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- (1) *Calculated on the basis of amounts expressed in constant pesos as of February 28, 2003.*
 - (2) *Nuevo Banco Suquía consolidated with Banco Macro Bansud from December 22, 2004.*
 - (3) *Net interest income divided by average interest earning assets.*
 - (4) *Service charge income divided by the sum of gross intermediation margin and service charge income.*
 - (5) *Administrative expenses divided by the sum of gross intermediation margin and service charge income.*
 - (6) *Liquid assets include cash, cash collateral, LEBACs and NOBACs, and interbanking loans. Since 2004, we include overnight loans to highly rated companies.*
 - (7) *Non-performing loans includes all loans to borrowers classified as "3-nonperforming/deficit compliance", "4-high risk of uncollectibility/unlikely to be collected", "5-uncollectible" and "6-uncollectible, classified as such under regulatory requirements" under the Central Bank loan classification system.*
 - (8) *The number does not include the 25 branches and the headquarters included in the acquisition of Banco del Tucumán S.A., the new branch in the province of La Rioja and the 158 branches and the headquarters included in the pending acquisition of Banco Bisel S.A.*

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks relating to Argentina

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 the ADSs. If any of the following risks actually occur, they may materially harm our business and our financial condition and results of operations. In this event, the market price of our Class B shares or the ADSs could decline and you could lose part or all of your investment.

Argentina's current growth and stabilization may not be sustainable

During 2001 and 2002, Argentina went through a period of severe political, economic and social crisis. Although the economy has recovered significantly over the past three years, uncertainty remains as to whether the current growth and relative stability is sustainable. The Argentine economy remains fragile, including for the following reasons:

- unemployment remains high;
- the availability of long-term fixed rate credit is scarce;
- investment as a percentage of GDP remains low;
- the current fiscal surplus could reverse into a fiscal deficit;
- inflation has risen recently and threatens to accelerate;
- the regulatory environment continues to be uncertain;
- the country's public debt remains high and international financing is limited; and
- the recovery has depended to some extent on:
 - high commodity prices, which are volatile and outside the control of the country; and
 - excess capacity, which has been reduced considerably.

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 economic conditions prevailing in Argentina.

Inflation may rise again, causing adverse effects on the Argentine long-term credit markets as well as the Argentine economy generally

The devaluation of the peso in January 2002 created pressures on the domestic price system that generated high inflation in 2002, after several years of price stability, before substantially stabilizing in 2003. However, consumer prices almost doubled to 6.1% during 2004 and increased to 12.3% in 2005. Moreover, uncertainty surrounding future inflation could slow the rebound in the long-term credit market.

In the past, inflation has materially undermined the Argentine economy and the government's ability to create conditions that would permit growth. A return to a high inflation environment would also undermine Argentina's foreign competitiveness by diluting the effects of the peso devaluation, with the same negative effects on the level of economic activity and employment. In addition, a return to high inflation would undermine the very fragile confidence in Argentina's banking system in general, which would negatively and materially affect our business volumes and potentially preclude us from fully resuming lending activities.

Argentina's ability to obtain financing from international markets is limited, which may impair its ability to implement reforms 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. Additionally, foreign shareholders of certain Argentine companies have filed claims in excess of US\$17 billion before the International Center for the Settlement of Investment Disputes, or ICSID, alleging that certain government measures are inconsistent with the fair and equitable treatment standards set forth in various bilateral treaties to which Argentina is a party.

Argentina's past default and its failure to restructure completely its remaining sovereign debt and fully negotiate with the holdout creditors may prevent Argentina from reentering the international capital markets. Litigation initiated by holdout creditors as well as ICSID claims 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 government may not have the financial resources necessary to implement reforms and foster growth, which could have a material adverse effect on the country's economy and, consequently, our business.

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 in 2002 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 businesses and individuals' financial condition. The devaluation of the peso has had a negative impact on the ability of Argentine businesses to honor their foreign currency-denominated debt, 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. Moreover, it would likely result in a decline in the value of our Class B shares and the ADSs as measured in U.S. dollars.

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, such as us. 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.

