D. Risk Factors

You should carefully consider the risks described below with all of the other information included in the annual report before deciding to invest in our Class B shares or our ADSs or our notes. If any of the following risks actually occurs,it may materially harm our business and our financial condition and results of operations. As a result, the market price of our Class B shares or our ADSs or our notes could decline and you could lose part or all of your investment.

Investors should carefully read this annual report in its entirety. They should also take into account and evaluate, among other things, their own financial circumstances, their investment goals, and the following risk factors.

Risks relating to Argentina

Argentina’s current growth may not be sustainable

The Argentine economy has experienced significant volatility in recent decades, with periods of low or negative growth, high inflation and currency devaluation. During 2001 and 2002, Argentina went through a period of severe political, economic and social crisis. Although the economy has recovered significantly since then, uncertainty remains as to whether the current growth is sustainable, since it has depended, to a significant extent, on favorable exchange rates, high commodity prices and excess capacity.

The Argentine economy showed a recovery during 2010 with a GDP growth of 9.2%. This trend might be affected by the following reasons:

• incomplete normalization of the financial systems of the main developed economies and recent events in the U.S. and European financial markets;

• abrupt changes in the monetary and fiscal policies of the main economies worldwide;

• reversal of capital flows due to domestic and international uncertainty;

• the payment capacity of the Argentine public sector and the possibilities of procuring international financing;

• increase in inflation affecting competitiveness and economic growth;

• poor development of the credit market

• insufficient levels of investment;

• evolution of the exchange rate;

• increase in public expenditure affecting the economy and the fiscal accounts;

• possible reduction or reversal in the trade balance;

• significant decrease in prices of main commodities exported by Argentina;

• wage and price controls;

• political and social tensions; and

• presidential and congress elections.

Substantially all our operations, properties and customers are located in Argentina. As a result, our business is to a very large extent dependent upon the political, social and economic conditions prevailing in Argentina.

The Argentine economy could be adversely affected by economic developments in the global markets

Financial and securities market in Argentina are influenced, to varying degrees, by economic and market conditions in other global markets.

The crisis in the United States in 2008 and the recession and fiscal deficits in Euro-zone countries have caused a downturn in the world’s main economies. Liquidity restrictions in the financial systems of these countries that started during the second semester of 2008 caused a credit squeeze that resulted in a sharp fall in the global economy. The depth, extension and speed of the credit squeeze generated a rapid response by the countries of the G20 through monetary and fiscal expansive policies designed to avoid a long and violent depression.

In that sense, the recession in the second semester of 2008 and the first semester of 2009 was short but severe. Both the United States economy and the European Union economy recovered, although such recovery was fueled by a bold step-up in public sector spending and expansive monetary policies.

More recently, several European economies have revealed significant macroeconomic imbalances. The financial markets have reacted adversely curtailing the ability of certain of these countries to refinance their outstanding debt. An interruption in the recovery of growth in the principal world economies could threaten the global economy as a whole, affecting the main economies and emergent countries including Argentina.

In addition, the current instability in several Middle East and African countries and the effects of natural disasters in Japan could have a negative impact in the global economy.

Global economic downturns and related instability have had, and may continue to have, a negative effect on economic growth in Argentina. A prolonged slowdown in economic activity in Argentina would adversely affect our financial condition and results of operations.

The financial systems of the main developed economies remain subject of uncertainty and might cause a reversal of the capital flows

Domestic as well as international uncertainty impacts adversely on Argentina’s ability to attract capital. Continued or worsening disruption and volatility in the global financial markets could have a material adverse effect on the Argentine financial market.

During 2010 Argentina recorded capital inflows, after two years (2008 and 2009) of an average annual outflow of approximately US$8 million. This change in trend was driven by the improved global liquidity resulting from the application of expansionary monetary policies in the United States and Europe and low interest rates, in addition to the predictability as to the payment of the Argentine sovereign debt.

An abrupt change in the economic policies of the developed countries or changes in domestic policy might reverse the flow of capitals towards Argentina. Such changes would negatively impact the liquidity of the local market and the operations of the Bank.

Argentina’s ability to obtain financing from international markets is limited, which may impair its ability to implement reforms and public policies and foster economic growth

In the first half of 2005, Argentina restructured part of its sovereign debt that had been in default since the end of 2001. The Argentine government announced that as a result of the restructuring, it had approximately US$126.6 billion in total outstanding debt remaining. Of this amount, approximately US$19.5 billion are defaulted bonds owned by creditors who did not participate in the restructuring. Some bondholders in the United States, Italy and Germany have filed legal actions against Argentina, and holdout creditors may initiate new suits in the future.

The Argentine government cancelled all of its pending debt with the IMF on January 3, 2006.

On September 2, 2008, by means of Decree No. 1,394, Argentina announced its decision to pay its debt to its creditor nations members of the Paris Club. At the same time, by means of a press release issued on September 18, 2008, the Paris Club announced that it accepted Argentina’s decision. However, negotiations came to a halt due to the international financial crisis affecting economies worldwide at such time and remain delayed. Argentina resumed negotiations in December 2010.

On February 2, 2009, by means of Joint Resolutions 8/2009 and 5/2009 of the Secretariat of Economy and the Secretariat of Finance of the National Ministry of Economy and Public Finances, launched the local tranche of the exchange of certain liabilities due between 2009 and 2012 (See Item 5.A “Operating Results”) for new bonds. The government announced that 97% of the holders had accepted such exchange proposal, representing Ps. 15.1 billion of an aggregate domestic tranche of the debt due in 2009, 2010 and 2011 for a total of Ps. 15.6 billion. The new bonds delivered under the exchange are due as from 2014.

