

Since the repeal of the Convertibility Law in January 2002, the peso has devalued approximately 1,345.58% vis-à-vis the dollar.

	December 31,				
	2015	2014	2013	2012	2011
Devaluation Rate	52.07%	31.21%	32.55%	14.27%	8.23%
Exchange Rate	13.0050	8.5520	6.5180	4.9173	4.3032
Inflation Rate ⁽¹⁾	10.58%	28.27%	14.76%	13.13%	12.67%

(1) The inflation rate presented is for Wholesale Price Index ("IPIM" by its acronym in Spanish) published by the INDEC.

B. Capitalization and indebtedness

Not applicable.

C. Reasons for the offer and use of proceeds

Not applicable.

D. Risk Factors

Risks Relating to Argentina

Overview

We are an Argentine corporation (sociedad anónima), and the 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. On December 10, 2015, Mauricio Macri, leader of the opposition party Cambiemos, was sworn in as the new President of Argentina after defeating Daniel Scioli, the candidate of President Cristina Fernández de Kirchner's party, in a runoff presidential election. Since assuming office, the new administration (the "Macri Administration") has announced and implemented several significant economic and policy reforms, which are further described below and which will continue to affect the quality of our assets, our financial condition and our results of operations.

The impact of the recent congressional and presidential elections on the future economic and political environment of Argentina is uncertain, but likely to be material.

Presidential and congressional elections took place in Argentina on October 25, 2015 and a runoff election (ballotage) between the two leading presidential candidates was held on November 22, 2015, which resulted in Mr. Mauricio Macri being elected as the new President of Argentina. The Macri Administration assumed office on December 10, 2015. Since assuming office, the Macri Administration has announced and/or implemented several significant economic and policy reforms, including:

§ *Foreign exchange reforms.* The Macri Administration announced certain reforms to the foreign exchange market intended to eliminate the majority of foreign exchange restrictions enacted under the Fernández de Kirchner Administration. These reforms are expected to provide greater flexibility and easier access to the *Mercado Único y Libre de Cambios* (the "MULC"). The principal measures adopted so far include: (i) the reestablishment of Argentine residents' rights to purchase foreign currency in an amount up to U.S.\$2.0 million per month to acquire offshore assets without specific allocation; (ii) the effective elimination of a mandatory, non-transferable and non-interest bearing deposit in connection with certain transactions involving foreign currency inflows by reducing the amount of the deposit from 30% of the amount of such transactions to 0%; and (iii) the elimination of the requirement of a minimum holding period (72 business hours) related to the purchase and sale of securities in different stock exchange markets. Following the lifting of certain restrictions, on December 17, 2015, the Argentine peso devalued against the U.S. dollar to levels lower than the levels indicated by the informal foreign exchange market prior to the adoption of these measures.

§ *INDEC reforms.* On January 8, 2016, based on the conclusion that the Argentine Official Statistics Bureau (the National Statistics and Censuses Institute "INDEC") had failed to produce reliable statistical information in the past, particularly with respect to CPI, GDP and foreign trade data, the Macri Administration issued Decree No. 55/2016 declaring the state of administrative emergency for the national statistical system and the INDEC until December 31, 2016. See "*High inflation rates could negatively affect the Argentine economy in general, including access to the long-term financing market*" below.

It is expected that the new management team of the INDEC appointed by the Macri Administration will implement certain methodological reforms and adjust certain macroeconomic statistics on the basis of such reforms.

§ *Foreign trade reforms.* In an effort to increase revenues from Argentina's export base, the Kirchner and Fernández de Kirchner Administrations, respectively, had intervened in certain sectors, particularly the agricultural sector, imposing export restrictions and increasing export duties. The Macri Administration eliminated export duties on certain products and reduced them on others. Further, the 5% export duty on most industrial exports was eliminated. With respect to payments for imports and services to be performed abroad, the Macri Administration announced the gradual elimination of restrictions on access to the MULC for transactions originated before December 17, 2015 ("Stock Debt") and its complete elimination for transactions executed after December 17, 2015. Under the new regulations, the quantitative limitations for Stock Debt are scheduled to gradually decrease and be completely eliminated by June 2016.

§ *Agreements with bondholders.* The Macri Administration's has reached a definitive agreement with bondholders holding defaulted bonds and who did not accept the terms of the bond exchanges offered by Argentina, closing a 15-year trial and ending the default situation.

