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Communication "A" 3969 dated June 26, 2003, which superseded Communication "A" 3880, provided that the maximum limit of the Foreign Currency Position of financial institutions should be equal to 10% of the CNW as of November 2001, at the rates of exchange applicable as of such date, with a minimum equal to US\$1,500,000.

The Central Bank announced new measures through Communications "A" 3998 and 3999, dated August 15, 2003. Communication "A" 3998 further relaxed restrictions on the access of Argentine residents to the foreign exchange market, by allowing non-financial private sector companies to make portfolio investments outside Argentina in amounts exceeding the maximum amounts permitted under general regulations. Proceeds must be used to repurchase or service debts under restructuring processes with foreign entities, as of March 31, 2003.

According to these new regulations, the monthly limit for foreign currency purchases was established at US\$40 million in each calendar month, provided such foreign currency is used to repurchase and/or repay financial debts. In addition to such monthly limit, Communication "A" 3998 establishes other limits based on the debts that are subject to refinancing, the services of such debts and foreign assets accrued for the same specific purposes. This increased flexibilization will be effective until March 31, 2004. Communication "A" 4066 dated January 6, 2004 extended from March 31, 2004 to June 30, 2004 the enforcement of the procedure stated by Communication "A" 3998. Moreover, it also extended the period during which proceeds must be used to service debts at restructuring prices with financial institutions from 180 days to December 31, 2004.

In addition, Communication "A" 3999 allowed non-Argentine residents to access the foreign exchange market in order to purchase foreign currency for subsequent transfer thereof to foreign bank accounts, as repatriation of portfolio investments in Argentina, in connection with payments of principal, received in Argentina, of foreign-currency denominated Government bonds.

As regards the treatment of the financial debt of financial institutions which opted for the mechanisms to refinance liabilities with the Central Bank (Chapter II of Decree No. 739/03), on April 30, 2003, it was established (Communication "A" 3940) that such entities would have to normalize the situation of their external liabilities before December 5, 2003 and undertake to start negotiations and make the relevant filings with the Central Bank before July 31, 2003. In addition, such entities were required to report to the Central Bank the progress made in the their negotiations with foreign creditors, within three business days after the close of September and October 2003.

Communication "A" 4049, dated November 11, 2003 relaxed restrictions on foreign currency transactions by abrogating the requirement of prior approval of the Central Bank for the execution of certain future and forward operations and for the access to the foreign exchange market for their cancellation. These operations include agreements for the coverage of foreign currencies and interest rates, commodity prices, and the execution of external transactions in the form of Repos.

Communication "A" 4086, dated February 3, 2004 also relaxed restrictions on the access to the foreign exchange market, by allowing investment funds to carry out their operations under general regulations.

While the foreign exchange system has become more flexible under current regulations, no assurance can be given that in the event of a failure in the restructuring of the sovereign debt or a failure to comply with the IMF agreement, future restrictions will not tighten or otherwise change the current foreign exchange system or that one or more of the transactions described in this annual report will not be severely affected.

Taxation

The following is a summary of certain Argentine and United States federal tax consequences of the acquisition, ownership and disposition of our ADSs or ordinary shares by a United States holder. This summary is not a complete analysis or listing of all possible tax considerations that may be relevant to a holder of our ADSs or ordinary shares.

Argentine Taxes

General

The following is a summary of certain Argentine tax matters that may be relevant with respect to the acquisition, ownership and disposition of ADSs or ordinary shares. Investors in and prospective purchasers of ADSs or ordinary shares should consult their own tax advisers as to the United States, Argentine or other tax consequences of the acquisition, ownership and disposition of ADSs or ordinary shares. Such summary is based upon the tax laws of Argentina, and regulations thereunder, in effect as of the date of this annual report and is subject to any subsequent change in Argentine laws and regulations which may come into effect after such date.

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Tax Reforms

During 1998 and 1999, the Congress approved, under instructions of the Executive Branch, important tax reforms (Law No. 25,063 dated December 7, 1998 and Law No. 25,239 dated December 31, 1999). The tax legislation in force resulting from both reforms has an impact on debt securities issued by foreign issuers but it does not change the tax treatment of debt securities in the form of corporate bonds issued by financial institutions such as Banco Francés. In general, the tax reforms impose: (i) a new tax on interest (or accumulated original issuance discounts) that was derogated in July 2002; (ii) restrictions on the availability of tax deductions for interest payments, although Law 25,784, promulgated on October 21, 2003, has recently loosened such restrictions; and (iii) a tax withholding of 35% over all interest payments on corporate bonds owned by Argentine legal persons, except those made to authorized banks in Argentina. As of yet the provisions of the tax reforms have not been totally regulated by the Executive Branch nor have they been interpreted by any court. Consequently, it is not possible to assure (i) to what extent such provisions may be regulated or interpreted in the future by the Executive Branch or by any court, and (ii) that such regulations or interpretations will not cause the tax reforms to significantly impact authorized banks in Argentina, such as Banco Francés.

