

	December 31,				
	2013	2012	2011	2010	2009
Devaluation Rate	32.55%	14.27%	8.23%	4.72%	9.93%
Exchange Rate	6.5180	4.9173	4.3032	3.9758	3.7967
Inflation Rate <sup>(1)</sup>	14.76%	13.13%	12.67%	14.56%	10.26%

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

## B. Capitalization and indebtedness

Not applicable.

## C. Reasons for the offer and use of proceeds

Not applicable.

## D. Risk Factors

### Factors Related to Argentina

#### Overview

We are an Argentine corporation (sociedad anónima) and a vast majority of our operations, properties and customers are located in Argentina. Accordingly, the quality of our assets, our financial condition and our results of operations depend primarily on macroeconomic and political conditions prevailing in Argentina. In 2001, the Argentine economy suffered a severe economic and political crisis ("the Argentine Crisis"), but was able to recover during Nestor Kirchner's term as President, which ended in 2007. Kirchner was succeeded by Cristina Fernández de Kirchner, who was reelected for another four year term on October 23, 2011. Although the economic policies implemented by the Kirchner administrations have succeeded in the short- and mid-term, there still remain issues to be resolved, such as:

- § contracts with privatized public utilities have yet to be revised and rates for residential consumers have increased well below headline inflation. Energy and gas companies have remained in operation through subsidies from the public sector but investment in the sector has been low, leading to energy shortages in high demand periods, negatively affecting economic growth;
- § accelerating inflation affecting competitiveness and economic growth;
- § availability of long-term fixed interest rate loans;
- § high commodity prices have had a favorable impact on economic activities in recent years, but are very volatile and out of the Government's scope of control;
- § measures implemented by the Government to control imports could lead to the imposition of barriers to Argentine exports by trading parties, negatively impacting on the domestic economic activity;
- § the Government has issued several measures restricting the access to the purchase of foreign currency which have had a negative effect, mainly on foreign investments, and the real estate market, failing as well to contain the loss of the Central Bank's dollar reserves.
- § a significant intervention by the Government in the private sector, including through the expropriation of YPF, the country's largest oil and gas company. Repsol, the majority shareholder of YPF, and the Argentine Republic have reached an agreement regarding the compensation amount for such expropriation. This agreement has been submitted to Congress for its approval.

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

Acceleration of inflation rates, has led to the loss of competitiveness of Argentine exports in international markets and a decline in private consumption, causing a negative effect on economic activity and employment. Moreover, a higher inflation rate could undermine confidence in the Argentine financial system in general regarding the peso deposit base, and this would negatively affect the business volume of banks, including BBVA Francés, and could potentially hinder the interest margin of long-term and fixed interest rates loans, in particular considering the increase in the share of Government oriented loans at a long-term fix rate, as explained below.

Since 2007, there has existed a discrepancy between statistical data published by National Institute for Statistics and Census ("INDEC") referring to the CPI (consumer price index) for the Greater Buenos Aires area (the "CPI-GBA"), CPI indexes corresponding to the different Argentine regions/provinces and private estimates. This generated uncertainty about the country's actual inflation rate and did not contribute to anchor inflation expectations. It is to be noted that assets indexed by Coeficiente de Estabilización de Referencia ("CER") are adjusted according to the CPI-GBA. In February 2014, following the International Monetary Fund ("IMF") requirements as detailed in the risk factor below, Argentina published a new CPI index (the "CPI NU") which has a national coverage and an updated base year (4th quarter 2013). Although the new index has had only one publication (3.7% m/m), the CPI NU, to the present date, it has not received any observation from de FMI. The new index replaces the previous measurement and will be used to calculate "CER" indexation.

*Impositions of sanctions on Argentina by international organizations such as the declaration of censure recently issued by IMF against Argentina due to the inaccuracy of certain official statistics, could negatively affect Argentina's access to international financial markets.*

Following several warnings about the quality of the official data reported by Argentina to the IMF regarding the CPI-GBA, the gross domestic product (the "GDP") and the non-implementation of remedial measures to produce accurate inflation and growth related statistics, the IMF issued on February 1, 2013 a declaration of censure against Argentina "in connection with its breach of obligations to the IMF under the Articles of Agreement". This is the first sanction imposed by the IMF to Argentina, but this is not an economic fine.