Afterwards, on November 18, 2009, the Argentine Federal Congress approved a suspension of the “lock law” (which was supposed to prevent the government from reopening the defaulted sovereign debt exchange offer), and therefore Argentine government was allowed to reopen the exchange offer to holdouts. On May, 2010, Argentina launched a new exchange offer for the debt that had not been included in the restructuring carried out in 2005. The results of the exchange offer were announced in June 2010 with 67% of the holdouts having accepted.

Argentina’s past default and its failure to completely restructure its remaining sovereign debt and fully negotiate with the holdout creditors may prevent Argentina from re-entering the international capital markets. Furthermore, Argentina’s inability to access the international capital markets in the medium and long term could have an adverse impact on our own ability to access international credit markets.

Litigation initiated by holdout creditors may result in material judgments against the Argentine government and could result in attachments of or injunctions relating to assets of Argentina that the government intended for other uses. As a result, the Argentine government may not have all the necessary financial resources to implement reforms and foster growth, which could have a material adverse effect on the country’s economy, and consequently, our business, results of operations and financial condition.

Argentina is subject to litigation by foreign shareholders of Argentine companies, which have resulted and may result in adverse judgments or injunctions against Argentina’s assets and limit its financial resources

Foreign shareholders of certain Argentine companies have filed claims in excess of US$17 billion in the International Center for the Settlement of Investment Disputes (“ICSID”), alleging that certain Argentine government measures are inconsistent with the fair and equitable treatment standards set forth in various bilateral treaties to which Argentina is a party. To date, the ICSID has rendered decisions adverse to Argentina in several cases, such as: (i) “Aguas del Aconquija S.A.” in which the tribunal ordered Argentina to pay US$105 million to Compañía de Aguas del Aconquija S.A. and Vivendi Universal in relation to the termination of a water concession contract entered into with the Province of Tucumán; an annulment request was rejected on August 10, 2010; (ii) “CMS Gas Transmission Company” in which the tribunal ordered Argentina to pay US$133.2 million plus interest, Argentina appealed the decision which was partly annulled, but the amounts to be paid by Argentina remained unchanged; and (iii) “Azurix Corporation”, in which Argentina was ordered to pay US$165.2 million plus interest. This is one of the few cases not related to the 2002 “pesification” Argentina has brought action for annulment against this decision, which was rejected in September 2009, leaving the award unchanged. The payment of such compensations by Argentina is still pending.

Furthermore, under the United Nations Commission on International Trade Law (“UNCITRAL”) arbitration rules, arbitration tribunals have ordered Argentina (i) in December 2007, to pay US$185 million to British Gas (shareholder of Argentine gas company Metrogas); and (ii) in November 2008, to pay US$53.5 million to National Grid plc (shareholder of Argentine electricity transportation company Transener). Argentina filed with the U.S. District Court for the District of Columbia a petition to vacate both awards. The annulment of both awards was rejected by the District Court.

Litigation, as well as ICSID and UNCITRAL claims against the Argentine government, have resulted in material judgments and may result in new material judgments against the government, and could result in attachments of or injunctions relating to assets of Argentina that the government intended for other uses. As a result, the government may not have all the necessary financial resources to implement reforms and foster growth, which could have a material adverse effect on the country's economy, and consequently, our business, results of operations and financial condition.

Exchange controls and restrictions on transfers abroad and capital inflow restrictions have limited, and can be expected to continue to limit, the availability of international credit and may impair our ability to make payments on our obligations

Since 2002, Argentina has imposed exchange controls substantially limiting the ability of companies to retain foreign currency or make payments abroad. The initial restrictions on outflows of funds have been substantially eased, including those requiring the Central Bank's prior authorization for the transfer of funds abroad in order to pay principal and interest on debt obligations. However, Argentina may re-impose exchange control or transfer restrictions in the future, among other things, in response to capital flight or a significant depreciation of the peso. Such restrictions would have a material adverse effect on the Argentine financial system and our financial condition and results of operations.

In addition, in June 2005, government issued Decree No. 616/05 introducing controls on capital inflows that could result in less availability of international credit. Additional controls could have a negative effect on the economy and our business if imposed in an economic environment where access to local capital is substantially constrained. Moreover, in such event, restrictions on the transfers of funds abroad may impede our ability to make dividend payments to ADS holders and payments on the notes.

A decline in the international prices for Argentina's main commodity exports could have an adverse effect on Argentina's economic growth

Argentina's financial recovery from the 2001-2002 local crisis occurred in a context of price increases for Argentina's commodity exports, such as soy. High commodity prices have contributed to the increase in the Argentine exports since the third quarter of 2002 as well as in tax revenues from export withholdings.

The prices of commodities that Argentina exports decreased during the 2008 global economic crisis and may decline in the future. This would have a negative impact on the levels of government revenues and the government's ability to service its sovereign debt, and could either generate recessionary or inflationary pressures, depending on the Government's reaction. Either of these results would adversely impact Argentina's economy and, therefore, our business, financial condition and results of operations.

High inflation may adversely affect the Argentine long-term credit markets as well as the Argentine economy in general

Since 2007 the inflation index has been extensively discussed in the Argentine economy. The intervention of the Argentine government in the INDEC and the change in the way the aforementioned inflation index is measured has resulted in disagreements between the government and private consultants as to the actual annual inflation rate.

The inflation rates according to the INDEC were 7.2% , 7.7% and 10.9% for 2008, 2009 and 2010, respectively. In the first quarter of 2011 the INDEC reported an inflation rate of 2.3%. Uncertainty surrounding future inflation rates has slowed the rebound in the long-term credit market. Private estimates, on average, refer to annual rates of inflation in excess of those published by INDEC.

In the past, inflation has materially undermined the Argentine economy and the government's ability to create conditions that would permit stable growth. High inflation may also undermine Argentina's foreign competitiveness in international markets, with the same negative effects on the level of economic activity and employment. In addition, high inflation may undermine the confidence in Argentina's banking system in general, which would negatively and materially affect our business volumes and potentially affect our lending activities.

