

	December 31,				
	2014	2013	2012	2011	2010
Devaluation Rate	31.21%	32.55%	14.27%	8.23%	4.72%
Exchange Rate	8.5520	6.5180	4.9173	4.3032	3.9758
Inflation Rate ⁽¹⁾	28.27%	14.76%	13.13%	12.67%	14.56%

(1)The inflation rate presented is the general IPIM 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 recovered 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, expiring on October 2015. The candidates for the future 2015 election are yet to be defined on the primary elections to be held on June 2015. Although the economic policies implemented by the Kirchner administrations have succeeded in the short- and mid-term, there 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. Although during 2014, certain rates from the gas, water and transportation sectors, have been slightly increased, energy and gas companies are still operating through subsidies from the public sector and investment in the sector has been low, leading to energy shortages in high demand periods, negatively affecting economic growth;
- § high 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.
- § Repsol, the former majority shareholder of YPF, the country's largest oil and gas company and the Argentine Republic have reached an agreement regarding the compensation amount for such expropriation, which has been approved by Congress and the compensation amount has already been cancelled.

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, discrepancy has existed between the statistics published by National Institute for Statistics and Census ("INDEC") and the data published by private institutions about the CPI (consumer price index) for the Greater Buenos Aires area (the "CPI-GBA") and for other Argentine regions/provinces. This created 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 the Benchmark Stabilization Ratio (Coeficiente de Estabilización de Referencia -"CER") are adjusted according to the CPI-GBA. For more information see *Item 5. Operating and Financial Review and Prospect - Effects of Recent Events on BBVA Francés*.

Regarding Argentine banks' financial statements, the Argentine GAAP require the application of Technical Resolution No. 6 of the Argentina Federation of Professional Councils in Economic Sciences (FACPCE), which establishes the restatement of financial statements in constant currency, in cases where certain characteristics are present in the economic environment of the country, such as a cumulative inflation over three years, measured on the basis of del "Índice de precios internos al por mayor" published by the National Institute of Statistics and Census, reaches or exceeds 100%. The cumulative inflation between December 31, 2011 and December 31, 2014, measured with the referred index, is approximately 67%, including a measurement of 28% for the last year. Therefore, to December 31, 2014, no adjustment of the information was required. Nevertheless, it must be advised that if said condition is reached the restatement will become mandatory.

In February 2014, following the imposition of 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). The CPI NU index was first published in February 2014. The IMF recognized the progress of the Argentine authorities to remedy the inaccurate provision of data, but has been delaying the definitive evaluation of the index. The new index replaces the previous measurement and is used to calculate "CER" indexation.

Impositions of sanctions on Argentina by international organizations, such as the declaration of censure recently issued by the 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, on February 1, 2013 the IMF issued 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 against 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 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) and further actions were implemented by end-September 2014 and end-February 2015.

The Executive Board recognized the implementation of all the specified actions it had called for by end-September 2014 and the steps taken by the Argentine authorities to remedy the inaccurate provision of data. The Managing Director will next report to the Executive Board on the status of Argentina's implementation of the specified actions by April 15, 2015. The Board will be provided with an assessment of Argentina's performance of its obligations under Article VIII, Section 5 of the Articles of Agreement. At that time, the Executive Board will again review these issues in line with IMF procedures.

Argentina's failure to implement the new estimates for GDP according to the plan specified by the IMF, 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 of 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 expenditures 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.22.48 billion or 0.8 % of GDP in 2013. In 2014, the primary fiscal deficit deteriorated further to Ps.38.57 billion, while the overall fiscal deficit was Ps.109.72 billion, representing a 70% increase as compared to the deficit of the prior 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. Moreover, the government after a series of years has decided to issue local debt which Argentine Private banks have purchase. If the government continues to increase local debt, this could lead to an increase of private banks such as BBVA Frances, exposure to the public sector.

US Courts have requested that Argentina pay 100% of principal and interest arrears to certain bondholders issued by Argentina, which could eventually bring Argentina to defaulted on its payment obligations and cause a possible acceleration of the existing exchange debt due to cross default clauses, negatively affecting their access to international financial markets.

Bondholders which did not participate in the exchange offers issued by Argentina in 2005 and 2010, ("the Holdouts") have obtained favorable rulings ordering the payment of owed original capital with interest and compliance with the pari passu clause regarding future payments. These decisions were appealed by Argentina. The Court of Appeals in New York upheld the decision on several occasions and ordered Argentina to pay US\$1.3 billion plus interest accrued since the date of the judgment in favor of the holdouts, suspending the execution of the ruling until the Supreme Court of the United States ruled. The order of the Court of Appeals had a "stay" provision, a precautionary measure to suspend payment. The Court's ruling was appealed to the Supreme Court of the United States, which on January 10, 2014, decided to take the case. On June 16, 2014, the Supreme Court of the United States refused to address the Argentine case against holdouts and eliminated the "stay".