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

During its crisis in 2001 and 2002, Argentina experienced social and political turmoil, including civil unrest, riots, looting, nationwide protests, strikes and street demonstrations. Despite Argentina's ongoing economic recovery and relative stabilization, the social and political tensions and high levels of poverty and unemployment continue. Future 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.

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

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. 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 control or transfer restrictions in the future, among other things, in response to capital flight or a significant depreciation of the peso. In addition, the government issued a decree in June 2005 that established new 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 your ability to receive dividend payments as a holder of ADSs.

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

Financial and securities markets in Argentina are influenced, to varying degrees, by economic and market conditions in other global markets. Although economic conditions vary from country to country, investors' perception of the events occurring in one country may substantially affect capital flows into and securities from issuers in other countries, including Argentina. The Argentine economy was adversely impacted by the political and economic events that occurred in several emerging economies in the 1990s, including Mexico in 1994, the collapse of several Asian economies between 1997 and 1998, the economic crisis in Russia in 1998 and the Brazilian devaluation in January 1999. In addition, Argentina continues to be affected by events in the economies of its major regional partners. Furthermore, the Argentine economy may be affected by events in developed economies which are trading partners or that impact the global economy.

Shocks of a similar magnitude to the international markets in the future can be expected to affect adversely the Argentine economy and the financial system and therefore us.

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 has not yet happened

As a result of the 2001 and 2002 crisis, the volume of financial intermediation activity in Argentina fell drastically: credit fell from 23.1% of GDP in March 2001 to just 7.7% in June 2004, while deposits as a percentage of GDP fell from 31.5% to 23.2% during the same period. During this period our financial intermediation activities also declined. The depth of the crisis and the effect of the crisis on depositors' confidence in the financial system created significant uncertainties as to the likelihood that the financial system will fully recover its ability to act as an intermediary between savings and credit. Despite the ongoing recovery of Argentina's short-term credit market (approximately 92% of loan growth in 2004 was in the form of overdrafts, consumer loans and advances), long-term lending has lagged.

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 resumed growth in 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 and increasing their need to depend on the Central Bank as a potential liquidity backstop.

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

The massive withdrawal of deposits experienced by all Argentine financial institutions, including us, during 2001 and the first half of 2002 was largely due to the loss of confidence of depositors in the Argentine government's ability to repay its debts, including its debts within the financial system, and to maintain peso-dollar parity in the context of its solvency crisis. In addition, the measures taken by the government to protect the solvency of the banking system, most significantly the limitation on the right of depositors to freely withdraw their money and the pesification of their dollar deposits, generated significant opposition directly against banks from depositors frustrated by losses of their savings.

Although short-term deposits have substantially recovered since 2002, 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, 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.

The asset quality of financial institutions, including us, is fragile due to high exposure to public sector debt

Financial institutions, including us, have a significant portfolio of bonds of, and loans to, the Argentine federal and provincial governments as a result of the crisis and compensation measures undertaken by the government in conjunction with the pesification. To a large extent, the value of a large portion 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, 2005, our exposure to public sector debt (net of LEBAC) totaled approximately Ps.543 million, representing 15% of our total assets. Because of this high level of exposure, any new restructuring of the sovereign debt that is unfavorable to us or any failure by the federal or provincial governments to meet their debt obligations in accordance with their terms would have a material adverse effect on our financial condition.

Our asset quality and that of other financial institutions may deteriorate if the Argentine private sector does not fully recover

The capacity of many Argentine private sector debtors to repay their loans deteriorated significantly as a result of the economic crisis, materially affecting the asset quality of financial institutions, including us. We established large allowances for loan losses in 2002 to cover the risks inherent to our portfolio of loans to the private sector. During 2004 and continuing on 2005, the quality of our loan portfolio improved from 2003 levels as a result of high GDP growth and a better overall economic environment. However, this improvement did not fully offset the deterioration caused by the crisis in the quality of our assets. Moreover, the current improvement may not continue, and we will likely not succeed in recovering substantial portions of loans that were written off. Our business strategy includes substituting a large portion of our current portfolio of government securities for loans to the private sector. As a result, we expect that our credit risk exposure to the private sector will increase in the near term. If the recovery of financial health of Argentina's private sector reverses, we may experience an increase in our incidence of non-performing loans.