Significant devaluation of the peso against the U.S. dollar may adversely affect the Argentine economy as well as our financial performance

Despite the positive effects of the real depreciation of the peso on the competitiveness of certain sectors of the Argentine economy, it has also had a far-reaching negative impact on the Argentine economy and on the financial condition of businesses and individuals. The devaluation of the peso has had a negative impact on the ability of Argentine businesses to honor their foreign currency-denominated debt, has led to very high inflation initially, significantly reduced real wages, had a negative impact on businesses whose success is dependent on domestic market demand, such as utilities and the financial industry, and adversely affected the government's ability to honor its foreign debt obligations.

If the peso devalues significantly, all of the negative effects on the Argentine economy related to such devaluation could recur, with adverse consequences to our business. In addition, such devaluation could affect client's confidence, as well as loan demand.

In particular, our results of operations are sensitive to changes in the Ps./US$ exchange rate because our primary assets and revenues are denominated in pesos while around 15% of our loan portfolio and 17% of our total deposits are denominated in foreign currencies.

Significant appreciation of the peso against the U.S. dollar may adversely affect the Argentine economy

A substantial increase in the value of the peso against the U.S. dollar also presents risks for the Argentine economy. The appreciation of the peso against the U.S. dollar negatively impacts the financial condition of entities whose foreign currency-denominated assets exceed their foreign currency-denominated liabilities.

In addition, in the short term, a significant real appreciation of the peso would adversely affect exports. This could have a negative effect on GDP growth and employment as well as reduce the Argentine public sector’s revenues by reducing tax collection in real terms, given its current heavy reliance on taxes on exports. This may have a material adverse effect in our financial condition and results of operations.

High public expenditure could result in long lasting adverse consequences for the Argentine economy

The current Argentine macroeconomic model consists in maximizing the rate of economic growth through the end of 2011, maintaining a policy of sharp increase in public expenditure. In this regard, in 2010, the Argentine government strengthened its expansionary fiscal policy, increasing primary expenses by 34%.

In the past, the government resorted to the international capital markets to source part of its funding requirements. Other sources of liquidity have included local financial institutions. We cannot assure you that the government will not seek to finance its deficit by gaining access to the liquidity available in the local financial institutions. Government initiatives that increase our exposure to the public sector would affect our liquidity and assets and impact negatively on clients’ confidence.

A further deterioration in fiscal accounts could negatively affect the government’s ability to access the international financing markets.

Argentine government measures to preempt, or in response to, social unrest may adversely affect the Argentine economy

Despite Argentina’s ongoing economic recovery and relative stabilization, the social and political tensions and high levels of poverty and unemployment continue. Future Argentine government policies to preempt, or in response to, social unrest may include expropriation, nationalization, forced renegotiation or modification of existing contracts, suspension of the enforcement of creditors’ rights, new taxation policies, including royalty and tax increases and retroactive tax claims and changes in laws and policies affecting foreign trade and investment. Such policies could destabilize the country and adversely and materially affect the economy, and thereby our business.

Increased uncertainty due to the upcoming Presidential and Congress elections could have an adverse effect on the Argentine economy

Presidential and Congress elections in Argentina are scheduled to take place on October 23, 2011. There is a general uncertainty as to who will win the elections and what impact the outcome could produce on the Argentine economy. The aforementioned uncertainty, the probable outcomes of the general elections and the measures taken in its aftermath could have an adverse effect on financial institutions and the Argentine economy as a whole.

Risks relating to the Argentine financial system

The health of Argentina’s financial system depends on a return of the long-term credit market, which is currently recovering at a relatively slow pace

As a consequence of the 2008 global economic crisis, the banking industry in Argentina suffered a significant slowdown. This trend was reversed by the end of 2009.

Although private sector financing increased by the end of 2009, the year ended with lower expansion. In 2010, the loan portfolio growth rate increased significantly year over year. Loans to the private sector grew by approximately 20% in 2008, 9% in 2009 and 37% in 2010.

In spite of the recovery of the credit activity, the recovery of the long-term loans market (pledged loans and mortgage loans) is recovering at a slower pace.

If longer-term financial intermediation activity fails to resume at substantial levels, the ability of financial institutions, including us, to generate profits will be negatively affected. Even though deposits in the financial system and with us are having increased since mid-2002, most of these new deposits are either sight or very short-term time deposits, creating a liquidity risk for banks engaged in long-term lending, like us, and increasing their need to depend on the Central Bank as a potential liquidity backstop.

The health of the financial system depends upon the ability of financial institutions, including us, to retain the confidence of depositors

The average total deposits of the financial system grew 20% in 2008, averaging Ps. 229,089 million. Despite the international crisis, total deposits with the financial system increased by 11% during 2009, with an average balance of Ps. 253,985 million. In 2010 the total deposits for the financial system increased by 28%, with an average balance of Ps. 325,502 million.

The average total deposits in terms of GDP represented 22.6% during 2010, compared with 20.7% and 20.8% in average during 2009 and 2008.

In spite of the increasing trend showed during previous years, the deposit base of the Argentine financial system, including ours, may be affected in the future by adverse economic, social and political events. If depositors once again withdraw significant holdings from banks (as they did in late 2001 and early 2002 as a result of the measures then implemented by the Argentine government), there will be a substantial negative impact on the manner in which financial institutions, including us, conduct their business and on their ability to operate as financial intermediaries. International loss of confidence in the financial institutions may also affect sensibility of Argentine depositors.

The asset quality of financial institutions, including us, is still affected by the exposure to public sector debt

Financial institutions have a significant portfolio of bonds of, and loans to, the Argentine federal and provincial governments. Exposure to public sector of the financial system has decreased year after year, from a level of 48.9% in 2002 to 12.2% in 2010. Exposure to public sector debt as of December 31, 2010 represented aproximately one third of financings granted by the financial system to the private sector.

