	—	102,264	—	102,264
	—	—	—	—	—	1,198,179	1,198,179

Net income for the fiscal year							
Balances at December 31, 2010	536,361	175,132	312,979	802,385	88,131	1,831,927	3,746,915

(1) See Note 1.2.

(2) Unrealized (loss) / gain for Available for Sale investments (see Note 3.4.2.).

The accompanying Notes 1 to 21 are an integral part of these Consolidated Financial Statements.

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BBVA BANCO FRANCES S.A. AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the fiscal years ended December 31, 2010, 2009 and 2008
 Stated in thousands of Pesos

NOTE 1—CORPORATE SITUATION AND BANK’S ACTIVITIES

1.1. Corporate situation

BBVA Banco Francés S.A. (BF or the Bank) has its main place of business in Buenos Aires, Argentina, and operates a 240-branch network.

As from December, 1996 BF is part of Banco Bilbao Vizcaya Argentaria S.A. (BBVA) global strategy, which controls the Bank, direct and indirectly, with 75.97% of the corporate stock as of December 31, 2010.

Part of BF’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. Stockholders’ Equity

1.2.1. Capital stock

Changes in the Bank’s capital stock during the last 5 fiscal years are as follows:

Stockholders’ Meeting deciding on the issuance	Date of Registration with the Public Registry of Commerce	Form of placement	Amount (in thousands)	Total
Capital Stock as of December 31, 2005:				471,361
03-27-2009	10-05-2009	(1)	65,000	536,361 (2)

(1) For payment of share dividend.

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

1.2.2. Authorized and issued shares

The capital stock of the Bank consists of 536,361,306 Ordinary Shares, par value 1.00 each, all of which are issued and available to stockholders.

In October 2009 the total number of authorized and issued ordinary shares, par value 1.00 each, increased by 65,000,000 as a result of the distribution of share dividends approved by the Stockholders’ Meeting on March 27, 2009.

1.2.3. Adjustments to stockholders' equity

The "Adjustments to stockholders' equity" caption in the Consolidated Statement of Changes in Stockholders' Equity represents:

- a) The balance of the surplus of the technical valuation on the Bank's properties made in year 1981, which is available to absorb losses on the disposal or devaluation of such properties restated by inflation as mentioned in Note 3.2.
- b) The inflation adjustment related to capital stock at the beginning of each year, restated as mentioned in Note 3.2.; capital stock maintains its nominal (par) value at each balance sheet date.
- c) The inflation adjustment related to the increase in capital stock restated as mentioned in Note 3.2. This adjustment represents the effect of inflation from the date on which the capital stock was increased to the end of each fiscal year.

BBVA BANCO FRANCES S.A. AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
 For the fiscal years ended December 31, 2010, 2009 and 2008

Stated in thousands of Pesos

The composition of “Adjustments to stockholders’ equity” is as follows:

	December 31, 2010 and 2009
Adjustment to equity fund appraisal revaluation	41,285
Adjustments to capital stock (including Issuance Premiums)	728,619
Cumulative losses absorption	(456,925)
Total	312,979

1.2.4. Issuance Premiums

In August 2002, due to the issuance of 158,496,540 shares subscription (value 1 per share), at 3.59 each, the Bank received 590,996 over the nominal value of the shares that had been recorded under the “Issuance Premiums” account, totalizing 934,211 at December 31, 2003. In April 2004, due to the issuance of 103,232,874 shares subscription (value 1 per share) at 3.53 each, the Bank received 261,179 over the nominal value of the shares that had been recorded under the “Issuance Premiums” account. Finally, the Stockholders’ Meeting held on April 28, 2005 resolved the absorption of cumulative losses by 1,020,258, totalizing 175,132 at December 31, 2010.

1.3. Responsibility of stockholders

BBVA Banco Francés S.A. 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 No. 19,550. As a result, in compliance with Law No. 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.

1.4. Atuel Fideicomisos S.A. – Merger with BBVA Banco Francés S.A.

As of December 31, 2009, under its line of business, Atuel Fideicomisos S.A. acted in its capacity as a trustee for the following trusts, in no case being personally liable for the liabilities assumed; such liabilities would be satisfied out of the proceeds of the underlying assets of each such trust.

- Fideicomiso Corp. Banca: it was created by an agreement dated May 13, 1997, executed by Atuel Fideicomisos S.A. as trustee, Corp. Banca S.A. (later BBVA Banco Francés S.A.) as trustor and beneficiary, the Argentine Central Bank and Seguro de Depósitos S.A. as beneficiaries.
- Maginot Financial Trust: on September 26, 2008 a trust indenture was executed between BBVA Banco Francés S.A., as trustee, and Atuel Fideicomisos S.A. as trustor and beneficiary.
- Atuel Fideicomisos also acted as administration and collection manager for Fideicomiso Diagonal, which was created by an agreement dated January 5, 2001, executed by Mercobank S.A as trustor, BBVA Banco Francés S.A. as trustee and BBVA Banco Francés S.A and other financial institutions and Seguro de Depósitos S.A. as beneficiaries (see Note 10.1.).

On March 15, 2010, the Board of Directors of BBVA Banco Francés S.A. and Atuel Fideicomisos S.A. entered into a “Preliminary Merger Agreement” whereby Atuel Fideicomisos S.A. was merged into BBVA Banco Francés S.A. on the basis of the financial statements of both companies as of December 31, 2009. Said preliminary merger agreement, together with the special consolidated financial statements for merging purposes, were approved by BBVA Banco Francés S.A.’s Shareholders’ Meeting held on April 30, 2010 and by Atuel Fideicomisos S.A.’s Shareholders’ Meeting held on May 3, 2010. The merger process stipulated in the above-mentioned Preliminary Merger Agreement consists in the absorption by BBVA Banco Francés S.A. of Atuel’s entire equity, with Atuel S.A. being dissolved though not liquidated and BBVA Banco Francés S.A. remaining as a legal entity.

On May 7, 2010, the B.C.R.A. sent a note stating that it is not within their purview to issue an opinion on the merger in the terms of Section 7 of the Law of Financial Institutions and/or the regulations applicable to the merger of financial institutions (namely, Circular Letter CREFI-2, Communication “A” 2241, Chapter I, Section 2) on grounds of Atuel Fideicomisos S.A. not being a party within the scope of said rules and regulations. This notwithstanding, the Bank

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BBVA BANCO FRANCES S.A. AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
 For the fiscal years ended December 31, 2010, 2009 and 2008

Stated in thousands of Pesos

proceeded with the publications required under Section 83, Sub-section 3 of the Argentine Companies Law, with no objections by creditors. Finally, on June 28, 2010 the parties filed with the C.N.V. the public deed that transcribes the resolutions adopted by their respective corporate governance bodies and approves the final merger agreement. On August 6, 2010, the C.N.V. approved the merger. On October 22, 2010 the Corporation Inspection Bureau (IGJ for its Spanish acronym) registered Atuel Fideicomisos S.A.'s dissolution without liquidation due to a merger under Number 19,916, on Book 51 of Stock Corporations and the merger procedure was finalized.

This merger was accounted for as equity transactions, in accordance with ASC 810-10, Consolidation: Overall, therefore, no gain or loss was recognized in Consolidated Statements of Operations or Other Comprehensive Income.

1.5. PSA Finance Argentina Cía. Financiera S.A.

According to the provisions in Section Three of its By-laws and with the authorization granted by B.C.R.A., the Entity is authorized to carry out all the transactions and activities covered by Section 24 of the Law of Financial Institutions and other expressly authorized by B.C.R.A. On April 22, 2009, the Bank started to receive deposits and therefore, it participates in the Deposit Guarantee Fund created by Law No. 24,485.

NOTE 2—EQUITY INVESTMENTS

2.1. In controlled majority-owned subsidiaries

The following summarizes the investment in, and related information of, controlled majority-owned subsidiaries which are consolidated.

Companies	Principal Activity	Type	Shares		Percentage participation			
			Quantity December 31, 2010	Quantity December 31, 2009	Capital December 31, 2010	Capital December 31, 2009	Votes December 31, 2010	Votes December 31, 2009
Francés Valores Sociedad de Bolsa S.A.	Stockbroker	Common	12,137	12,137	94.9687	94.9687	94.9687	94.9687
Atuel Fideicomisos S.A.	Trust manager	Common	—	13,099,869	—	99.9999	—	99.9999
Consolidar AFJP S.A. (undergoing liquidation proceedings)	Pensions fund manager	Common	35,425,947	35,425,947	53.8892	53.8892	53.8892	53.8892
Consolidar Cía. de Seguros de Retiro S.A.	Insurance company	Common	32,274,350	32,274,350	66.2101	66.2101	66.2101	66.2101

PSA Finance Argentina Cía. Financiera S.A.	Financial institution	Common	26,089	26,089	50.0000	50.0000	50.0000	50.0000
Francés Administradora de Inversiones S.A.	Fund Manager	Common	230,398	—	95.000	—	95.000	—

2.2. Non-controlling equity investments

The following are all positions that the Bank holds in financial and non-financial institutions wherever such a position represented an ownership in excess of 2% of the invested companies' capital stock as of December 31, 2010.

Investment	Country	% of Shares Owned	Principal Activity	Investment in Other Subsidiaries (in thousands of pesos)
Rombo Compañía Financiera S.A.	Argentina	40.00	% Financial institution	46,698.9
Consolidar ART S.A.	Argentina	12.50	% Workers compensation	26,240.6
BBVA Consolidar Seguros S.A.	Argentina	12.22	% Insurance	11,026.8
Coelsa S.A.	Argentina	11.39	% Clearing house	97.5
Interbanking S.A.	Argentina	10.00	% Information services for financial markets	2,050.7
Argencontrol S.A.	Argentina	7.77	% Agent Mandatary	54.0
Sedesa S.A.	Argentina	12.31	% Deposit Guarantee Fund	123.1
			Nationwide ATM network & credit card	
Banelco S.A.	Argentina	10.91	% administrating	7,265.5
Visa Argentina S.A.	Argentina	9.53	% Credit card issuer	5,808.1

BBVA BANCO FRANCES S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the fiscal years ended December 31, 2010, 2009 and 2008

Stated in thousands of Pesos

NOTE 3—SIGNIFICANT ACCOUNTING POLICIES

3.1. Basis of presentation

In accordance with the procedures set forth in BCRA's regulations and Technical Pronouncement No. 21 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE for its Spanish acronym), the Bank has consolidated - line by line - its balance sheets, statements of operations and cash and cash equivalents flows as of December 31, 2010, 2009 and 2008, as per the following detail:

- As of December 31, 2010:

- a) With the financial statements of Francés Valores Sociedad de Bolsa S.A., Francés Administradora de Inversiones S.A. and PSA Finance Argentina Cía. Financiera S.A., for the fiscal year ended December 31, 2010.
- b) With the financial statements of Consolidar Administradora de Fondos de Jubilaciones y Pensiones S.A. (undergoing liquidation proceedings) and Consolidar Cía. de Seguros de Retiro S.A., for the six month period ended December 31, 2010.

The results and cash and cash equivalents flows of Consolidar Administradora de Fondos de Jubilaciones y Pensiones S.A. (undergoing liquidation proceedings), and Consolidar Cía. de Seguros de Retiro S.A. have been adjusted for purposes of comparison of the fiscal years of companies consolidating on the basis of the twelve-month period ended on December 31, 2010.

- As of December 31, 2009:

- a) With the financial statements of Francés Valores Sociedad de Bolsa S.A., Atuel Fideicomisos S.A. and its subsidiary and PSA Finance Argentina Cía. Financiera S.A., for the fiscal year ended December 31, 2009.
- b) With the financial statements of Consolidar Administradora de Fondos de Jubilaciones y Pensiones S.A. (undergoing liquidation proceedings) and Consolidar Cía. de Seguros de Retiro S.A., for the six month period ended December 31, 2009.

The results and cash and cash equivalents flows of Consolidar Administradora de Fondos de Jubilaciones y Pensiones S.A. (undergoing liquidation proceedings), and Consolidar Cía. de Seguros de Retiro S.A. have been adjusted for purposes of comparison of the fiscal years of companies consolidating on the basis of the twelve-month period ended on December 31, 2009.

- As of December 31, 2008:

- a) With the financial statements of Francés Valores Sociedad de Bolsa S.A., Atuel Fideicomisos S.A. and its subsidiary and PSA Finance Argentina Cía. Financiera S.A., for the fiscal year ended December 31, 2008.
- b) With the financial statements of Consolidar Administradora de Fondos de Jubilaciones y Pensiones S.A., Consolidar Cía. de Seguros de Vida S.A., and Consolidar Cía. de Seguros de Retiro S.A., for the six-month period

ended December 31, 2008.

The results and cash and cash equivalents flows of Consolidar Administradora de Fondos de Jubilaciones y Pensiones S.A., Consolidar Cía. de Seguros de Vida S.A. and Consolidar Cía. de Seguros de Retiro S.A. have been adjusted for purposes of comparison of the fiscal years of companies consolidating on the basis of the twelve-month period ended on December 31, 2008.

Interests in subsidiaries are listed in Note 2.

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3.2. Restatement of the Financial Statements in equivalent purchasing power

The Consolidated Financial Statements have been taken from the Bank's books of account in conformity with the standards of the BCRA.

These Consolidated Financial Statements recognize the effects of the changes in the purchasing power of the currency through February 28, 2003, following the restatement method established by FACPCE's Technical Pronouncement No. 6 (modified by Technical Pronouncement No.19), using adjustment rates derived from the Internal Wholesale Price Index published by the National Institute of Statistics and Census ("INDEC" for its Spanish acronym).

Accordingly to the above mentioned method, the accounting figures were restated due to the purchasing power changes through August 31, 1995. As from that date, based in the prevailing economic stability conditions and accordingly with CNV General Resolution No. 272 and BCRA Communication "A" 2365, the accounting figures were not restated through December 31, 2001. In view of CNV General Resolution No. 415 and BCRA Communication "A" 3702, the method was reinstated effective as from January 1, 2002, considering the previous accounting figures as restated as of December 31, 2001.

By Communication "A" 3921 of the BCRA and General Resolution No. 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. Accordingly, BBVA Banco Francés S.A. applied the mentioned restatement until February 28, 2003.

3.3. Comparative information

The Consolidated Financial Statements as of December 31, 2010 include comparative information with the Consolidated Financial Statements as of December 31, 2009 and 2008.

Pursuant to Communication "A" 5047, dated March 4, 2010, effective as from July 1, 2010, BCRA modified the requirements concerning the manner of presenting transactions whereby the bank grants financial leases. As a result, and for comparative purposes, the Bank modified the balances in the Consolidated Balance Sheet, in the Consolidated Statement of Operations and in the Consolidated Statement of Cash and Cash Equivalent Flow as of December 31, 2009 and 2008. These modifications did not affect the Stockholders' Equity and the Net Income of each fiscal years.

3.4. Valuation methods

The main valuation methods used in the preparation of the Consolidated Financial Statements have been as follows:

3.4.1. Foreign currency assets and liabilities

As of December 31, 2010 and 2009, such amounts were converted 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.

3.4.2. Governmental and private securities

Governmental securities:

- § Holdings for trading or financial transactions and instruments issued by the BCRA (except Holdings available for sale): they were valued based on current listed prices for each security as of December 31, 2010 and 2009. Differences in listed prices were credited/charged to income for each fiscal year.
- § Government Securities for repurchase agreements with the BCRA: as of December 31, 2009 they were valued on the basis of the quotations in force for each security at the end of the fiscal year. Differences in listed prices were credited/charged to income for the fiscal year.

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§ Holdings available for sale (Government Securities and Instruments issued by the BCRA): according to Communication “A” 4702, the Government Securities and Instruments issued by BCRA, included in the list of volatilities published by the BCRA on a monthly basis, were classified in the category “Available for sale”.

As of December 31, 2010 and 2009, they were valued in accordance with the quotations prevailing for each security as of the close of each fiscal year. Differences, if any, between the cost of addition of these holdings increased by the accrual of the internal rate of return and the value of the quotation were charged to Unrealized valuation difference in the stockholders’ equity. As of December 31, 2010 and 2009, the amount recorded was 88,131 (income) and 14,133 (loss), respectively.

§ Unlisted government securities: as of December 31, 2010 and 2009, they were valued at the highest amount resulting from a comparison between the present value as estimated by BCRA and the book value (net of its balancing account), following the instructions in BCRA’s Communication “A” 4898. In addition, as of December 31, 2009 the Bank raised an allowance for impairment to book such securities at their fair value of realization.

§ Unlisted instruments issued by the BCRA: in accordance with the regulations issued by the BCRA, this portfolio now reflects holdings that do not show the volatility reported by the BCRA. As of December 31, 2010 and 2009, the value of the holdings in accordance with the most recent quotation informed 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 of December 31, 2010 and 2009. Differences in listed prices were charged to income for each fiscal year.

3.4.3. Governmental loans

Federal Government secured loans – Decree No. 1387/01:

As of December 31, 2010 and 2009, 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” 4898. An amount has been added to said balancing account to match their book values to fair values.

3.4.4. Benchmark stabilization coefficient (CER)

As of December 31, 2010 and 2009, receivables and payables have been adjusted to the CER as follows:

§ Federal government secured loans have been adjusted under Resolution No. 50/2002 of the Ministry of Economy, which resolved that the CER related to the 10 (ten) business 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 No. 539/2002 of the Ministry of Economy, which resolved that the CER related to the 5 (five) business 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, 2010 and 2009.

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3.4.5. Allowance for loans 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.

3.4.6. Interest income recognition

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 and loans to financial sector which were apportioned on a linear basis.

The Bank suspends the accrual of interest generally when the related loan is non-performing and the collection of interest and principal is in doubt. Accrued interest remains on the Bank's books and is considered a part of the loan balance when determining the allowances for doubtful loans. Interest is then recognized on a cash basis after reducing the balance of accrued interest, if applicable.

3.4.7. Unlisted Corporate Bonds

They were valued at acquisition cost plus income accrued but not collected as of December 31, 2010 and 2009.

3.4.8. Instruments to be received and to be delivered for spot and forward transactions to be settled

The Bank enters into forward contracts to buy or sell foreign currencies, listed Governmental securities and other securities at future dates. Both a receivable and a payable are recognized at the time of the agreement, which reflects the amounts of cash, currency or listed securities to be exchanged at the closing date. The difference between the receivable and payable at the original transaction date (premiums) is deferred and amortized over the contract's life.

The Bank purchases and sells foreign currencies, listed Governmental and other securities on behalf of its customers which settle another day. An asset or liability is reflected for the amount due from or to the customer and a corresponding asset or liability is reflected for the currency or listed securities to be exchanged.

The Bank's receivables or payables representing the future receipt or delivery of currencies or securities are adjusted to reflect the current market price of such currencies or securities. The amount of such market price differences is recorded in income for the fiscal year.

Forward sales and purchases of securities associated with repurchase agreements were valued as follows:

§ In foreign currency: as of December 31, 2010 and 2009, 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.

§ Holdings in investments:

- Holdings for purchase-sale or intermediation transactions (Government and private securities) as well as instruments issued by the BCRA: in accordance with the method described in Note 3.4.2.
- Holdings available for sale, instruments issued by the BCRA: in accordance with the method described in Note 3.4.2.

3.4.9. 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, 2010 and 2009.

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3.4.10. Receivables from financial leases

As of December 31, 2010 and 2009, they were valued at the present value of the sum of the periodical instalments and the agreed-upon residual value, calculated as per the conditions agreed upon in the respective leases, applying the imputed interest rate thereto.

3.4.11. Investments in other companies

They have been valued according to the following methods:

- § Banelco S.A., Consolidar A.R.T. S.A., Rombo Cía. Financiera S.A., BBVA Consolidar Seguros S.A. and Interbanking S.A.: as of December 31, 2010 and 2009 were valued by the equity method at the end of each fiscal year.
- § Visa Argentina S.A.: was valued by applying the equity method on the basis of the financial statements of the issuer company as of May 31, 2010 and 2009, plus new capital contributions and dividend distribution until December 31, 2010 and 2009, as appropriate.
- § Bladex S.A. (included in Other - Foreign): 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 Note 3.4.1.
- § Other: as of December 31, 2010 and 2009 were valued at acquisition cost, without exceeding their recoverable value.

3.4.12. 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 3.2., less related accumulated depreciation calculated in proportion to the months of estimated useful life of items concerned.

3.4.13. Intangible assets

They have been valued at acquisition cost less related accumulated amortization calculated in proportion to the months of estimated useful life of the items concerned.

This caption included the differences arising from compliance with court-ordered measures arising from cases challenging the current rules and regulations applicable to deposits with the financial system in the framework of the provisions of Law No. 25,561, Decree No. 214/02 and supplementary provisions. The assets mentioned (calculated on the basis of the nominal difference between the exchange rate freely determined in the market and applied to the value of the deposit recorded in the books at that date) was amortized within the 60 monthly instalments starting in April 2003 in accordance with Communication "A" 3916 of the BCRA.

As of December 31, 2010 and 2009 these assets have been fully amortized, with the total accumulated amortization as of those dates amounting to 1,330,841 and 1,295,784, respectively.

The Bank, however, notifies that such amortization was solely calculated to comply with the regulations of the BCRA and that by no means does it imply a waiver to possible compensation or recovery of the exchange difference resulting from compliance with court orders corresponding to petitions for protection of civil rights or other court action derived from the mandatory conversion of bank deposits into pesos.