The decision of the Supreme Court of the United States to dismiss the appeal filed by the Argentina confirmed the decisions of the Court of Appeals for the Second Circuit in Manhattan, initially ordering Argentina to pay US\$1.3 billion. While the Argentine government has repeatedly stated its intention to pay only the full amount to creditors who accepted the terms of 2005 and 2010 restructurings, decisions of the Court of Appeals for the Second Circuit in Manhattan, confirmed by the United States Supreme Court, imply that any potential restructured debt payment, which is not accompanied by a payment to creditors favored by these rulings, could be garnished. On June 30, 2014, the deadline for the payment of interest installments of certain bonds expired. The government transferred the respective funds to the trustee, the Bank of New York Mellon, to cancel the payment, but the funds were blocked by the Court. On July 30, 2014, the grace period expired for payment of said interest installments, and the above payment has not yet been cancelled. On September 11, 2014, the Argentine government passed Law 26,984 replacing the paying agent to Nación Fideicomisos S.A. in the city of Buenos Aires. With this law the government sought to create a new voluntary exchange of restructured debt. Furthermore, in August 2014, the Central Bank revoked the license of the Bank of New York Mellon to act in Argentina. The September 29, 2014, Judge Thomas Griesa proclaimed Argentina in contempt, due to noncompliance with the payment ordered to the holdouts.

In 2013, Citibank filed a motion requesting the court to clarify whether the injunction prohibits its operations on the exchange bonds payments governed by Argentine law. The court allowed Citibank to process payments at the end of September and the end of December on the dollar-denominated exchange bonds governed by Argentine law. On March 12, 2015, the court denied Citibank's motion.

The lawsuits filed by the holdouts against the Argentine government could lead to freezing or locking injunction of assets of Argentina, which are considered its property, which could have a material adverse effect on the economy and affect our ability access to international financing or pay our debts. As a result of the failure of Argentina to completely restructure its remaining sovereign debt and negotiate with creditors, the Argentine government may not have the financial resources needed to implement reforms and foster economic growth, which, in turn, could have an adverse effect on the country's economy equipment and, consequently, our business and operating results. Moreover, Argentina's inability to obtain credit in international markets could have a direct impact on our own ability to access international credit markets to finance our operations and our growth, which could adversely affect our results and financial position.

Until this date, Argentina has not been able to reach an agreement with creditors and there are no certainties concerning the possibility of bondholders participating in a new exchange.

For more information see *Item 5. Operating and Financial Review and Prospects – Effects of Recent Events on BBVA Francés*.

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. 1,722 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. 3,378/12 creating a new 15% tax on the purchase of assets and services in foreign countries paid with credit or debit cards, including purchases through the internet. This new tax is considered an advanced payment of the taxpayers’ annual income tax.

Moreover, on March 18, 2013, the NTB issued Resolution Nr. 3,450/13, 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. 3,550/13, 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. 3,579 and 3,582, 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. 3,583 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 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. In late 2014 the government signed a currency swap agreement with China which contributed to moderate the drop in reserves, which ended at US\$31.44 billion in December 2014. The foreign exchange rate has gradually depreciated during the year and ended in Ps.8.552/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.

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. Notwithstanding that, on 2014, this scenario started to change, and deposits started to grow at a higher rate than credits.

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 are 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.4,051.1 million in 2014 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 September 3, 2014, Central Bank issued Communication "A" 5627 limiting foreign currency positions of financial entities. This limit is fixed at a 20% of the RPC ("Responsabilidad Patrimonial Computable" or "Total Capital") (See "Item 4. Information on the Company – The Argentine Banking System and its Regulatory Framework – Capital Adequacy Requirements – Central Bank Rules" and "Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Capital Requirements" on page 127, which include a tabular presentation as of December 2014, 2013 and 2012) of each entity.

On June 10, 2014, the Central Bank issued Communications "A" 5590, "A" 5591 and "A" 5592, through which, it adopted a set of rules regarding the reference interest rate for personal loans and car loans granted to retail customers, that are not considered as micro, small and medium size companies (MiPyMEs). In addition, it established new rules regarding fees and charges for basic financial products and services. Beginning on the effective date of the rule, financial institutions must have prior authorization from the Central Bank to implement increases to the cost of those services. The rule also specifically defines which financial services are considered basic.

On October 6, 2014, the Central Bank issued new regulations. Communication "A" 5640 establishes a minimum reference interest rate for fix-term deposits held by individuals that not exceed Ps.350,000. Communication "A" 5641 increases the monthly contribution that banks must aside each month to fund the Deposits Guarantee Fund (Fondo de Garantía de los Depósitos) from 0,015% a 0,06% of the monthly average of the daily deposits balance.

On December 23, 2014, the Central Bank issued Communication “A” 5685 amending Communication 5460, stating that any increase in commissions of new products or services must have the prior authorization of the Central Bank. Moreover, Communication “A” 5694 of the Central Bank sets a new core capital requirement of 1% of assets qualified by risk (APR) for systemic institutions with gradual implementation from 2016 until 2019, however immediately applicable to effects distribution of results.

