

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**
OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2013
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 001-12568

BBVA BANCO FRANCÉS S.A.

(Exact name of Registrant as specified in its charter)

BBVA FRENCH BANK

(Translation of Registrant's name into English)

Republic of Argentina

(Jurisdiction of incorporation or organization)

Reconquista 199

(C1003ABB) Buenos Aires, Republic of Argentina

(Address of principal executive offices)

Adrián Bressani – 011-54-11-4346-4286 – abressani@bbva.com – Reconquista 281 3° (C1003ABE) Buenos Aires, Republic of Argentina
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing the right to receive three ordinary shares, par value Ps.1.00 per share	New York Stock Exchange
Ordinary shares, par value Ps.1.00 per share	New York Stock Exchange*

* The ordinary shares are not listed for trading, but are listed only in connection with the registration of the American Depositary Shares, pursuant to requirements of the New York Stock Exchange.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

The number of outstanding shares of each of the classes of capital or common stock of the registrant
as of the close of the period covered by the annual report:

Title of class	Number of shares outstanding
Ordinary Shares, par value Ps.1.00 per share	536,877,850

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days: Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards
by the International Accounting Standards Board as issued Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

 Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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FORWARD-LOOKING STATEMENTS

This Form 20-F contains words, such as “believe”, “expect”, “estimate”, “intend”, “plan”, “may” and “anticipate” and similar expressions, that identify forward-looking statements, which reflect our views about future events and financial performance. Actual results could differ materially as a result of factors beyond our control, including but not limited to:

- changes in general economic, business or political or other conditions in the Republic of Argentina (“Argentina”) or changes in general economic or business conditions in Latin America;
- changes in capital markets in general that may affect policies or towards lending to Argentina or Argentine companies;
- increased costs and decreased income related to macroeconomic variables such as exchange rates and the Consumer Price Index (“CPI”);
- unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms; and
- the factors discussed under “*Item 3. Key Information—D. Risk Factors*”.

Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. BBVA Francés undertakes no obligation to update or revise these forward-looking statements or to publicly release the results of any revisions to these forward-looking statements. The accompanying information in this annual report, including, without limitation, the information under “*Item 4. Information on the Company*”, “*Item 5. Operating and Financial Review and Prospects*” and “*Item 11. Quantitative and Qualitative Disclosures About Market Risk*” identifies important factors that could cause material differences between any forward-looking statements and actual results.

PRESENTATION OF FINANCIAL INFORMATION

General

BBVA Banco Francés S.A. (“BBVA Francés”) is an Argentine bank and maintains its financial books and records in Argentine pesos and prepares its Consolidated Financial Statements in conformity with the accounting rules of the Banco Central de la República Argentina (the “Central Bank” or “BCRA”) related thereto (“Argentine Banking GAAP”), which differ in some respects from generally accepted accounting principles in Argentina (see Note 4 to our Consolidated Financial Statements) and the accounting principles in the United States (“U.S. GAAP”). See Note 22 to our Consolidated Financial Statements for a description of the principal differences between Argentine Banking GAAP and U.S. GAAP, as they relate to us, and a reconciliation to U.S. GAAP of net income and total stockholders’ equity. In this annual report, references to “\$”, “US\$” and “dollars” are to United States dollars, references to “Ps.” or “pesos” are to Argentine pesos. Percentages and certain dollar and peso amounts have been rounded for ease of presentation. Unless otherwise stated, all market share and other industry information has been derived from information published by the Central Bank.

The Consolidated Financial Statements are presented in accordance with the guidelines of Technical Resolution Nr. 21 of the Argentine Federation of Economic Sciences Professional Association (Federación Argentina de Consejos Profesionales de Ciencias Económicas—“FACPCE”) and the disclosure standards set by the Central Bank.

These Consolidated Financial Statements recognize the effects of the changes in the purchasing power of the currency through February 28, 2003, following the restatement method established by FACPCE Technical Resolution Nr. 6 (modified by Technical Resolution Nr. 19), using an adjustment rate derived from the Argentine internal Wholesale Price Index published by the National Institute of Statistics and Census (“INDEC”) of Argentina.

According to the above-mentioned method, the accounting measurements were restated by the purchasing power changes through August 31, 1995. As of that date, based on the prevailing economic stability conditions and according to the National Securities Commission (“CNV”) General Resolution Nr. 272 and Central Bank Communication “A” 2365, the accounting measures were not restated through December 31, 2001. In view of CNV General Resolution Nr. 415 and Central Bank Communication “A” 3702, the method was reinstated effective as of January 1, 2002, considering the previous accounting measures restated as of December 31, 2001.