§ *Access to the international capital markets.* The end of the holdout dispute, will likely enable Argentina to access the capital markets and to regain access to international debt markets at reasonable interest rates and without the risk of foreclosure.

§ *Deficit reduction.* The Macri Administration has announced its intention to reduce the primary budget deficit from approximately 5.8% of GDP in 2015, to 4.8% of GDP in 2016 and 3.3% of GDP in 2017, by eliminating existing subsidies to certain public services and by allocating public spending more efficiently.

§ *National electricity state of emergency and reforms.* Following years of limited investment in the energy sector, as well as continued freezing of electricity and natural gas tariffs since the government adopted emergency measures in 2002, Argentina began to experience energy shortages in 2011. In response to the growing energy crisis, the government at the time declared a state of emergency with respect to the national electricity system, which will be effective until December 31, 2017. The state of emergency allows the government to take actions designed to guarantee the supply of electricity, such as instructing the Ministry of Energy to elaborate and implement, with the cooperation of all federal public entities, a coordinated program to guarantee the quality and security of the electricity system. In addition, through Resolution No. 6/2016 of the *Ministerio de Energía y Minería de la Nación* (National Ministry of Energy and Mining) and Resolution No. 1/2016 of the *Ente Nacional Regulador de la Electricidad* (National Electricity Regulatory Agency), the Macri Administration announced the elimination of some energy subsidies and a substantial increase in electricity tariffs.

§ *Creation of new financial instruments.* The Macri Administration is planning to create indexed financial instruments to channel savings and investment. The lack of inflation-adjusted financial instruments discourages savings and investment.

§ *Price agreements.* The Macri Administration's announced goal is to reach general and voluntary price agreements with companies and salary agreements with unions during the first semester of 2016 as an additional tool to combat inflation, one of Argentina's main problems.

It is too early to predict as of the date of this annual report the impact that these measures will have on the Argentine economy and our business. There is uncertainty as to whether the Macri Administration will succeed in implementing all of the measures announced during the Presidential election campaign and as to the timing of their implementation. Even if adopted, such measures may fail to achieve the intended results. Additionally, despite Macri's victory in the Presidential elections, his party does not have a majority of the seats in Congress, which will require the Macri Administration to seek political support from the opposition for its economic proposals. Further, new unexpected events may develop that create political and/or economic instability in Argentina. The inability of the Macri Administration to implement its agenda as a result of lack of political support or otherwise may weaken confidence in, and otherwise adversely affect, the Argentine economy and its economic and political conditions, which could in turn adversely affect our business, results of operations and financial condition.

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

High inflation rates have led to the loss of competitiveness of Argentine exports in international markets and to a decline in private consumption, causing a negative effect on economic activity and employment. Moreover, high inflation rates have in the past and could in the future undermine confidence in the Argentine financial system, in particular with respect to the peso deposit base,

deteriorating the demand for pesos and leading to a portfolio dollarization, which would in turn cause a decrease in the deposit base. This would negatively affect the business volume of banks, including BBVA Francés.

Since 2007, consumer price index (“CPI”) data for the Greater Buenos Aires area (the “CPI-GBA”) and for other Argentine regions/provinces published by the INDEC has not been consistent with CPI data published by private institutions. These inconsistencies created uncertainty regarding the country’s actual inflation rate and made it difficult to anchor inflation expectations. It should be noted that assets, such as public bonds, indexed to the Benchmark Stabilization Ratio (Coeficiente de Estabilización de Referencia or “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”*.

Argentina’s professional accounting standards require applying Technical Pronouncement No. 6 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) (as amended by Technical Resolution No. 19), which sets forth that financial statements are to be restated in constant currency when the country’s economic environment exhibits certain characteristics. A prerequisite for the application of this pronouncement is that inflation as accumulated throughout a three-year period, measured by the so-called Domestic Wholesale Price Index (the “IPIIM”) published by the INDEC attains or exceeds 100%. As per the latest information released by the INDEC, inflation accumulated in the period from October 31, 2012 to October 31, 2015 measured by the IPIIM index was 66%. Therefore, the prerequisite for restatement into constant currency of the information contained in the consolidated financial statements is not satisfied. If this prerequisite were satisfied, the restatement of the consolidated financial statements in constant currency would be mandatory.

In February 2014, following the imposition by the International Monetary Fund (the “IMF”) of certain requirements to improve the quality of official data, including inflation and GDP data, Argentina began to report a new CPI index (the “CPI NU”), which covers the whole country and uses a new base year (fourth 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 delayed the definitive evaluation of the new index. The new index replaces the previous measurement and is used to calculate CER indexation.