In the decision in re "Massa, Juan Agustín versus National Executive Branch - Decree No. 1570/ and others following petitions for protection of civil rights under Law No. 16.986" dated December 27, 2006, the Argentine Supreme Court of Justice confirmed by the majority vote of its members the validity of the emergency legislation enacted from 2001 and until the date of that pronouncement; i.e., the Supreme Court accepted the re-denomination into Pesos of deposits as well as the calculation methodology for the reimbursement of the bank deposits subject to the emergency regime imposed by the Argentine Government which unconstitutionality was claimed in the case mentioned. This decision by

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the Supreme Court of Justice establishes a calculation modality different from the modality decreed by the Executive Branch, establishing in this particular case the following criteria: each depositor is entitled to receive from the banking institution a reimbursement of the amount deposited converted into Pesos at the U.S.\$1 = Ps.1.40 exchange rate, adjusted by CER until the date of effective payment, plus compensatory interest at the annual, non compoundable 4% interest rate accruing as from the establishment of restrictions upon the availability of bank deposits or as from the date of maturity of the deposit if it was subsequent to February 28, 2002 subject to the monetary limit resulting from the decision handed down by the Court of Appeals, in so far as its judgment has not been appealed by the plaintiff. This criterion remains in a more recent judgment, “Kujarchuk versus the Argentine Executive Branch”, in which the Supreme Court of Justice lays down the methodology consisting in calculating the amount to be reimbursed in Pesified deposits in the event there had been partial reimbursements or deliveries through a comparison to the amounts withdrawn by the bank as a result of decisions handed down by a court or resulting from out-of-court arrangements. Those payments shall be deemed to be partial payments and that a deduction is to be performed out of the original deposit denominated in foreign currency of the percentage that, when converted into such currency, is represented by such payments converted into US Dollars at the exchange rate quoted in the floating foreign exchange market prevailing on each date. The amounts withdrawn on such concepts are to be consolidated and deducted according to the rules there established and always according to the guidelines of the Massa judgment. Come this instance, costs are borne in equal parts by the plaintiff and defendant and as regards previous instances, they are borne as decided by the Court of Appeals. Additionally, the Court has placed a cap on the amount pending reimbursement equivalent to the limit established by the Court of Appeals, and if applicable, the value in US Dollars of the original deposit.

As of December 31, 2010 and 2009, the Bank has estimated this contingency and it has raised allowances for the total amount.

The Bank’s Board of Directors expects that the Argentine Federal Government remedies the significant damage resulting from compliance with court-ordered measures on petitions for protection of civil rights and actions for relief, particularly due to the impact of differences in compensation or recovery as per the rulings in the abovementioned actions and according to the law in relation to pesification of the underlying deposits. In this regard, the Bank has informed of such financial damages to the relevant authorities, with reservation of rights.

3.4.14. Derivative transactions

Interest rate swaps and Forward transactions:

- (i) Interest rate swaps are recorded at the value resulting from the application of rates differences to residual notional amounts at the end of each fiscal year.
- (ii) 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.

Call and put options bought and written:

As of December 31, 2010 these were valued based on their intrinsic value, which represents the difference between the market value of the underlying asset and the strike price. The exchange differences were charged to income (loss)

for the fiscal year.

3.4.15. Term investments yielding variable income - Communication "A" 2482 and supplemented

As of December 31, 2010, the variable income yielded by these investments, agreed for terms equal to or in excess of 180 days, was accrued on the basis of the change in the price of the assets or the indicators contained in the provision and the terms and conditions of the respective transactions were also considered. Any said change was restricted to a given range of contractually agreed values.

3.4.16. Employee termination pay

The Bank expenses employee termination pay as disbursed.

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3.4.17. 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, 2010 and 2009.

3.4.18. Allowance for other contingencies

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

3.4.19. Stockholders' equity accounts

They are restated as explained in Note 3.2., except for the "Capital Stock" and "Non-capitalized contributions" accounts which have been kept at original value. The adjustment resulting from the restatement is included in the "Adjustment to Stockholders' Equity – Adjustment to Capital Stock" account.

3.4.20. Statements of Operations Accounts

§ As of December 31, 2010, 2009 and 2008, 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 3.2.

§ Income from investments in subsidiaries was computed based on such companies' income adjusted as explained in Note 3.2.

3.4.21. Consolidated Statements of Cash and Cash Equivalents Flows

The Statements of Cash and Cash Equivalents Flows as of December 31, 2010, 2009 and 2008 explain the changes in cash and its equivalents. For such purpose, a detail is supplied of the items that the Bank considers to be cash and its equivalents:

	2010	December 31, 2009	2008
a) Cash and due from banks	5,691,806	5,255,412	4,243,080
b) Government securities held for trading or financial transactions	442,478	488,176	272,769
c) Loans to financial sector, calls granted maturity date less than three months as from the end of each fiscal year	117,500	74,500	145,500

CASH AND ITS EQUIVALENTS	6,251,784	5,818,088	4,661,349
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Items b) and c) are considered to be cash equivalents because they are held in order to meet short-term commitments, they are easily convertible in known cash amounts, they are subject to negligible changes in value and their maturity is less than three months as from each fiscal year date.

3.4.22. Other assets and other liabilities from subsidiaries (Consolidar Group)

They have been valued in accordance with the accounting standards established by the National Superintendence of Insurance and National Superintendence of Pension Funds Managers.

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3.4.23. Use of estimates

The preparation of the financial statements in accordance with the standards set forth by the BCRA require the Bank's Board of Directors 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 income/loss generated during the fiscal years being reported. Final income/loss may differ from such estimates.

NOTE 4—DIFFERENCES BETWEEN BCRA ACCOUNTING STANDARDS AND ACCOUNTING PRINCIPLES
GENERALLY ACCEPTED IN ARGENTINA

The Bank has prepared these Consolidated Financial Statements by applying the regulations of the BCRA, which do not contemplate some of the valuation criteria incorporated to the accounting principles generally accepted in Argentina.

The main differences between the regulations of the BCRA and the accounting principles generally accepted in Argentina are detailed below:

4.1. Valuation criteria

a) Tax effects

As already indicated in Note 5.1., 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 professional accounting standards currently in force in Argentina, 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 62,300 and 313,700 as of December 31, 2010 and 2009, respectively, should be recovered.

b) Derivative financial instruments

As explained in Notes 3.4.14. and 12, as of December 31, 2010 and 2009, the Bank recorded the effects of interest rate swap agreements as established by the BCRA. Should the Bank have applied the professional accounting standards currently applicable, the stockholders' equity would have increased in 2,594 and in 124, respectively. By contrast, the effect of the application of the professional accounting standards on the income statement for the fiscal years ended December 31, 2010, 2009 and 2008 would have been 2,470 (income), 3,705 (income) and 3,852 (income), respectively.

c) Consolidar AFJP S.A. building acquisition

On September 25, 2009 the Bank acquired from Consolidar A.F.J.P. S.A. the latter's undivided interest in the piece of real estate located in Avenida Independencia 169, Autonomous City of Buenos Aires, Argentina. The Bank booked a 20,109 write-down for the real estate in its stand-alone and consolidated balance sheet as of December 31, 2010 and 2009 to reflect the result from the transaction attributable to the Bank's ownership interest in the company. The

professional accounting standards currently in force in Argentina do not require the mentioned adjustment.

4.2. Valuation criteria and aspects related to disclosure of information

Holdings available for sale

As disclosed in Note 3.4.2., the Bank charged to the account “Unrealized valuation difference” in stockholders' equity an income of 88,131 and a loss of 14,133, as of December 31, 2010 and 2009, respectively, which reflects the difference between the cost of addition of these holdings and increased by the accrual of the internal rate of return and the value as quoted of Government securities and instruments issued by the BCRA, classified as Holdings available for sale. The professional accounting standards in force in Argentina do not endorse this accounting treatment. As of

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December 31, 2010, 2009 and 2008, 102,264 (income), 166,986 (income) and 138,323 (loss), respectively, should have been charged to income for each fiscal year.

4.3. Other differences with respect to generally accepted accounting principles effective in Argentina, related to subsidiaries

a) Arising from the application of the accounting standards laid down by the National Superintendence of Insurance (S.S.N. for its Spanish acronym) and the professional accounting standards in force in Argentina:

(i) Federal Government secured loans - Decree 1387/01 held by Consolidar Cía. de Seguros de Retiro S.A. amounting to 693,449 and 606,217 as of December 31, 2010 and 2009, respectively, were valued in accordance with the regulations of the National Superintendence of Insurance (S.S.N.).

On January 28 and on February 25, 2009, the Board of Directors of Consolidar Cía de Seguros de Retiro S.A. exercised the exchange option provided by Resolution No. 5 of the Secretariat of Finance in connection with its holdings of secured bonds Bonte 2006 and Global 2008 and those received from the financial trusts made up by said loans. Their face values were 131,017 and 3,233 respectively, receiving in exchange 413,653 in face value of Argentine Government notes in Pesos, accruing the Private Badlar rate + 275 basis points and maturing in 2014 (“Pagaré de la Nación Argentina en Pesos Badlar Privada + 275 pbs Vto 2014”).

Besides, on September 10, 2009, Consolidar Cía de Seguros de Retiro S.A.’s Board of Directors exercised the exchange options provided by Resolutions No. 52 and 57 of the Secretariat of Finance in connection with its holdings of Bonds for the consolidation of social security debts - Fourth series - In Pesos (PRE 9) (“Bonos de consolidación de deudas previsionales cuarta serie en pesos”), Bonds for the consolidation of suppliers - Fourth series - In Pesos (PR 12) (“Bonos de consolidación proveedores cuarta serie en pesos”) and Argentine Government Bonds in Pesos - 2%, maturing in 2014 (BODEN) (“Bonos del Gobierno Nacional en pesos 2% 2014”) whose nominal values amounted to 7,938, 2,000 and 42,900, respectively, and it received in exchange 11,882 in par value of Argentine Government notes in Pesos, accruing the Private Badlar rate + 275 basis points and maturing in 2014 (“Pagaré de la Nación Argentina en Pesos Badlar Privada + 275 pbs Vto 2014”) and 57,272 in par value of Argentine Government notes in Pesos, accruing the Private Badlar rate + 300 basis points and maturing in 2015 (“Pagaré de la Nación Argentina en Pesos Badlar Privada + 300 pbs Vto 2015”). These promissory notes have been valued in accordance with the rules laid down by the National Superintendence of Insurance, which do not give rise to differences with the professional accounting standards in force in Argentina.

(ii) Consolidar Cía. de Seguros de Retiro S.A.: the portfolio of Government securities in investment accounts has been booked in accordance with the standards of the S.S.N.

(iii) The items included under the captions “Other Subsidiaries’ assets” and “Other Subsidiaries’ liabilities” were valued in accordance with the regulations of the S.S.N.

(iv) Consolidar Cía. de Seguros de Retiro S.A.: the Company included the balance from the technical commitments incurred with the insured in the Other Liabilities caption. The abovementioned caption includes 7,913 and 8,993 at December 31, 2010 and 2009, respectively, corresponding to the regularizing account called “Unaccrued secured loans valuation difference” which, as established by the S.S.N., will be settled through subsequent

accrual of the regularizing accounts of secured loans. In accordance with professional accounting standards currently in force in the City of Buenos Aires, such amount should have been recorded as a loss for the year ended December 31, 2003.

- (v) Upon booking the effects of the interest rate swaps as of December 31, 2009, Consolidar Cía. de Seguros de Retiro S.A. abided by the rules established by the S.S.N. Had the currently applicable professional accounting standards been applied, the shareholders' equity in the consolidated financial statements would have been increased by 245 as of December 31, 2009.

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- b) Arising from the application of the accounting standards laid down by the BCRA and the professional accounting standards in force in Argentina:
- (i) Consolidar Cía. de Seguros de Retiro S.A.: a part of its portfolio of instruments issued by the BCRA has been recorded in investment accounts, and they have been valued as per Communication “A” 4698 of the BCRA. The net difference with the market values as of December 31, 2010 and 2009 amounted to 1,728 (income) and 7,435 (income), respectively.
- (ii) The commissions paid by PSA Finance Argentina Cía. Financiera S.A. to dealers for granting financing to companies and to the public in general in connection with purchases and sales of automobiles, which in accordance with the rules established by the Argentine Central Bank are charged to the Income Statement, should be accrued throughout the duration of the loans generated by said dealers in accordance with currently applicable professional accounting standards. Had this criterion been applied, shareholders’ equity would have been increased by 5,972 and 4,271 as of December 31, 2010 and 2009, respectively.
- (iii) The Bank has not made disclosures required by professional accounting standards in force in Argentina on discontinued operations or discontinuation in relation to the process of liquidating its subsidiary Consolidar A.F.J.P.

NOTE 5—TAX MATTERS

5.1. Income tax

The Bank determined the charge for income tax by applying the effective 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, 2010 and 2009, the Bank recorded 249,800 and 343,900, respectively, in the Income tax caption as the estimate of the income tax charge payable to the tax authorities for the relevant fiscal years.

As of December 31, 2010, it has booked 177,757 in the caption Other liabilities – Other – Accrued Taxes as a result of having netted the Income Tax Prepayments at the end of the fiscal year. As of the end of the previous fiscal year, it has booked 108,891 in the abovementioned caption as a result of having netted the tax credit arising from the Tax on Minimum Presumed Income and having considered the income tax withholdings applied to the Bank as of the end of the fiscal year.

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.

On June 26, 2003, the Bank’s Board of Directors, 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 has set up an allowance for the net balance between the deferred tax assets and liabilities.

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As of December 31, 2010 and 2009, the Bank recorded under Other Receivables (in the line Tax Prepayments) a taxable deferred asset amounting 62,300 and 313,700, respectively. Such amounts are made up as follows:

	December 31,	
	2010	2009
Deferred tax assets	473,900	604,500
Deferred tax liabilities	(411,600)	(290,800)
Net deferred assets	62,300	313,700
Allowance	(62,300)	(313,700)

5.2. Tax on minimum presumed income

Tax on minimum presumed income (TOMPI) was established by Law No. 25,063 in the year ended December 31, 1998, for a ten-year term. On December 19, 2008 Law No. 26,426 established a one-year extension in TOMPI until December 30, 2009. In turn, Law No. 26,545, published in the Official Gazette on December 2, 2009 extended TOMPI for a further ten years. 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.

In May 2010, the 234,931 tax credit balance arising from TOMPI from previous fiscal years has been applied as payment towards the Income tax effectively determined for the year ended on December 31, 2009.

5.3. Other tax issues

- a) From fiscal year 1998 to fiscal year 2000, the Bank was notified of three tax assessments performed at the initiative of the Federal Administration of Public Revenue (AFIP), concerning income tax for the fiscal years 1992, 1993 and 1994 through 1998 plus minimum presumed income tax for the fiscal year 1999.

An appeal against said assessments was lodged with the Argentine Tax Court: although the petitions asserted by the Bank in connection with periods 1992 and 1993 were partially dismissed, those concerning the periods 1994 through 1999 were admitted by the Tax Court. In all these cases, appeals against the resolutions were lodged with the Appellate Court with Federal Jurisdiction over Contentious Administrative Matters. On September 4, 2009 the Bank

was notified of the judgment rendered by the Appellate Court in connection with the case file for fiscal period 1992. The judgment annuls the judgment entered in due time by one of the Argentine Tax Court panels and remands the case file to the Tax Court for it to have another panel render a decision. In addition, the resolution related to the fiscal period 1993 was confirmed by the Appellate Court and an appeal against it has been lodged with the Supreme Court of Justice of Argentina in the form of an ordinary appeal.

As concerns the proceedings for the fiscal periods 1994 through 1999, on December 2, 2008, the Supreme Court of Justice of Argentina confirmed the judgment favorable to the Bank.

On November 18, 2010, the Bank was notified by the Supreme Court of Justice of Argentina that the favorable judgment had been confirmed in connection with the proceedings for the fiscal period 1993.

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The Bank's Management and tax and legal counsel estimate that the Bank made a reasonable interpretation of effective regulations regarding the observed periods.

- b) 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.

On November 14, 2007, the Bank filed its defences to the notice mentioned.

Then, on October 6, 2008, the Bank was given notice of Resolution N° 3631-DGR 2008 containing the sua sponte tax assessment for the fiscal years 2002 and 2003. On October 28, 2008, the Bank filed an appeal for review against this resolution, which was rejected on November 7, 2008.

In response to said rejection, on November 28, 2008 an appeal was lodged with a higher administrative authority by the Ministry of Economy of the Government of the City of Buenos Aires, which was also dismissed on April 24, 2009.

On April 28, 2009, the Appellate Court with Federal Jurisdiction over Contentious Administrative Matters, Panel 3 handed down a judgment favorable 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 Banco Francés S.A. to the bonds received from the National Government in the terms of Decree No. 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 No. 1, to procure a judgment ascertaining that a) the bonds received by the Bank from the National Government as compensation for the asymmetric re-denomination into Pesos of assets and liabilities imposed by the Executive Order No. 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 No. 1 handed down a new precautionary measure ordering the Tax Bureau of the City of Buenos Aires to refrain from demanding that BBVA Banco Francés S.A. should pay any debt originating in the tax treatment that should be afforded to the bonds received from the National Government as compensation for the asymmetric re-denomination into Pesos under Executive Order No. 905/02 and the foreign exchange gains/losses for purposes of Turnover Tax for the fiscal period 2002 in issue until a final judgment has been rendered on the proceedings whereby the action for a declaratory judgment is still pending.

The Bank's Management and tax and legal counsel estimate that the Bank made a reasonable interpretation of effective regulations regarding the observed periods.

As regards the rest of the debt claimed, the above agency established a plan of payment in instalments to which the Bank has adhered acknowledging that said adhesion does not entail recognition of rights or the abandonment of further actions before the courts. Therefore, on May 26, 2009 the Bank made an advance payment that corresponds to 35% of the total debt, on June 25, 2009 the Bank paid the first of the remaining 120 monthly instalments and since then, the Bank has been paying the monthly instalments as they accrue. On October 9, 2009, the Bank filed with the Tax Bureau of the City of Buenos Aires a request for the refund of the taxes paid with the prepayment above mentioned and the instalments already paid. This petition included a reserve that the Bank may include in the complaint filed with the administrative authorities all the instalments that had not yet accrued to the extent they are paid by the Bank. However, on October 4, 2010, the Bank cancelled all the outstanding moratorium balances in the framework of the plan of payment in instalments set out by Law No. 3461/2010.

The Bank's Management does not expect an adverse financial impact in these respects.

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NOTE 6— BREAKDOWN OF MAIN ITEMS AND ACCOUNTS

Detailed below are the balances of those accounts:

	2010	2009
a) GOVERNMENT AND PRIVATE SECURITIES		
Holdings in investment accounts		
Discount Bonds in pesos	398,546	367,210
Federal Government Bonds in Pesos 10.5 % due in 2012	26,186	25,632
Federal Government Bonds in Pesos BADLAR plus 350 bp due in 2013	29,400	29,140
Federal Government Bonds in Pesos BADLAR plus 275 bp due in 2014	208,313	109,145
Discount Bonds in US dollar	170,183	102,240
Federal Government Bonds due in 2015	122,487	88,720
Federal Government Bonds in Pesos Badlar + 300 bp due in 2015	102,457	5,994
BCRA Notes (NOBAC)	178,833	546,402
Federal Government Bocon PRE9	29,673	13,723
Federal Government Bocon PRO13	9,639	33,797
Other	19,656	12,760
Total	1,295,373	1,334,763
Holdings for trading or financial transactions		
Federal Government Bonds LIBOR 2012	—	11,404
Federal Government Bonds in US dollar 7% P.A. due 2015	—	37,950
Discount Bonds in pesos	26,470	17,080
Peso-denominated GDP-related securities (1)	4,141	8,237
Federal Government Bonds in Pesos BADLAR plus 350 bp due in 2013	947	8,587
Federal Government Bonds in Pesos BADLAR plus 300 bp due in 2015	74,550	175
Federal Government Bonds in Pesos BADLAR plus 275 bp due in 2014	86,742	16,854
Treasury Notes	222,929	8,813
Treasury Bills	—	361,489
Federal Government Bonds in US dollar 7% due in 2011	12,355	11,286
Discount Bonds in US dollar	—	703
Bonar X	4,686	—
Other	9,658	5,598
Total	442,478	488,176
(1) At December 31, 2009 this includes 7,774 from repo transactions.		
Government Securities for repurchase agreements with the BCRA		
Bonar X	—	68,250

Total	—	68,250
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	2010	2009
Holdings available for sale		
Secured Bonds due in 2018	101,164	76,670
Federal Government Bocon PRO 12	170,054	157,614
BCRA Bills (LEBAC)	532,818	205,583
BCRA Notes (NOBAC)	—	83,996
Federal Government Bonds in US dollar 7% P.A. due 2015	145,500	84,405
Federal Government Bonds in Pesos due 2015	242,480	—
Other	36,281	31,907
Total	1,228,297	640,175
Unlisted government securities		
Secured Bonds due in 2020	988,036	1,053,732
Federal Government Bonds in Pesos BADLAR plus 350 bp due in 2013	15,450	14,847
Federal Government Bonds in Pesos BADLAR plus 275 bp due in 2014	1,051,784	892,214
Other	181	253
Total	2,055,451	1,961,046
Instruments issued by the BCRA		
BCRA Bills (LEBAC)	1,117,930	2,164,361
BCRA Notes (NOBAC)	1,252,438	788,783
Total	2,370,368	2,953,144
Investments in listed private securities		
Corporate Bonds Grupo Concesionario del Oeste	5,453	7,492
Corporate Bonds Tarjeta Cuyana	—	2,054
Corporate Bonds Gas Natural Ban	9,135	19,464
Corporate Bonds Petrobrás Energía S.A.	3,656	3,494
Corporate Bonds YPF	50,291	30,069
Corporate Bonds Petroquímica Comodoro Rivadavia S.A.	2,273	3,915
Fideicomiso de Gas	—	11,036
MBT Serie 1 Clase A Financial Trust	10,121	10,436
FBA Ahorro Pesos Investment Fund	1,289	19,286
FBA Renta Pesos Investment Fund	15,850	107,765
Other	5,536	3,594
Sub-Total	103,604	218,605
Allowances	(189)	(449,927)
Total	7,495,382	7,214,232

b) LOANS – Other

Loans granted to pre-finance exports	2,329,504	1,762,203
Fixed-rate financial loans	1,392,175	979,912
Other	288,570	64,552
Total	4,010,249	2,806,667

c) INVESTMENTS IN OTHER COMPANIES – Other

In other non-controlled companies- unlisted	37,321	33,215
In non-controlled companies-supplementary activities	25,121	21,604
Total	62,442	54,819