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By Communication “A” 3921 of the Central Bank and General Resolution Nr. 441/03 of the CNV, in compliance with Decree Nr. 664/03 of the Federal Executive, application of the restatement method to Consolidated Financial Statements in equivalent purchasing power has been suspended as of March 1, 2003. Accordingly, BBVA Banco Francés S.A. applied the mentioned restatement method until February 28, 2003.

Unless otherwise indicated, financial information contained in this annual report reflects the consolidation of the following subsidiaries at and for the fiscal years indicated below:

Entity	December 31,		
	2013	2012	2011
PSA Finance Argentina Compañía Financiera S.A.	X	X	X
Consolidar AFJP S.A. (undergoing liquidation proceedings)	X	X	X
BBVA Francés Valores Sociedad de Bolsa S.A.	X	X	X
BBVA Francés Asset Management S.A. Sociedad Gerente de Fondos Comunes de Inversión	X	X	X

On January 7, 2002, Argentina abandoned the peso-dollar parity introduced in April 1991 under Law Nr. 23,928 (the “Convertibility Law”). Following the initial devaluation and the setting of an official rate exchange at Ps.1.4 per US\$1.00, the peso was allowed to float, and as of April 7, 2014 traded at approximately Ps.8.0018 per US\$1.00. See “Item 3. Key Information—Exchange Rates” for information regarding the evolution of rates of exchange since fiscal year 2009.

CERTAIN TERMS AND CONVENTIONS

As used in this Form 20-F, “BBVA Francés”, the “Bank”, the “Company” and terms such as “we”, “us” and “our” mean BBVA Banco Francés S.A. and its consolidated subsidiaries unless the context otherwise requires.

- PART I -

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The information in this section has been selected from the Consolidated Financial Statements as of the dates and for the fiscal years indicated. This information should be read in conjunction with, and is qualified in its entirety by reference to, “*Risk Factors*”, the Consolidated Financial Statements and the related notes. The selected financial data for the fiscal years ended December 31, 2013, 2012, 2011, 2010 and 2009 are derived from the Consolidated Financial Statements. For information concerning the preparation and presentation of the Consolidated Financial Statements, see “*Presentation of Financial Information*”.

See “*D. Risk Factors—Factors Related to Argentina*”, and “*Risk Factors—Factors Related to BBVA Francés*”.