The Macri Administration has recognized the previous government’s interference with the INDEC and the unreliability of the data it published. On January 8, 2016, the Macri Administration issued Decree No. 55/2016, declaring the state of administrative emergency related to the national statistical system and the INDEC until December 31, 2016. INDEC has thus ceased publishing statistical information until its technical and administrative structure is reorganized. During this reorganization period, which is expected to last between six and eight months, the INDEC is to use the official CPI figures and other statistics published by the Province of San Luis and the City of Buenos Aires.

Moreover, in February 2016, the Minister of the Economy Alfonso Prat-Gay announced that the IMF will conduct inspections in Argentina pursuant to Section IV of the by-laws of the IMF, which allows officials to conduct inspections with employers and unions in order to make economic recommendations to member countries.

Although the Macri Administration has consistently informed that one of its main goals is to control and reduce of inflation, it remains uncertain as of the date of this annual report whether the reforms described above will be implemented as planned, and whether, even if implemented, will be successful at all. It is also uncertain the extent to which official data will be reviewed and what effect these reforms will have on the Argentine economy or our consolidated financial statements. No assurance can be given as to the reliability of the official data as the INDEC’s data may be materially revised at any time and reveal different historical or prevailing economic conditions and performance from those previously believed, which could in turn affect the credibility of Argentina and its economic and political conditions. All these factors could adversely affect our business, results of operations and financial condition.

A considerable increase in the government’s expenditure could negatively affect the Argentine economy and its access to international financial markets.

Starting in 2005, public expenditures began to increase faster than public revenues and the primary fiscal balance of the national public non-financial sector went from a surplus of 3.2% of GDP in 2004 to a deficit of 5.3% of GDP in 2015. The fiscal deficit deteriorated during 2015, reaching Ps. 225.6 billion as of the year end, which represented a 105.6% increase compared with the 2014 fiscal deficit. The Macri Administration announced gradual adjustments to the fiscal deficit of around 5 percentage points of GDP per year until 2019. Most of the fiscal adjustments are intended to come from the elimination of the subsidies to the energy sector, a measure which is currently being implemented, the reduction of the overall tax burden, the reduction of export duties and the income tax reform announced by the Macri Administration.

Any further deterioration of the government's fiscal position, however, would negatively affect its ability to access the debt markets and could in turn result in more limited access to such markets by Argentine companies, including BBVA Francés.

Moreover, the former government has started issuing debt in the local Argentine market again after a number of years without it, which Argentine private banks, such as BBVA Francés, often purchase. The Macri Administration has announced that it will continue to issue debt in the local Argentine market and this could lead to increased exposure of private banks, such as BBVA Francés, to the public sector.

It is uncertain whether the Macri Administration will succeed in implementing its strategy to reduce the fiscal deficit and public expenditures, particularly in light of the fact that any measures subject to congressional approval will require support from the opposition. Failure to implement these policies, or if they prove ineffective, could negatively impact consumers' purchasing power and lead to overall higher prices. Furthermore, the government's primary fiscal balance could be negatively affected if public expenditures continue to increase in the future. A weaker fiscal position could have a material adverse effect on the government's ability to obtain long-term financing and adversely affect economic conditions in Argentina, which could adversely affect our business, results of operations and financial condition.

Holdout creditors who participated in the debt exchange that took place in 2005 and 2010 have filed numerous lawsuits against Argentina in several jurisdictions, including the United States, which have resulted in limitations on the country's ability to make payments on certain of its outstanding debt and access the international capital markets. It cannot be assured that further litigation against Argentina will not negatively affect its assets or Argentina's ability to access the international capital markets.

In 2005 and 2010, Argentina conducted exchange offers (the “Exchange Offers”) to restructure part of its sovereign debt that had been in default since the end of 2001 (the “Defaulted Debt”). As a result of the Exchange Offers, Argentina restructured over 92% of its eligible Defaulted Debt. Holders of Defaulted Debt who participated in the Exchange Offers (the “Exchange Bondholders”) obtained new bonds with different terms (the “Exchange Bonds”).