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BBVA BANCO FRANCES S.A. AND SUBSIDIARIES
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	2010	2009
d) OTHER RECEIVABLES – Other		
Prepayments	95,141	53,164
Guarantee deposits	102,105	69,100
Miscellaneous receivables	154,010	120,719
Tax prepayments	71,304	319,859
Other	58,412	26,600
Total	480,972	589,442
e) OTHER SUBSIDIARIES' ASSETS		
Others related to insurance business	450	450
Total	450	450
f) OTHER LIABILITIES FROM FINANCIAL TRANSACTIONS – Other		
Collections and other operations for the account of third parties	290,211	314,732
Other withholdings and collections at source	202,444	172,809
Accounts payable for consumption	394,705	246,919
Money orders payable	179,820	102,347
Loans received from Argentine Technological Fund (FONTAR)	38,391	37,906
Loans received from Interamerican Development Bank (BID)	18,420	32,271
Pending Banelco debit transactions	28,493	27,407
Other	88,318	101,959
Total	1,240,802	1,036,350
g) OTHER LIABILITIES – Other		
Accrued salaries and payroll taxes	187,503	174,495
Accrued taxes	320,546	175,170
Miscellaneous payables	241,339	119,203
Amounts collected in advance	65,126	1,107
Other	3,208	1,672
Total	817,722	471,647
h) OTHER SUBSIDIARIES' LIABILITIES		
Fluctuation fund – Consolidar Cía. de Seguros de Retiro S.A.	309,208	207,399
Insurance companies, mathematical reserve	2,450,173	2,322,949
Difference arising from Federal Government secured loans accrued valuation Consolidar Cía. de Seguros de Retiro S.A.	(7,913)	(8,993)
Others related to insurance business	85,094	94,870

Total	2,836,562	2,616,225
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BBVA BANCO FRANCES S.A. AND SUBSIDIARIES
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	2010	2009
i) MEMORANDUM ACCOUNTS – DEBIT – CONTROL – Other		
Items in safekeeping	17,028,587	12,538,495
Collections items	430,819	285,311
Checks drawn on the Bank pending clearing	245,783	220,248
Checks not yet credited	1,697,519	919,380
Securities representative of investment in escrow on behalf of the Guarantee Fund for the Sustainability of the Pay-as-you-go System managed by the Argentine Federal Government	36,645,801	25,249,313
Other	79,403	85,691
Total	56,127,912	39,298,438

	2010	2009	2008
j) SERVICE CHARGE INCOME - Other			
Rental of safe-deposit boxes	53,482	34,997	23,354
Commissions for capital market transactions	20,421	10,120	12,762
Commissions for salary payment	7,694	7,305	6,452
Commissions for trust management	1,844	2,246	2,253
Commissions for hiring of insurances	133,843	116,202	94,669
Commissions for transportations of values	11,145	11,589	9,017
Commissions for loans and guaranties	40,100	17,984	26,793
Other	64,038	54,378	45,883
Total	332,567	254,821	221,183

k) SERVICE CHARGE EXPENSE - Other			
Turn-over tax	81,489	63,935	47,638
Insurance paid on lease transactions	15,215	19,205	12,839
Other	5,352	4,655	3,691
Total	102,056	87,795	64,168

l) OTHER INCOME - Other			
Premiums – Insurance companies	17,648	20,285	314,807
Related parties expenses recovery	8,638	7,060	5,587
Deferred income tax (1)	—	120,148	138,052
Income from the sale of fixed and miscellaneous assets	2,259	3,082	10,825
Tax recovery	12,800	10,820	—
Rent	565	807	1,668
Other	20,827	13,068	47,180
Total	62,737	175,270	518,119

(1) Offset by a charge for the same amount in the line Charge for uncollectibility of other receivables and other allowances under the caption Other expense.

m) OTHER EXPENSE – Other

Insurance companies, mathematical reserve	252,457	168,135	355,643
Life Annuities – Consolidar Cía. de Seguros de Retiro S.A.	177,237	166,673	147,389
Tax on bank credits and debits	—	—	40,714
Disability and life insurance premiums	—	64	42,780
Claims paid – Insurance companies	10,869	3,803	(5,042)
Redemptions	12,011	34,336	—
Other	26,307	68,419	98,826
Total	478,881	441,430	680,310

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BBVA BANCO FRANCES S.A. AND SUBSIDIARIES
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NOTE 7—FINANCIAL INFORMATION UNIT: SUMMARY PROCEEDINGS

In March 2010, the Bank was notified of the commencement of two summary proceedings instituted by the Financial Information Unit (UIF for its Spanish acronym) against BBVA Banco Francés S.A. and its Regulatory Compliance Officer arising from two wire transfers received by two customers in their respective sight accounts on November 22, 2007 amounting to 39,393 and 9,174, respectively.

It has been the UIF's understanding that the profile of the customers, as defined, and the supporting documentation submitted by the Bank do not coincide with the possibility of receiving such wire transfers.

In due time, the Bank filed its defences, offered evidence and petitioned for an acquittal. In addition, the Bank called for the enforcement in this case of the same guarantees available in court proceedings, argued that the statute of limitations applicable to punishable offenses had run out and further claimed that Law No. 25,246 is unconstitutional when it comes to the scale of penalties imposed.

As regards the Regulatory Compliance Officer, the Bank focused on the nature of the penalties that could be imposed on him and petitioned for the enforcement of the general principles of the law in his respect as these prescribe that this officer should not be deemed liable on grounds of occupying the position of regulatory compliance officer at the Bank.

In September and October 2010, the Bank was served with the resolutions adopted by the UIF whereby BBVA Banco Francés S.A. and the Regulatory Compliance Officer were each ordered to pay a fine for an amount equivalent to one time the transactions amounts objected.

On the basis of its legal advisors' opinion, on October 28 and November 25, 2010 the Bank lodged with the Court of Appeals with Federal Jurisdiction over Contentious Administrative Matters a direct appeal against the UIF's Resolutions in connection with the wire transfers for 9,174 and 39,393, respectively, in accordance with the provisions under Section 25 of Law No. 25,246.

Both the Bank's Management and its legal advisors understand that the Bank has assessed these cases on the basis of a duly timed analysis, following the internal procedures in place for these situations. Further, they understand that the Bank has duly applied in these two cases all current rules and regulations and that no adverse impact on the Bank's financial position is expected in this respect.

NOTE 8—RESTRICTIONS ON ASSETS

As of December 31, 2010, there were Bank's assets, which were restricted as follows:

- a) The Government and Private Securities caption includes 100,005 in Guaranteed Bonds maturing in 2018, 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 Federal Government.
- b) The Bank appropriated loan funds of its active portfolio in an amount of 1,591 to secure debts with the BCRA.

- c) The Bank appropriated BCRA Bills (Badlar), in an amount of 67,341 to secure loans arranged under the Credit Global Program given by the Interamerican Development Bank (B.I.D.).
- d) Francés Valores Sociedad de Bolsa S.A. (stock broking company) holds shares of Mercado de Valores de Buenos Aires S.A, booked in the amount of 9,600. These shares have been pledged in favor of “CHUBB Argentina de Seguros S.A.” in security of the contract this insurance company executed with Mercado de Valores de Buenos Aires S.A. to cover the latter’s guaranteeing any noncompliance of stock broking companies with their obligations.

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NOTE 9—BANK DEPOSIT GUARANTEE INSURANCE SYSTEM

The Bank is included in the Deposit Guarantee System established by Law 24,485, Regulatory Decrees No. 540/95, No. 1,292/96 and 1,127/98 and Communication “A” 2337 and BCRA's complementary regulations.

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 No. 1,292/96, 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 has a 12.3149% 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 subsidiary 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 thirty thousand. Pursuant to BCRA's Communication “A” 5170, issued on January 11, 2011, the above-mentioned guarantee amount may not exceed the pesos one hundred and twenty thousand limit. 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 abovementioned amount, whatever the number of accounts and/or deposits.

NOTE 10—TRUST ACTIVITIES

10.1. Financial Trusts

On January 5, 2001, the BCRA's Board of Directors issued Resolution No. 19/01, 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 settle and the Bank as trustee in relation to the exclusion of assets as provided in the resolution abovementioned. The Bank had entrusted Atuel Fideicomisos S.A. the management of collections and the realization of the corpus assets. As of December 31, 2010 and 2009, the assets of Diagonal Trust amount to 2,405 and 2,366, respectively, considering its recoverable value.

Besides, as of December 31, 2010 and 2009, the Bank has recorded the assets of Maginot Trust, whose book value amounts to 338 and 215, respectively. In addition, as of December 31, 2010, the Bank recorded the Fideicomiso Corp Banca assets for 5,371 as well as the selected assets on account of the redemptions in kind of the Fideicomiso Corp Banca participation certificates for 4,539.

Such amounts are recorded in memorandum debit accounts “For trustee activities – Funds in trust”.

10.2.

Non-Financial Trusts

The Entity acts as trustee in 28 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 satisfied 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 (settler) 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 settler, or (ii) all contract terms and conditions are complied with, in which case all the corpus assets will be returned to the settler or to

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whom it may indicate. The trust assets represent about 207,628 and 566,583 as of December 31, 2010 and 2009, respectively, consist of cash, creditors' rights, real estate and shares.

NOTE 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 non-convertible Negotiable Obligations with ordinary guarantee, or such guarantees as may be decided by the Board of Directors, and unsecured Subordinated Negotiable Obligations, convertible or not into shares. During the life of the Program, which will be 5 (five) years, it shall be possible to issue and re-issue any number of series and/or classes of Negotiable Obligations 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 U.S.\$ 300,000,000.

On April 26, 2007, the Ordinary and Extraordinary Stockholders' Meeting delegated to the Board of Directors the authority to make certain amendments to the existing Negotiable Obligations Global Program such as: i) updating the Program so that it is governed by international terms and conditions, ii) existence of an international trustee in respect of one or more series representing the interests of investors, iii) drafting and execution of documentation in the English language and under foreign laws, including global and final securities, and payment agency, registrar, trust and underwriting agreements, as may be necessary, as well as the preparation of information documents for purposes of placement in international markets, including offering circulars and financial statements prepared in a foreign language.

As provided in the Negotiable Obligations Law and BCRA regulations, the proceeds would be applied to: (i) extension of mortgage loans for the purchase and renovation of housing and personal loans in Argentina; (ii) extension of corporate loans in Argentina for purposes of payment of working capital, investment in physical assets located in Argentina or refinancing of liabilities; and (iii) capital contributions in the Bank's subsidiaries or related companies.

The Ordinary and Extraordinary Stockholders' Meeting held on March 28, 2008 decided to extend (i) for the term of 5 years the life of the Negotiable Obligations Global Program approved by the Extraordinary Stockholders' Meeting held on July 15, 2003 and by Resolution No. 14967 of the CNV issued on November 29, 2004 in accordance with the changes introduced by the Ordinary and Extraordinary Stockholders' Meeting held on April 26, 2007 and (ii) for the term of 2 years the delegation to the Board of Directors and the authority to sub-delegate the delegated powers in accordance with the applicable regulations approved by Ordinary and Extraordinary Stockholders' Meeting held on April 26, 2007.

As of the date of issuance of these Consolidated Financial Statements, the Bank has not issued Corporate Bonds related to this Program.

NOTE 12—DERIVATIVE FINANCIAL INSTRUMENTS

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Transactions as of December 31, 2010:

- Interest rate swaps for 152,500 (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.

These transactions have been valued in accordance with the mechanism described in Note 3.4.14.(i) generating an income as of the end of the fiscal year for 3,375.

The estimated market value of said instruments amounts to 3,305 (Assets). For market 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 152,500.

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- Interest rate swap for 61,467 (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 61,467.

- Non-deliverable forward purchase and sale transactions in ratios payable in Pesos, maturing within a period not exceeding 1 year, for 2,478,406 and 2,100,225, 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 valued in accordance with the mechanism described in Note 3.4.14.(ii), generating loss as of the end of the fiscal year for 14,930.

- Call options bought for 52,702 and call options written for 60,082 agreed as hedging for the Bank’s borrowing position in connection with term investments yielding variable income conducted by customers. Said transactions were recorded under “Memorandum Accounts - Debit Accounts – Derivatives – “Notional” amount of call options bought” for 52,702 and under “Memorandum Accounts - Credit Accounts - Derivatives – “Notional” amount of call options written” for 60,082.

Put options bought for 27,402 and put options written for 24,662 agreed as hedging for the Bank’s borrowing position in connection with term investments yielding variable income conducted by customers. Said transactions were recorded under “Memorandum Accounts - Debit Accounts – Derivatives – “Notional” amount of put options bought” for 27,402 and under “Memorandum Accounts - Credit Accounts - Derivatives – “Notional” amount of put options written” for 24,662.

These transactions have been valued in accordance with the description in Note 3.4.14. generating 4,494 income as of the end of the fiscal year.

- The Bank does not carry balances from repos and/or reverse repos in force as of December 31, 2010. This notwithstanding, the transactions conducted during fiscal 2010 have yielded 27,127 in income at the end of the fiscal year.

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Transactions as of December 31, 2009:

- Interest rate swaps for 20,000 (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 15,000 (Badlar versus Fixed Rate) maturing within a period not exceeding 2 years, for which the Bank pays a fixed amount and receives a variable amount based on the changes in the Badlar rate.

These transactions have been valued in accordance with the mechanism described in Note 3.4.14.(i) generating a loss as of the end of the fiscal year for 1,704.

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The estimated market value of said instruments amounts to 147 (Assets). For market 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 35,000.

- Interest rate swaps for 67,697 (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 transactions were 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 they have 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 transactions were recorded under “Memorandum Accounts - Debit Accounts –Derivatives – Interest rate SWAP” for 67,697.

- Non-deliverable forward purchase and sale transactions in foreign currency payable in Pesos, maturing within a period not exceeding 1 year, for 1,940,035 and 2,195,093, 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 valued in accordance with the mechanism described in Note 3.4.14.(ii), generating income as of the end of the fiscal year for 95,114.

- Forward sales due to national government securities repurchase agreements for 76,024, which are recorded under “Other liabilities from financial transactions – Instruments to be delivered for spot and forward sales to be settled”.

These transactions have been valued in accordance with the description in Note 3.4.8. generating 78,541 income as of the end of the fiscal year.

NOTE 13—COMPLIANCE WITH CNV REQUIREMENTS

13.1. Compliance with the requirements to act as agent in the over-the-counter market

As of December 31, 2010, the Bank’s Stockholders’ Equity exceeds the minimum requested to act as agent in the over-the-counter market, according to Resolutions No. 368/01 and 489/06 of the CNV.

13.2.

Investment Funds custodian

As of December 31, 2010 and 2009, in its capacity of Investment Funds custodian of “FBA Acciones Globales”, “FBA Total”, “FBA Renta”, “FBA Renta Pesos”, “FBA Europa”, “FBA Renta Dólares”, “FBA Bonos Latinoamericanos”, “Calificado”, “FBA Ahorro Dólares”, “FBA Renta Fija”, “FBA Ahorro Pesos”, “FBA Renta Corto Plazo”, “FBA Horizonte”, “Internacional”, “FBA EEUU”, “FBA Renta Premium”, “FBA Acciones Latinoamericanas”, “FBA Bonos Argentina”, “FBA Brasil”, “FBA México”, “FBA Commodities”, “FBA Acciones Argentinas” and “FBA Bonos Globales” administrated by Francés Administradora de Inversiones S.A. Fund Manager, the Bank holds certificates of deposits, shares, corporate bonds, government securities, indexes, tax-credit certificates, securities issued by the

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Argentine Central Bank, investments financial trust certificates, Cedears and ADRS in safekeeping in the amount of 1,199,165 and 947,861, respectively, all of which making up the Fund's portfolio and booked in "Memorandum Accounts - Debit Accounts -Control - Other".

The Investment Funds' equities are as follows:

Name of Mutual Fund	December 31,	
	2010	2009
FBA Acciones Globales	70,827	73,127
FBA Total	15,998	14,856
FBA Renta	15,731	13,703
FBA Renta Pesos	942,439	1,167,950
FBA Renta Dólares	4,388	4,276
FBA Bonos Latinoamericanos	14,904	13,740
FBA Calificado	120,387	81,142
FBA Internacional	588	544
FBA Ahorro Dólares	11,011	11,372
FBA Renta Fija	21,358	15,153
FBA Ahorro Pesos	280,034	182,545
FBA Renta Premium	10,672	7,976
FBA Europa	2,604	3,161
FBA Horizonte	49,081	20,320
FBA EEUU	3,447	3,156
FBA Renta Corto Plazo	608	562
FBA Acciones Latinoamericanas	25,861	27,571
FBA Bonos Argentina	4,894	3,649
FBA Brasil	35,886	47,117
FBA México	1,187	982
FBA Commodities	60	53
FBA Acciones Argentinas	704	471
FBA Bonos Globales	76	57
Total	1,632,745	1,693,483

NOTE 14—EARNINGS DISTRIBUTIONS

The Bank has in place an earnings distribution policy in line with the Bank's vocation for sustained stockholder value, which at the same time allows the Bank's financial condition to perform favorably 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) On May 28, 2010, the BCRA through its Case File No. 312/10/10 approved the distribution of 480,000 cash dividends. In addition, the Ordinary and Extraordinary Shareholders' Meeting held on April 30, 2010 approved the

allocation of earnings as follows:

- To Legal Reserve: 143,692
- To cash dividends: 480,000
- To Unappropriated earnings: 94,770

It must be clarified that as of the date of issuance of these Consolidated Financial Statements, such dividends have been paid

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- b) In accordance with Communication “A” 5072 of the BCRA, issued on May 6, 2010, as amended and supplemented, of “Distribution of Income”, for purposes of calculating the earnings subject to distribution, off-balance sheet deductions must be performed from the Unappropriated retained earnings as set forth in point 2.1 of such Communication. In addition, the authorization of the Superintendent of Financial and Exchange Institutions shall be required in order to verify that the procedure established in said resolution for earnings distribution has been properly applied.

On February 9, 2011 the Board of Directors resolved to propose to the shareholders the distribution of dividends in cash for the total amount of Ps.804,000 to be distributed in proportion to the nominal holding of each shareholder equivalent to Ps.1.49899 per share.

On March 18, 2011 the Argentine Central Bank issued an authorization to the Bank for the payment of dividends in cash in accordance with Communication “A” 4664 dated May 11, 2007 and amendments.

On March 30, 2011 the Bank’s Ordinary and Extraordinary Shareholders’ Meeting approved the distribution of dividends in cash for the total amount of Ps.804,000.

- c) In accordance with the provisions of BCRA, on March 30, 2011 the Bank’s Ordinary and Extraordinary Shareholders’ Meeting appropriated the amount of 239,636 included under Unappropriated earnings to the Legal Reserve.

NOTE 15— REFORM OF THE INTEGRATED RETIREMENT AND PENSION SYSTEM

- a) Law No. 26,222 – Merger between Consolidar Cía. de Seguros de Vida S.A. and Consolidar Cía. de Seguros de Retiro S.A.:

In view of the reforms introduced in the Argentine Social Security System by Law No. 26,222 and its supplementary regulations, on October 17, 2008, the Ordinary and Extraordinary General Shareholders’ Meeting of Consolidar Compañía de Seguros de Vida S.A. decided to authorize the Final Merger Agreement with Consolidar Cía. de Seguros de Retiro S.A. undersigned by the Board of Directors on September 23, 2008. On January 29, 2009, the S.S.N. authorized said merger, which was then approved by the IGJ on April 6, 2009.

- b) Law N° 26,425- Dissolution and liquidation of Consolidar A.F.J.P. S.A.:

Law No. 26,425, which came into force on December 4, 2008, mandated that the capitalization system that used to be an integral part of the Integrated Retirement and Pension System was to be suppressed and replaced by a single pay-as-you-go system that is now known as the Argentine Integrated Social Security System (SIPA in Spanish). As a consequence, Consolidar A.F.J.P. S.A. ceased to manage the funds held in the individual capitalization accounts opened by the members and beneficiaries of the Integrated Retirement and Pension System. Said funds were transferred to the Fund to Guarantee the Sustainability of the State-run Social Security System exactly as they had been invested and it is now the Argentine Social Security Authority (ANSES) the only and sole holder of said assets and funds.

In addition, on October 29, 2009, ANSES issued its Resolution No. 290/2009 whereby it granted a term of 30 working days to the pension fund managers that could be interested in re-converting their corporate purpose in order to manage the funds held as voluntary term deposits and as agreed-upon deposits in capitalization accounts for them to express their decision to do so.

Given the above situation and the inability of Consolidar A.F.J.P. S.A. to attain the corporate purpose and conduct the business for which it had been formed, on December 28, 2009, its Extraordinary General Unanimous Shareholders' Meeting adopted the resolution to dissolve and subsequently liquidate Consolidar A.F.J.P.S.A. effective as of December 31, 2009 on the understanding that such will be the best alternative to safeguard the interests of both the creditors and the shareholders of the Company. In addition, as set forth in the Argentine Companies Law, the Shareholders' Meeting decided to appoint Accountant Mr. Gabriel Orden and Mr. Rubén Lamandia to act as liquidators of Consolidar A.F.J.P. S.A. As of December 31, 2009 these gentlemen have been

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designated as the Company's legal representatives. As of the date of issuance of these financial statements, they are moving forward with all the actions necessary to proceed with the liquidation of Consolidar A.F.J.P. S.A.

On January 28, 2010, the dissolution of Consolidar A.F.J.P. S.A. as well as the list of designated liquidators were registered with the I.G.J.

BBVA Banco Francés S.A., in its capacity as shareholder requested that Consolidar A.F.J.P. S.A. (undergoing liquidation proceedings) should file a note with the Argentine Ministry of Economy and Public Finance and with the Argentine Social Security Authority to commence discussions within the framework of Law No. 26,425 in order to identify one or more resolution alternatives in connection with the consequences resulting from the events caused by the enactment of that Law. This note was filed by Consolidar A.F.J.P. S.A. (undergoing liquidation proceedings) on June 11, 2010.

