

	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.

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.

§ 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%.