To some extent, the value of the assets held by Argentine banks, as well as their income generation capacity, is dependent on the Argentine public sector's creditworthiness, which is in turn dependent on the government's ability to promote sustainable economic growth in the long run, generate tax revenues and control public spending.

As of December 31, 2010, our exposure to the public sector, not including LEBACs (*Letras del Banco Central*) and NOBACs (*Notas del Banco Central*), totaled approximately Ps. 833 million, representing 2.5% of our total assets.

Our asset quality and that of other financial institutions may deteriorate if the Argentine private sector is affected by the international financial crisis

The capacity of many Argentine private sector debtors to repay their loans has deteriorated as a result of the international economic crisis, materially affecting the asset quality of financial institutions, including us. As of the end of 2008, we have consistently established large allowances for loan losses to cover the risks inherent to our private loan portfolio.

As anticipated by the Bank at the end of 2008, and following the trend of the entire financial system, financing to the private sector was affected negatively throughout 2009, closing with a portfolio quality ratio of 3.2% with a coverage ratio of 116.06%.

The financial system showed during the last months of 2009 a decline in the performance of the private sector credit portfolio, mainly due to the consumer loans and to a slight upturn of the coverage indicator.

During 2010, the ratio of the non-performing private sector lending showed a great decline from the levels reported for 2009, with a record minimum ratio of 2.1% for the financial system as a whole. Such improvement was reflected in both the consumer loan portfolio and the commercial portfolio.

The Bank's portfolio quality ratio and coverage ratio followed the financial system's trend standing at 2.1% and 147.2% ratios, respectively, as of December 31, 2010.

However, the current improvement may not continue, and we will likely not succeed in recovering substantial portions of loans that were provisioned. If Argentina's recovery does not continue and the financial condition of the private sector deteriorates, we will experience an increase in our incidence of non-performing loans.

Class actions against financial entities for an indeterminate amount may adversely affect the profitability of the financial system

Certain public and private organizations have initiated class actions against financial institutions in Argentina. The Argentine National Constitution and the Consumer Protection Law contain certain provisions regarding class actions. However, their guidance with respect to procedural rules for instituting and trying class action cases is limited. Nonetheless, by means of an ad hoc doctrine construction, Argentine courts have admitted class actions in some cases, including various lawsuits against financial entities related to "collective interests" such as alleged overcharging on products, applied interest rates, advice in the sale of public securities, etc. If class action plaintiffs were to prevail against financial institutions, their success could have an adverse effect on the financial industry and on our business.

Limitations on enforcement of creditors' rights in Argentina may adversely affect financial institutions

To protect debtors affected by the economic crisis, beginning in 2002 the Argentine government adopted measures that temporarily suspended proceedings to enforce creditors' rights, including mortgage foreclosures and bankruptcy petitions. Most of these measures have been rescinded; however, we cannot assure you that in an adverse economic environment the government will not adopt additional measures in the future, which could have a material adverse effect on the financial system and our business.

The application of the Consumer Protection Law may prevent or limit the collection of payments with respect to services rendered by us

Argentine Law No. 24,240 (the "Consumer Protection Law") sets forth certain rules and principles designed to protect consumers, which include our customers. The Consumer Protection Law was amended on March 12, 2008 by Law No. 26.361 to expand its applicability and the penalties associated with violations thereof.

Additionally, Law No. 25,065 (as amended by Law No. 26,010 and Law No. 26,361, the “Credit Card Law”) also sets forth several mandatory regulations designed to protect credit card holders.

Both the involvement of the applicable administrative authorities at the federal, provincial and local levels, and the enforcement of the Consumer Protection Law and the Credit Card Law by the courts are increasing. This trend has increased general consumer protection levels. In the event that we are found to be in violation of any provision of the Consumer Protection Law or the Credit Card Law, certain penalties and remedies could prevent or limit the collection of payments due from services and financing provided by us and materially adversely affect our financial results and ability to meet our payment obligations. We cannot provide any assurance that judicial and administrative rulings based on the newly enacted regulation, or measures adopted by the enforcement authorities, will not increase the consumer protection given to debtors and other clients in the future, or that they will not favor the claims initiated by consumer groups or associations.

Future governmental measures and/or regulations may adversely affect the economy and the operations of financial institutions

The Argentine government has historically exercised significant influence over the economy, and financial institutions, in particular, have operated in a highly regulated environment. We cannot assure that laws and regulations currently governing the economy or the banking sector will not continue to change in the future, or that any changes will not adversely affect our business, financial condition and results of operations.

As of the date of this report, three different bills to amend the Financial Institutions Law No. 21,526 as amended (the “Financial Institution Law”) have been put forth for review in the Argentine Congress, seeking to amend different aspects of the Financial Institutions Law. A thorough amendment of the Financial Institutions Law would have a substantial effect on the banking system as a whole. If any such bill is passed, or any other amendment to the Financial Institutions Law is made, we cannot foresee what effects the subsequent changes in banking regulations could have on financial institutions in general, and on our business, financial conditions and/or results of operations.

Argentina’s insufficient or incorrect implementation of certain anti-money laundering recommendations may result in difficulties to obtain financing and attract direct foreign investments.

In October 2010, the Financial Action Task Force (“FATF”) issued a report on Anti-Money Laundering and Combating the Financing of Terrorism in Argentina, including the evaluation of Argentina as of the time of the on-site visit (November 2009). This report states that since the latest evaluation, finalized in June 2004, Argentina had 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. FATF has granted an extension to implement changes and will carry out a new evaluation in June 2011.

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.

Risks relating to us

Our target market may be the most adversely affected by economic recessions

Our business strategy is to increase fee income and loan origination in our target market, low- and middle-income individuals and small and medium-sized businesses.