In turn, on December 7, 2010, Consolidar A.F.J.P. filed an action for damages against the National State and the Ministry of Labor, Employment and Social Security with the court of original Federal Jurisdiction over Contentious Administrative Matters No. 4, Clerk of Court's Office No. 7, case file No. 40.437/2010. The complaint was ratified by BBVA Banco Francés S.A. in its capacity as majority shareholder in that company.

In addition, the Extraordinary General Shareholders' Meeting of Consolidar A.F.J.P. S.A. approved a voluntary reduction in capital stock for 75,000 on October 19, 2009. In turn, the I.G.J. conferred its approval to the capital reduction mentioned on January 11, 2010. In this respect, on January 19, 2010 the shareholders were transferred their capital contributions in conformity with the above-mentioned reduction.

Besides, as from the enactment of Law No. 26,425 Consolidar Cía. de Seguros de Retiro S.A. discontinued the issuance of new policies for social-security related life annuities which stood for a highly significant percentage of the premiums. This notwithstanding, the benefits of the Capitalization Regime that used to be calculated and paid under the Social-Security related life annuities modality, continue to be paid through the relevant retirement insurance company. The Board of this Company is assessing the new regulatory scenario while continuing with the normal operations inherent in managing its assets and liabilities.

NOTE 16—MINORITY INTEREST IN SUBSIDIARIES

The breakdown of balances in the "Minority interest in subsidiaries" account is as follow:

	December 31,	
	2010	2009
Consolidar Administradora de Fondos de Jubilaciones y Pensiones S.A. (undergoing liquidation proceedings)	18,889	26,808
Consolidar Cía. de Seguros de Retiro S.A.	91,287	133,978
Francés Valores Sociedad de Bolsa S.A.	622	418
Atuel Fideicomisos S.A.	—	2
PSA Finance Argentina Cía. Financiera S.A.	68,295	51,976
Francés Adm. de Inversiones S.A.	99	—
	179,192	213,182

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NOTE 17—ACCOUNTS REFLECTING COMPLIANCE WITH MINIMUM CASH

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, 2010:

COMPUTABLE COMPLIANCE IN
PESOS

Cash	558,916
Special Guarantee Accounts	131,390
BCRA Checking Account	1,804,872
Cash in transit	340
Cash in valuables' transportation	374,152
Special Social Security accounts	54
Franchises	171,912
TOTAL	3,041,636

COMPUTABLE COMPLIANCE IN US DOLLARS (Stated in Pesos)

Cash	362,947
BCRA Checking Account	2,249,194
Cash in transit	223
Cash in valuables' transportation	74,490
TOTAL	2,686,854

COMPUTABLE COMPLIANCE IN EUROS (Stated in Pesos)

Cash	67,973
BCRA Checking Account	42,524
Cash in transit	24
Cash in valuables' transportation	13,691
TOTAL	124,212

NOTE 18—RISK MANAGEMENT POLICIES

The Risk Department comprises units specializing in each class of risk (credit, market, structural and operational risk) that work alongside cross-sectional units: Global Management (an area that reports to Strategic Risk Management and defines quantification metrics) and Internal Control.

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

a) Credit Risk

The Risk Department is made up by the following divisions: Retail Banking, Enterprise and Corporate Banking and Credit Recovery. Within the purview of the Retail Banking and the Enterprise and Corporate Banking divisions, there

are the areas in charge of Policies and Tools, Risk Admission and Follow-Up. In turn, the Credit Recovery division includes areas specializing in severity mitigation, further split into judicial recovery and non-judicial recovery.

Approvals are processed by virtue of the loan-granting powers conferred upon the positions responsible for Admission, Risk Analysts, the Credit Risk Committee and the Technical Operations Committee, which are segmented by Rating letters and scores as well as by levels of rating amounts (that is, in view of the characteristics of the customer and its level of indebtedness).

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In addition, the commercial areas rely on a smaller number of delegated loan-granting powers in order to streamline minor transactions. These powers are also arranged by ratings and amounts.

Any exceptions to the policies currently in force are dealt with by the Technical Operations Committee.

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

The following are some of the aspects taken into account upon subjecting customers to a credit assessment:

- Verify the client sufficient income-generation sources and an adequate financial structure to face the commitments to repay principal and interest of the owned receivables within the terms agreed.
 - Adequate and sufficient guarantees must to allow the loans recovery.
- Adequate knowledge of the client so that the decision-making officials are sufficiently confident and secure when they decide to grant the loan.
- Balance and correlation between the use of the proceeds, the amount, the term and the manner to repay the loan based on the client's generation of resources and the guarantees.
- The activities carried on by the client must be identified so that the client can be assigned to the appropriate classification of sectors of the economy assessing its positioning and growth expectations.
- Permanent consulting for hints of junctures in the policies currently in force in each sector for an adequate response in line with the general investment or divestiture guidelines in a sector or sub-sector of the economy, amongst others.

b)

Market Risk

The Market Risk area, which reports to the Risk Division, is the unit responsible for identifying, assessing and controlling the market risks in BBVA Banco Francés.

It is in charge of the following:

- Identifying the Business Units within the Entity that carry out transactions entailing market risks, which should thus be included in the corporate applications of measurement and control risk.
 - Monitor on a daily basis compliance with the risk limits and policies of the Business Units
- Determine, on a daily basis, the Market Variables that will be used in the valuation of the Treasury positions and by the Committee of Assets and Liabilities (COAP).

- Determine the calculation of the Credit Exposure of the Treasury Client counterparts (Credit Risk in the Market Desk).

The most complex approach, adopted as a standard measurement tool, is the Value at Risk (VaR) which provides a 99% confidence level at one day.

Policies are implemented through a limit structure, in terms of daily VaR and daily, monthly and annual Stop Loss measures.

On an annual basis, a proposal is prepared for the authorization of market risk limits together with the Treasury Department. This standard sets forth the identity of the officials who have the maximum control responsibilities and

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decision-making attributes concerning the limits and contingency plans to be implemented if such limits were surpassed.

The utility of the VaR model is fine-tuned through backtesting and stresstesting techniques.

c) Liquidity and Structural Risk

Although the Financial Division is responsible for managing the structural risks at the Entity, which risks also include the liquidity risk, the Market Risk Area, in its position as independent business unit and responsible for management actions, is empowered to approve, follow up (measure) and control the methodologies, the limits and the alerts that the areas involved may propose and consume in order to adequately manage the structural and liquidity risk.

Both the structural risk and the liquidity risk are monitored through a number of specific quantitative and qualitative limits and alerts, which are followed up on a daily basis by the Market Risk Area.

As regards liquidity risk, crisis are identified by the three areas of the Technical Liquidity Group (GTL, with the areas in charge of following up on crises being the Market Risk Area, Financial Management and Markets) and as soon as any of these areas detects a crisis, it must report it to the other management areas above mentioned.

The Market Risk Area obtains the flows of collections and payments, prepares the daily liquidity map, proposes the limits and alert alarms and prepares and distributes the appropriate reports for the evolution of liquidity to the internal areas of the Risk Division and to the top executives of BBVA Banco Francés.

Liquidity risks are monitored using three models: Short-term liquidity, Medium-term liquidity and Stress-liquidity. This model is based on the study of past crisis and it is used as a basis to generate the contingency plan.

The aim of the Contingency Plan is no other than to be in the best position to face liquidity problems, to foresee potential crisis situations, both at the Entity level and in the markets which may arise for the Entity in the future.

As regards structural risk, defined as any alteration sustained by the financial margin and/or the equity value of an entity arising from variations in interest rates, an analysis of five sensitivities is used to monitor these two risks:

- SMF: Sensitivity to the Financial Margin in the event of +/-100bps variations in interest rates;
- SVE: Sensitivity to the Equity Value in the event of +/-100bps variations in interest rates;
- SVE COAP: Sensitivity to the Equity Value of the COAP portfolio in the event of +/-100bps variations in interest rates;
- MeR: Margin at Risk, understood as the maximum unfavorable departure from the projected financial margin for a pre-determined level of confidence; and
- CE: calculation of the Equity Capital of the Bank, consisting in an estimate of the unexpected losses that could be incurred in the various risk activities carried out, in other words, the maximum losses that could be sustained with a

given level of confidence.

d)

Operational Risk

The Internal Control and Operational Risk area, which reports to the Internal Control and New Products division, is charged with the implementation and maintenance of a model to identify, value, follow up on, check and mitigate operational risk. This model revolves around a methodology based on BCRA's provisions currently in force (Communication "A" 4793) and on international standards (COSO and Basel) and specific computerized tools that support the model.

Operational risk is identified and quantified by the Ev-Ro tool. To support the follow-up function and the dynamical controls over the efficacy of the mitigation measures in place, the Trans-VaR tool is used. There is also a loss history

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database segmented by business areas and class of risk known as SIRO database. All these tools are working properly and the degree of implementation is optimum.

Through the Internal Control and Operational Risk model, the Bank is able to:

- Assess the degree of mitigation activity implemented in the various areas
- Verify that the measures have been adopted in accordance with priority criteria for the mitigation of risk factors.
- Ensure that the contingency plans and service continuity defined by the various business units or supporting areas have been properly implemented and updated to reduce the risk of certain high-impact risk factors.

NOTE 19—OTHER REQUIRED DISCLOSURES IN ACCORDANCE WITH THE SEC'S REQUIREMENTS

19.1. Transactions with related parties

The balances as of December 31, 2010 and 2009 for transactions performed with parents, subsidiaries and affiliates are as follows:

Company	Balance Sheet				Memorandum Accounts (1)	
	Assets		Liabilities		2010	2009
	2010	2009	2010	2009		
BBVA S.A.	223,929	38,039	8,723	5,099	188,713	30,076
Consolidar A.R.T. S.A.	105	70	88,713	50,600	6,772	5,524
BBVA Consolidar Seguros S.A.	8,462	6,330	3,092	1,906	943	5,229
Rombo Cía. Financiera S.A.	269,288	90,486	5,194	7,260	109,000	15,000
Inversora Otara S.A.	—	—	360	652	773,796	408,322
Consolidar Comercializadora S.A.	52	651	19,808	6,528	42,335	13,765

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

The net income as of December 31, 2010, 2009 and 2008, for transactions performed with parents, subsidiaries and affiliates are as follows:

	Net income (1)		
	2010	2009	2008
Income	121,613	103,101	101,916
Expenses	(18,851)	(39,174)	(28,045)
	102,762	63,927	73,871

(1) All the concerted operations have been contracted according with market's conditions.

19.2. Minimum cash balances and restricted deposit

In accordance with BCRA and foreign central banks' regulations, the Bank is required to maintain daily average minimum cash balances for each month in cash, in its account with the BCRA. The required daily averages calculated for the month ending on each balance sheet date are as follows:

	December 31,	
	2010	2009
Peso and Foreign Currency Balances	3,583,350	3,042,059

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19.3. Interest-bearing deposits with other banks

- a) Included in “Cash and Due from Banks” there are: (1) interest-bearing deposits with the BCRA totaling 4,098,792 and 3,723,387 as of December 31, 2010 and 2009, respectively; (2) interest-bearing deposits in foreign banks totaling 732 and 57,459 as of December 31, 2010 and 2009, respectively, and (3) interest-bearing deposits in local banks totaling 65 and 30,557 as of December 31, 2010 and 2009, respectively.
- b) Included in “Loans” there are: overnight foreign bank interest-bearing deposits totalling 5,964 and 664 as of December 31, 2010 and 2009, respectively.
- c) Included in “Other Receivables from Financial Transactions” there are other interest-bearing deposits with the BCRA totaling 131,390 and 119,853 as of December 31, 2010 and 2009, respectively.

19.4. Securities holdings in investment accounts and available for sale under BCRA’s rules

The book value and market value of holdings in investment accounts (including those used for forward purchases under repurchase agreements) at December 31, 2010 and 2009 were as follows:

	2010	2009	December 31,				2010	2009
			2010	2009	2010 (*)	2009 (*)		
	Book value		Gross unrealized gains		Gross unrealized losses		Market value	
Debt Consolidation								
Bonds - Social Security (BOCON)	52,261	55,846	47,339	—	—	9,435	99,600	46,411
Argentine Governments Bonds	1,064,279	732,515	303,201	66,263	—	—	1,367,480	798,778
BCRA Notes	178,833	546,402	1,728	—	—	19,786	180,561	526,616
Total	1,295,373	1,334,763	352,268	66,263	—	29,221	1,647,641	1,371,805

(*) This amount is accounted in the item “Allowances” in Government and Private Securities caption of the Consolidated Balance Sheets.

The book value and the market value of holdings in investment accounts (including those used for forward purchases under repurchase agreements) at December 31, 2010, by contractual maturity, were as follows:

	December 31, 2010	
	Book value	Market value
Due in one year or less	190,090	203,960
Due after one year through five years	521,878	671,369
Due after five years through ten years	4,810	5,142

Thereafter	578,595	767,169
Total	1,295,373	1,647,640

As of December 31, 2010 and 2009 the Bank did not hold government securities classified as “held to maturity” under U.S. GAAP. The Government securities classified as “holding in investment account” under BCRA’s rules were classified as “available for sale” (see Note 20.5.) or trading under U.S. GAAP.

The amortized cost and the market value of holdings in available for sale accounts under BCRA’s rules at December 31, 2010, by contractual maturity, were as follows:

	December 31, 2010	
	Amortized cost	Market value
Due in one year or less	582,739	584,049
Due after one year through five years	496,274	581,213
Due after five years through ten years	61,154	63,035
Total	1,140,167	1,228,297

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19.5. Loans

A description of certain categories of loans on the accompanying consolidated balance sheets is as follows:

To governmental sector: loans to public sector, excluding public financial institutions.

To the financial sector: loans to local financial institutions.

To the non-financial private sector and residents abroad: loans given to the private sector (excluding local financial institutions) and residents abroad from Argentina.

Overdraft: basically short-term loans to companies and overdraft lines of credit.

Discounted instruments: includes promissory notes, discounted documents and instruments acquired under factoring agreements.

Consumer: loans granted to individuals to acquired consumer goods.

Collateral loans (real state mortgage and security agreements): loans secured by privileged guarantees.

Credit cards: consists mainly of credit card loans.

Under BCRA's rules, the Bank must disclose the type of collateral pledged on loans to non-financial private sector and residents abroad. The classification of the loan portfolio in this regard is as follows:

	December 31,	
	2010	2009
Government sector	1,297,642	1,400,243
Financial sector	578,878	384,331
Non-financial private sector and residents abroad	15,219,559	10,305,001
—Commercial portfolio		
With self-liquidating preferred guarantees	314,060	64,172
With other preferred guarantees	173,390	75,207
Without preferred guarantees	7,306,758	4,875,420
—Consumer portfolio		
With self-liquidating preferred guarantees	9,349	8,437
With other preferred guarantees	1,455,451	1,164,931
Without preferred guarantees	5,960,551	4,116,834
Less: Allowances for doubtful loans	(396,227)	(337,686)
Total	16,699,852	11,751,889

Commercial loans: encompasses all financing facilities, other than those not reaching an amount equivalent to 750 with or without preferred guarantees.

Consumer loans: encompasses all financing facilities related to consumption (whether personal, professional or family consumption, loans for purchasing of consumer goods and financing credit cards) or housing loans (for buying, building or refurbishing) and financing (credits and guarantees) of a commercial nature up to an amount equivalent to 750 with or without preferred guarantees.

“Self - liquidating preferred guarantees” consist mainly of cash guarantees, gold guarantees, warrants over primary products and other forms of collateral of self-liquidation.

“Other preferred guarantees” consist, in general, of real estate mortgages and other forms of collateral pledged to secure the loan amount. The entire principal amount of loan is included under the heading “preferred guarantees” regardless of the current market value of the collateral.

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“Without preferred guarantees” consist, in general, of unsecured third-party guarantees.

The Bank also tracks its loan portfolio by industry segment. At December 31, 2010, the following industry segments represented the loan concentrations:

Industry Segment	Percentage of Total Loans	
Consumer	39.87	%
Other	27.03	%
Governmental Services	7.59	%
Financial Sector	4.52	%
Retail Trade	4.23	%
Wholesale Trade	3.09	%
Industrial Metals	2.79	%
Agricultural and Livestock	2.77	%
Mining Products	2.32	%
Food Stuff	2.32	%
Beverage	2.24	%
Services	1.23	%
Total	100.00	%

Substantially most of Bank’s operations, property and customers are located in Argentina. Therefore, the performance of Bank’s loan portfolio, financial condition and the results of its operations depend primarily on the macroeconomic and political conditions prevailing in Argentina.

The Bank has significant exposure to the Argentine Federal Government in form of Federal Government secured loans and other debt obligations. Federal debt represents a significant portion of Bank’s total risk assets.

During 2010 certain “related-parties” of the Bank were loan customers of the Bank. As defined under BCRA’s rules, related-parties include the associated companies in which the Bank has some sort of important influence (as stated by said rules) and related persons such as any director or member of the Statutory Auditor Committee of the Bank within the previous three years, senior management of the Bank, members of the immediate families of any such persons, and companies with which they are associated. The historical activity in principal amounts of loans to related-parties during the fiscal years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Balance at the beginning of the fiscal year	118,390	114,676
New Loans	148,880	11,582
Repayments	(17,013)	(7,868)
Balance at the end of the fiscal year	250,257	118,390

Total loans outstanding to these related parties at December 31, 2010 and 2009 including accrued interest, amounted to 280,656 and 118,390, respectively. Such loans are made in the ordinary course of business at normal credit terms, including interest rate and collateral requirements, and, in the opinion of management, do not represent more than normal credit risk.

At December 31, 2010 and 2009, approximately 255,043 and 24,315 or 1.49% and 0.20% of the Bank's portfolio, respectively, consisted of loans to foreign borrowers.

Certain loan customers of the Bank are under court order or have entered into agreements with the Bank to satisfy their debt on basis different from the original loan terms. The Bank eliminates any differences between the principal and accrued interest due under the original loan and the new loan amount through a charge to the allowance for loan losses at the time of the restructuring.

At December 31, 2010 and 2009, non-performing loans amounted to 80,377 and 121,500, respectively. Past due loans included in the abovementioned amounts reach to 50,432 and 87,751 at December 31, 2010 and 2009, respectively.

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19.6. Allowance for loan losses

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

	December 31, 2010	December 31, 2009	December 31, 2008
Balance at the beginning of the fiscal year	337,686	196,489	198,728
Provision for loan losses	178,800	244,800	38,124
Write-offs	(120,259)	(103,603)	(40,363)
Balance at the end of the fiscal year	396,227	337,686	196,489

19.7. Other receivables from financial transactions

The composition of other banking receivables by type of guarantee is as follows:

Description	December 31,	
	2010	2009 (1)
With preferred guarantees	346,396	484,384
Without preferred guarantees	704,095	453,526
Allowances	(6,632)	(23,059)
	1,043,859	914,851

(1) See Note 3.3.

The Bank enters into spot, forward, repurchase agreements and reverse repurchase agreements, to buy or sell foreign currency (principally U.S. dollars) and Government securities. The Bank recognizes the cash, currency or security amount to be exchanged in the future as a receivable and payable, at the initial transaction date.

The assets and corresponding liabilities related to such transactions are as follows:

Description	December 31,	
	2010	2009
Forward Purchases and Sales		
“Notional” amount of non-deliverable forward purchases	2,478,406	1,940,035
“Notional” amount of non-deliverable forward sales	2,100,225	2,195,093
Interest rate SWAP	213,967	152,697
Call options bought	52,702	—
Call options written	60,082	—
Put options bought	27,402	—
Put options written	24,662	—
Contra credit derivatives accounts	(2,772,477)	(2,092,732)
Contra debit derivatives accounts	(2,184,969)	(2,195,093)
Non-deliverable forward transactions balances pending settlement-Receivables	20,992	84,070

Non-deliverable forward transactions balances pending settlement-Liability	(530	)	(2,825)
Repurchase and reverse repurchase agreements with government securities				
Forward sales under reverse repurchase agreements	—		76,024	
Financial debtors under reverse repurchase agreements with the BCRA	—		76,397	

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Description	December 31,	
	2010	2009
Spot transactions with pending settlement		
Unsettled spot securities purchases	10,631	2,727
Creditors under unsettled spot securities purchases	1,467	—
Debtors under unsettled spot securities sales	218,244	198
Unsettled spot securities sales	10,631	2,890
Debtors under unsettled spot foreign exchange sales	6,502	1,334
Unsettled spot foreign exchange sales	6,458	1,324
Unsettled spot Government securities purchases	221,521	7,537
Creditors under unsettled spot Government securities purchases	216,608	7,562
Debtors under unsettled spot Government securities sales	27,027	7,937
Unsettled spot Government securities sales	224,826	30

19.8. Premises and equipment and other assets

19.8.1. Premises and equipment

The major categories of the Bank's premises and equipment, and accumulated depreciation related thereto are presented in the following table:

Description	Estimated useful life (years)	December 31,	
		2010	2009
Land and buildings	50	536,410	510,913
Furniture and facilities	10	116,563	89,504
Machinery and equipment	5	173,179	158,230
Vehicles	5	5,119	3,788
Accumulated depreciation		(307,663)	(275,952)
Total		523,608	486,483

Depreciation expense was 57,737, 49,244 and 42,468 at December 31, 2010, 2009 and 2008, respectively.

19.8.2. Other assets

Other assets consisted of the following at December 31, 2010 and 2009:

Description	Estimated useful life (years)	December 31,	
		2010	2009
Advances to suppliers of goods		461	—
Rent assets	50	3,986	5,764
Works of art	—	983	983
Assets acquired for secure loans	50	4,673	5,005

Stationery and office supplies	—	4,193	3,461
Land and buildings not affected by banking activities	50	9,594	11,262
Vehicles to delivering for financial leases		3,863	—
Total		27,753	26,475

Depreciation expense was 734, 505 and 579 at December 31, 2010, 2009 and 2008, respectively.

