

In addition, the proceeds of new credit facilities (including loans, issuance of bonds, credit facilities, repos, etc.) should be brought into the local market and exchanged into pesos, and such debt cannot be repaid abroad prior to 365 days from the date of the relevant disbursement. Moreover, in these cases a deposit corresponding to the 30% of the amount in question, must be maintained for a term of 365 days. As a general rule, credit facilities related to foreign trade is exempted from this time limit (subject to certain requirements).

#### *Direct Investments*

On March 4, 2005 the Argentine Central Bank issued Communication "A" 4305 that regulates the reporting system of direct investments and real estate investments carried out by non-residents in Argentina and by Argentine residents abroad, which had been implemented through Communication "A" 4237 dated November 10, 2004.

- Direct investments in Argentina of non-Argentine residents

Non-Argentine residents are compelled to comply with the reporting regime if the value of their investments in Argentina reaches or surpasses the equivalent of US\$500,000 – measured in terms of the net worth of the company in which they participate or fiscal value of the real estate owned. If the investments do not reach such amount, the compliance with such regime is optional.

According to Communication "A" 4237, companies in which non-Argentine residents participate in and administrators of real estate pertaining to non-Argentine residents are those obliged to comply with the reporting regime.

- Direct investments made abroad by Argentine residents

Argentine investors are compelled to comply with the reporting regime if the value of their investments abroad reaches or surpasses the equivalent of US\$1,000,000 – measured in terms of net worth of the company in which they participate or the fiscal value of the real estate they own.

If the value of those investments abroad do not exceed the equivalent of US\$5,000,000, the declaration could be carried out annually instead of semiannually. If the investments do not reach the equivalent of US\$1,000,000, the compliance with such regime is optional.

The first declarations will correspond to the semester ended on December 31, 2004, and will have to be filed within 90 calendar days as of such date.

#### *Future and Forward Operations*

Communication "A" 4049, dated November 11, 2003 and Communication "A" 4285 (as amended) dated January 17, 2005, 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 (as amended), 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.

#### **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.

### *Taxation of Dividends*

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).

In accordance with a resolution adopted by the Ordinary and Extraordinary Shareholders' Meeting held on April 27, 2006, it was resolved that as of June 2, 2006 the Bank will proceed with the payment of cash dividends.

Such dividend distributions will be subject to a 35% income tax withholding on the portion of the dividends exceeding profits determined on the basis of the application of the general regulations of the Income Tax Law. The Bank informed that it will previously inquire with the AFIP (Argentine Public Revenue Administration – the Argentine Tax Authority) in respect to the applicability of such withholding.

Until the pertinent reply is received from AFIP, the Bank will retain any amounts withheld in an interest bearing account. Any reply received from the AFIP will be duly informed through the Daily Bulletin of the Buenos Aires Stock Exchange. If pertinent, all shareholders will be duly informed of any amounts withheld plus any interest at their disposal at the Caja de Valores S.A.

### *Taxation of Capital Gains*

To the extent the ADSs or ordinary shares are listed on 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.

### *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 VAT.

### *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. 127/96 and 812/96, 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.

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 and trusts, 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.

On May, 2005 and 2006, Banco Francés paid Ps.3,021,317 and 3,254,699 respectively, on account of its shareholders in connection with the Personal Property Tax due with respect to assets held as of December 31, 2004 and 2005, respectively. As of June 15, 2006, only Ps.1,692,683 and Ps.3,143,008, respectively has been refunded to us.

#### *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 U.S. federal income tax consequences of the acquisition, ownership and disposition of ADSs or ordinary 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 ordinary shares as capital assets for U.S. federal income 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 ordinary shares as part of a hedge, straddle or conversion transaction;
- Holders whose "functional currency" for U.S. federal income tax purposes 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;
- Holders that own or are deemed to own 10% or more of our voting shares; or
- Persons who acquired our ADSs or ordinary shares pursuant to the exercise of any employee stock option or otherwise as compensation.

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 be performed in accordance with its terms. Prospective purchasers of the ADSs or ordinary 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 ordinary 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 ordinary shares that is, for United States federal income tax purposes:

- A citizen or resident of the United States;
- A corporation, or other entity taxable as 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 ordinary shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying ordinary 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 dividends received by certain non-corporate U.S. Holders. Accordingly, the analysis of the creditability of Argentine taxes and the availability of the 15% rate for dividends received by certain non-corporate U.S. Holders 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 ordinary shares (other than certain pro rata distributions of our capital stock or rights to subscribe for ordinary shares of our capital stock) will be includible in the income of a U.S. Holder as foreign source ordinary dividend income. Such dividends will not be eligible for the “dividends received deduction” generally allowed to corporations under the Code. Subject to applicable limitations and the discussion above regarding concerns expressed by the U.S. Treasury, dividends paid to non-corporate U.S. Holders in taxable years beginning before January 1, 2011, will be taxable at a maximum rate of 15% if the dividends are “qualified dividends.” Dividends paid on ADSs will be treated as qualified dividends if (i) the ADSs are readily tradable on an established securities market in the United States and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company, or “PFIC,” for U.S. federal income tax purposes. The ADSs are listed on the New York Stock Exchange, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. We believe that we will not be considered a PFIC for U.S. federal income tax purposes with respect to our 2005 taxable year, as discussed below. 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.

Subject to applicable limitations that may vary depending upon a U.S. Holder’s circumstances and subject to the discussion above regarding concerns expressed by the U.S. Treasury, a U.S. Holder will be entitled to a credit against its U.S. federal income tax liability for any Argentine taxes withheld from dividends on ADSs or ordinary shares. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. Amounts paid on account of the Argentine Personal Property Tax, if any, will not be eligible for credit against the U.S. Holder’s U.S. federal income tax liability. 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. Instead of claiming a credit, a U.S. Holder may, at its election, deduct such otherwise creditable Argentine taxes in computing its taxable income, subject to generally applicable limitations under U.S. law.

#### *Sale and Other Disposition of ADSs or Ordinary Shares*

Subject to the discussion of the PFIC rules below, gain or loss realized by a U.S. Holder on the sale or exchange of ADSs or ordinary 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 ordinary shares and the amount realized on the disposition. Such capital gain or loss will be long term capital gain or loss if the U.S. Holder held the ADSs or ordinary shares for more than one year. 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.