This target market is particularly vulnerable to economic recessions and, in the event of such a recession, growth in our target market may slow and consequently adversely affect our business. The Argentine economy as a whole, and our target market in particular, have not stabilized enough for us to be certain that demand will continue to grow. Therefore, we cannot assure you that our business strategy will in fact be successful.

Our controlling shareholders have the ability to direct our business and their interests could conflict with yours

As of March 31, 2011, our controlling shareholders directly or beneficially owned 10,258,305 Class A shares and 220,352,737 Class B shares in the aggregate. Although currently there is no formal agreement among them, together our controlling shareholders control virtually all decisions with respect to our company made by shareholders. They may, without the concurrence of the remaining shareholders, elect a majority of our directors, effect or prevent a merger, sale of assets or other business acquisition or disposition, cause us to issue additional equity securities, effect a related party transaction and determine the timing and amounts of dividends, if any. Their interests may conflict with your interests as a holder of class B shares, ADSs or notes, and they may take actions that might be desirable to the controlling shareholders but not to other shareholders or holders of our notes.

We will continue to consider acquisition opportunities, which may not be successful

We have expanded our business primarily through acquisitions. We will continue to consider attractive acquisition opportunities that we believe offer additional value and are consistent with our business strategy. We cannot assure you, however, that we will be able to identify suitable acquisition candidates or that we will be able to acquire promising target financial institutions on favorable terms. Although to date all acquisitions have been authorized by the Central Bank and other relevant authorities, we can not assure you that any future acquisition will also be authorized by these authorities. Additionally, our ability to obtain the desired effects of such acquisitions will depend in part on our ability to successfully complete the integration of those businesses. The integration of acquired businesses entails significant risks, including:

- unforeseen difficulties in integrating operations and systems;
- problems assimilating or retaining the employees of acquired businesses;
- challenges retaining customers of acquired businesses;
- unexpected liabilities or contingencies relating to the acquired businesses; and
- the possibility that management may be distracted from day-to-day business concerns by integration activities and related problem solving.

We depend on key personnel for our current and future performance

Our current and future performance depends to a significant degree on the continued contributions of our senior management team and other key personnel, in particular Jorge Horacio Brito and Delfín Jorge Ezequiel Carballo. Our performance could be significantly harmed if we fail to staff and retain key senior management or if we lose their services and we are not able to locate or employ qualified replacements on acceptable terms. Should this occur our business, financial condition and results of operations may be adversely affected.

Increased competition and consolidation in the banking industry may adversely affect our operations

We expect trends of increased competition in the banking sector, as banks continue to recover from the 2008 global economic crisis. Additionally, if the trend towards decreasing spreads is not offset by increases in lending volumes, then resulting losses could lead to consolidation in the industry. We expect trends of increased consolidation to continue. Consolidation can result in the creation of larger and stronger banks, which may have greater resources than we do.

We expect that competition with respect to small and medium-sized businesses is likely to increase. As a result, even if the demand for financial products and services from these markets continues to grow, competition may adversely affect our results of operations by decreasing the net margins we are able to generate.

Reduced spreads between interest rates received on loans and those paid on deposits without corresponding increases in lending volumes could adversely affect our profitability

The spread for Argentina’s financial system between the interest rates on loans and deposits could be affected as a result of increased competition in the banking sector and the government’s tightening of monetary policy in response to inflation concerns.

Since 2009, the interest rate spreads throughout the financial system have increased. This increase was sustained by a steady demand for consumer loans in recent years

However, we cannot guarantee that this trend will continue unless increases in lending or additional cost-cuttings take place. A reverse of this trend in such terms could adversely affect our profitability.

Our estimates and established reserves for credit risk and potential credit losses may prove to be inaccurate and/or insufficient, which may materially and adversely affect our financial condition and results of operations

A number of our products expose us to credit risk, including consumer loans, commercial loans and other receivables. Changes in the income levels of our borrowers, increases in the inflation rate or an increase in interest rates could have a negative effect on the quality of our loan portfolio, causing us to increase provisions for loan losses and resulting in reduced profits or in losses.

We estimate and establish reserves for credit risk and potential credit losses. This process involves subjective and complex judgments, including projections of economic conditions and assumptions on the ability of our borrowers to repay their loans. We may not be able to timely detect these risks before they occur, or due to limited resources or available tools, our employees may not be able to effectively implement our credit risk management system, which may increase our exposure to credit risk.

Overall, if we are unable to effectively control the level of non-performing or poor credit quality loans in the future, or if our loan loss reserves are insufficient to cover future loan losses, our financial condition and results of operations may be materially and adversely affected.

Changes in market conditions, and any risks associated therewith, could materially and adversely affect our financial condition and results of operations

We are directly and indirectly affected by changes in market conditions. Market risk, or the risk that values of assets and liabilities or revenues will be adversely affected by variation in market conditions, is inherent in the products and instruments associated with our operations, including loans, deposits, securities, bonds, long-term debt and short-term borrowings. Changes in market conditions that may affect our financial condition and results of operations include fluctuations in interest and currency exchange rates, securities prices, changes in the implied volatility of interest rates and foreign exchange rates, among others.

Differences in the accounting standards between Argentina and certain countries with highly developed capital markets, such as the United States, may make it difficult to compare our financial statements and reported earnings with companies in other countries and the United States

Publicly available corporate information about us in Argentina is different from and may be more difficult to obtain than the information available for registered public companies in certain countries with highly developed capital markets, such as the United States. Except as otherwise described herein, we prepare our financial statements in accordance with Central Bank Rules, which differ in certain significant respects from U.S. GAAP and, to a certain extent, from Argentine GAAP. As a result, our financial statements and reported earnings are not directly comparable to those of banks in the United States.