Bondholders who did not participate in the Exchange Offers (the “Holdouts”) have obtained favorable rulings in the U.S. District Court for the Southern District of New York (the “District Court”) ordering the payment by Argentina of the principal amount and interest due on their bonds. The District Court held that repaying the Exchange Bondholders but not the Holdouts would violate the pari passu clause of the bonds held by the Holdouts and enjoined Argentina from making any payment on the Exchange Bonds unless similar payments were made to the Holdouts (the “Pari Passu Injunctions”). The U.S. Court of Appeals for the Second Circuit (the “Second Circuit”) upheld the District Court’s rulings on several occasions and ordered Argentina to pay US\$1.3 billion plus post-judgment interest to the Holdouts. The Second Circuit stayed its decision pending Argentina’s appeal to the U.S. Supreme Court (the “Supreme Court”). On June 16, 2014 the Supreme Court declined to review the Second Circuit’s decision and the stay was lifted shortly thereafter.

By denying Argentina’s petition for review, the Supreme Court upheld the Second Circuit’s decision ordering Argentina to pay US\$1.3 billion to the Holdouts. While the Argentine government has repeatedly stated its intention to pay the full amount only to the Exchange Bondholders, any potential payment to the Exchange Bondholders not accompanied by a similar payment to the Holdouts could be blocked based on the decision of the Second Circuit. On June 30, 2014, the deadline for the payment of interest installments on certain Exchange Bonds expired. The government transferred the necessary funds to the trustee, the Bank of New York Mellon, to make the payment, but the funds were blocked by the District Court. On July 30, 2014, the grace period expired for payment of said interest installments and the payments had not yet been cleared. On September 11, 2014, the Argentine government passed Law 26,984 (the “Sovereign Payment Law”) replacing Bank of New York Mellon with a local Argentine bank, Nación Fideicomisos S.A. in the city of Buenos Aires, as trustee. 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. On September 29, 2014, the District Court held Argentina in contempt, due to its attempts to make payments to the Exchange Bondholders but not to the Holdouts, in defiance of the District Court’s orders.

In February 2016, the Macri Administration announced initial agreements with several groups of Holdouts and made a settlement proposal to all other Holdouts, including those with pending claims in U.S. courts. In turn, in March 2, 2016, the District Court ordered the Pari Passu Injunctions, including the so-called “me too injunctions” (injunctions carried out by other creditors which were not included in the original Holdouts’ claim) to be automatically vacated once (i) Argentina repeals Law No. 26,017 issued during Fernández de Kirchner Administration under which the government would not make payments to Holdouts and also repeals the Sovereign Payment Law, and (ii) Argentina pays in full the parties who have entered into settlement agreements on or before February 29, 2016 (the “March 2 Order”). On March 31, 2016, Congress approved the so-called Debt Authorization Law repealing the legislative obstacles to settle claims with Holdouts and approving the settlement proposal. The Court of Appeals affirmed the March 2 Order and instructed the District Court to monitor and confirm that the actual payment to the Holdouts takes place under the terms of the relevant agreements.

On April, 22, 2016, Argentina began the process of transferring the funds for the payment to the holdouts in order to terminate the default situation of 2001 and the 15-year trail. The payment was split between US\$6,200 million to be paid directly by a transfer of funds for those holdouts who signed an agreement with the Macri Administration before February 29, 2016 and another US\$3.1 billion to be transferred to a trust in the Bank of New York for those who reached an agreement to after that date. After these payments, Judge Thomas Griesa decided to lift the precautionary measures.

Not all creditors have agreed to settle on the Macri Administration’s proposed terms and other holders of untendered debt who have not yet agreed to the settlement proposal of the Macri Administration litigation continue in the United States and other jurisdictions, and the consequences of potentially inconsistent rulings from different courts are unclear. As a result of this continuing and potential future litigation, it cannot be assured that further judgements, injunctions or attachments orders could not lead to the freezing or attachment of some of Argentina’s assets, which could have a material adverse effect on the Argentine economy and affect our ability to access international financing or pay our debts.

The Argentine economy remains vulnerable to external events that could be caused by significant economic difficulties of Argentina’s major regional trading partners or by more general “contagion” effects, which could have a material adverse effect on Argentina’s economic growth and its ability to service its public debt.

Weak, flat or negative economic growth of any of Argentina’s major trading partners, such as Brazil, could adversely affect Argentina’s balance of trade and, consequently, Argentina’s economic growth. Brazil is currently Argentina’s largest export market. The Brazilian GDP decreased by 3.8 % during 2015, mainly due to a 8.3% decrease in industrial production. In addition, the Brazilian

real depreciated by 33% against the U.S. dollar over the course of 2015, according to the Brazilian institute of geography and statistics (Instituto Brasileiro de Geografia y Estadística, IBGE).