The IMF's executive board issued a resolution on December 9, 2013 recognizing Argentina's ongoing work and intention to introduce a new CPI in early 2014. In the light of these developments, the board adopted a decision calling on Argentina to implement specific actions to address the quality of the official CPI and GDP data according to a specified timetable, including the public release of a new national CPI and revised GDP estimates, by the end of March 2014. Argentina has complied with the deadline for the new national CPI in February 2014 (see above) but further actions must be implemented by end-September 2014 and end-February 2015. The Managing Director of the IMF is required to report to the executive board by within 45 days of the aforementioned deadlines on the status of Argentina's implementation of the specified actions. At such time, the Executive Board will review this status in line with IMF procedures.

Argentina's failure to implement the new estimates for GDP by end March 2014 or a loss of credibility in inflation figures in the coming months, could lead to the imposition of further sanctions that could eventually result, in the long term, in Argentina's exclusion from the IMF. Were Argentina excluded as a member of the IMF, Argentine companies such as BBVA Francés, could suffer adverse consequences, either by jeopardizing their access to international financial markets or by having to pay increasing interest rates in order to obtain financing. Furthermore, it could also negatively affect foreign investments in Argentina. These adverse effects, however, could be mitigated by the fact that Argentina has not requested to the IMF any kind of financing since 2005.

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

Commencing in 2005, public expenditure began to increase more than public revenues. Thus, the primary fiscal surplus of the national public non-financial sector fell from 3.9% of GDP in 2004 to a deficit of Ps.4.37 billion or 0.2% of GDP in 2012. In 2013, the primary fiscal deficit deteriorated further to Ps.22.47 billion, while the overall fiscal deficit was Ps.64.48 billion representing a 16% increase as compared to the deficit of the prior year although no GDP coupon payments were due in the year. Moreover, the primary fiscal balance could be negatively affected in the future if public expenditure continues to increase at a rate higher than revenues due to subsidies to lower-income sectors, social security benefits, financial assistance to provinces with financial problems, increased spending on public works and subsidies to the energy and transportation sectors. A further deterioration in fiscal accounts will negatively affect the Government's ability to access the long-term financial markets and could in turn result in more limited access to such markets by Argentine companies. BBVA Francés could therefore be adversely affected by such limitation.

*A recent ratification by the NY Court of Appeals, of U.S. District Judge decision requiring Argentina to pay 100% of the principal and interest in arrears due to certain holders of bonds issued by Argentina and even subjecting the paying agent to injunction, could, if it becomes effective, result in Argentina's default on its payment obligations, negatively affecting its access to international financial markets.*

The plaintiffs in this case are holders of sovereign bonds issued by the Argentine Republic pursuant to a Fiscal Agency Agreement prior to Argentina's default on its payments obligations ("FAA Bonds"). The plaintiffs bonds are in default, and are the subject of federal court judgments which are unsatisfied.

In 2005 and again in 2012, Argentina made exchange offers to the holders of FAA Bonds, pursuant to which bondholders who tendered their FAA Bonds received new Bonds ("Exchange Bonds"). As the result of the two exchange offers, approximately 91% of the FAA Bonds were tendered, and the Exchange Bonds are currently held by Argentina. The plaintiff's FAA Bonds were not tendered in the exchange offer.

Argentina has stated that it does not intend to make further payments on the plaintiffs' unexchanged FAA Bonds. Further, Argentina adopted legislation, referred to as the Lock Law, that prohibited the Argentine state from making any payment on pay the unexchanged FAA Bonds.

The plaintiffs applied to the United States District Court for the Southern District of New York for a determination that Argentina's conduct in making full payment on the Exchange Bonds while making no payments on the FAA Bonds constituted a breach of the Pari Passu Clause (equal treatment of all bondholders) included in the FAA Bonds. The matter was referred to Judge Thomas Griesa, who has been assigned to hear all matters arising out of Argentina's 2001 default. In a series of rulings running from December 2011 through October 2012, Judge Griesa held that Argentina breached the Pari Passu Clause by lowering the rank of the FAA Bonds in violation of the said clause, by making payments under the Exchange Bonds, while persisting on its refusal to satisfy its payment obligations currently due under the term of the plaintiffs' FAA Bonds.

The Second U.S. Circuit Court of Appeals initially ratified Griesa's interpretation and asked the Judge to specify a formula for payments to the plaintiff. The formula, which was announced in November 2012, implied paying 100% of the capital and interest in arrears due on the bonds under litigation. Furthermore, it included the agent of payment Bank of New York Mellon ("BoNY") in the injunction, meaning that funds paid to BoNY for payment to the exchange bondholders are potentially available for payment instead to the plaintiffs. This interpretation constituted the worst possible scenario for Argentina, and the market reacted with an extensive sale-off of Argentine sovereign bonds and a skyrocketing price for Argentine credit default swaps.