Risks relating to our Class B shares and the ADSs

Holders of our Class B shares and the ADSs may not receive any dividends

In 2003, the Central Bank prohibited financial institutions from distributing dividends. In 2004, the Central Bank amended the restriction to require the Central Bank's prior authorization for the distribution of dividends. We have consistently obtained authorization from the Central Bank to distribute dividends corresponding to fiscal years 2003 through 2010. Nevertheless, no assurance can be given that the Central Bank will continue to grant us the authorization to distribute dividends approved by our shareholders at the annual ordinary shareholders' meeting or that such authorization shall be for the full amount of approved dividends.

Additional regulatory and contractual restrictions exist which could affect the distribution of earnings and are included in note 15 of our consolidated financial statements as of December 31, 2010.

Holders of our Class B shares and the ADSs located in the United States may not be able to exercise preemptive rights

Under Argentine corporate law, if we issue new shares as part of a capital increase, our shareholders may have the right to subscribe to a proportional number of shares to maintain their existing ownership percentage. Rights to subscribe for shares in these circumstances are known as preemptive rights. In addition, shareholders are entitled to the right to subscribe for the unsubscribed shares remaining at the end of a preemptive rights offering on a pro rata basis, known as accretion rights. Upon the occurrence of any future increase in our capital stock, United States holders of Class B shares or ADSs will not be able to exercise the preemptive and related accretion rights for such Class B shares or ADSs unless a registration statement under the Securities Act is effective with respect to such Class B shares or ADSs or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to those Class B shares or ADSs. We cannot assure you that we will file such a registration statement or that an exemption from registration will be available. Unless those Class B shares or ADSs are registered or an exemption from registration applies, a U.S. holder of our Class B shares or ADSs may receive only the net proceeds from those preemptive rights and accretion rights if those rights can be sold by the depositary; if they cannot be sold, they will be allowed to lapse. Furthermore, the equity interest of holders of Class B shares or ADSs located in the United States may be diluted proportionately upon future capital increases.

Non-Argentine companies that own our Class B shares directly and not as ADSs may not be able to exercise their rights as shareholders unless they are registered in Argentina

Under Argentine law, foreign companies that own shares in an Argentine corporation are required to register with IGJ, in order to exercise certain shareholder rights, including voting rights. If you own Class B shares directly (rather than in the form of ADSs) and you are a non-Argentine company and you fail to register with IGJ, your ability to exercise your rights as a holder of our Class B shares may be limited.

You may not be able to sell your ADSs at the time or the price you desire because an active or liquid market may not develop

Prior to March 24, 2006, there has not been a public market for the ADSs or, in the case of our Class B shares, a market outside of Argentina. We cannot assure you that any market for our Class B shares or for the ADSs will be available or liquid or the price at which the Class B shares or the ADSs may be sold in that market.

The relative volatility and illiquidity of the Argentine securities markets may substantially limit your ability to sell Class B shares underlying the ADSs at the price and time you desire

Investing in securities that trade in emerging markets, such as Argentina, often involves greater risk than investing in securities of issuers in the United States, and such investments are generally considered to be more speculative in nature. The Argentine securities market is substantially smaller, less liquid, more concentrated and can be more volatile than major securities markets in the United States, and is not as highly regulated or supervised as some of these other markets. There is also significantly greater concentration in the Argentine securities market than in major securities markets in the United States. The ten largest companies in terms of market capitalization represented approximately 93% of the aggregate market capitalization of the BCBA as of December 31,

2010. Accordingly, although you are entitled to withdraw the Class B shares underlying the ADSs from the depositary at any time, your ability to sell such shares at a price and time at which you wish to do so may be substantially limited. Furthermore, new capital controls imposed by the Central Bank could have the effect of further impairing the liquidity of the BCBA by making it unattractive for non-Argentines to buy shares in the secondary market in Argentina.

Our shareholders may be subject to liability for certain votes of their securities

Our shareholders are not liable for our obligations. Instead, shareholders are generally liable only for the payment of the shares they subscribe. However, shareholders who have a conflict of interest with us and who do not abstain from voting may be held liable for damages to us, but only if the transaction would not have been approved without such shareholders' votes. Furthermore, shareholders who willfully or negligently vote in favor of a resolution that is subsequently declared void by a court as contrary to Argentine corporate law or our bylaws may be held jointly and severally liable for damages to us or to other third parties, including other shareholders.

Our Class B shares or the ADSs might be characterized as stock in a ''passive foreign investment company'' for U.S. federal income tax purposes

The application of the "passive foreign investment company" rules to equity interests in banks such as us is unclear under current U.S. federal income tax law. It is therefore possible that our Class B shares or the ADSs could be characterized as stock in a "passive foreign investment company" for U.S. federal income tax purposes, which could have adverse tax consequences to U.S. holders in some circumstances. In particular, U.S. holders of our Class B shares or the ADSs generally would be subject to special rules and adverse tax consequences with respect to certain distributions made by us and on any gain recognized on the sale or other disposition of our Class B shares or the ADSs. Such U.S. holders might be subject to a greater U.S. tax liability than might otherwise apply and incur tax on amounts in advance of when U.S. federal income tax would otherwise be imposed. A U.S. holder of our Class B shares or the ADSs might be able to avoid these rules and consequences by making an election to mark such shares to market (although it is not clear if this election is available for the Class B shares). U.S. holders should carefully read "Taxation—Material U.S. Federal Income Tax Considerations—Passive Foreign Investment Companies" and consult their tax advisors regarding the "passive foreign investment company" rules.

Risks relating to our notes

The notes are effectively subordinated to our secured creditors and our depositors

Unless otherwise specified, the notes rank at least *pari passu* in right of payment with all of our existing and future unsecured and unsubordinated indebtedness, other than obligations preferred by statute or by operation of law, including, without limitation, tax and labor-related claims and our obligations to depositors.