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, on June 14, 2006 the Argentine government established a new 180-day suspension period for mortgage foreclosure proceedings involving debtors' dwellings and original loan amounts no higher than Ps. 100,000. 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.

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. The current economic situation favors this target market and they are experiencing solid growth. However, 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 has 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 December 31, 2005 our controlling shareholders beneficially own 10,204,066 Class A shares and 355,834,364 Class B shares. As of May 31, 2006 they own 10,387,265 Class A shares and 280,107,313 Class B shares. Although there currently 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, amend our bylaws, 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 our Class B shares or the ADSs, and they may take actions that might be desirable to the controlling shareholders but not to other shareholders.

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

We have expanded our business primarily through acquisitions. We will continue to actively consider attractive acquisition opportunities that we believe offer additional value and are consistent with our business strategy. We cannot assure you, however, that our acquisition business will perform in accordance with our expectations, or 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. 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, Delfin Jorge Ezequiel Carballo and Fernando Andrés Sansuste. Our performance could be significantly harmed if we lose their services. Should their services no longer be available to us, we may not be able to locate or employ qualified replacements on acceptable terms.

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 recent 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 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 decreased from a high of 39.9% in March 2003 to 15.2% in December 2005 as a result of increased competition in the banking sector and the government's tightening of monetary policy in response to inflation concerns. In comparison, our interest rate spread (average lending rates not including those related to liquidity management operations) decreased from 42% to 16.6% during the same period. We and other financial institutions have largely responded by lowering operating costs. However, if spreads continue to decrease without a corresponding increase in lending or additional cost-cutting, our profitability may be adversely affected.

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 in this and other respects.

The protections afforded to minority shareholders in Argentina are not as comprehensive as those in the United States

Under Argentine law, the protections afforded to minority shareholders and the fiduciary duties of officers and directors are, in some respects, less than, or different from, those in the United States and certain other jurisdictions. In particular, the Argentine legal regime concerning fiduciary duties of directors is not as comprehensive as in the United States, where the criteria to ascertain the independence of corporate directors are different from the criteria applicable under corresponding Argentine laws and regulations. Furthermore, in Argentina, there are no procedures for class action suits or shareholder derivative actions, and different procedural requirements exist for bringing shareholder lawsuits. As a result, in practice it may be more difficult for our minority shareholders to enforce their rights against us and our directors, officers or controlling shareholders than it would be for shareholders of a U.S. company.

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. On July 20, 2004, we were authorized by the Central Bank to distribute dividends corresponding to fiscal year 2003, on April 18, 2005 to distribute dividends corresponding to fiscal year 2004, and on April 21, 2006 to distribute dividends corresponding to fiscal year 2005. In each case the dividends were distributed. Notwithstanding the foregoing, 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.

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

Under Argentine corporations 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 the *Inspección General de Justicia*, or Superintendency of Legal Entities, or 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 as to the liquidity of any markets that may develop for our Class B shares or for the ADSs or the price at which the Class B shares or the ADSs may be sold.

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 (which includes us) represented approximately 81.7% of the aggregate market capitalization of the Buenos Aires Stock Exchange as of December 31, 2005. Accordingly, although you are entitled to withdraw the Class B shares underlying the ADSs from the depository 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 Buenos Aires Stock Exchange by making it unattractive for non-Argentines to buy shares in the secondary market in Argentina.

Substantial sales of our Class B shares or the ADSs after our U.S. public offering could cause the price of the Class B shares or of the ADSs to decrease

We, our directors, including the selling shareholders, and certain members of senior management, have agreed with UBS Securities LLC and Raymond James & Associates, Inc, subject to certain exceptions, not to offer, sell, contract to sell or otherwise dispose of or hedge our shares of capital stock or ADSs or securities convertible into or exercisable or exchangeable for shares of capital stock or ADSs during a 180-day period following March 23, 2006, which will expire on September 20, 2006. After these lock-up agreements expire, their securities will be eligible for sale in the public market. The market price of our Class B shares or the ADSs could drop significantly if they sell our Class B shares or the ADSs or the market perceives that they intend to sell them.