After an appeal by Argentina against the decision, the NY Appeals Court placed a stay on Griesa's decision and is currently reviewing it. It should be noted, however, that "pari passu" provision (or equal treatment of all bondholders) is not subject to review and, thus, holdout bondholders have the right to eventually receive payments from Argentina under their bonds. Only the formula that results in 100% of such payments being required is subject to review.

On February 27, 2013 a hearing was held by the Second U.S. Circuit Court of Appeals where the parties exposed their arguments. After the hearing the Court requested Argentina to state in writing on or before March 29, 2013, the precise terms of any alternate payment formula and schedule to which it is willing to commit.

On August 23, 2013, the U.S. Second Circuit Court of Appeals issued its decision requiring Argentina to make a "ratable payment" to the plaintiffs when it makes the next payment to the holders of Exchanged Bonds. Due the relevance of this decision for Argentina's prospects, Argentina has filed a petition for certiorari to the Supreme Court. The Supreme Court is entitled to accept or reject the analysis of the case. The effectiveness of the Second U.S. Circuit Court of Appeals decision will be suspended until the Supreme Court issues said decision. The Supreme Court has scheduled a hearing for April 10, 2014. The Supreme Court's final decision is still pending, and the legal process will therefore continue during the 2014, but a negative ruling for Argentina cannot be discarded, which could lead to a default in the payment of Argentina's obligations currently being serviced. The macroeconomic impact of an unfavorable ruling could lead to a further financial isolation of Argentina, and companies, such as BBVA Francés, and a denial from accessing to international markets in order to obtain financing.

*A series of restrictions in the foreign exchange markets imposed by the Argentine Government has had a material adverse effect on the results and the solvency of the financial system.*

The Argentine Government has issued since October 2011 until the present date, a series of measures restricting the access of private sectors to the foreign exchange markets.

Decree Nr. 1722 was issued in October 2011 eliminating a prior exception for oil and mining companies and thus requiring these companies to settle in the foreign exchange market all their export receipts.

Moreover, the National Insurance Bureau, issued in October 2011, Resolution Nr. 36,162 imposing the obligation for insurance companies to have all their investments and liquid assets allocated in Argentina.

In addition, as from January 2012, the National Tax Bureau ("NTB") must be notified in advance and approve all import operations. This restriction contributed to a decrease in imports (with a negative impact on industrial activities using imports and spare parts) which led to a decrease in the volume of trade financing and negatively impacted our business. Limitations on foreign currency purchases resulted in a decrease in the volume of foreign trade commissions in foreign currency sales.

Finally, Communication "A" 5318, dated July 5, 2012, forbids the purchase of foreign currency by local individuals and companies, except for the purchase of foreign currency for tourism purposes.

On May 27, 2013 Visa, Mastercard and other credit card providers, agreed with the Central Bank, to enforce limits to credit card advances carried out in foreign countries. As a result of this agreement, a monthly maximum amount per person of (i) US\$50 can be advanced in neighbor countries; and (ii) US\$800 in the rest of the foreign countries.

On August 30, 2012 the NTB issued Resolution Nr. 3378/12 creating a new 15% tax on the purchase of assets and services in foreign countries, which are paid with credit or debit cards, which also includes purchases through the internet. This new tax is considered as an advanced payment of the taxpayers' annual income tax.

Moreover, on March 18, 2013, the NTB issued Resolution Nr. 3450/13, increasing that tax to 20% rate, and including under its scope other transactions such as purchases carried out with local travel agents, for vacation purposes in foreign countries, and transportation tickets to such countries.

On December 2, 2013 the NTB issued Resolution Nr. 3550/13, further increasing the above-mentioned tax to 35% rate, and expanding its scope to other transactions such as the purchase of foreign currency for tourism purposes.

Finally, on January 20, 2014 the NTB issued: (i) Resolutions Nr. 3579 and 3582, limiting the purchase of goods from foreign providers, that are delivered to Argentina by postal services, excluding goods such as medicines, works of art, and other basic essential goods; and (ii) Resolution Nr. 3583 which once again allowed individuals to purchase foreign currency for purposes other than tourism (basically savings), subject to a certain procedure and up to a 20% monthly limit of the net income of legally registered workers.