Additionally, according to Communication “A” 5689 from the Central Bank, dated January 8, 2015, financial entities must deduct from the possible dividend distribution amount, any fine enforced by the Central Bank, the Securities and Exchange Commission and the Financial Unit of Anti Money Laundering.

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 2014, 12 legal labor actions were filed against AFJP claiming differences in severance payment amounts. The difference in amounts, are immaterial and include wage differences, overtime payments which are due, and payment of additional commissions. 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. If AFJP were to have insufficient funds to cancel all of its debt obligations and culminate the liquidation process, AFJP's creditor could have in certain circumstances recourse to BBVA Francés as BBVA Francés holds a 53.89% equity interest in AFJP.

ITEM 4. INFORMATION ON THE COMPANY**RECENT POLITICAL AND ECONOMIC DEVELOPMENTS IN ARGENTINA****Macroeconomic Environment**

The GDP, as the most representative meter of economic activity, showed no significant change in the first nine months of 2014, and remained at the level of the same period of the preceding year. This is the consequence of a 0.9% decrease in private consumption during the first three quarters of the year, a 4% decrease in investment and a 9.8% decrease in exports. These setbacks were offset by a 2.3% increase in public consumption and a 10.5% decrease in imports over the same period.

The labor market was not immune to this situation of slow growth. The unemployment rate were 7.5% in the third quarter of 2014, 0.7 percentage points above the 6.8% value recorded in the same quarter of 2013. The salaries index, in the meantime, accumulated at October 2014 an increase of 32.6% over the same period of 2013 in the general level, whereas the improvement was 30.2% for registered workers in the private sector, 38.9% for non-registered private workers, and 33.7% for public sector employees.

Starting in January 2014, the National Statistics and Census Institute (INDEC) published a new price index, the so-called National and Urban Consumer Price Index (IPC-NU). The main characteristics of this new index are its national coverage and the new goods and services baskets being measured. The new indicator comprises 6 geographical zones with their respective regional baskets. Measured by the new IPC-NU, the accumulated inflation was 23.9% as at 31 December 2014. The Other Goods and Services chapter was at the head of the year-to-year increases with 32.9%, followed by Health with 28.7% and Transport with 27.7%.

During 2014, the fiscal policy remained on expansive ground, recording a primary fiscal deficit of Ps.38,562 billion, as against Ps.22,479 billion in the same period of the previous year, representing a deterioration of 71.5%. This was the consequence of a 43.4% increase in primary spending during the period, compared to a 42.5% increase in total spending.

In the list of outlays stands out a 58.5% year-over-year rise in transfers to the private sector, a 44.7% rise in capital outlays and a 160% rise in the deficit of public companies, each items that grew well above the primary spending average for the year. With a growth below the average there followed salaries (40.9%), transfers to the provinces (25.5%) and social security contributions (33.6%).

On the other hand, income was supported by revenues of the Argentine Central Bank (BCRA) and the ANSES, which increased by about 107%, whereas tax revenues and social security increased 39.3% and 30.9% during 2014, respectively. After the payment of interest, the National Government ended up with an operational deficit of Ps.109,720 billion, 70.2% above the deficit in 2013.

Tax collection grew 36.2% in the year, led by income tax (44.8%) and withholdings on exports (50.6%), and further positively affected by the exchange-rate devaluation carried out at the beginning of the year. The performance of VAT and Social Security was somewhat weaker, with 32.7% and 28.8% increases, respectively.

The trade balance, as the country's main source of foreign currency, showed a significant reduction in 2014. The period was characterized by a second half with depressed commodity prices and a lower demand from Brazil, which had its main impact on the car industry exports, while the purchases from the rest of the world had a significant slump in Capital Goods' Parts and Accessories, followed by Consumer Goods. Against this scenario, foreign trade accumulated a balance of US\$6,687 billion, 16.4% less than in 2013. Sales to the rest of the world amounted to US\$71,936 billion, 11.9% below 2013, which after disaggregation results in a fall of 10% in amounts and 2% in prices. In the column of imports, which amounted to US\$65,249 billion, the total variation was -11.4% in the year due to a volume 23% below 2013 with prices that amounted to only 1%.

The peso underwent a sharp devaluation (23%) in January 2014, later stabilizing its fall at a monthly average of 0.85% for the rest of the year. Thus the exchange rate reached 8.55 Ps./US\$ at the close of 2014 (31% increase in the year), with an average for December of 8.55 Ps./US\$, 35.3% above the 6.32 Ps./US\$ of December 2013.

International reserves at 31 December 2014 amounted to US\$31,443 billion, a net variation of US\$843 million with respect to the balance at the end of 2013. Since January, the government allowed once again the purchase of foreign currency for accumulation purposes, by amounts related to the income declared by private persons. A total of US\$2,966 billion were sold under this scheme. As far as foreign currency income is concerned, the settlements from exports amounted to US\$23,778 billion, and there was an extraordinary income of US\$2,314 billion from a SWAP transaction with the Popular Bank of China, which contemplates a total of up to US\$11,000 billion, and US\$795 million from a public bid for mobile phone frequencies.