Moreover, Brazil is currently undergoing an internal political crisis as its congress initiated an impeachment process against the current President Dilma Rousseff, who faces charges of manipulating the budget deficit and attempt to obstruct an investigation of a potential multibillion-dollar bribery scheme at Petrobras, the state-controlled oil giant.

The Argentine economy may also be affected by “contagion” effects. International investors’ reactions to events occurring in one developing country sometimes appear to follow a “contagion” pattern resulting in an entire region or investment class being disfavored by international investors. In the past, the Argentine economy has been adversely affected by such contagion effects on a number of occasions, including the 1994 Mexican financial crisis, the 1997 Asian financial crisis, the 1998 Russian financial crisis, the 1999 devaluation of the Brazilian real, the 2001 collapse of Turkey’s fixed exchange rate regime and the global financial crisis that began in 2008.

The Argentine economy may also be affected by conditions in developed economies, such as the United States, that are significant trading partners of Argentina or have influence over world economic cycles. For example, if interest rates increase significantly in developed economies, including the United States, Argentina and its trading partners, such as Brazil and other developing economies, could find it more difficult and expensive to borrow capital and refinance existing debt, which could adversely affect economic growth in those countries.

Any of these factors could adversely affect Argentine economic growth. As an Argentine bank, any of these factors would in turn adversely affect our business, results of operations and financial condition.

A decline in international prices for Argentina’s principal commodity exports could have a material adverse effect on Argentina’s economy and public finances.

Commodities markets have historically been characterized by high volatility. Despite the volatility of prices of most of Argentina’s commodities exports, commodities have significantly contributed to the government’s revenues during recent years. Consequently, the Argentine economy has remained relatively dependent on the price of its main agricultural exports, primarily soy. This dependence has, in turn, rendered the Argentine economy more vulnerable to fluctuations in commodity prices. A decline in commodity prices may adversely affect the Argentine economy, as well as its public finances due to a decrease in government revenue from export taxes. As of the date of this annual report, the Macri Administration has eliminated export taxes on many agricultural products and reduced the export taxes on soy from 35% to 30%. Any reduction in commodity prices or further reduction of export taxes could negatively impact Argentina’s public finances, which could in turn adversely affect our business, results of operations and financial condition.

The relatively low level of international reserves could lead to further depreciation of the peso if there is an abrupt increase in foreign currency demand by the public in the new floating exchange rate system.

The level of international reserves of the Central Bank has increased by more than 4 billion dollars since the Macri Administration took office even though there has been virtually no Central Bank intervention in the foreign exchange market since the removal of certain foreign exchange restrictions. The Central Bank is now committed to a policy of floating exchange rates in order to deviate from the devaluation-inflation dynamics that have affected the Argentine economy in recent years. During the first 100 days in office of the Macri Administration, the Central Bank obtained a loan of US\$5 billion from a group of seven international banks in order to strengthen its international reserves.

For the same purpose, during December 2015, the Central Bank also converted Chinese Yuans into U.S. dollar in an amount of US\$3 billion under the terms of the swap currency agreement with China. This currency swap was originally made for the equivalent of US\$11 billion and, although the funds were recorded on the Central Bank's balance sheet, they were not considered as available liquidity. The swap agreement already contemplated the possibility of the conversion of Chinese Yuans into U.S. dollars at a cost and the fact that the IMF officially accepted the Yuan as a reserve currency further facilitated the transaction. The current stock of international reserves held by the Central Bank subtracting the currency swap with China and the US\$5 billion loan with international banks is relatively low, which would reduce the capacity of the Central Bank to endure a hypothetical increase in demand of foreign currency.

Moreover, because of the final agreement reached with the Holdouts, the Central Bank received US\$7,200 million to be added to reserves due to the oversubscription of the debt issued to pay the holdouts and exit the default.

A low level of international reserves could lead to a further depreciation of the peso, if there is an abrupt increase in foreign currency demand, which could in turn adversely affect our business, results of operations and financial condition.

Risks Relating to the Argentine Financial System and to BBVA Francés

The short-term structure of the deposit base of the Argentine financial system, including the deposit base of 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 deposit levels took place. As a result of the global financial crisis, deposit levels decreased again during 2008 until the last semester of 2009 but they have been increasing since then.