These restrictions initially led to a withdrawal of dollar denominated deposits, which led in turn to a contraction in dollar denominated loans related export finance (the lending capacity in foreign currencies are provided by Bank deposits in foreign currencies), which could have had a material adverse effect on the Argentine financial system, including BBVA Francés, our result of operations and financial condition.

The new regulations issued during 2013 and the first months of 2014 failed to stop the withdrawal of dollar denominated deposits in the private sector which fell almost 11% between December 31, 2012 and mid-February 2014. A more detailed explanation of said measures is included in "Item 10. Additional Information – Exchange Controls".

*A further decrease in the international reserves of Argentina's Central Bank, could result in an abrupt devaluation of the Argentine Peso.*

The stock of international reserves of the Argentine Central Bank dropped from US\$43.3 billion in 2012 to US\$30.6 billion in 2013 in spite of the restrictions imposed by the Government on the foreign exchange market since 2011 described above. This was mainly due to a smaller trade surplus and a rising deficit in the external tourism and real services balance. The Central Bank accelerated the rate of nominal devaluation of the peso in 2013 in order to contain the fall in reserves, and a considerable sharp devaluation took place during January of 2014, by which the exchange rate of the dollar peso, increased in two days from Ps.6.9120 to

Ps.8.0183. The foreign exchange rate has since stabilized slightly below Ps.8/US\$, but devaluation and inflation expectations are still volatile. This scenario could affect the peso positions of the banks, in case a fall in deposits occurs when investors try to hedge against devaluation by purchasing dollar-denominated assets. In this situation a further increase in interest rates could have a negative impact on BBVA Francés' profitability since a significant proportion of our loans are now at a regulated fixed rate which could materially affect our financial audit and results of operations.

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

Argentina's executive branch enacted Decree Nr. 616/05 to regulate funds coming into and flowing out of Argentina in order to maintain stability and support the economic recovery of the country. These measures require that 30% of the funds remitted to Argentina must be deposited in an account with a local financial institution as a U.S. dollar deposit for one year, without accruing interest. Financial sector and non-financial private sector inflows originated from foreign financial borrowings that are invested in non-financial assets and must be fully repaid (principal and interest) within 24 months from the date of the borrowing are not subject to the foregoing deposit requirement. These measures may adversely affect the Argentine entities', including BBVA Francés, ability to access the international capital markets and to effectively invest the funds raised in any such financing, which could materially adversely affect Argentine entities' financial condition and results of operations.

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

In October 2010, FATF issued a report on AML/CFT in Argentina, stating that since the last evaluation, finalized in June 2004, Argentina has not made adequate progress in addressing a number of deficiencies identified at the time.

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

In June 2011, Argentina made a high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies. Since October 2012, Argentina has taken substantial steps towards improving its AML/CFT regime, including by enacting a new capital markets law on December 28, 2012, which improves licensing and supervision of the securities sector, enhances co-operation mechanisms, and removes secrecy among domestic agencies, improving the exchange of AML/CFT information with a positive impact on financial transparency. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Argentina should continue to work on implementing its action plan to address these deficiencies, including by: (1) addressing the remaining deficiencies with regard to the criminalization of money laundering, confiscation of funds related to money laundering, and freezing terrorist-related assets; (2) addressing the remaining issues for the Financial Intelligence Unit and suspicious transaction reporting requirements; (3) further enhancing the AML/CFT supervisory program for all financial sectors; (4) further improving and broadening customer due diligence measures; and (5) enhancing the appropriate channels for international co-operation and ensuring effective implementation. The FATF encourages Argentina to address its remaining deficiencies and continue the process of implementing its action plan.

Despite Argentina substantial steps towards improving its AML/CFT regime, Argentina still has a pending action plan for the total fulfilment of all recommendations set forth by the FATF. Non-compliance with such report could limit the Bank's access to foreign financial markets.

#### **Factors Related to BBVA Francés**

*The short term structure of the deposit base of the Argentine financial system, including the Bank, could lead to a reduction in liquidity levels and limit the long-term expansion of financial intermediation.*

After the Argentine Crisis, the volume of financial activity regarding deposits and loans was severely reduced.

Between 2003 and 2007, a gradual and increasing recovery of deposits levels took place. But because of the Global Financial crisis, these levels were reduced during 2008 and further improved during the last semester of 2009, until the present date.

The Argentine financial system growth strongly depends on the deposits levels, due to the small size of its capital markets and the absence of foreign financings during the last years. In the medium term, the growth of credit could depend on the growth of the deposits levels. During the last three years (2011-2013) credit was able to grow at a higher rate than deposits, by consuming the liquidity excesses of financial institutions. This scenario seems no longer possible; therefore from now on, credits growth will depend on deposits levels. This adjustment is currently taking place with an interest rate increase.

