

---

## [Table of Contents](#)

foreign creditors pursuant to the terms of our existing financial agreements while this restriction remains in force or in any additional period to which it could be extended.

### **Taxation**

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

#### **Argentine Taxes**

##### *General*

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

##### *Taxation of Dividends*

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

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

##### *Taxation of Capital Gains*

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

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

##### *Tax on Minimum Presumed Income*

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

##### *Value Added Tax ("VAT")*

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

---

## [Table of Contents](#)

### *Transfer Taxes*

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

### *Personal Assets Tax*

According to Law No. 23,966, as amended, and Decrees No. 127/1996 and 812/1996, all natural persons and undivided successions domiciled or located in Argentina or abroad (in the latter case, only with respect to assets located in Argentina, including common shares and ADSs) are subject to the personal property tax (the "Personal Property Tax") on all assets maintained as at December 31 of each fiscal year at a rate of 0.5% or 0.75% depending on the total value of the assets subject to the tax. In the case of natural persons and undivided successions domiciled or located in Argentina, a deductible of Ps.102,300 is applicable. The Personal Property Tax is based on the value at the close of the fiscal year of all such assets, which, in the case of listed securities such as common shares or ADSs, is the market value of the securities at the said date. In terms of the amendment made by Law No. 25,585 as published in the Official Gazette of 15 May 2002, the tax corresponding to shares or participations in the capital of corporations regulated by the Corporation Law, whose holders are natural persons or undivided successions domiciled in the country or abroad, shall be paid by all corporations comprised in the LOC at an aliquot of 0.5%. The corporations affected by the tax will be entitled to recover the amount so paid, even by directly retaining and/or executing the assets on account of which the tax was payable. The amendment applies for those assets existing as at and including December 31, 2002.

The corporations, partnerships, associations of persons, trusts and other legal persons ("Legal Persons") domiciled or located in Argentina are not subject to the Personal Property Tax.

All Legal Persons with domicile outside Argentina are subject to the tax. According to Law No. 25,585 as published in the Official Bulletin of 15 May 2002, it is *de jure* assumed—without admitting evidence to the contrary—that those shares and/or participations in the capital of corporations comprised in the LOC whose holders are corporations, any other kind of legal persons, companies, state entities, appropriation assets or exploitations domiciled, established or located abroad, indirectly belong to natural persons domiciled abroad or to undivided successions established there. The tax shall be determined and paid by those corporations comprised in the LOC at an aliquot of 0.5%. The corporations affected by the tax will be entitled to recover the amount so paid, even by directly retaining and/or executing the assets on account of which the tax was payable. The amendment applies for those assets existing as at and including December 31, 2002.

### *Other Taxes*

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

### *Deposit and Withdrawal of ordinary shares in Exchange for ADSs*

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

### *Tax Treaties*

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

### **U.S. Tax Considerations**

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

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

The summary is based upon tax laws of the United States including the Internal Revenue Code of 1986, as amended to the date hereof (the “Code”), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, changes to any of which may affect the tax consequences described herein possibly with retroactive effect. In addition, the summary assumes that each obligation provided for in or otherwise contemplated by the Deposit Agreement or any other related document will be performed in accordance with its terms. Prospective purchasers of the ADSs or shares are urged to consult their own tax advisors as to the United States, Argentine or other tax consequences of the purchase, ownership and disposition of ADSs or shares in their particular circumstances, including the effect of any U.S. state or local tax laws.

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

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

For United States federal income tax purposes, U.S. Holders of ADSs will be treated as the holders of the underlying shares represented by those ADSs. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying shares represented by those ADSs.

The U.S. Treasury has expressed concerns that parties to whom ADSs are released may be taking actions that are inconsistent with the claiming of foreign tax credits for U.S. Holders of ADSs. Accordingly, the analysis of the creditability of Argentine taxes described below could be affected by future actions that may be taken by the U.S. Treasury.

#### *Taxation of Distributions*

To the extent paid out of our current or accumulated earnings and profits (as determined in accordance with United States federal income tax principles), distributions, including any Argentine withholding tax, made with respect to ADSs or shares (other than certain distributions of our capital stock or rights to subscribe for shares of our capital stock) will be includible in the income of a U.S. Holder as ordinary dividend income. Such dividends will not be eligible for the “dividends received deduction” generally allowed to corporations under the Code. To the extent that a distribution exceeds our current and accumulated earnings and profits, it will be treated as a nontaxable return of capital to the extent of the U.S. Holder’s tax basis in the ADSs or shares, and thereafter as capital gain. The amount of the distribution will equal the U.S. dollar value of the Argentine pesos received, calculated by

## Table of Contents

reference to the exchange rate in effect on the date such distribution is received (which, for U.S. Holders of ADSs, will be the date such distribution is received by the Depositary), whether or not the Depositary or U.S. Holder in fact converts any Argentine pesos received into U.S. dollars at that time. Any gains or losses resulting from the conversion of Argentine pesos into U.S. dollars will be treated as ordinary income or loss, as the case may be, of the U.S. Holder and will be U.S. source. Dividends generally will constitute foreign source "passive" or "financial services" income for U.S. foreign tax credit purposes.

Subject to certain generally applicable limitations, a U.S. Holder will be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for any Argentine withholding taxes. A U.S. Holder may be required to recognize ordinary income or loss attributable to currency fluctuations upon its receipt of a refund in respect of any Argentine withholding tax to the extent that the U.S. dollar value of the refund differs from the U.S. dollar equivalent of the refund amount on the date the underlying dividend was received.

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

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

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

### *Passive Foreign Investment Company Rules*

We believe that we are not a "passive foreign investment company", or "PFIC", for United States federal income tax purposes for the taxable year 2002. However, since our PFIC status depends upon the composition of our income and assets and the market value of our assets (including, among others, less than 25 percent owned equity investments) from time to time, and based upon certain proposed Treasury regulations that are not yet in effect but are generally proposed to become effective for taxable years after December 31, 1994, there can be no assurance that we will not be considered a PFIC for any taxable year.

In the event we are a PFIC, certain unintended tax consequences could apply to you.

### *Information Reporting and Backup Withholding*

Information returns will be filed with the Internal Revenue Service in connection with payments of dividends on, and the proceeds from a sale or other disposition of, ADSs or shares. A U.S. Holder will be subject to United States backup withholding tax on these payments if the United States Holder fails to provide its taxpayer identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is furnished to the Internal Revenue Service.

### **Documents on Display**

This annual report and the exhibits thereto and any periodic reports or other information filed pursuant to the Exchange Act may be inspected without charge and copied at prescribed rates at the SEC's public reference room located at 450 Fifth Street, NW,, Washington, D.C. 25049. In addition, the SEC maintains a website that contains information filed electronically with the SEC, which can be accessed over the internet at <http://www.sec.gov>. The documents concerning Banco Francés which are referred to in this annual report may also be inspected at our offices at Reconquista 199, 1003 Buenos Aires, Republic of Argentina.