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19.9. Intangible assets

Organization and development expenses

The breakdown of organization and development account as of December 31, 2010 and 2009, is as follows:

Description	Estimated useful life (years)	December 31, 2010	December 31, 2009
Computer software acquisition expenses and computer programs development expenses	up to 5	22,756	15,738
Other intangible assets	up to 5	43,791	44,097
Total		66,547	59,835

The 2010 and 2009's variations in intangible asset accounts were as follows:

	December 31,	
	2010	2009
Balance at the beginning of the fiscal year	59,835	55,332
—Additions	65,897	23,112
—Decreases	(270)	(89)
—Period amortization	(58,915)	(18,520)
Balance at the end of the fiscal year	66,547	59,835

19.10. Other liabilities from financial transactions – BCRA

The Bank borrows funds under various credit facilities obtained from the BCRA for specific purposes, as follows:

Description	December 31,	
	2010	2009
Short-term liabilities	2,747	2,691
Total	2,747	2,691

At December 31, 2010 and 2009, accrued interests and other differences included on the above liabilities amounted to 213 and 203, respectively.

19.11. Other liabilities from financial transactions – Banks and international institutions and financing received from financial institutions

The Bank borrows funds under different credit arrangements from local and foreign banks and international lending agencies, as follows:

Description	December 31,	
	2010	2009
Short-term liabilities		
Other lines of credit from local and foreign banks	200,027	82,794
Total short-term liabilities	200,027	82,794
Long-term liabilities		
Other lines of credit from local and foreign banks	15,134	12,178
Total long-term liabilities	15,134	12,178
Total	215,161	94,972

Accrued interests included on the above liabilities are 5,282 and 1,202, at December 31, 2010 and 2009, respectively, and are included in the "Interest and listed-price differences accrued payable" account in the accompanying Consolidated Balance Sheets. Interest rates for long-term liabilities vary from 5.07% to 18.91% per annum.

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Maturities of the long-term liabilities in the table above for each of the following fiscal years are as follows:

Fiscal year	
2012	11,893
2013	3,241
Total	15,134

The funds mentioned under the caption “Long-term liabilities: Other lines of credit from local and foreign banks” are applied mainly to loans to companies involved in foreign trade transactions.

19.12. Balances in foreign currency

The balances of assets and liabilities denominated in foreign currency are as follows:

Description	December 31,	
	2010	2009
Assets		
Cash and due from banks	2,948,715	3,185,297
Government and private securities	697,668	673,850
Loans		
Other receivables from financial transactions	527,642	163,583
Receivables from financial leases	2,117	2,736
Investments in other companies	9,189	1,004
Other receivables	54,584	53,561
Suspense items	614	113
Total	6,840,157	5,972,079
Liabilities		
Deposits	4,880,242	4,525,952
Other liabilities from financial transactions	1,035,369	558,217
Other liabilities	18,284	40,279
Suspense items	18,436	472
Total	5,952,331	5,124,920

19.13. Minimum capital requirements

Under BCRA’s regulations, the Bank is required to maintain individual and consolidated minimum levels of equity capital (“minimum capital”). At December 31, 2010 and 2009 the consolidated minimum capital is based upon risk-weighted assets and also considers interest rate risk and market risk. The required consolidated minimum capital and the consolidated Bank’s capital calculated under the BCRA’s regulations are as follows:

Required Minimum	Computable Capital	Excess of actual Minimum Capital
---------------------	-----------------------	-------------------------------------

	Capital		over Required Minimum Capital(1)
December 31, 2010	2,036,384	3,690,482	1,654,098
December 31, 2009	1,572,169	2,948,406	1,376,237

- (1) The Bank must maintain a surplus of minimum paid-in capitals amounting to at least 92,923 and 64,477 as at December 31, 2010 and 2009, respectively, equivalent to 0.25% of the amount of values under custody for securities representing investments from pension funds, as well as in connection with its function as registrar of mortgage-backed bonds, invested in national public securities and other destinations authorized by the BCRA and guaranteed in favour of the said Entity.

19.14. Earnings per share

Earnings per share for the fiscal years ended December 31, 2010, 2009 and 2008, were computed by dividing net income by the weighted-average number of Ordinary Shares outstanding during each fiscal year.

19.15.

Employee benefit plans

The Bank does not maintain pension plans for its employees; nevertheless, since 2005 the BBVA Banco Francés gives to certain executives, with a role at corporate level, the possibility to access into defined contribution pension plan that it is subject to ASC 962-10, Plan Accounting-Defined Contribution Pension Plans: Overall. This pension plan consists in a percentage calculated over determinate recompensing concepts. At December 31, 2010, 2009 and 2008 the Bank has been accruing 1,805, 2,842 and 1,006 in “Operating Expenses - Payroll expenses”, respectively. This concept has not had impact under U.S. GAAP.

Additionally, following a proposal from the Appointments and Salaries Committee the Board of Directors of BBVA Banco Francés, approved pluriannual incentives plans which included the delivery of BBVA shares to certain executives. The exact number of BBVA shares to be delivered to each one of the beneficiaries at the end of the program will be the result of multiplying the number of “units” (in accordance with their respective levels of responsibility) assigned by a coefficient based on the changes in BBVA’s Total Shareholders Return (“TSR”) during the period of the program in comparison with the changes of said indicator for 18 reference banks in Europe and the United States.

At December 31, 2010 the Bank estimates that the targets included in plans are not meet and therefore the charge must not be recognized. This concept has not had impact under U.S. GAAP.

In addition, the Bank is obligated to pay employer contributions to the Argentine Integrated Social Security System, determined on the basis of total monthly payroll. These expenses aggregated 94,791, 79,092 and 73,205 for the fiscal years ended December 31, 2010, 2009 and 2008, respectively, and are included in the “Operating Expenses—Payroll expenses” account in the Consolidated Statements of Operations.

19.16.

Business segment consolidated information

ASC 280-10, Segment Reporting: Overall requires that a public business enterprise report financial and descriptive information about its reportable operating segments. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance. Generally, financial information is required to be reported on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments.

The Bank is mainly concentrated on the financial sector, especially through its activities related to banking/financial, pension fund manager and insurance.

The following information shows total assets, financial income, service charge income and other income, total income, financial expenses, allowances for doubtful loans, operating expenses, other expenses, total expenses, loss on minority interest in subsidiaries and total net income for each of the business segment identified by the Bank’s management.

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	As of December 31, 2010						Discontinued operations (5)	
	Continued operations							
	Banking		Financial					
BBVA Banco Francés S.A.(4)	PSA Finance S.A.	Total	Insurance	Eliminations	Total	Pension Fund Manager	Total	
Total assets	28,445,498	751,810	29,197,308	3,341,186	(3,928)	32,534,566	45,680	32,580,246
Financial income	3,211,490	86,772	3,298,262	543,566	(5,078)	3,836,750	5,921	3,842,671
Service charge income and other income	1,550,974	81,872	1,632,846	52,284	(596)	1,684,534	5,701	1,690,235
Total income / (expense) (1)	4,762,464	168,644	4,931,108	595,850	(5,674)	5,521,284	11,622	5,532,906
Financial expenses	(800,185)	(14,491)	(814,676)	(11,383)	5,078	(820,981)	3,158	(817,823)
Allowances for doubtful loans	(172,452)	(6,901)	(179,353)	—	—	(179,353)	—	(179,353)
Operating expenses	(1,957,154)	(12,307)	(1,969,461)	(20,464)	596	(1,989,329)	(30,049)	(2,019,378)
Other expenses (2)	(750,674)	(37,133)	(787,807)	(497,301)	—	(1,285,108)	(1,909)	(1,287,017)
Total expenses (3)	(3,680,465)	(70,832)	(3,751,297)	(529,148)	5,674	(4,274,771)	(28,800)	(4,303,571)
(Loss) / Gain on minority interest in subsidiaries	(22,757)	(16,319)	(39,076)	—	—	(39,076)	7,920	(31,156)
Total net income	1,059,242	81,493	1,140,735	66,702	—	1,207,437	(9,258)	1,198,179

(1) Includes: financial income, service charge income and other income.

(2) Includes: service charge expense, other expense and income tax.

(3) Includes: financial expenses, allowances for doubtful loans, service charge expenses, operating expenses, other expenses and income tax and TOMPI.

(4) Includes: Francés Administradora de Inversiones S.A. and Francés Valores Sociedad de Bolsa S.A.

(5) See Note 15.b)

As of December 31, 2009
 Continued operations

	Banking Financial						Discontinued operations (5)	
	BBVA Banco Francés S.A.(4)	PSA Finance S.A.	Total	Insurance	Eliminations	Total	Pension Fund Manager	
Total assets	22,667,089	412,389	23,079,478	3,164,710	(2,806)	26,241,382	150,211	26,391,593
Financial income	2,966,359	74,709	3,041,068	501,703	(8,841)	3,533,930	26,273	3,560,203
Service charge income and other income	1,422,129	67,805	1,489,934	20,762	(1,758)	1,508,938	(52,594)	1,456,344
Total income / (expense)								
(1)	4,388,488	142,514	4,531,002	522,465	(10,599)	5,042,868	(26,321)	5,016,547
Financial expenses	(967,992)	(9,037)	(977,029)	(469)	8,841	(968,657)	(45,302)	(1,013,959)
Allowances for doubtful loans	(241,622)	(4,344)	(245,966)	—	—	(245,966)	—	(245,966)
Operating expenses	(1,553,125)	(9,201)	(1,562,326)	(19,922)	1,758	(1,580,490)	(53,409)	(1,633,899)
Other expenses (2)	(946,385)	(25,039)	(971,424)	(413,581)		(1,385,005)	(4,366)	(1,389,371)
Total expenses (3)	(3,709,124)	(47,621)	(3,756,745)	(433,972)	10,599	(4,180,118)	(103,077)	(4,283,195)
(Loss) / Gain on minority interest in subsidiaries	(29,832)	(17,897)	(47,729)	—	—	(47,729)	32,839	(14,890)
Total net income	649,532	76,996	726,528	88,493	—	815,021	(96,559)	718,462

(1) Includes: financial income, service charge income and other income.

(2) Includes: service charge expense, other expense and income tax.

(3) Includes: financial expenses, allowances for doubtful loans, service charge expenses, operating expenses, other expenses and income tax and TOMPI.

(4) Includes: Atuel Fideicomisos S.A. and Francés Valores Sociedad de Bolsa S.A.

(5) See Note 15.b)

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	As of December 31, 2008						Discontinued operations (5)	
	Continued operations					Total	Pension Fund Manager	Total
	Banking		Financial					
	BBVA Banco Francés S.A.(4)	PSA Finance S.A.	Total	Insurance	Eliminations	Total	Total	Total
Total assets	22,400,481	452,766	22,853,247	2,872,885	(174,585)	25,551,547	273,918	25,825,465
Financial income	1,944,883	49,091	1,993,974	352,065	(90,609)	2,255,430	23,674	2,279,104
Service charge income and other income	1,372,305	49,498	1,421,803	329,851	(2,869)	1,748,785	215,083	1,963,868
Total income (1)	3,317,188	98,589	3,415,777	681,916	(93,478)	4,004,215	238,757	4,242,972
Financial expenses	(1,274,521)	(11,977)	(1,286,498)	(5,682)	90,609	(1,201,571)	(110)	(1,201,681)
Allowances for doubtful loans	(33,462)	(3,246)	(36,708)	—	—	(36,708)	—	(36,708)
Operating expenses	(1,128,183)	(7,651)	(1,135,834)	(50,969)	2,436	(1,184,367)	(229,081)	(1,413,448)
Other expenses (2)	(603,047)	(24,785)	(627,832)	(598,860)	433	(1,226,259)	(46,167)	(1,272,426)
Total expenses (3)	(3,039,213)	(47,659)	(3,086,872)	(655,511)	93,478	(3,648,905)	(275,358)	(3,924,263)
(Loss)/Gain on minority interest in subsidiaries	(9,007)	(5,068)	(14,075)	—	—	(14,075)	16,876	2,801
Total net income	268,968	45,862	314,830	26,405	—	341,235	(19,725)	321,510

(1) Includes: financial income, service charge income and other income.

(2) Includes: service charge expense, other expense and income tax.

(3) Includes: financial expenses, allowances for doubtful loans, service charge expenses, operating expenses, other expenses and income tax and TOMPI.

(4) Includes: Atuel Fideicomisos S.A. and Francés Valores Sociedad de Bolsa S.A.

(5) See Note 15.b)

The Bank's reportable segments are strategic business units that offer different products and services. They are managed separately because each segment appeals to different markets and, accordingly, requires different technology and marketing strategies.

The Pension Fund Manager segment has been affected by the reform of the integrated retirement and pension system, as mentioned in Note 15, and consequently, Consolidar AFJP S.A. was started the process of dissolution and liquidation.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Bank evaluates performance based on profit or loss from operations before income taxes not including non-recurring gains or losses.

The Bank does not have a single external private customer from whom it derives 10 percent or more of its revenues and operates in one geographical area. Nevertheless, as it is mentioned in Note 19.5., the Bank has significant exposure to the Argentine Federal Government in form of Federal Government secured loans and other debt obligations. For the fiscal years ended December 31, 2010, 2009 and 2008, the Bank recorded, under BCRA rules, income from Federal Government secured loans (Decree No. 1387/01), including CER accrual for 271,964, 265,131 and 307,305, respectively. In addition, for the fiscal years ended December 31, 2010 and 2009 the Bank recorded net income from government securities for 1,429,638 and 1,017,578, respectively, and recorded net expenses from government securities for 305,688 for the fiscal year ended December 31, 2008.

19.17. Consolidated income statements and balance sheets

The presentation of Consolidated Financial Statements according to BCRA's rules differs significantly from the format required by the US. Securities and Exchange Commission (US SEC) under Rules 9-03 and 9-04 of Regulation S-X ("Article 9"). These Consolidated Financial Statements were prepared using the measurement methods prescribed by the BCRA, but in accordance with the presentation requirements of the US SEC.

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The Consolidated Statements of Operations presented below discloses the categories required by Article 9:

	2010	December 31, 2009	2008
Consolidated Income Statements			
Interest and fees on loans	1,952,059	1,896,925	1,699,128
Interest on investment securities	189,858	120,537	55,774
Trading account interest	1,281,277	927,259	—
Total interest income	3,423,194	2,944,721	1,754,902
Interest on deposits	632,593	779,804	771,304
Trading account interest	—	—	253,463
Interest on short-term borrowings	15,408	15,093	41,268
Interest on long-term debt	48	—	107
Total interest expense	648,049	794,897	1,066,142
Net interest income	2,775,145	2,149,824	688,760
Provision for loan losses	179,353	245,966	36,708
Net interest income after provision for loan losses	2,595,792	1,903,858	652,052
Service charges on deposit accounts	261,722	295,145	246,473
Credit card service charges and fees	571,592	461,906	326,623
Fees on securities activities	13,019	13,270	15,547
Other commissions	779,575	505,442	652,560
Income from investment in equity securities	21,323	20,841	65,121
Foreign currency gains, net	197,821	200,920	207,582
Gains on disposal of fixed and other assets	2,245	—	9,559
Others	262,405	573,194	931,587
Total other income	2,109,702	2,070,718	2,455,052
Consolidated Expenses Statements			
Commissions	304,320	191,896	176,463
Personnel expenses	1,083,801	899,885	745,034
Fees and external administrative services	190,675	134,438	109,645
Depreciation of bank premises and equipment and other fixed assets	58,471	49,749	43,047
Business travel and development	14,877	11,381	19,435
Utilities	36,539	29,936	30,074
Advertising and promotion	101,134	65,433	72,764
Contributions and taxes	355,575	299,349	200,650
Maintenance and repairs	69,351	59,694	53,718
Amortization of Goodwill	—	—	12,200
Provision for loss contingencies	49,906	246,484	199,603
Loss on disposal of fixed and other assets	—	15,327	—
Others	926,825	880,964	1,091,691
Total other expenses	3,191,474	2,884,536	2,754,324
Income before income tax and tax on minimum presumed income expenses	1,514,020	1,090,040	352,780
Income tax and tax on minimum presumed income expenses	315,841	371,578	31,270
Net income	1,198,179	718,462	321,510

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Net (loss) / income attributable to the non-controlling interest	(31,156)	(14,890)	2,801
Net income attributable to the controlling interest	1,229,335	733,352	318,709
Net income per Ordinary Share (1)	2.23	1.47	0.68

(1) Stated in pesos.

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Certain categories of income and expense maintained by the Bank have been presented in the above Article 9 Consolidated Statement of Operations in a manner which warrants further discussion:

- “Foreign currency gain (loss), net”: this item relates primarily to the differences in exchange rates on the Bank’s investments, loans and deposits denominated in foreign currency. The Bank does not maintain foreign currency gains or losses in separate categories of assets and liabilities, respectively, and, therefore, since such gains or losses cannot be separately identified by type of activity.

BCRA’s rules also required certain classifications of assets and liabilities which are different from those required by Article 9. The following balance sheets depict the Bank’s consolidated balance sheets at December 31, 2010 and 2009 as if the Bank followed the balance sheets disclosure requirements under Article 9:

	December 31,	
	2010	2009
Assets		
Cash and due from banks	1,593,014	1,444,009
Interest bearing deposits in other banks	4,230,182	3,931,256
Unsettled spot purchases	232,152	10,264
Debtors under forward sales and under reverse repurchase agreements	—	76,397
Debtors under unsettled spot sales	251,773	9,469
Trading account assets	4,971,712	5,171,044
Investments securities	1,405,511	1,441,052
Loans	17,096,079	12,089,575
Allowance for loan losses	(396,227)	(337,686)
Premises and equipment	523,608	486,483
Intangible assets	66,547	59,835
Other assets	2,605,895	2,009,895
Total assets	32,580,246	26,391,593
Liabilities and Stockholders’ Equity		
Interest bearing deposits	15,932,780	14,812,214
Non interest bearing deposits	6,528,527	3,522,631
Creditors under forward purchases and under reverse repurchase agreements	530	2,825
Creditors under unsettled spot purchases	218,075	7,562
Forward sales and under repurchase agreements	—	76,024
Unsettled spot sales	241,915	4,244
Other short-term borrowings	1,444,861	1,082,088
Other liabilities	3,674,105	3,162,997
Long-term debt	85,072	51,925
Commitments and contingent liabilities	528,274	529,429
Common Stock	536,361	536,361
Other stockholders’ equity	3,210,554	2,390,111
Non-controlling interests in consolidated subsidiaries	179,192	213,182

Total liabilities and stockholders' equity	32,580,246	26,391,593
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The following balance sheets depict the Bank's consolidated balance sheets at December 31, 2010 and 2009 from discontinued operations as if the Bank followed the balance sheets disclosure requirements under Article 9:

	December 31,	
	2010	2009
Assets		
Cash and due from banks	38	(388)
Interest bearing deposits in other banks	—	42,581
Trading account assets	853	122,276
Loans	30,850	15,059
Premises and equipment	—	10
Other assets	13,939	(29,327)
Total assets	45,680	150,211
Liabilities		
Interest bearing deposits	(61,175)	(14,906)
Non interest bearing deposits	(474)	—
Other short-term borrowings	38	21,646
Other liabilities	2,696	42,231
Commitments and contingent liabilities	63,631	43,098
Total liabilities	4,716	92,069

19.18. Off-Balance sheet financial instrument

The Bank enters into various transactions involving off-balance-sheet financial instruments. These instruments could be used to meet the risk management, trading and financing needs of clients or for the Bank's proprietary trading and asset and liability management purposes, and could be subject to varying degrees of credit and market risk. Credit risk and market risk associated with on- and off-balance-sheet financial instruments are monitored on an aggregate basis.

The Bank uses the same credit policies in determining whether to enter or extend call and put option contracts, commitments, conditional obligations and guarantees as it does for granting loans. In the opinion of management, the Bank's outstanding off-balance-sheet items do not represent unusual credit risk.

a) Derivatives

In the normal course of its business, the Bank enters into a variety transactions principally in the foreign exchange and stock markets. The majority of the counterparties in the derivative transactions are banks and other financial institutions.

These instruments include:

§Options: they confer the right on the buyer, but no obligation, to receive or pay a specific quantity of an asset or financial instrument for specified price at or before a specified date. Options may be exchange traded or Over the Counter (OTC) agreements. The Bank principally buys and sells interest options on an

index.

§ Futures and Forwards: they are agreements to deliver or take delivery of a specified rate, price or index applied against the underlying asset or financial instrument, at a specific date. Futures are exchange traded at standardized amounts of the underlying asset or financial instrument. Forward contracts are OTC agreements and are principally dealt in by the Bank in securities/foreign exchange as forward agreements.

Forward transactions are effected by the Bank in order to comply with the limits set forth by the BCRA in relation to the technical ratio of the Net Global Position in foreign currency and to reduce fluctuations risks in the rates of exchange. However, such transactions do not qualify as foreign exchange hedge in terms of ASC 815-20, Derivatives and Hedging: Hedging-General.

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§ Swaps: they are agreements between two parts with the intention to exchange cash flows and risks at a specific date and for a period in the future. Swaps may be exchange traded or OTC agreements. In addition see Note 12.

Pursuant to BCRA's regulations, future and forward transactions must be recorded under "Other Receivables from Financial Transactions" and "Other Liabilities from Financial Transactions" in the accompanying Consolidated Balance Sheets and they have been valued as mentioned in Notes 3.4.8. and 3.4.9. In addition, future and forward transactions without delivery of underlying asset and the interest rate swaps have been valued as mentioned in Note 3.4.14. and have been registered into Memorandum Accounts' caption.