The liquidity of the Argentine financial system at the present date is reasonable, due to the high level of mandatory deposits reserves of Argentine financial entities, among other short term investments, which represent 30% of the total deposits.

Notwithstanding that, because most deposits are short term deposits, a substantial part of the credits must have the same maturity, and there is a small proportion of long term credit lines, such as mortgages. Moreover, the restrictions on the purchase of foreign currency naturally reduce the volatility of the local currency deposits.

Although at the present date liquidity levels are reasonable, no assurance can be given that this levels will not be reduced due to a future negative economic scenario. Therefore, there is still a risk of low liquidity levels that could increase funding cost in the event of a withdrawal of significant portions of the deposit base of the financial system, and limit the long-term expansion of financial intermediation including BBVA Francés.

*The instability of the regulatory framework, in particular the regulatory framework affecting financial entities, could have a material adverse effect in financial entities activities, such as the Bank.*

Since the beginning of Cristina Kirchner's second term as President, a series of new regulations have been issued, mainly regulating the foreign exchange market and new capital requirements for financial institutions.

In this regard, Communications "A" 5272 and 5273 of the Central Bank, dated February 1, 2012, increased the capital requirements for financial institutions carrying out activities in Argentina. These Communications require certain minimum capital levels in order to support operational risks and the distribution of dividends, and an additional capital buffer equivalent to 75% of the total capital requirements.

The Central Bank has stated that these new requirements are based on the credit risk measure required by Basel II.

It must be stressed that the Bank, taking into consideration the new capital requirements for operational risks, still has an excess of capital as of December 31, 2013 with respect to the minimum capital requirements of the Communications, of Ps.2,626 million.

Moreover, a new law was approved by the Congress introducing amendments to the Central Bank's charter. The principal issues addressed by this bill are the use of Central Bank's reserves for the cancellation of public debt together with the implementation of policies by the Central Bank in order to interfere in the fixing of interest rates, and terms of loans to financial institutions.

The Central Bank issued two Communications, "A" 5319 and "A" 5380 dated July 5, 2012 and December 21, 2012 respectively, and Communication "A" 5516 dated December 27, 2013, whereby it is mandatory for banks to grant credit lines for productive purposes. The Government's intention is to increase investments, although it should be noted that an increase in the demand for these loans could in turn lower the demand of other types of loans. BBVA Francés used approximately Ps.2.961 million in 2013 for these type of loans.

On November 29, 2012, the Argentine Congress passed the new "Securities Law", which modifies the public offer regime set forth by Law Nr.17, 811, as amended. One of the most significant amendments introduced by the Securities Law refers to the powers of the CNV. The incorporation of Section 20 raises concern in the market, especially among listed companies, since it entitles the CNV to (i) appoint supervisors with powers of veto of the resolutions adopted by the board of directors of the companies and (ii) disqualify the board of directors of the companies for a period of 180 days when, as determined by the CNV, the interests of the minority shareholders and/or security holders are infringed.

On October 1, 2013 Central Bank issued Communication "A" 5460 granting a broad protection to consumers of financial services including among other aspects, the regulations of fees and commissions charged by financial institutions for services provided. Therefore, fees and charges must represent a real, direct and demonstrable cost and should have technical and economic justification. Moreover, Communication "A" 5514 issued an exception for the enforcement of Communication "A" 5460, for certain credit agreements which have pledges as collateral and are issued before September 30, 2019.

On February 4, 2014 Central Bank issued Communication “A” 5536 limiting foreign currency positions of financial entities. This limit is fixed at a 30% of the RPC (adjusted stockholder’s equity) of each entity.

The absence of a stable regulatory framework could result in significant limits to the financial institutions’ decisions, such as the Bank, regarding asset allocation, that could cause uncertainty with respect to the future financial activities and result of operations.

*Argentine corporate disclosure, governance and accounting standards may require the Bank to provide different information than would be required under U.S. standards. This difference could influence foreign investors decisions to invest in Argentine securities and could therefore limit the Bank’s access to international markets.*

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

Accordingly, the information available about the Bank will not be the same as the information available about a U.S. company. The difference in the disclosure requirements between Argentine corporate, governance and accounting standards and U.S. GAAP, could influence foreign investors decisions to invest in Argentine securities and could therefore limit the Bank’s access to international financial markets.