Taxation of Dividends

Dividend payments made in respect of the ordinary shares, whether in the form of cash, stock or other types of consideration, have been traditionally exempt from Argentine withholding or other taxes. However, pursuant to Law No. 25,063, as enacted into law on December 30, 1998, dividend payments on the ordinary shares (and ADSs), whether in the form of cash, stock, or other types of consideration, are subject to Argentine withholding taxes at the rate of 35% to the extent the aggregate amount distributed exceeds the sum of: (i) our accumulated taxable earnings and (ii) certain tax-exempt income (such as dividend payments from other corporations). Although dividend payments for the periods discussed throughout this annual report have not been subject to such withholding taxes, future payments of dividends may be subject to withholding.

Law No. 25,063 has not been interpreted by any court or governmental agency, so we cannot assure you how such law may be defined or interpreted in the future by any such court or governmental agency.

Taxation of Capital Gains

To the extent the ADSs or Ordinary Shares are listed in a local or foreign stock exchange market, capital gains derived by nonresident individuals or foreign companies from the sale, exchange or other disposition of ADSs or ordinary shares are not currently subject to income tax.

In the event that capital gains should become subject to income tax in the future, such taxation would be the responsibility of the beneficial owners of ADSs and not the responsibility of "Euroclear" or "Cedel", as the case may be.

Tax on Minimum Presumed Income

Authorized banks are subject to a minimum presumed income tax at a rate of 0.2% on computable assets. Income tax is considered an expense on account of this tax.

Value Added Tax ("VAT")

Neither the sale, exchange or other disposition of ADSs or ordinary shares nor the payment of dividends thereunder is subject to value added tax. However, VAT has been extended to services rendered abroad and actually used in Argentina and is levied on interest paid to foreign beneficiaries. The general VAT percentage is 21%, which is reduced to 10.5% for loans granted by banking or financial institutions located in countries whose central banks adopted international supervision standards issued by the Basle Committee.

Transfer Taxes

The sale or transfer of ADSs or ordinary shares is not subject to transfer tax.

Personal Property Tax

According to Law No. 23,966, as amended, and Decrees No. 127/1996 and 812/1996, all individuals and undivided estates are subject in Argentina to a personal property tax on all assets held at December 31 of each fiscal year (the "Personal Property Tax"). In the case of individuals and undivided estates domiciled or located in Argentina, an exemption is available to taxpayers whose assets included in the tax base for purposes of the Personal Property Tax do not exceed Ps.102,300. Corporations and other legal entities domiciled or located in Argentina are not subject to the Personal Property Tax. Individuals and undivided estates domiciled or located in a foreign country are subject to the Personal Property Tax only with respect to assets located in Argentina.

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Pursuant to Law No. 25,585, published in the Official Gazette on May 15, 2002, the Personal Property Tax on shares of the capital stock of corporations, such as ADSs (held in book-entry form or evidenced by ADRs) and shares of common stock, or equity interests in other entities organized under the Business Companies Law No. 19,550, as amended, and whose holders are individuals or undivided estates domiciled in Argentina or in a foreign country, or corporations or any other entities located in a foreign country, shall be assessed and paid by the corresponding Argentine issuer of the shares or equity interests, such as Banco Francés.

The tax rate to be applied is 0.50% and the taxable base is the value of the shareholders' equity arising from the last balance sheet of the company at December 31. The minimum exempted amount of Ps.102,300 is not applicable. The tax so paid is considered a definitive payment.

Pursuant to Law No. 25,585, it is presumed –without the right to rebut such presumption– that shares of stock corporations, such as ADSs (held in book-entry form or evidenced by ADRs) and shares of common stock, and equity interests in entities governed by the Business Companies Law No. 19,550, as amended, whose holders are corporations or any other entities, companies, permanent establishments, trusts, and exploitations, domiciled, settled or located in a foreign country, belong indirectly to individuals or undivided estates domiciled in a foreign country.

The companies responsible for the tax payment, such as Banco Francés, are entitled to obtain refunds of the amounts paid, and may retain or foreclose on the property included in the tax base for purposes of the Personal Property Tax that originated the payment.

The amendment enacted by Law No. 25,585 applied as from December 31, 2002. In May 23, 2003, Banco Francés paid Ps. 4,035,644 in Personal Property Tax on account of its shareholders. Only Ps.2,744,116 has been refunded to us as of April 30, 2004. On May 12, 2004, Banco Francés paid Ps.3,557,029 on account of its shareholders in connection with the Personal Property Tax due with respect to assets held as of December 31, 2003.

Other Taxes

There are no Argentine inheritance, succession or gift taxes applicable to the ownership, transfer or disposition of ADSs or ordinary shares. There are no Argentine stamp, issue, registration or similar taxes or duties payable by holders of ADSs or ordinary shares. Such holdings are also not affected by the tax applied on bank-account debits and credits and other transactions.

Deposit and Withdrawal of ordinary shares in Exchange for ADSs

No Argentine tax is imposed on the deposit or withdrawal of ordinary shares in exchange for ADSs.

Tax Treaties

There is currently no income tax treaty or convention in effect between Argentina and the United States.