The notional contractual amount of these instruments represents the volume of outstanding transactions and does not represent the potential gain or loss associated with the market or credit risk of such transactions. The market risk of derivatives arises from the potential for changes in value due to fluctuations in market prices. The Bank reduces its exposure to market risk, if necessary, by entering into offsetting transactions in accordance with the global policy of hedging defined by BBVA for its subsidiaries. The credit risk of derivatives arises from the potential of a counterparty defaulting on its contractual obligations. The effect of such a default varies as the market value of derivative contracts changes. Credit exposure exists at a particular point in time when a derivative has a positive market value. The Bank attempts to limit its credit risk by dealing with creditworthy counterparties and obtaining collateral where appropriate. At December 31, 2010 and 2009 the Bank entered into forward contracts, interest rate swaps and options for trading purposes. The notional amount of outstanding forward contracts as of the mentioned dates, are included in Note 19.7. The following table shows at December 31, 2010 and 2009 the notional value forward transactions, SWAP and options divided between hedging and trading:

	December 31, 2010		December 31, 2009	
	Trading	Total	Trading	Total
Forward sales and purchases of foreign exchange	4,578,631	4,578,631	4,134,894	4,134,894
Forward sales and purchases of government securities	—	—	76,024	76,024
Other forward sales and purchases	—	—	234	234
Interest rate SWAP	213,967	213,967	152,697	152,697
Call options bought (*)	52,702	52,702	—	—
Call options written (*)	60,082	60,082	—	—
Put options bought (*)	27,402	27,402	—	—
Put options written (*)	24,662	24,662	—	—

(*) These instruments classified as hedges under BCRA's rules but not for USGAAP.

b) Credit-related financial instruments

The Bank's exposure to credit loss in the event of non-performance by counterparties to commitments to extend credit, guarantees granted and foreign trade acceptances is represented by the contractual notional amount of those investments.

A summary of credit exposure related to these items is shown below (*):

December 31,

	2010	2009
Credit lines granted (unused portion) cover by debtor classification	70,538	56,290
Foreign trade acceptances and standby letters of credit	67,353	113,506
Guarantees granted	439,231	349,992

(*) A significant portion of the Bank's guarantees as of December 31, 2010 and 2009 has a remaining maturity of less than one year.

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Commitments to extend credit are agreements to lend to a customer at a future date, subject to compliance with contractual terms. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent actual future cash requirements for the Bank. The Bank evaluates each customer's creditworthiness on a case-by-case basis.

Foreign trade acceptances represent Bank customers' liabilities on outstanding drafts or bills of exchange that have been accepted by the Bank and the Bank's liability to remit payment upon the presentation of the accepted drafts or bills of exchange.

The credit risk involved in foreign trade acceptances and guarantees granted is essentially the same as that involved in extending loan facilities to customers. In order to grant guarantees to its customers, the Bank may require counter guarantees. Such financial instruments are classified, by type of guarantee, as follows:

	December 31,	
	2010	2009
Self-liquidating counter guarantees	95,461	15,721
Preferred counter guarantees	5,403	3,546
Without guarantees	400,855	378,895

The Bank accounts for checks against it and other banks, as well as other items in process of collection, such as notes, bills and miscellaneous items, in memorandum accounts until such time as the related item clears or is accepted. In the opinion of management, no significant risk of loss exists on these clearing transactions. The amounts of clearing items in process are as follows:

	December 31,	
	2010	2009
Checks drawn on the Bank pending clearing	245,783	220,248
Checks drawn against other Banks	510,436	549,582
Drafts and notes for collection	430,819	285,311

c)

Trust activities

See Note 10.

NOTE 20—SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN THE ARGENTINE CENTRAL BANK RULES AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The following is a description of the significant differences between BCRA's rules followed in the preparation of the Bank's Consolidated Financial Statements and those applicable in the United States under generally accepted accounting principles ("U.S. GAAP"). References below to "ASC" are to Accounting Standards Codification. Pursuant to the BCRA's rules, the Bank's Consolidated Financial Statements recognize the effects of inflation until August 31, 1995 and since January 1, 2002 to February 28, 2003, as mentioned in Note 3.2. As allowed by the U.S. Securities and

Exchange Commission under item 18 of Form 20-F, the effect of inflation accounting under BCRA's rules has not been reversed in the reconciliation to U.S. GAAP.

20.1. Income taxes

As explained in Note 5.1, the Bank determined the charge for income tax applying the effective rate to taxable income estimated for each year considering the effect of temporary differences between book and taxable income. The criterion is in accordance with U.S. GAAP, based on ASC 740-10, Income Taxes: Overall.

Under ASC 740-10, Income Taxes: Overall, deferred tax assets or liabilities are recorded for temporary differences between the financial and tax basis of assets and liabilities. A valuation allowance is provided for the deferred tax assets to the extent that it is more likely than not that they will not be realized.

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The following table accounts for the difference between the actual tax provision and the amounts obtained by applying the statutory income tax rate in Argentina to income before income tax in accordance with US. GAAP:

Description	December 31,		
	2010	2009	2008
Income before income tax in accordance with US GAAP	1,393,203	1,160,800	1,541,720
Statutory income tax rate	35.00%	35.00%	35.00%
Income tax provision computed at statutory rate	487,621	406,280	539,602
Tax exempt income	57,093	(66,153)	87,774
Other, net	44,388	(209,082)	(27,221)
Income tax computed in accordance with U.S. GAAP	589,102	131,045	600,155
Income tax computed in accordance with BCRA's rules	567,241	251,430	(138,052)
Adjustments to reconcile income tax (benefit) to U.S. GAAP	21,861	(120,386)	738,207
Charge / (Recover) of allowances on deferred tax assets	724	(86,348)	(331,511)

The “Tax exempt income” adjustment noted above principally relates to gains generated by equity investments, which were not subject to income tax (30,358, 27,643 and 13,848 for the fiscal years ended December 31, 2010, 2009 and 2008, respectively), to the exemption established during the public debt swap transaction, by which the income generated by the Federal Government secured loans received were exempt in the income tax (2,441 and 5,704 for the fiscal years ended December 31, 2009 and 2008, respectively) and the effects generated for the recover of allowances for 30,222 and 116,029 in the fiscal years ended December 31, 2009 and 2008, respectively.

As explained in Note 5.1, under BCRA's GAAP the capitalization of the net operating losses is not allowed. Consequently, these adjustments have not impact under such rules.

“Other, net” includes other net effects, and tax exempt income and non-deductible items arising from Consolidated Subsidiaries.

As mentioned in Note 5.2 to the Consolidated Financial Statements, tax on minimum presumed income (“TOMPI”) is a complementary tax to the income tax. The Bank's tax obligation for each year will coincide with the highest of two taxes, the BCRA income tax and TOMPI. However, if TOMPI exceeds the 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. Since TOMPI is calculated on different basis than income tax (under tax legislation is based on taxable assets and it is not based in income for fiscal years and has no relation with income), it is not included in the line “Income tax computed in accordance with BCRA's rules”.

“Income tax computed in accordance with BCRA's rules” corresponds to the Argentine GAAP income tax determined as per the deferred tax method. Under BCRA's rules, income / (losses) related to deferred tax method must be classified in the “Other Income / Expenses” line items. Therefore, the deferred income tax amounting to 120,148 and 138,052 for the fiscal years 2009 and 2008, respectively, were classified in the “Other Income” line item of the Consolidated Statement of Operations (see Note 6.1) with the breakdown of Other Income and Other Expense accounts in accordance with BCRA's rules).

These “BCRA income tax amounts” are not the same as the “income tax and tax on minimum presumed income (loss)” – TOMPI – line item in the Argentine GAAP Consolidated Statement of Operations on Page F-9. Under BCRA’s rules, this account should include the current income tax and TOMPI while income (losses) related to deferred tax method must be classified in the “Other Income / Expenses” line item. In the years 2010 and 2009 “income tax and TOMPI” account includes income tax 315,841 and 371,578, respectively, and in the year 2008 “income tax and TOMPI” account includes only TOMPI for 31,270.

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The following table accounts for the difference between the actual tax provision under Argentine Central Bank regulations and the total income tax expense in accordance with US GAAP:

	2010	December 31, 2009	2008
Income Tax in accordance with Argentine Central Bank regulations	567,241	251,430	(138,052)
Deferred tax charges	21,861	(120,385)	738,207
Total Income tax expense in accordance with US GAAP	589,102	131,045	600,155

The amounts related to the Income Tax computed in accordance with BCRA's rules and Tax on minimum presumed income (TOMPI) are disclosed below:

	2010	December 31, 2009	2008
Tax on minimum presumed income (Income tax and TOMPI line item – Page F-9)	—	—	31,270
Income tax (Income tax and TOMPI line item – Page F-9)	315,841	371,578	—
Income tax computed in accordance with BCRA's rule (Other Income/Expenses line item)	—	(120,148)	(138,052)
Allowance for deferred tax assets – Applications	251,400	—	—
Total – Income tax plus Tax on minimum presumed income	567,241	251,430	(106,782)

ASC 740-10, Income Taxes: Overall requires that an allowance for deferred tax assets is needed when, based on the weight of available evidence, it is more likely than not that some portion of the deferred tax assets will not be realized. The valuation allowance should be sufficient to reduce the deferred tax assets to the amount that is more likely than not to be realized.

Accordingly, the Bank has assessed all available evidence to determine the amount of valuation allowance needed, including financial and tax projections. As a result, based on the weight of that evidence, the Bank reduced the valuation allowance in 265,709, 266,433 and 180,085 as of December 31, 2010, 2009 and 2008, respectively.

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Deferred tax assets (liabilities) are summarized as follows:

Description	2010	December 31, 2009	2008
Deferred tax assets:			
Government and private securities valuation	—	142,694	208,239
Loan origination and issuance credit card's fees	29,383	20,943	28,216
Property, equipment and miscellaneous assets	27,437	31,051	19,084
Other liabilities	44,289	16,232	10,016
Allowance for loss contingencies	209,387	209,923	169,603
Net operating loss	—	—	87,394
Other	5,007	4,780	24,567
	315,503	425,623	547,119
Deferred tax liabilities:			
Government and private securities valuation	(200,923)	—	—
Loans	(15,707)	(64,928)	(150,209)
Foreign exchange difference	(23,540)	(18,785)	(14,133)
Intangible assets	—	—	(28)
Reserves from insurance activities	(94,430)	(79,443)	(57,485)
	(334,600)	(163,156)	(221,855)
Net deferred tax (liability) / asset under U.S. GAAP	(19,097)	262,467	325,264
Net deferred tax asset in accordance with BCRA's rules	62,300	313,700	193,552
Adjustment to reconcile net deferred tax assets to U.S. GAAP	(81,397)	(51,233)	131,712
Allowances on deferred tax assets in accordance with BCRA's rules	(62,300)	(313,700)	(193,552)
Adjustment to reconcile Allowances on deferred tax assets to U.S. GAAP	265,709	266,433	180,085
	(47,991)	(47,267)	(13,467)
Allowances on deferred tax assets in accordance with US GAAP	(47,991)	(47,267)	(13,467)
Net deferred tax asset under BCRA	—	—	—
Net deferred tax asset under U.S. GAAP – Net of allowances	(67,088)	215,200	311,797

The natures of the most significant components of the deferred tax asset or liability are described as follows:

- § Government and private securities valuation: as mentioned in Note 20.5. all unlisted government and private securities and those with non-representative valuation, were adjusted at fair value, thus causing a increase/decrease in their accounting value, which does not comply with the conditions required for them to be taxable in the fiscal years ended December 31, 2010, 2009 and 2008.
- § Loans: as regards deduction of uncollectible accounts, effective Argentine tax rules require the existence of certain uncollectibility indicators defined in the Income Tax Law (i.e.: to begin court proceedings or bankruptcy adjudication), whereas under accounting criteria uncollectibility charges are recorded on the basis of assessing the debtor's payment capacity. This difference principally relates to the accounting registration of the impairment that took place in the loans to the provincial governmental sector and to other public sector agencies (see Note 20.4.4.), which, as mentioned above, does not comply with the indicators required to be tax-deductible. In addition, it

includes the difference between account and tax recognition of income of Federal Government secured loans.

- § Loan origination and issuance credit card's fees: deferred assets result from differences in the U.S. GAAP accounting and tax criteria used to assess expense accruals of them (Note 20.2.).
- § Property, equipment and miscellaneous assets: under tax criteria, PP&E depreciation is determined on values equivalent to the acquisition cost of the respective PP&E items and by the full-year-of-addition depreciation method. Under accounting criteria, depreciation is determined on values equivalent to the acquisition cost restated by inflation as explained in Note 3.2. and on the basis of the months of useful life elapsed from addition date through valuation date.

- § Other liabilities: deferred assets/liabilities result from differences in the accounting and tax criteria used to assess expense accruals such as accrual for dismissals calculation.
- § Allowance for loss contingencies: as regards deduction of loss contingencies, effective Argentine tax rules require the existence of certain indicators defined in the Income Tax Law (i.e. final judgment), whereas under accounting criteria, loss contingencies charges are recorded on the basis of the estimated amounts necessary to meet contingencies of probable occurrence.
- § Reserves from insurance activities: deferred assets result from differences between the U.S. GAAP accounting and the accounting standards established by the Superintendence of Pension Fund Administrators and the National Superintendence of Assurance.

As of December 31, 2010 and 2009 the Bank (on individual basis) does not carry accumulated tax loss carry-forwards.

The adjustments required in order to reconcile assets and liabilities with the U.S. GAAP, as detailed in the following notes, are shown considering their effect on the income tax. The effect over continued operations of reflecting such adjustments on the Bank's net assets causes them to decrease by 80,178 as of December 31, 2010 and increase by 205,813 and 306,984 as of December 31, 2009 and 2008, respectively. In addition, income would have decreased by 26,288 and 415,603 as of December 31, 2010 and 2008, respectively, and would be increased by 202,159 as of December 31, 2009.

The effect over discontinued operations of reflecting such adjustments on the Bank's net assets causes them to increase by 13,090, 9,387 and 4,813 as of December 31, 2010, 2009 and 2008, respectively. On the other hand, income would have increased by 3,703, 4,574 and 8,906 as of December 31, 2010, 2009 and 2008, respectively.

The Bank understands that there is not significant uncertainty related to income tax benefits.

Tax on minimum presumed income

As of December 31, 2010 the Bank has not recorded an asset for the credit for tax on minimum presumed income.

As described in Note 5.2. in May 2010, the 234,931 tax credit balance arising from TOMPI from previous fiscal years has been applied as payment towards the Income tax effectively determined for the year ended on December 31, 2009.

20.2. Loan origination and issuance credit card's fees

The Bank recognizes fees on credit card products, consumer loans and acceptances when collected and charges direct origination costs when incurred. In accordance with U.S. GAAP, particularly under ASC 310-20, Receivables: Nonrefundable Fees and Other Costs, loan origination fees and certain direct loan origination costs should be recognized over the life of the related loan as an adjustment of yield.

The effects of adjustments over continued operations required to state such amounts in accordance with US. GAAP would be decreased assets by 77,978, 55,565 and 74,897 at December 31, 2010, 2009 and 2008, respectively. On the other hand, income over continued operations for the fiscal years ended December 31, 2010 and 2008 would have decreased by 22,413 and 26,062, respectively, and would be increased by 19,332 for the fiscal year ended December 31, 2009.

The effects of adjustments over discontinued operations required to state such amounts in accordance with US. GAAP would be decreased assets by 11,868 for the fiscal year ended December 31, 2008. On the other hand, income over discontinued operations for the fiscal year ended December 31, 2009 would be increased by 11,868 and would have decreased by 12,230 for the fiscal year ended December 31, 2008.

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20.3. Intangible assets

The Bank amortizes software development expenses (included in organization and development expenses) over their estimated useful life, up to a maximum of 60 months. US. GAAP, in accordance with the ASC 350-40, Intangibles-Goodwill and Other: Internal-Use Software, requires that part of such expenses be written off to income when incurred, depending on their characteristics.

Regulations established by the Pension Fund Manager Superintendency, the agency overseeing Consolidar AFJP S.A., authorized the capitalization of disbursements made through September 25, 1994, for “salaries, advertising, software, agent’s commissions, fees, brochures, forms printing and leases and rentals”, as the most significant items. Consolidar AFJP S.A. capitalized expenses incurred in connection with the launch of new activities. Under U.S. GAAP, the above mentioned expenses are to be considered as expenses for the fiscal year in which they are incurred.

The effects of adjustments over continued operations required to state such amounts in accordance with US. GAAP would have increased assets by 3 and 4 for the fiscal years ended December 31, 2009 and 2008, respectively. In addition income would be decreased by 3 and 1 at December 31, 2010 and 2009, respectively, and would be increased by 2 for the fiscal year ended December 31, 2008.

The effects of adjustments over discontinued operations required to state such amounts in accordance with US. GAAP would have increased income by 6,826 for the fiscal year ended December 31, 2008.

20.4. Loan loss reserve

The Bank provides for losses on loans generally through specific allocations on a loan-by-loan basis, once the loan becomes classified in a category which indicates that collectibility may be impaired, and also through mandatory general provisions on performing loans, which serves to cover inherent loan losses for which specific provisions have not been made (see Note 3.4.5.).

ASC 310-10, Receivables: Overall, requires that an allowance for loan losses be maintained to cover estimated losses inherent in the loan portfolio. Under this concept, the specific allowances identified for individual loans or pools of loans are supplemented by an amount provided for inherent loan losses estimated to have been incurred but which are not identified based on individual loan reviews. The amount of inherent loss for loans not specifically provided is estimated based upon evaluation of historical write-off experience, mix of loans and other factors.

The Bank’s accounting for its loan loss reserve differs in some respects with practices of U.S.-based banks, as discussed below in Notes 20.4.1, 20.4.2, 20.4.3 and 20.4.4.

The following table discloses the amounts required by ASC 310-10, Receivables: Overall, as of December 31, 2010, 2009 and 2008:

	December 31,		
	2010	2009	2008
—Total amount of loans considered as impaired	162,784	219,977	181,591
	162,784	219,977	181,591

Amount of loans considered as impaired for which there is a related allowance
for credit losses

Amount of loans considered as impaired for which there is no related
allowance for credit losses

—Reserves allocated to impaired loans	—	—	—
—Average balance of impaired loans during the fiscal year	93,834	138,467	97,663
	183,083	215,443	150,956

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Under U.S. GAAP, the activity in the allowance for loan losses for the fiscal years presented is as follows:

	December 31, 2010	December 31, 2009	December 31, 2008
Balance at the beginning of the fiscal year	132,754	103,678	91,498
Provision for loan losses	168,200	132,679	52,543
Charge-offs	(120,259)	(103,603)	(40,363)
Balance at the end of the fiscal year	180,695	132,754	103,678

20.4.1. Interest recognition—non-accrual loans

The method applied to recognize income on loans is described in Note 3.4.6.

Additionally, the Bank suspends the accrual of interest generally when the related loan is non-performing and the collection of interest and principal is in doubt. Accrued interest remains on the Banks books and is considered a part of the loan balance. It allowances in its whole when the Bank determined the reserve for credit losses. ASC 310-10, Receivables: Overall, requires that such accrued interest be charged off to income.

The Bank recognizes interest income on a cash basis for non-accrual loans. ASC 310-10, Receivables: Overall, requires that if the collectibility of the principal of the non-accrual loan is in doubt, cash payments should be applied to reduce the principal to the extent necessary to remove such doubt. Management believes that the effect of this difference in interest recognition is not material to the Bank's Consolidated Statements of Operations taken as a whole.

20.4.2. Impaired loans—Non-Financial Private Sector and residents abroad

ASC 310-10, Receivables: Overall, requires a creditor to measure impairment of a loan based on the present value of expected future cash flows discounted at the loan's effective interest rate, or at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. This Standard is applicable to all loans (including those restructured in a troubled debt restructuring involving a modification of terms), except large groups of smaller-balance homogenous loans that are collectively evaluated for impairment. The Bank considers commercial loans over 750 for individual impairment evaluations. Loans are considered impaired when, based on management's evaluation, a borrower will not be able to fulfill its obligation under the original terms of the loan.

Had U.S. GAAP been applied over continued operations, the Bank's assets would have increased by 215,532, 204,932 and 92,811 at December 31, 2010, 2009 and 2008, respectively. On the other hand, the income would have increased by 10,600 and 112,121 at December 31, 2010 and 2009, respectively and would be decreased by 14,419 at December 31, 2008.

These adjustments do not have effects over discontinued operations.

20.4.3. Federal Government Secured Loans

During the fiscal year ended December 31, 2001, and pursuant to Decrees No. 1387/01 and 1646/01, the Bank and its subsidiaries swapped a portion of their holdings in federal government securities outstanding as of November 6, 2001, for a face value of U.S.\$3,291,795 thousands, for Federal Government secured loans amounting to U.S.\$3,360,403 thousands.

As provided for in BCRA's Communications "A" 3366 and "A" 3385, the initial value of the certificates matched that of the prior book value as of the date of the swap. BCRA rules determined that these securities had to be recorded at their amortized cost which was significantly higher than the market value. No impairment was recorded as these assets are not subject to impairment under Argentine banking GAAP.

As of December 31, 2001, the above mentioned debt swap was subject to the provisions of ASC 320-10, Investments-Debt and Equity Securities: Overall. According to ASC 320-10 an "other than temporary impairment" affects the swapped obligations and therefore requires that, in the event of such obligations having been classified as "held to maturity", a loss be recorded for the difference between the book value of the obligation so swapped and its quotation at the date of the swap, as such quotation is understood to be the best measure for recognizing the above-mentioned

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impairment. In this case, the listed value of the securities was much lower than the accounting value under BCRA's standards. Once this impairment was recognized under US GAAP in fiscal year 2001, the new book value of the obligations to be swapped will constitute the initial value of the new loans received. As from such date, the Bank recorded these loans considering the mentioned value plus the related CER adjustment and the interest accretion.

According to ASC 310-20, Receivables: Nonrefundable Fees and Other Costs, the Bank recognizes income for each fiscal year using the accretion interest method.

For subsequent periods, management evaluates the collection of these loans on a regular basis, and considers that such loans are not impaired in accordance with ASC 310-10, Receivables: Overall. In addition, the carrying amount under US GAAP is significantly lower than the principal of such loans and the discounted cash flows expected to be received from these loans. Therefore, the Bank has not recorded an allowance for such loans.