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

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

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

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

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

Argentine Law Nr. 24,485, in force since April 18, 1995 and as amended by Law Nr. 25,089, provides that in case of judicial liquidation or bankruptcy of the Bank, all depositors, irrespective of the type, amount or currency of their deposits, will have general and absolute preferential rights with respect to all other creditors, except for certain labor credits and credits secured with pledge or mortgage, to be paid with 100% of the funds deriving from the liquidation of the Bank’s assets. In addition, depositors of any kind of deposits have special preferential rights over the remaining creditors of the Bank, except for certain labor credits, to be paid with (i) any of the Bank’s funds which may be held by the Central Bank as total reserves, (ii) any remaining funds of the Bank in existence as of the date on which the Bank’s license is revoked, or (iii) any funds derived from the compulsory transfer of certain assets of the Bank according to instructions of the Central Bank, in the following order of priority: (a) deposits made by legal entities up to Ps.5,000 per entity, or its equivalent in foreign currency, (b) deposits for terms exceeding 90 days and (c) all other deposits on a pro rata basis.



*Volatility of credit ratings in Argentina could affect the volatility of the Bank's credit ratings, and therefore limit the Bank's access to international financial markets.*

The Bank's credit ratings are based on those of Argentina's sovereign rating, which has fluctuated considerably since the Argentine Crisis. As a result, the Bank's ratings have also fluctuated in this period, although they have tended to be higher than the sovereign rating. These fluctuations impact our costs of funding and collateral obligations and our ability to access international markets. Continued volatility of, or a decrease in, Argentina's sovereign rating could affect our business.

#### **Factors Related to BBVA Francés' Subsidiaries**

##### **§ Consolidar AFJP S.A.**

*As a consequence of the social security reform, the loss of its corporate purpose and its liquidation, labor lawsuits were filed against Consolidar AFJP claiming additional payment amounts. Adverse rulings for Consolidar AFJP in such lawsuits could result in severance payment obligations for considerable amounts, which could have a material adverse effect on the financial condition of the company.*

Consolidar AFJP S.A. ("Consolidar AFJP" or "AFJP") was a privately owned pension fund managing company whose purpose was the administration of retirement contributions from affiliates and the corresponding grant of old age, disability and death pensions. On December 4, 2008, the Federal Government enacted Law Nr. 26,425 to implement social security reform, by which the National State assumed once again the coverage of contingencies in cases of old age, disability and death. Certain matters deriving from Law Nr. 26,425 that remain pending, such as possible indemnity in favor of AFJP in the amount of its corporate capital arising from the loss of its corporate business purpose. Notwithstanding this, on December 7, 2010, Consolidar AFJP filed a claim against the Federal Government and the Ministry of Labor and Social Security, requesting compensation for the losses suffered by the company and its shareholders, as a result of the aforementioned social security reform.

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

During 2013, 13 legal labor actions were filed against AFJP claiming differences in severance payment amounts. AFJP has estimated this contingency and raised the corresponding allowances. Adverse rulings against Consolidar AFJP could result in severance payments by the company of considerable amounts, which could have a material adverse effect on the financial condition of the company, and therefore in the result of liquidation process for BBVA Francés as its shareholder which owns a 53.89% interest in the company.

#### **ITEM 4. INFORMATION ON THE COMPANY**

##### **RECENT POLITICAL AND ECONOMIC DEVELOPMENTS IN ARGENTINA**

##### **Macroeconomic Environment**

In 2013, economic activity, measured by Gross Domestic Product ("GDP") improved from the low growth of the previous year. After growing only 1.9% in 2012, GDP growth 5.5% year-over-year in the third quarter of 2013, accumulating an increase of 4.5% in the first nine months of the year compared with the same period of the previous year. The main drivers of this growth, in real terms, were: private consumption, which accumulated growth of 6.1% in the first three quarters of 2013 and investment and public consumption, which recorded growth of 5.6% and 6.1%, respectively in the same period. Exports, meanwhile, rose 2.3%. The rise in GDP was partly offset by imports which grew by 7.8% in the first nine months of 2013. In late March the national statistical office INDEC launched a GDP with 2004 as a new base year. This new series of GDP grew in real terms by 3.0% in 2013 with respect to 2012. The decomposition of this growth has not been published yet.

In the labor market, no significant changes were observed, maintaining the average recorded unemployment rate at 7.2% in 2013, the same average of 2012. Salaries recorded an increase of 25.2% at December 2013 compared to December 2012 by private