U.S. Tax Considerations

The following summary describes the material United States federal income tax consequences of the acquisition, ownership and disposition of ADSs or shares, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person's decision to acquire such securities. The summary applies only to U.S. Holders (as described below) that hold ADSs or shares as capital assets for tax purposes and does not address special classes of holders, such as:

- certain financial institutions;
- insurance companies;
- dealers and traders in securities or foreign currencies;
- holders holding ADSs or shares as part of a hedge, straddle or conversion transaction;
- holders whose "functional currency" is not the U.S. dollar;
- holders liable for alternative minimum tax;
- tax exempt organizations;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes; or
- holders that own 10% or more of our voting shares.

The summary is based upon tax laws of the United States including the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, changes to any of which may affect the tax consequences described herein possibly with retroactive effect. In addition, the summary assumes that each obligation provided for in or otherwise contemplated by the Deposit Agreement or any other related document will

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be performed in accordance with its terms. Prospective purchasers of the ADSs or shares are urged to consult their own tax advisors as to the United States, Argentine or other tax consequences of the purchase, ownership and disposition of ADSs or shares in their particular circumstances, including the effect of any U.S. state or local tax laws.

As used herein, a "U.S. Holder" is a beneficial owner of ADSs or shares that is, for United States federal income tax purposes:

- a citizen or resident of the United States;
- a corporation created or organized in or under the laws of the United States or of any political subdivision thereof; or
- an estate or trust the income of which is subject to United States federal income taxation regardless of its source.

In general, U.S. Holders of ADSs will be treated as the holders of the underlying shares represented by those ADSs. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying shares represented by those ADSs.

The U.S. Treasury has expressed concerns that parties to whom ADSs are pre-released may be taking actions that are inconsistent with the claiming of foreign tax credits for U.S. Holders of ADSs. Such actions would also be inconsistent with claiming the 15% rate applicable to certain dividends received by individuals. Accordingly, the analysis of the creditability of Argentine taxes and the availability of the 15% rate for dividends received by certain individuals described below could be affected by actions taken by parties to whom ADSs are pre-released.

Taxation of Distributions

To the extent paid out of our current or accumulated earnings and profits (as determined in accordance with United States federal income tax principles), distributions, including any Argentine withholding tax, made with respect to ADSs or shares (other than certain distributions of our capital stock or rights to subscribe for shares of our capital stock) will be includible in the income of a U.S. Holder as ordinary dividend income. Such dividends will not be eligible for the "dividends received deduction" generally allowed to corporations under the Code. Dividends received by noncorporate U.S. Holders on ADSs or shares may be subject to United States federal income tax at lower rates (generally 15%) than other types of ordinary income if certain conditions are met. To the extent that a distribution exceeds our current and accumulated earnings and profits, it will be treated as a nontaxable return of capital to the extent of the U.S. Holder's tax basis in the ADSs or shares, and thereafter as capital gain. The amount of the distribution will equal the U.S. dollar value of the Argentine pesos received, calculated by reference to the exchange rate in effect on the date such distribution is received (which, for U.S. Holders of ADSs, will be the date such distribution is received by the Depositary), whether or not the Depositary or U.S. Holder in fact converts any Argentine pesos received into U.S. dollars at that time. Any gains or losses resulting from the conversion of Argentine pesos into U.S. dollars will be treated as ordinary income or loss, as the case may be, of the U.S. Holder and will be U.S. source. Dividends generally will constitute foreign source "passive" or "financial services" income for U.S. foreign tax credit purposes.

Subject to certain generally applicable limitations, a U.S. Holder will be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for any Argentine withholding taxes. Amounts paid on account of the Argentine Personal Property Tax, if any, will not be eligible for credit against the United States Holder's United States federal income tax liability. A U.S. Holder may be required to recognize ordinary income or loss attributable to currency fluctuations upon its receipt of a refund in respect of any Argentine withholding tax to the extent that the U.S. dollar value of the refund differs from the U.S. dollar equivalent of the refund amount on the date the underlying dividend was received.

A U.S. Holder must satisfy minimum holding period requirements in order to be eligible to claim a foreign tax credit for foreign taxes withheld on dividends. U.S. Holders are urged to consult their own tax advisors to determine whether they are subject to any special rules that limit their ability to make effective use of foreign tax credits.

Sale and Other Disposition of ADSs or Shares

Subject to the discussion of the passive foreign investment company rules below, gain or loss realized by a U.S. Holder on the sale or exchange of ADSs or shares will be subject to United States federal income tax as capital gain or loss in an amount equal to the difference between the U.S. Holder's tax basis in the ADSs or shares and the amount realized on the disposition. Gain or loss, if any, will be U.S. source for foreign tax credit purposes. The deductibility of capital losses is subject to limitations. Long-term capital gain of a non-corporate U.S. Holder is generally taxed at a preferential rate.

Passive Foreign Investment Company Rules

We believe that we are not a "passive foreign investment company", or "PFIC", for United States federal income tax purposes for the taxable year 2003. However, since our PFIC status depends upon the composition of our income and assets and the market value of our assets (including, among others, less than 25 percent owned equity investments) from time to time, and based upon