In the fiscal years for 2010, 2009 and 2008 the Bank's equity was adjusted according to the difference between the valuation of the holdings of these assets at the close of each year under both US and Argentine Banking GAAP, as detailed below:

	December 31,		
	2010	2009	2008
Guaranteed loan portfolio under BCRA	656,906	717,335	2,057,870
Guaranteed loan portfolio under USGAAP	578,878	645,278	1,840,401
Difference – Reconciliation adjustment	78,028	72,057	217,469

The effects of adjustments over continued operations required to state such amounts in accordance with U.S. GAAP would decrease assets by 78,028, 72,057 and 203,838 December 31, 2010, 2009 and 2008, respectively. On the other hand, the income for the fiscal year ended December 31, 2010 would be decreased by 5,971 and would have increased by 131,781 and 121,446 for the fiscal years ended December 31, 2009 and 2008, respectively.

The effects of adjustments over discontinued operations required to state such amounts in accordance with U.S. GAAP would decrease assets by 13,631 at December 31, 2008. On the other hand, the income for the fiscal years ended December 31, 2009 and 2008 would have increased by 13,631 and 3,490, respectively.

20.4.4. Argentine Government Notes

On January 28, 2009 and February 25, 2009 the Board of Directors of Consolidar Cía. de Seguros de Retiro S.A. exercised the exchange option provided by Resolution No. 5 of the Secretariat of Finance in connection with its holdings of Federal Government secured loans ex-Bonte 2006 and Global 2008 and those received from the financial trusts made up by said loans. Their face values were 131,017 and 3,233 respectively, receiving in exchange 413,653 in face value of Argentine Government notes in Pesos, accruing the private BADLAR rate plus 275 basis points and maturing in 2014 ("Pagaré de la Nación Argentina en Pesos BADLAR Privada plus 275 pbs Vto 2014").

As provided for National Superintendence of Insurance (SSN), the initial value of the notes matched that of the prior book value as of the date of the swap. SSN rules determined that these loans had to be recorded at their amortized

cost. No impairment was recorded as these assets are not subject to impairment under Argentine banking GAAP.

As of December 31, 2010 the above mentioned debt swap was subject to the provisions of ASC 310-30 Restructured or Refinanced Loans. According to ASC 310-30, if an investor subsequently refinances or restructures the loan, other than through a troubled debt restructuring, the refinanced or restructured loan shall not be accounted for as a new loan.

According to ASC 310-20, Receivables: Nonrefundable Fees and Other Costs, the Bank recognizes income for each fiscal year using the accretion interest method.

Management evaluates the collection of these notes on a regular basis, and considers that such notes are not impaired in accordance with ASC 310-10, Receivables: Overall. In addition, the carrying amount under US GAAP is significantly lower than the principal of such notes and the discounted cash flows expected to be received from these notes, Therefore, the Bank has not recorded an allowance for such notes.

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The effects of adjustments over continued operations required to state these amounts in accordance with U.S. GAAP would have decreased assets by 21,664 and 31,552 at December 31, 2010 and 2009, respectively. On the other hand, the income for the fiscal year ended December 31, 2010 would be increased by 9,908 and would be decreased by 31,552 for the fiscal year ended December 31, 2009.

These adjustments do not have effects over discontinued operations.

20.5. Government and other debt securities—Available for sale

During the fiscal year 2005, as a result of the Government's debt restructuring, the Bank received for the defaulted portfolio Dollar-denominated Discount bonds amounted to U.S.\$26,083, and Peso-denominated Discount bonds amounted to Ps.146,818. During the fiscal year 2006, the Bank swapped Provincial Development Trust Fund Corporate Bonds into BOGAR 2020, the face value of the corporate bonds swapped amounted to 551,230,672.

On January 30, 2009 the Bank exchanged Global 2008 secured loans at variable interest rate and maturing in 2011 for a nominal value of 321,340 (whose technical value on the date of the exchange was 1,018,447) for bonds issued by the Argentine Government, denominated in pesos and accruing interest at the private BADLAR rate plus 275 basis points and maturing in 2014.

According to U.S. GAAP, the Bank decided to classify these Government Securities as available for sale and carried at fair value (market value if available), with unrealized gains and losses reported as a net amount, net of income tax, within the stockholder's equity accounts. However, ASC 320-10, Investments-Debt and Equity Securities: Overall, requires that if the decline in fair value is judged to be other than temporary, the cost of the security shall be written down to fair value, and the amount of the write down shall be included in earnings /(losses). This valuation criteria differ from BCRA's rules, as described in Note 3.4.2.

Had U.S. GAAP been applied over continued operations, the Bank's assets would have increased by 205,867 and 46,764 at December 31, 2010 and 2009, respectively, and would be decreased by 216,190 at December 31, 2008. On the other hand, the income for the fiscal years ended December 31, 2010 and 2009 would have decreased by 480,642 and 436,717, respectively, and would be increased by 660,761 for the fiscal year ended December 31, 2008.

These adjustments do not have effects over discontinued operations.

In accordance with U.S. GAAP, the amortized cost and fair value of Government securities available for sale as of December 31, 2010 and 2009 are as follows:

	Government securities December 31,	
	2010	2009
Amortized cost	6,770,348	6,646,290
Gross Unrealized Loss	(21,114)	(435,965)
Gross Unrealized Gains	525,669	198,511
Fair Value	7,274,903	6,408,836
Number of Positions	78	65

The following table shows the disclosures about investments as of December 31, 2010 in an unrealized loss position that are not other than temporary impaired:

	Less than 12 months		12 months or greater		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Government securities	1,535,319	(7,125)	274,922	(13,989)	1,810,241	(21,114)

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We have evaluated this decline in fair value to determine whether it is other than temporary and we have not recognized any other than temporary impairment for these securities for the fiscal year ended December 31, 2010 related to the following reasons:

- § The decline is attributable solely to adverse interest rate movements, and has no connection with a credit event;
- § The principal and interest payments have been made as scheduled, and there is no evidence that the debtor will not continue to do so;
- § The future principal payments will be sufficient to recover the current amortized cost of the security;
- § We have the intent to hold the security at least until the fair value of the security recovers to a level that exceeds the security's amortized costs; and

§ They have mainly arisen in a period shorter than one year.

20.6. Gain contingencies

Constitutional protection actions:

At December 31, 2003 the Bank recorded an asset for the difference in nominal terms between the deposits at the free market exchange rate at the moment of each payment compared to the book value of 1.40 pesos per dollar plus CER to that date. This asset was amortized in 60 monthly instalments as from April 2003 (see Note 3.4.13.). At December 31, 2008 the Bank cancelled this type of operations and the only ones that we had were related with the demand stood in a way by the holders of mutual funds shares.

ASC 450-30, Contingencies: Gain Contingencies requires that contingencies that might result in gains are not reflected in the accounts since to do so might be to recognize revenue prior to its realization. Had U.S. GAAP been applied over continued operations, the Bank's assets would have decreased by 23,463, 22,580 and 19,855 at December 31, 2010, 2009 and 2008, respectively. On the other hand the income would have decreased by 883 and 2,725 at December 31, 2010 and 2009, respectively, and would be increased by 58,322 for the fiscal year ended December 31, 2008.

These adjustments do not have effects over discontinued operations.

20.7. Investment in other companies

At December 31, 2010, 2009 and 2008, the Bank accounted for the investment in the Buenos Aires Stock Exchange at the market value at that date. Under ASC 940-340, Financial Services – Broker and Dealers: Other Assets and Deferred Cost, such investments would have been valued at cost or at a lesser amount where there is an-other-than-temporary impairment in value. Had U.S. GAAP been applied over continued operations, the Bank's assets would have decreased by 6,226, 3,187 and 4,707 at December 31, 2010, 2009 and 2008, respectively.

In addition, there are a number of companies which are under 20% and they were valued by the equity method in accordance with BCRA's rules. Under ASC 323-10, Investments – Equity Method and Joint Venture: Overall and ASC 325-20, Investments – Other: Cost Method Investments, such investments, which are non-marketable securities, would have been valued at cost. Had U.S. GAAP been applied over continued operations, the Bank's assets would have decreased by 37,573, 32,551 and 34,504 at December 31, 2010, 2009 and 2008, respectively.

On the other hand, the income over continued operations for the fiscal years ended December 31, 2010 and 2008 would have decreased by 8,061 and 11,403, respectively, and would be increased by 3,473 for the fiscal year ended December 31, 2009 due to the effect of the differences mentioned in the preceding paragraphs.

These adjustments do not have effects over discontinued operations.

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20.8. Vacation expense

The cost of vacations earned by employees is generally recorded by the Bank when paid. ASC 710-10, Compensation-General: Overall requires that this expense be recorded on an accrual basis as the vacations are earned.

Had U.S. GAAP been applied over continued operations, the Bank's liabilities would have increased by 332, 337 and 23,176 at December 31, 2010, 2009 and 2008, respectively. In addition, the income for the fiscal years ended at December 31, 2010, 2009 and 2008 would have increased by 5, 22,839 and 36,806, respectively.

These adjustments do not have effects over discontinued operations.

20.9. Items in process of collection

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

Had U.S. GAAP been applied, the Bank's assets and liabilities would have increased by approximately 1,187,038 and 1,055,141 at December 31, 2010 and 2009, respectively.

The same effect would be displayed in the Balance Sheet disclosure requirements in accordance with Regulation S-X (see Note 19.17.).

20.10. Forward and unsettled spot transactions

The Bank enters into forward and unsettled spot contracts with delivery of the underlying asset for trading purposes.

The Bank accounts for such forward and unsettled spot contracts on a basis different from that required by U.S. GAAP.

For such forward and unsettled spot transactions, the Bank recognizes both a receivable and a payable at the time of the agreement, which reflect the amount of cash, currency or securities to be exchanged at the closing date. The receivable or payable representing the receipt or delivery of securities or currency is stated at the quoted market value of such securities or currency (see Note 3.4.8.). In the United States, accounting for forward foreign exchange contracts and futures contracts are governed by ASC 815-10, Derivatives and Hedging: Overall, (see Note 20.16.). Under this standard, in general entities would not recognize a receivable or payable but would recognize the differences arising from changes in the market price of securities or currency to be received or delivered if the transaction did not qualify as a hedge.

Had U.S. GAAP been applied, the Bank's assets and liabilities would have decreased by approximately 459,990 and 11,806 at December 31, 2010 and 2009, respectively.

The same effect would be displayed in the Balance Sheet disclosure requirements in accordance with Regulation S-X (see Note 19.17.).

20.11. Technical Valuation – Inflation adjustments

A technical revaluation (inflation adjustments) of the Bank's properties was made in 1981 to eliminate relative price distortions generated by the hyper inflation then prevailing in Argentina. This revaluation was recorded in the "Adjustments to stockholders' equity" caption. Under BCRA's rules, when an asset which had been revalued is sold at a loss, the loss is recorded directly to "Adjustments to stockholders' equity" to the extent of the original revaluation. Under ASC 830-30, Foreign Currency Matters: Translation of Financial Statements, the technical valuation (inflation adjustments) is considered to be a permanent addition to equity and, accordingly, any loss on the sale of an asset which was revalued would be reflected in net income. There has been no sale of revalued assets during the fiscal years ended December 31, 2010, 2009 and 2008. Consequently, the balance related to the previously mentioned revaluation included in the "Adjustments to Stockholders' Equity" caption has not been modified.

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20.12. Acceptances

Foreign trade acceptances are not recorded on the balance sheet by the Bank. In accordance with Regulation S-X, acceptances and related customer liabilities should be recorded on the balance sheet. The adjustment required to state the Bank's balance sheets in accordance with Regulation S-X would be to increase assets (due from customers on acceptances) and increase liabilities (bank acceptances outstanding) by 67,353 and 113,506 at December 31, 2010 and 2009, respectively.

The same effect would be displayed in the Balance Sheet disclosure requirements in accordance with Regulation S-X (see Note 19.17.).

20.13. Technical commitments related to insurance activities

For the fiscal years ended December 31, 2010 and 2009 Consolidar Cía. de Seguros de Retiro S.A. and for the fiscal year ended December 31, 2008 Consolidar Cía. de Seguros de Retiro S.A. and Consolidar Cía. de Seguros de Vida S.A. maintain reserves accounted in Other subsidiaries' liabilities valued in accordance with the accounting standards established by the Superintendence of Pension Fund Administrators and the National Superintendence of Insurance (see Notes 4.3.a)(iv) and 6.h).

The effects of adjustments required to state such amounts in accordance with US. GAAP, under ASC 944-40, Financial Services-Insurance: Claim Costs and Liabilities for Future Policy Benefits, would have decreased liabilities by 267,939, 225,413 and 176,773 at December 31, 2010, 2009 and 2008, respectively. On the other hand, income for the fiscal years ended December 31, 2010, 2009 and 2008 would have increased by 42,526, 48,640 and 159,908, respectively.

These adjustments do not have effects over discontinued operations.

20.14. Fair Value of Financial Instruments

- (i) The ASC 820-10, Fair Value Measurement and Disclosures: Overall, defines that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Such standard also establishes a scheme for determining fair values. In accordance with this pronouncement, BBVA Banco Francés has categorized its financial instruments based on the priority of the inputs to the valuation technique, into same of the three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

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Financial assets and liabilities recorded on the Consolidated Financial Statements are categorized based on the inputs to the valuation techniques as follows:

- Level 1 Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that BBVA Banco Francés has the ability to access.
- Level 2 They are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include the following:
- a) Quoted prices for similar assets or liabilities in active markets;
 - b) Quoted prices for identical or similar assets or liabilities in non-active markets;
 - c) Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
 - d) Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.
- Level 3 Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Assets and liabilities valued at their fair recurrent value as of December 31, 2010 are as follows:

Description	Fair value measurements on a recurring basis as of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Assets				
Government and private securities	3,584,001	4,242,029	—	7,826,030
Other receivables from financial transactions	258,726	—	—	258,726
Liabilities				
Other liabilities from financial transactions	244,793	—	—	244,793

- (ii) ASC 825-10, Financial Instruments: Overall requires disclosure of fair value information about financial instruments, whether or not recognized on the balance sheet, for which it is practicable to estimate fair value.

ASC 825-10, Financial Instruments: Overall, defines a financial instrument as cash, evidence of an ownership in an entity, or a contract that either conveys or imposes on an entity the contractual right or obligation to either receive or deliver cash or another financial instrument.

In cases where quoted market prices are not available, fair value estimation are based on the quoted market price of a financial instrument with similar characteristics, the present value of expected future cash flow, or other valuation

techniques, all of which are significantly affected by the assumptions used. Although management uses its best judgment in estimating the fair value of these financial instruments, there are inherent weaknesses in any estimation technique. As a result, the fair value may not be indicative of the net realizable or liquidation value. Furthermore, minor changes in the assumptions used could have a significant impact on the resulting estimated fair values.

In addition, disclosure of fair values is not required for non-financial assets and liabilities such as property and equipment, sundry assets and intangible assets and anticipated future business. As a result, the following fair values do not reflect the underlying value of the Bank.

A significant portion of the Bank's assets and liabilities are in short-term financial instruments, with a remaining maturity of under one year, and/or with variable rates. These short-term and variable-rate financial instruments are considered to have a fair value equivalent to their carrying value at the balance sheet date.

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For financial instruments with remaining maturity over one year and with fixed-rates, and therefore not included above, the following methods and assumptions were used to estimate their fair value:

Government and private securities

- § Listed-Investment accounts: fair value for these securities is based upon quoted market prices (if available) at December 31, 2010 and 2009.
- § Unlisted government securities: fair value for these securities was taken to be equal to the present value of future cash flows discounted at the average year-end market interest rates for securities of similar interest rate, credit risk and maturity.

Loans and receivables from financial leases

Fair value is estimated by discounting future cash flows using the current rates at which loans would be made to borrowers with similar credit ratings and for the same remaining maturities, considering the contractual terms in effect as of December 31, 2010 and 2009.

Other receivables from financial transactions

- § Forward purchases of Government securities under repurchase agreements with holdings in investment accounts: fair value for these receivables were based upon quoted market prices (if available) at December 31, 2009 of the securities to be received after the fiscal year-end.
- § Unlisted corporate bonds: fair value for these securities was taken to be equal to the present value of future cash flows discounted at the average year-end market interest rates for securities of similar interest rate, credit risk and maturity.

Deposits

As a significant portion of the Bank's deposits as of December 31, 2010 and 2009 (more than 99% considering the contractual terms in effect as of such date) have a remaining maturity of under one year, they were considered to have a fair value equivalent to their carrying value at the balance sheet date.

Other liabilities from financial transactions

As of December 31, 2010 and 2009, the majority of these operations have a variable interest rate or a maturity less than a year; in these cases the Bank considers that the fair value is the same that the carrying value at the balance sheet date.

Off-Balance sheet

Commitments to extend credit, standby letter of credit, guarantees granted and foreign trade acceptances (see Note 19.18.).

It is estimated that the differential, if any, between the fee charged, which is equivalent to the carrying amount, by the Bank for these transactions and the average December 31, 2010 and 2009 market fee would not give rise to a material variance from the carrying amount.

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The following is a summary of carrying amounts and estimated fair values of financial instruments at December 31, 2010 and 2009:

	December 31,			
	2010		2009 (5)	
	Carrying Amount (4)	Estimated Fair Value	Carrying Amount (4)	Estimated Fair Value
Financial assets				
Cash and due from banks	5,691,806	5,691,806	5,255,412	5,255,412
Government and private securities (1)	7,495,382	7,826,030	7,214,232	7,299,555
Loans (2)	16,699,852	15,734,403	11,751,889	11,030,342
Other receivables from financial transactions (3)	1,043,859	1,043,859	914,851	915,791
Receivables from financial leases	534,457	534,457	328,398	328,398
Investments in other companies	110,138	110,138	106,289	106,289
	31,575,494	30,940,693	25,571,071	24,935,787
Financial liabilities				
Deposits	22,461,307	22,461,307	18,334,845	18,334,845
Other liabilities from financial transactions (3)	1,992,801	1,769,863	1,224,668	1,110,910
	24,454,108	24,231,170	19,559,513	19,445,755

(1) Includes the effect described in Note 20.5.

(2) Includes the effects described in Notes 20.4.2., 20.4.3. and 20.4.4.

(3) Includes the effects described in Note 20.16.

(4) Under BCRA's rules.

(5) See Note 3.3.

20.15. Goodwill

§ On May 4, 1998 the General and Special Stockholder's Meeting approved (to be effective on April 30, 1998) the reversal of the shares issuance premium in the amount of 428,661 related to the capital increase with face value 25,000 thousand paid in on December 19, 1997, and bearing up to 428,661 of the Business Goodwill from the acquisition of 71.754% of the capital stock of Banco de Crédito Argentino S.A. The mentioned reversal is not allowed in accordance with US GAAP. Under US GAAP, the Bank should recognize the issuance premium under "Issuance premiums" and capitalize the related amount under Intangible Assets.

The effect of adjustments over continued operations required to state such amounts in accordance with U.S. GAAP would have increased assets by 254,882 at December 31, 2010, 2009 and 2008.

§ On May 13, 1999, BBVA (majority owner of BBVA Banco Francés) acquired Corp Banca and Atuel Fideicomisos S.A. and on September, 13, 1999, BBVA sold its interests in both companies to BBVA Banco Francés. For the difference between the definitive price of the transaction and the incorporation value of both companies, the Bank recognized goodwill and amortized it in proportion to the months of estimated useful life (120-month period). Under U.S. GAAP, the Bank would be required to account for the acquisition of the mentioned companies at

BBVA's book balance. Had U.S. GAAP been applied over continued operations, the Bank's assets would have increased by 54,695 at December 31, 2010, 2009 and 2008. Additionally, the income would have increased by 12,200 for the year ended December 31, 2008.

§ ASC 350-20, Intangibles-Goodwill and Other: Goodwill requires that goodwill is no longer amortized, but is subject to impairment test annually or more frequently if events or changes in circumstances indicate that the asset may be impaired. In 2001 the Bank had recognized an impairment loss and wrote off the entire balance of the U.S. GAAP goodwill. Had U.S. GAAP been applied over continued operations, the Bank's assets would have decreased by 309,577 as of December 31, 2010, 2009 and 2008.

These adjustments do not have effects over discontinued operations.

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20.16. Accounting for Derivative Instruments and Hedging Activities

ASC 815, Derivatives and Hedging establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (b) a hedge of the exposure to variable cash flows of a forecasted transaction, or (c) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available for sale security, or a foreign currency denominated forecasted transaction.

Among other provisions, ASC 815-20, Derivatives and Hedging: Hedging-General requires that for a transaction to qualify for special hedge accounting treatment the transaction must meet specific test of effectiveness and all hedge ineffectiveness is required to be reported currently in computation of net income. ASC 815-20 further requires the identification of assets, liabilities or anticipated transactions being hedged and periodic revaluation of such hedged positions to reflect the changes in market value of risk being hedged. ASC 815-15, Derivatives and Hedging: Embedded Derivatives further expands the definition of derivatives to include certain contracts or provisions commonly embedded in contracts or financial instruments and require that such derivatives be reported at fair value.

Had US GAAP been applied, the assets over continued operations would be increased by 2,594 at December 31, 2010 and the assets and liabilities over continued operations would have increased by 569 and 199, respectively at December 31, 2009 and by 5,474 and 4,292, respectively at December 31, 2008. On the other hand, income for the fiscal years ended December 31, 2010 and 2008 would have increased by 2,224 and 4,621, respectively, and would be decreased by 812 for the fiscal year ended December 31, 2009.

These adjustments do not have effects over discontinued operations.

In Note 19.18.a), it is explained in detail the derivate instruments used by the Bank and the valuation methods of these instruments were explained in Notes 3.4.8. and 3.4.14.

20.17. Allowance for other contingencies

The Bank maintained reserves accounted in Allowance for other contingencies valued in accordance with the accounting standards established by BCRA (see Note 3.4.18.).

The effects of adjustments over continued operations required to state such amounts in accordance with ASC 450-20, Contingencies: Loss Contingencies would be decreased allowance for other contingencies by 34,772 and 29,053 at December 31, 2010 and 2009, respectively. On the other hand, income for the fiscal years ended December 31, 2010 and 2009 would be increased by 5,719 and 29,053, respectively.

These adjustments do not have effects over discontinued operations.