In particular, under Financial Institutions Law, all of our existing and future depositors will have a general priority right over holders of notes issued under our medium-term note program. The Financial Institutions Law provides that in the event of judicial liquidation or insolvency, all depositors would have priority over all of our other creditors (including holders of notes), except certain labor creditors and secured creditors. Moreover, depositors would have priority over all other creditors, with the exception of certain labor creditors, to funds held by the Central Bank as reserves, any other funds at the time of any revocation of our banking license and proceeds from any mandatory transfer of our assets by the Central Bank.

We have issued and may also issue additional subordinated notes. In that case, in addition to the priority of certain other creditors described in the preceding paragraphs, subordinated notes will also rank at all times junior in right of payment to certain of our unsecured and unsubordinated indebtedness.

Exchange controls and restrictions on transfers abroad may impair your ability to receive payments on the notes

In 2001 and 2002, Argentina imposed exchange controls and transfer restrictions, substantially limiting the ability of companies to retain foreign currency or make payments abroad. Since then, these restrictions have been substantially eased, including those requiring the Central Bank's prior authorization for the transfer of funds abroad in order to pay principal and interest on debt obligations. However, Argentina may re-impose exchange controls and transfer restrictions in the future, among other things, in response to capital flight or a significant depreciation of the peso.

In such event, your ability to receive payments on the notes may be impaired.

We may redeem the notes prior to maturity

The notes are redeemable at our option in the event of certain changes in Argentine taxes and, if so specified, the notes may also be redeemable at our option for any other reason. We may choose to redeem those notes at times when prevailing interest rates may be relatively low. Accordingly, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the notes.

As a financial institution, any bankruptcy proceeding against us would be subject to intervention by the Central Bank, which may limit remedies otherwise available and extend the duration of proceedings

If we are unable to pay our debts as they come due, the Central Bank would typically intervene by appointing a reviewer, request us to file a reorganization plan, transfer certain of our assets and liabilities and possibly revoke our banking license and file a liquidation petition before a local court. Upon any such intervention, noteholders' remedies may be restricted and the claims and interests of our depositors and other creditors may be prioritized over those of noteholders. As a result, the noteholders may realize substantially less on their claims than they would in a bankruptcy proceeding in Argentina, the United States or any other country.

Holders of notes may find it difficult to enforce civil liabilities against us or our directors, officers and controlling persons

We are organized under the laws of Argentina and our principal place of business (*domicilio social*) is in the City of Buenos Aires, Argentina. Most of our directors, officers and controlling persons reside outside the United States. In addition, all or a substantial portion of our assets and their assets are located outside of the United States. As a result, it may be difficult for holders of notes to effect service of process within the United States on such persons or to enforce judgments against them, including any action based on civil liabilities under the U.S. federal securities laws. Based on the opinion of our Argentine counsel, there is doubt as to the enforceability against such persons in Argentina, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws.

The ratings of the notes may be lowered or withdrawn depending on various factors, including the rating agency's assessment of our financial strength and Argentine sovereign risk

Independent credit rating agencies may assign credit ratings to the notes. The ratings of the notes reflect the relevant rating agency's assessment of our ability to make timely payment of principal and interest on the notes. Moreover, the methods of assigning ratings used by Argentine rating agencies may differ in important aspects from those used by the rating agencies in the United States or other countries. The ratings of the notes are not a recommendation to buy, sell or hold the notes, and the ratings do not comment on market prices or suitability for a particular investor. We cannot assure you that the ratings of the notes will remain for any given period of time or that the ratings will not be lowered or withdrawn. A downgrade in ratings will not be an event of default with respect to the notes. The assigned ratings may be raised or lowered depending, among other things, on the rating agency's assessment of our financial strength as well as its assessment of Argentine sovereign risk generally, and any change to these may affect the market price or liquidity of the notes.

Risks relating to our 2036 Notes

Interest on the 2036 Notes may be limited to the extent we do not have sufficient Distributable Amounts

No interest on the 2036 Notes will be due and payable in the event that the payment of such interest, together with any other payments or distributions (other than payments in respect of redemptions or repurchases) on or in respect of our Parity Obligations (including the notes) previously made or scheduled to be made during the Distribution Period in which such Interest Payment Date falls, would exceed our Distributable Amounts for such Distribution Period. Interest payments on the notes are non-cumulative such that if an interest payment is not made in full as a result of the limitation described in the preceding sentence, such unpaid interest will not accrue or be due and payable at any time and, accordingly, holders of 2036 Notes will not have any claim thereon, whether or not interest is paid with respect to any other interest period.

The Distributable Amounts available for payment of interest on the 2036 Notes on an interest payment date is based principally on our unappropriated retained earnings from the prior year. Subject to certain limited exceptions, Argentine law does not restrict our shareholders from approving the payment of dividends to themselves out of our unappropriated retained earnings, and the indenture relating to the notes does not restrict our ability to pay dividends unless interest on the notes has not been paid in full as scheduled. In addition, Distributable Amounts available for payment of interest on the 2036 Notes depends on the amount of payments or other distributions on or in respect of our Parity Obligations previously made or schedule to be made during the relevant Distribution Period. Although we do not currently have any Parity Obligations outstanding, the indenture relating to the notes will not restrict our ability to issue Parity Obligations in the future. Accordingly, we cannot assure you that we will have sufficient Distributable Amounts to make interest payments on the 2036 Notes.