The growth of the Argentine financial system is heavily dependent on deposit levels because of the small size of the Argentine capital markets and the lack of access to foreign capital markets in recent years. In the medium term, the growth of credit will likely depend on the growth of deposit levels. During the 2011-2013 period, credit grew at a higher rate than deposits, thereby consuming excess liquidity of financial institutions. In 2014, this scenario started to change, and deposits started to grow at a higher rate than credit.

The liquidity of the Argentine financial system at the present date is relatively high due to the high level of mandatory deposit reserves applicable to Argentine financial entities, among other short-term investments, such as repurchase transaction with the Central Bank. These liquid assets account for approximately 20% of the total deposits of the Argentine financial entities as of December 31, 2015. Banks can also invest in short-term Central Bank bills (Lebac) which also increase the liquidity ratios of the financial system.

Notwithstanding that, because most deposits are short-term deposits, a substantial part of loans must also have short-term maturities to match the terms of the deposits. The proportion of long-term credit lines, such as mortgages, is small.

Although we believe that deposit liquidity levels are currently reasonable, no assurance can be given that those levels will not be reduced due to future negative economic conditions or otherwise. If depositors lose confidence as a result of negative economic conditions or otherwise and withdraw significant funds from the banks, there will be a substantial negative impact on the manner in which financial institutions, including us, conduct their business and on their and our ability to operate as financial intermediaries. If Argentine financial institutions, such as BBVA Francés, are unable to access adequate sources of medium and long-term funding or if they are required to pay high costs in order to obtain the same and/or if they cannot generate profits and/or maintain their current volume and/or scale of their business, whether due to a decline in deposits or otherwise, our liquidity position and ability to honor our debts as they come due may be adversely affected.

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

During Cristina Kirchner's second term as President a series of new regulations were issued affecting financial institutions, mainly regulating the foreign exchange market and imposing 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 required 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 stated that these new requirements were based on the credit risk measure required by Basel II. For more information regarding capital requirements for Argentine banks please see *"Item 4. Information on the Company—F. The Argentine Banking System"*. Moreover, a new law was approved by the Congress introducing amendments to the Central Bank's charter. The principal issues addressed by this bill were 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 determination of interest rates and terms of loans to financial institutions.

The Central Bank issued Communications "A" 5319 and "A" 5380, dated July 5, 2012 and December 21, 2012, respectively, and Communication "A" 5516, dated December 27, 2013, making it mandatory for banks to provide credit lines for productive purposes. The government's intention was to increase investments, although an increase in the demand for these loans could in turn lower the demand for other types of loans. BBVA Francés used approximately Ps.6,691 million in 2015 for these types of loans.

On November 29, 2012, the Argentine Congress passed the new "Securities Law", which modified the public offer regime set forth by Law No. 17,811, as amended. One of the most significant amendments introduced by the Securities Law referred to the powers of the CNV. The adoption of Section 20 of the Securities Law raised concern in the market, especially among listed companies, since it entitles the CNV to (i) appoint supervisors with veto power over the resolutions adopted by the board of directors of listed companies and (ii) disqualify the board of directors of listed companies for a period of 180 days when, as determined by the CNV, the interests of the minority shareholders and/or security holders are adversely affected.

On October 1, 2013, the Central Bank issued Communication "A" 5460, granting broad protections to consumers of financial services, including, among other aspects, the regulation of fees and commissions charged by financial institutions for their services. As a result, fees and charges must represent a real, direct and demonstrable cost and should have technical and economic justification. Communication "A" 5514 introduced an exception to the application of Communication "A" 5460 for certain credit agreements that have pledges as collateral and are entered into before September 30, 2019.

On December 23, 2014, the Central Bank amended Communication "A" 5460 through Communication "A" 5685. As a result of this amendment, any increase in commissions for new products or services for retail customers must have the prior authorization of the Central Bank.

Additionally, according to Central Bank Communication "A" 5689, dated January 8, 2015, financial entities must deduct from the potential dividend distributable amount any fine imposed by the Central Bank, the CNV and the *Unidad de Información Financiera* (the Argentine anti-money laundering agency, "UIF").