20.18. Premises and equipment

As we explained in Note 4.1.c) the Bank acquired from Consolidar AFJP S.A. the latter's undivided in the piece of real estate. ASC 810-10, Consolidation: Overall, established that any intercompany profit or loss on assets remaining within the Group should be eliminated.

Had U.S. GAAP been applied over continued operations, the Bank's assets would have decreased by 37,915 and 38,136 at December 31, 2010 and 2009, respectively. In addition, the income for the fiscal year ended at December 31, 2010 would be increased by 221 and would be decreased by 38,136 for the fiscal year ended at December 31, 2009.

This adjustment does not have effects over discontinued operations.

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20.19. Non-controlling interests in consolidated subsidiaries

The Bank exhibits its 20.19. its non-controlling interests in consolidated subsidiaries like a caption outside its equity. In accordance with ASC 810-10, Consolidation: Overall, non-controlling interests in consolidated subsidiaries shall be reported in the Consolidated Balance Sheets within equity, separately from the parent's equity.

Had U.S. GAAP been applied over continued operations, the Bank's Stockholders' Equity would have increased by 357,811, 277,449 and 82,043 at December 31, 2010, 2009 and 2008, respectively. In addition, income for the fiscal years ended at December 31, 2010, 2009 and 2008 would have increased by 83,197, 254,604 and 12,089, respectively.

Had U.S. GAAP been applied over discontinued operations, the Bank's Stockholders' Equity would have increased by 18,889, 26,808 and 87,611 at December 31, 2010, 2009 and 2008, respectively. In addition, income for the fiscal years ended at December 31, 2010, 2009 and 2008 would have decreased by 7,920, 32,839 and 16,876, respectively.

20.20. Stock dividend

As explained in Note 1.2.2., the Bank issued ordinary shares, par value 1.00 each, by 65,000,000 as a result of the distribution of share dividends approved by the stockholders' meeting on March 27, 2009. On October 5, 2009 the new shares were registered with the Public Register of Commerce.

The listed price of BBVA Banco Francés share was Ps.3.17 at March 27, 2009 and Ps.7.15 at October 5, 2009.

ASC 505-20, Equity: Stock Dividends and Stock Splits establishes that in accounting for a stock dividend, the corporation shall transfer from retained earnings to the category of capital stock and additional paid-in capital an amount equal to the fair value of the additional shares issued. The market value at October 5, 2009 of the issued shares was 464,750.

In addition, ASC 260-10, Earnings per Share: Overall determine that if the number of common shares outstanding increases as result of a stock dividend or stock split, the computations of basic and diluted earning per share shall be adjusted retroactively for all periods presented to reflect that change in capital structure.

20.21. Advertising costs

The Bank recognizes the advertising expense as incurred.

As December 31, 2010, 2009 and 2008, the advertising expenses were 90,348, 56,121 and 65,437, respectively.

Under ASC 720-35, Other Expenses: Advertising Costs, the costs of advertising shall be expensed either as incurred or the first time the advertising takes place. The accounting policy selected from these two alternatives shall be applied consistently to similar kinds of advertising activities. This criterion is similar to which applies under BCRA GAAP.

Consequently, management believes that adjustment is not required under US GAAP.

20.22. Customer Payments and Incentives

During 2010 the Bank and LAN Argentina S.A. signed a frequent flyer agreement by which customers who make purchases with our credit card accumulate miles which can be redeemed for travel to various destinations. The Bank recognizes the related expense and liability under Service Charge Expense and Other Liabilities, respectively, considering the customer's purchases.

As of December 31, 2010, the Bank recognized liability for 20,931 and an expense for 27,570.

Under ASC 605-50, Revenue Recognition: Customer Payments and Incentives, the Bank shall recognize a liability, or deferred revenue, for the sales incentives based on the estimated amount of miles that will be redeemed.

Consequently, management believes that an adjustment is not required under US GAAP.

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20.23. Set forth below are the significant adjustments to consolidated net income and consolidated stockholders' equity which would have been required if U.S. GAAP had been applied instead of BCRA's rules:

	Ref	Consolidated Net Income December 31,								
		2010			2009			2008		
		Continued operations	Discontinued operations	Total	Continued operations	Discontinued operations	Total	Continued operations	Discontinued operations	Total
Net income as stated		1,207,437	(9,258)	1,198,179	815,021	(96,559)	718,462	341,235	(19,725)	321,510
Deferred taxes	20.1	(25,564)	3,703	(21,861)	115,811	4,574	120,385	(747,114)	8,906	(736,728)
Allowances on deferred tax assets	20.1	(724)	—	(724)	86,348	—	86,348	331,511	—	331,511
Loan origination and issuance credit card's fees	20.2	(22,413)	—	(22,413)	19,332	11,868	31,200	(26,062)	(12,230)	(38,292)
Intangible assets	20.3	(3)	—	(3)	(1)	—	(1)	2	6,826	6,825
Impaired loans-Non Financial Private Sector and residents abroad loans	20.4.2	10,600	—	10,600	112,121	—	112,121	(14,419)	—	(14,419)
Federal Government secured loans	20.4.3	(5,971)	—	(5,971)	131,781	13,631	145,412	121,446	3,490	124,936
Argentine Government Notes	20.4.4	9,908	—	9,908	(31,552)	—	(31,552)	—	—	(31,552)
Government and other debt securities valuation	20.5	(480,642)	—	(480,642)	(436,717)	—	(436,717)	660,761	—	660,761
Gain contingencies	20.6	(883)	—	(883)	(2,725)	—	(2,725)	58,322	—	55,597
Investment in other companies	20.7	(8,061)	—	(8,061)	3,473	—	3,473	(11,403)	—	(8,930)
Vacation expense	20.8	5	—	5	22,839	—	22,839	36,806	—	36,806
Technical Commitments	20.13	42,526	—	42,526	48,640	—	48,640	159,908	—	159,908

related to insurance activities											
Goodwill	20.15	—	—	—	—	—	—	12,200	—	12,200	
Accounting for Derivative Instruments and Hedging Activities	20.16	2,224	—	2,224	(812)	—	(812)	4,621	—	4,621	
Allowance for other contingencies	20.17	5,719	—	5,719	29,053	—	29,053	—	—	—	
Premises and equipment	20.18	221	—	221	(38,136)	—	(38,136)	—	—	—	
Non-controlling interests in consolidated subsidiaries	20.19	83,197	(7,920)	75,277	254,604	(32,839)	221,765	12,089	(16,876)	(4,107)	
Net income in accordance with U.S. GAAP		817,576	(13,475)	804,101	1,129,080	(99,325)	1,029,755	939,903	(29,609)	910,144	
Net income per share in accordance with U.S. GAAP attributable to controlling interests		1.37	(0.01)	1.36	1.79	(0.13)	1.66	1.90	(0.03)	1.88	
Net income per share in accordance with U.S. GAAP attributable to non-controlling interests		1.52	(0.03)	1.50	2.32	(0.21)	2.11	1.93	(0.06)	1.88	
Weighted average number of shares outstanding (in thousands)		536,361	536,361	536,361	487,611	487,611	487,611	487,611	487,611	487,611	

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	Ref	Consolidated Stockholders' Equity December 31,								
		2010			2009			2008		
		Continued operations	Discontinued operations	Total	Continued operations	Discontinued operations	Total	Continued operations	Discontinued operations	Total
Stockholders' equity as stated		3,724,840	22,075	3,746,915	2,895,138	31,334	2,926,472	1,948,132	127,892	2,076,024
Deferred taxes	20.1	(345,887)	13,090	(332,797)	(60,620)	9,387	(51,233)	126,899	4,813	131,712
Allowances on deferred tax assets	20.1	265,709	—	265,709	266,433	—	266,433	180,085	—	180,085
Loan origination and issuance credit card's fees	20.2	(77,978)	—	(77,978)	(55,565)	—	(55,565)	(74,897)	(11,868)	(86,765)
Intangible assets	20.3	—	—	—	3	—	3	4	—	4
Impaired loans-Non Financial Private Sector and residents abroad loans	20.4.2	215,532	—	215,532	204,932	—	204,932	92,811	—	92,811
Federal Government secured loans	20.4.3	(78,028)	—	(78,028)	(72,057)	—	(72,057)	(203,838)	(13,631)	(217,469)
Argentine Government Notes	20.4.4	(21,644)	—	(21,644)	(31,552)	—	(31,552)	—	—	—
Government and other debt securities valuation	20.5	205,867	—	205,867	46,764	—	46,764	(216,190)	—	(216,190)
Gain contingencies	20.6	(23,463)	—	(23,463)	(22,580)	—	(22,580)	(19,855)	—	(19,855)
Investment in other companies	20.7	(43,799)	—	(43,799)	(35,738)	—	(35,738)	(39,211)	—	(39,211)
Vacation expense	20.8	(332)	—	(332)	(337)	—	(337)	(23,176)	—	(23,176)
Technical Commitments related to insurance activities	20.13	267,939	—	267,939	225,413	—	225,413	176,773	—	176,773

Accounting for Derivative Instruments and Hedging Activities	20.16	2,594	—	2,594	370	—	370	1,182	—	1,182
Allowance for other contingencies	20.17	34,772	—	34,772	29,053	—	29,053	—	—	—
Premises and equipment	20.18	(37,915)	—	(37,915)	(38,136)	—	(38,136)	—	—	—
Non-controlling interests in consolidated subsidiaries	20.19	357,811	18,889	376,700	277,449	26,808	304,257	82,043	87,611	169,000
Consolidated Stockholders' equity in accordance with U.S. GAAP		4,446,018	54,054	4,500,072	3,628,970	67,529	3,696,499	2,030,762	194,817	2,222,000

Had U.S. GAAP been applied, the amounts of the assets and liabilities would have been as follows:

	December 31,		
	2010	2009	2008
Assets	33,448,725	27,760,274	27,199,899
Liabilities	28,948,653	24,063,775	24,974,320

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20.24. The following presents the consolidated statement of operations adjusted to reflect the application of U.S. GAAP using the BCRA's format:

	2010		Total	Consolidated Net Income Dec		T
				2009		
	Continued operations	Discontinued operations		Continued operations	Discontinued operations	
Financial income	3,501,671	5,921	3,507,592	3,299,127	26,273	3,325,400
Financial expenses	(818,882)	3,158	(815,724)	(971,744)	(45,302)	(1,017,046)
Allowances for doubtful loans	(168,753)	—	(168,753)	(133,845)	—	(133,845)
Service charge income	1,464,135	—	1,464,135	1,231,042	11,868	1,242,910
Service charge expenses	(406,376)	—	(406,376)	(279,691)	—	(279,691)
Operating expenses	(1,989,115)	(30,049)	(2,019,164)	(1,558,483)	(53,409)	(1,611,892)
Loss on minority interest in subsidiaries	(62,312)	—	(62,312)	—	—	—
Other income	197,412	5,701	203,113	299,353	(38,963)	260,390
Other expenses	(307,935)	(1,373)	(309,308)	(623,161)	(2,265)	(625,426)
Income before income tax	1,409,845	(16,642)	1,393,203	1,262,598	(101,798)	1,160,800
Income Tax	(592,269)	3,167	(589,102)	(133,518)	2,473	(131,045)
Tax on minimum presumed income	—	—	—	—	—	—
Total consolidated income	817,576	(13,475)	804,101	1,129,080	(99,325)	1,029,755
Comprehensive income						
Net income in accordance with U.S. GAAP			804,101			1,029,755
Other comprehensive income / (loss), net of tax (1) (2)			482,306			563,059
Comprehensive net income in accordance with U.S. GAAP			1,286,407			1,592,814

(1) See Note 20.25.

(2) The minority interest represents the effect of the U.S. GAAP adjustments in the Group's consolidated subsidiaries (see Note 2.1.).

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20.25. Set forth below are the related tax effects allocated to each component of other comprehensive income (loss) and the accumulated other comprehensive income (loss) balances, as of December 31, 2010, 2009 and 2008:

Tax effects on Other Comprehensive (Loss) / Income

	December 31, 2010			December 31, 2009			December 31, 2008		
	Before Tax Amount	Tax (Expense) or Benefit	Net of Tax Amount	Before Tax Amount	Tax (Expense) or Benefit	Net of Tax Amount	Before Tax Amount	Tax (Expense) or Benefit	Net of Tax Amount
Unrealized gains/(losses) on securities	742,009	(259,703)	482,306	866,658	(303,330)	563,328	(983,826)	344,339	(639,487)
Other comprehensive income gain/(loss)	742,009	(259,703)	482,306	866,658	(303,330)	563,328	(983,826)	344,339	(639,487)

Accumulated Other Comprehensive Income / (Loss) balances

	December 31, 2010			December 31, 2009			December 31, 2008		
	Foreign Currency Items	Unrealized Gains/ (Losses) on securities	Accumulated Other Comprehensive Income/(Loss)	Foreign Currency Items	Unrealized Gains/ (Losses) on securities	Accumulated Other Comprehensive Income/(Loss)	Foreign Currency Items	Unrealized Gains/ (Losses) on securities	Accumulated Other Comprehensive Income/(Loss)
Beginning balance	—	(154,345)	(154,345)	—	(717,673)	(717,673)	—	(78,186)	(78,186)
Current-fiscal year change	—	482,306	482,306	—	563,328	563,328	—	(639,487)	(639,487)
Ending balance	—	327,961	327,961	—	(154,345)	(154,345)	—	(717,673)	(717,673)

20.26. Cash flows information

As explained in Note 3.4.21., under BCRA's rules, the Bank considers certain investments securities held for trading or financial transactions and loans to financial sector as cash equivalents. These cash equivalents include some investments with original maturities greater than three months which would not qualify as cash equivalents under ASC 230-10, Statements of Cash Flows: Overall as they were acquired when they had maturities over three months.

In any case, all investments that would qualify as cash equivalents are required to be treated as cash equivalents under US GAAP, in this respect, for US GAAP purpose, the Bank has always considered that highly liquid investments are treated as investments rather than cash equivalents as permitted ASC 230-10.

For purposes of the accompanying statement of cash flows the Bank considers, under ASC 230-10, cash and due from banks to be cash and cash equivalents.

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The following supplemental cash flow information separately presents the effect of exchange rate changes on cash:

	December 31,		
	2010	2009	2008
Cash and cash equivalents at the end of the fiscal year	5,691,806	5,255,412	4,243,080
Cash and cash equivalents at beginning of the fiscal year	5,255,412	4,243,080	3,169,314
Increase in cash and cash equivalents	436,394	1,012,332	1,073,766
CAUSES OF CHANGES IN CASH AND CASH EQUIVALENTS			
Cash provided by operating activities	783,036	1,392,162	1,549,155
Cash used in investing activities	(120,868)	(143,120)	(161,650)
Cash used in financing activities	(74,048)	(47,663)	(192,607)
Effect of exchange rate changes on cash	(151,726)	(189,047)	(121,132)
Increase in cash and cash equivalents	436,394	1,012,332	1,073,766

The following cash flow information presents the effect of exchange rate changes on cash over discontinued operations:

	December 31,		
	2010	2009	2008
CAUSES OF CHANGES IN CASH AND CASH EQUIVALENTS OVER DISCONTINUED OPERATIONS			
Cash provided by operating activities	40,892	18,927	9,293
Cash (used in) / provided by investing activities	(35,425)	14,174	55,939
Cash (used in) / provided by financing activities	(39,788)	17,523	(20,378)
Effect of exchange rate changes on cash	(7,834)	(11,966)	(65,305)
(Decrease) / Increase in cash and cash equivalents	(42,155)	38,658	(20,451)

Set forth below is the reconciliation of net income to net cash flow from operating activities, as required by ASC 230-10, Statements of Cash Flows: Overall:

	December 31,		
	2010	2009	2008
Net income for the fiscal year	1,198,179	718,462	321,510
Adjustments to reconcile net income to net cash from operating activities:			
Amortization and depreciation	82,339	131,899	196,784
Allowances for doubtful loans and special reserves, net of reversals	(10,612)	243,937	69,036
Minority interests in subsidiaries	31,156	14,890	(2,801)
Deferred taxes	315,841	371,578	31,270
Equity loss / (gains) of unconsolidated subsidiaries	11,018	(10,284)	(15,622)

Net (increase) / decrease in interest receivable and payable and other accrued income and expenses	(844,885)	(78,320)	948,978
Net cash provided by operating activities	783,036	1,392,162	1,549,155

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20.27. New accounting pronouncements (U.S. GAAP)

a) ASU 2010-25, Reporting Loans to Participants by Defined Contribution Pension Plans

In September 2010, the FASB provides amendments to Topic 962 (Plan Accounting—Defined Contribution Pension Plans) to clarify how loans to participants should be classified and measured by defined contribution pension benefit plans.

Participant loans are currently classified as investments and are usually measured at fair value. The amendments in this Update require that participant loans be classified as notes receivable from participants, which are segregated from plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest.

The amendments in this Update should be applied retrospectively to all prior periods presented, effective for fiscal years ending after December 15, 2010. Early adoption is permitted.

The Bank does not anticipate that the adoption of this new statement at the required effective date will have a significant effect in its results of operations, financial position or cash flows.

b) ASU 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses

In July 2010, the FASB provides amendments to Topic 310 (Receivables).

These amendments require an entity provide disclosures on a disaggregated basis. The amendments in this Update define two levels of disaggregation (portfolio segment and class of financing receivable). A portfolio segment is defined as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. Classes of financing receivables generally are a disaggregation of portfolio segment.

The update will be effective for interim and annual reporting periods ending on or after December 15, 2010.

The Bank does not anticipate that the adoption of this new statement at the required effective date will have a significant effect in its results of operations, financial position or cash flows.

c) ASU 2010-09, Amendments to Certain Recognition and Disclosure Requirements

In February 2010, the FASB provides amendments to Topic 855 (Subsequent Events).

These amendments:

§ require an entity that either (a) is an SEC filer or (b) is a conduit bond obligor for conduit debt securities that are traded in a public market is required to evaluate subsequent events through the date that the financial statements are issued. If an entity meets neither of those criteria, then it should evaluate subsequent events through the date the financial statements are available to be issued.

§ an entity that is an SEC filer in not required to disclose the date through which subsequent events have been evaluated.

All of the amendments in this Update are effective upon issuance of the final Update, except for the use of the issued date for conduit debt obligors. That amendment is effective for interim or annual periods ending after June 15, 2010.

The Bank does not anticipate that the adoption of this new statement at the required effective date will have a significant effect in its results of operations, financial position or cash flows.

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d) ASU 2009-13, Multiple-Deliverable Revenue Arrangements

In October 2009, the FASB provides amendments to Topic 605 (Revenue Recognition).

This ASU provides amendments to the criteria in Subtopic 605-25 for separating consideration in multiple-derivable arrangements to establish a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable will be based on vendor- specific objective evidence if available, third-party evidence if vendor- specific objective evidence is not available, or estimated selling price if neither vendor- specific objective evidence nor third- party evidence is available.

The amendments eliminate the residual method of allocation and require that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. The ASU also requires that a vendor determine its best estimate of selling price in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis.

The Update will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted.

The Bank does not anticipate that the adoption of this new statement at the required effective date will have a significant effect in its results of operations, financial position or cash flows.

NOTE 21—SUBSEQUENT EVENTS

- a) On February 10, 2011 the Boards of Directors of BBVA Banco Francés and Consolidar Comercializadora S.A. (“Consolidar Comercializadora”) have executed a “Previous Merger Commitment” by which BBVA Banco Francés will incorporate Consolidar Comercializadora based on the financial statements of those corporations as at December 31, 2010. Such previous merger commitment as well as the consolidated merger balance sheet were approved on March 30, 2011 by the Bank’s Ordinary and Extraordinary Shareholders’ Meeting and are subject to approval by the Shareholders’ Meetings of Consolidar Comercializadora.

The merger process as set forth in the above-mentioned previous merger commitment consists of the absorption by BBVA Banco Francés of the totality of Consolidar Comercializadora’s equity and this company will be dissolved without liquidation, while BBVA Banco Francés S.A. will continue as a legal person.

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- b) On March 31, 2011 BBVA Banco Francés S.A. and Banco Bilbao Vizcaya Argentaria, S.A., both shareholders of Consolidar Compañía de Seguros de Retiro S.A. (“the Company”), entered into a stock purchase and sale agreement with Orígenes Compañía de Seguros de Retiro S.A. and other entities, by which the Company’s shareholders sell the totality of their shareholding in the Company.

The total price for the transaction amounted to Ps.380 million, of which 66.21% corresponds to BBVA Banco Francés S.A. according to its shareholding in the Company as of March 31, 2011.

The transaction will be finalized once approved by the National Superintendence of Insurance and once all other terms and conditions included in the aforementioned stock purchase and sale agreement have been complied with.

Should the transaction be effectively carried out, it would involve for the Bank a profit of approximately Ps.73 million as at December 31, 2010 considering the value of the equity interest of BBVA Banco Francés S.A. in Consolidar Compañía de Seguros de Retiro S.A. at the said date, in terms of BCRA regulations.

On the other hand, taking into account the valuation of such stock holding under US GAAP, the result of the transaction as at the same date would originate a loss of approximately Ps.248 million. The greater value of the participation according to US GAAP derives from the constitution of lesser reserves as compared to those required by the local regulators and to a greater value of the government securities portfolio which, according to US GAAP, are registered at market value. At December 31, 2010 the total assets and net equity of Consolidar Compañía de Seguros de Retiro S.A. under US GAAP amount to Ps.3,504 million and Ps.755 million, respectively.

Additionally, this transaction would involve discontinuing the retirement insurance segment managed by BBVA Banco Francés S.A. as of the effective date thereof.

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Exhibit
Number

Description

1.1 Amended and Restated By-Laws (Estatutos) of BBVA Banco Francés S.A.

1.2 English translation of the Amended and Restated By-Laws (Estatutos) of BBVA Banco Francés S.A.

8.1 Subsidiaries of the Company

12.1 Section 302 Certification of Chief Executive Officer

12.2 Section 302 Certification of Chief Financial Officer

13.1 Section 906 Certification pursuant to 18 U.S.C. Section 1350