We may be prevented by the Central Bank or Argentine banking regulations from making interest or other payments on or in respect of the 2036 Notes

No interest on the 2036 Notes will be due and payable on an Interest Payment Date in the event that we would be prevented from paying interest on the notes on such Interest Payment Date as a result of (X) a general prohibition by the Central Bank on paying interest or making other payments or distributions on or in respect of our Parity Obligations (including the notes) or (Y) as provided in Communications "A" 4589 and "A" 4591 of the Central Bank or any successor regulations thereto, (a) we are subject to a liquidation procedure or the mandatory transfer of our assets by the Central Bank in accordance with Sections 34 or 35 bis of the Financial Institutions Law or successors thereto; (b) we are receiving financial assistance from the Central Bank (except liquidity assistance under the pesification rules pursuant to Decree No. 739/2003); (c) we are not in compliance with or have failed to comply on a timely basis with our reporting obligations to the Central Bank; or (d) we are not in compliance with minimum capital requirements (both on an individual and consolidated basis) or with minimum cash reserves (on average).

As a result of the 2001 Argentine crisis, all banks were prohibited by the Central Bank from paying dividends in 2002 and 2003. As the economy recovered, the Central Bank eased the prohibition but still requires prior authorization for the distribution of dividends by banks. Although the prohibition is no longer in effect, we cannot assure you that, if confronted with a similar crisis, the Central Bank will not prevent banks from making interest payments on Parity Obligations, including the 2036 Notes.

The 2036 Notes are unsecured and subordinated and, in the event of our bankruptcy, the 2036 Notes will rank junior to our unsubordinated obligations and certain of our subordinated obligations

The 2036 Notes constitute our unsecured and subordinated obligations. In the event of our bankruptcy, the 2036 Notes will rank junior to all claims of our unsubordinated creditors and certain of our subordinated creditors. By reason of the subordination of the notes, in the case of our bankruptcy, although the notes would become immediately due and payable at their principal amount together with accrued interest thereon, our assets would be available to pay such amounts only after all such creditors have been paid in full. We expect to incur from time to time additional obligations that rank senior to the notes, and the indenture relating to the notes does not prohibit or limit the incurrence of such obligations.

Under Argentine law, our obligations under the 2036 Notes will also be subordinated to certain statutory preferences such as tax and labor-related claims and our obligations to depositors. In particular, under the Financial Institutions Law, all of our existing and future depositors will have a general priority right over holders of notes. The Financial Institutions Law provides that in the event of our bankruptcy or insolvency, all depositors would have priority over all of our other creditors (including holders of notes), except certain labor creditors and secured creditors. Moreover, depositors would have priority over all other creditors, with the exception of certain labor creditors, to funds held by the Central Bank as reserves, any other funds at the time of any revocation of our banking license and proceeds from any mandatory transfer of our assets by the Central Bank.

If we do not satisfy our obligations under the 2036 Notes, your remedies will be limited

Payment of principal on the 2036 Notes may be accelerated only in certain events involving our bankruptcy. There is no right of acceleration in the case of a default in the performance of any of our covenants, including a default in the payment of principal, premium or interest.

The U.S. federal income tax treatment of the 2036 Notes is unclear

Because of certain features of the 2036 Notes, the U.S. federal income tax treatment applicable to the 2036 Notes is uncertain. While we do not intend to treat the 2036 Notes as subject to the "contingent payment debt instrument" rules under U.S. federal income tax regulations, it is possible that the U.S. Internal Revenue Service ("IRS") could assert such treatment. If this assertion were successful, U.S. Holders (as defined in "Taxation—Material U.S. Federal Income Tax Considerations") generally would be required to include interest income on a constant yield basis at a rate that could differ from, and could at certain times be in excess of, the stated interest on the 2036 Notes. In addition, any gain on the sale of 2036 Notes derived by a U.S. holder would be treated as ordinary income rather than capital gain.

It is also possible that the IRS could assert that the 2036 Notes should be treated as equity for U.S. federal income tax purposes. If this assertion were successful, U.S. holders could also be subject to adverse tax rules (including an interest charge on and ordinary income treatment of any gain derived with respect to the notes) if it were also determined that we are a "passive foreign investment company" for U.S. federal income tax purposes. While we do not believe that we are currently a passive foreign investment company, the test for determining "passive foreign investment company" status is a factual one based upon a periodic evaluation of our assets and income and is unclear when applied to banking businesses such as our own. Thus we cannot provide any assurance that we will not be determined to be a "passive foreign investment company" as of the issuance of the 2036 Notes or in any future period.

Risks relating to our 2012 Notes

A devaluation of the Argentine peso will result in a loss of principal and interest in U.S. dollar terms, which could affect the value of our 2012 Notes

Payments of principal, interest, additional amounts and any other amounts in respect of the notes are determined based on the Argentine peso equivalent (based on an initial exchange rate of Ps. 3.0794 = US$1.00) of the aggregate principal amount of the 2012 Notes then outstanding and converted into U.S. dollars based on an exchange rate on the second business day prior the applicable payment date. As a result, a devaluation of the Argentine peso will result in a loss of principal and a reduction in the effective interest rate in U.S. dollar terms.

In circumstances where we can satisfy our payment obligations in respect of the 2012 Notes by transferring Argentine pesos to accounts located in Argentina, you may not be able to obtain U.S. dollars or transfer funds outside Argentina

If we are unable either to purchase U.S. dollars or to transfer funds outside Argentina in order to make a payment in respect of the notes, because of any legal or regulatory restriction or due to any other reason beyond our control, then we will be able to satisfy such payment obligation in Argentine pesos and with transfers to accounts located in Argentina. In such event, you may not be able to obtain U.S. dollars at the applicable exchange rate under the notes or at all, and you may not be able to freely transfer funds outside Argentina.

Certain definitions

"Parity Obligations" means (i) all claims in respect of our obligations, or our guarantees of liabilities, that are eligible to be computed as part of our Tier 1 capital under Argentine banking regulations (without taking into account any limitation placed on the amount of such capital); and (ii) all claims in respect of any of our other obligations (including guarantees) that rank, or are expressed to rank, *pari passu* with the 2036 Notes.