While the Macri Administration has repealed part of the regulatory framework enacted by the Fernández de Kirchner Administration, such as (i) the restrictions on the foreign exchange market, (ii) the regulations concerning minimum and maximum interest rates on certain loans and deposits, (iii) the requirements governing the flow of capital into Argentina, (iv) the percentage of foreign currency positions of financial entities, (v) the monthly contributions that banks must set aside each month to fund the deposit guarantee fund, (vi) and additional capital requirements, it is still early to know whether the new regulatory framework will be stable and the impact that the new regulatory framework may have on the Bank's business. The absence of a stable regulatory framework or a new regulations that may affect the banks business could limit the ability of financial institutions, including BBVA Francés, to make long-term decisions, such as asset-allocation decisions, and that could cause uncertainty with respect to our future business, results of operations and financial condition. We cannot assure that laws and regulations currently governing the financial sector will not continue to change in the future or that any changes will not adversely affect our business, results of operations and financial condition.

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 those in the United States. 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 limit foreign investors’ ability to evaluate our business, results of operations and financial condition, and influence foreign investors’ decisions whether to invest in Argentine securities, thereby limiting 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 in Argentina a judgment against them obtained in the courts of the United States 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 could 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, shareholders may realize substantially less on the claims than they would in a bankruptcy proceeding of a non-financial institution in Argentina or a financial institution or non-financial institution in 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 No. 24,485, in force since April 18, 1995 and as amended by Law No. 25,089, provides that in case of judicial liquidation or bankruptcy of a financial institution such as 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 a 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.

In case of a judicial liquidation or bankruptcy of a financial institution such as the Bank, shareholders may not be able to partially or completely recover their investment due to the priority imposed by law.

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 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, our collateral obligations and our ability to access international markets. Although Argentina is not longer in default following the final agreement with Holdouts, continued volatility of, or a decrease in, Argentina's sovereign rating could limit our access to financing or make such financing more expensive for us, even if available, which could in turn adversely affect our business, results of operations and financial condition.

Factors Related to BBVA Francés' Subsidiaries

As a consequence of the social security reform and the consequent loss of corporate purpose and liquidation of our subsidiary Consolidar AFJP S.A., labor lawsuits were filed against it claiming certain payments. Adverse rulings against Consolidar AFJP in such lawsuits could result in severance payment obligations in significant amounts, which could have a material adverse effect on the financial condition of Consolidar AFJP.

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 payment of senior, disability and widow's pensions. On December 4, 2008, the Federal government enacted Law No. 26,425 to implement a social security reform, by which the government assumed any liabilities of the pension fund arising from retirement, disability and death.

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 consequent loss of its corporate business purpose, at an extraordinary shareholder meeting held on December 28, 2009, the AFJP shareholders, decided to terminate the corporate existence of the company and liquidate it. As of the present date, the liquidation process is still ongoing.

During 2015, 10 labor legal actions were filed against AFJP claiming differences in severance payment amounts. The differences in amounts are immaterial and include wage differences, overtime payments, and payment of additional commissions. AFJP has estimated this contingency and recorded the corresponding allowances it believes are appropriate. Adverse rulings against Consolidar AFJP could result in severance payments by the company in significant 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 consummate the liquidation process, AFJP's creditors 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

Argentina held presidential and legislative elections in October 2015. Daniel Scioli, candidate of the governing party, Frente para la Victoria ("FPV"), received 36.8% of the votes, followed by Mauricio Macri, of the opposition coalition Cambiemos, with 34.3%. Argentina's election system establishes that a candidate must win more than 50% of the vote or obtain least a 10% advantage over his immediate follower in order to be declared as winner in the first round of voting. Given these results, a runoff election took place in November between. Mr. Scioli and Mr. Macri, which Mr. Macri won with 51.4% of the votes. On December 10, 2015 Cambiemos took over after 12 years of FPV government.

The Macri Administration has recognized the previous government's interference with the INDEC and the unreliability of the data it published. On January 8, 2016, the Macri Administration issued Decree No. 55/2016, declaring the state of administrative emergency related to the national statistical system and the INDEC until December 31, 2016. INDEC thus ceased publishing statistical information until its technical and administrative structure is reorganized. During this reorganization period, which is expected to last between six and eight months, the INDEC is to use the official CPI figures and other statistics published by the Province of San Luis and the City of Buenos Aires..

INDEC published revised GDP figures for 2015 on March 30, 2016. According to this, Argentine GDP at constant prices grew 2.1% in 2015 with respect to 2014.

With respect to the labor market, the latest published information is for the third quarter of 2015, and reflected a decrease in the unemployment rate to 5.9% from 7.5% in the third quarter of 2014. Salaries, according to an average Salary index including both