	For the fiscal year ended December 31,				
	2013	2012	2011 ⁽¹¹⁾	2010	2009
	(in thousands of pesos) ⁽¹⁾				
CONSOLIDATED INCOME STATEMENT					
Amounts in accordance with Argentine Banking GAAP					
Financial income	8,235,279	5,705,193	3,565,030	3,298,259	3,039,470
Financial expenses	(3,256,852)	(2,061,131)	(1,355,698)	(814,673)	(975,431)
Gross intermediation margin	4,978,427	3,644,062	2,209,332	2,483,586	2,064,039
Provision for loan losses	(453,264)	(256,259)	(132,663)	(179,353)	(245,966)
Service charge income	3,453,850	2,530,197	1,957,724	1,485,442	1,204,703
Service charge expenses	(955,329)	(683,730)	(519,630)	(406,347)	(279,691)
Operating expenses	(3,881,972)	(3,039,731)	(2,279,500)	(1,969,461)	(1,562,326)
Net other income / (expenses)	58,664	(26,400)	254,845	38,867	(44,063)
Income before income tax	3,200,376	2,168,139	1,490,108	1,452,734	1,136,696
Income tax	(1,120,418)	(864,625)	(549,992)	(272,923)	(362,439)
Net income	2,079,958	1,303,514	940,116	1,179,811	774,257
Net (loss) / income on minority interests in subsidiaries	(55,013)	(37,874)	6,783	(16,538)	(17,851)
Final consolidated income from continued operations	2,024,945	1,265,640	946,899	1,163,273	756,406
Final consolidated (loss) / income from discontinued operations	(701)	(1,961)	58,678	34,906	(37,944)
Final consolidated income	2,024,244	1,263,679	1,005,577	1,198,179	718,462
Net operating revenue ⁽³⁾	7,476,948	5,490,529	3,647,426	3,562,681	2,989,051
Net operating income ⁽⁴⁾	3,141,712	2,194,539	1,235,263	1,413,867	1,180,759
Net income per ordinary shares from continued operations ^{(2) (9)}	3.77	2.36	1.76	2.17	1.55
Net income per ADS from continued operations ^{(2) (9)}	11.31	7.08	5.28	6.51	4.65
Net income per ordinary shares ^{(2) (9)}	3.77	2.35	1.87	2.23	1.47
Net income per ADS ^{(2) (9)}	11.31	7.05	5.61	6.69	4.41
Declared dividends per ordinary share ^{(9) (10)}	0.05364	—	—	1.49899	0.98439
Declared dividends per ADS ^{(9) (10)}	0.16092	—	—	4.49697	2.95317
Net operating income per ordinary shares ^{(2) (9)}	5.85	4.09	2.30	2.64	2.42
Net operating income per ADS ^{(2) (9)}	17.55	12.27	6.90	7.92	7.26
Average ordinary shares outstanding (000s) primary ⁽⁹⁾	536,878	536,878	536,620	536,361	487,611
Amounts in accordance with U.S. GAAP:					
Net income	2,178,544	1,541,104	698,807	804,101	1,029,755
Net income per ordinary share ^{(2) (9)}	4.06	2.87	1.30	1.50	2.11
Net income per ADS ^{(2) (9)}	12.18	8.61	3.90	4.50	6.33
Average ordinary shares outstanding (000s) primary ⁽⁹⁾	536,878	536,878	536,620	536,361	487,611
CONSOLIDATED BALANCE SHEET					
Amounts in accordance with Argentine Banking GAAP					
Cash and due from banks	12,881,781	8,614,889	6,353,428	5,691,806	5,255,412
Government and private securities	3,459,935	4,101,846	5,565,029	7,495,382	7,214,232
Loans, net of allowances	36,468,194	28,493,431	22,697,031	16,699,852	11,751,889
Other assets	5,713,714	3,574,413	4,390,157	2,693,206	2,170,060
Total assets	58,523,624	44,784,579	39,005,645	32,580,246	26,391,593
Deposits	43,759,465	34,165,053	29,165,704	22,461,307	18,334,845
Other liabilities and minority interest in subsidiaries	7,607,979	5,487,590	5,971,684	6,372,024	5,130,276
Total liabilities and minority interest in subsidiaries	51,367,444	39,652,643	35,137,388	28,833,331	23,465,121
Capital stock	536,878	536,878	536,878	536,361	536,361
Issuance premiums	182,511	182,511	182,511	175,132	175,132
Adjustments to stockholders' equity	312,979	312,979	312,979	312,979	312,979
Retained earnings	4,099,568	2,835,889	1,042,021	802,385	658,693
Unrealized valuation difference	—	—	—	88,131	(14,133)
Unappropriated earnings	2,024,244	1,263,679	1,793,868	1,831,927	1,257,440
Total stockholders' equity	7,156,180	5,131,936	3,868,257	3,746,915	2,926,472

	For the fiscal year ended December 31,				
	2013	2012	2011 ⁽¹⁾	2010	2009
	(in thousands of pesos) ⁽¹⁾				
Amounts in accordance with U.S. GAAP					
Total assets	61,316,755	47,552,013	40,367,604	33,448,725	27,760,274
Total stockholders' equity	7,615,291	5,535,611	4,003,440	4,500,072	3,696,499

SELECTED RATIOS IN ACCORDANCE WITH ARGENTINE BANKING GAAP

Profitability and Performance

Return on average total assets ⁽⁵⁾	3.92%	3.27%	2.65%	3.95%	2.90%
Return on average stockholders' equity ⁽⁶⁾	32.96%	28.51%	24.87%	34.86%	30.24%
Services charge income as a percentage of operating expenses	88.97%	83.24%	85.88%	75.42%	77.11%
Operating expenses as a percentage of average total assets ⁽⁷⁾	7.52%	7.86%	6.37%	6.68%	5.98%

Capital

Stockholders' equity as a percentage of total assets	12.23%	11.46%	9.92%	11.50%	11.09%
Total liabilities as a multiple of stockholders' equity	7.18x	7.73x	9.08x	7.70x	8.02x

Credit Quality

Allowances for doubtful loans as a percentage of total loans	1.94%	1.81%	1.91%	2.32%	2.79%
Non-performing loans as a percentage of gross loans ⁽⁸⁾	0.76%	0.65%	0.45%	0.47%	1.00%
Allowances for doubtful loans as a percentage of non-performing loans ⁽⁸⁾	254.16%	278.79%	422.14%	492.96%	277.93%

(1) Except net income per-ordinary share and net income per-ADS data and financial ratios.

(2) Assumes average ordinary shares outstanding in each period. The cash dividend amounts do not reflect any deduction for certain charges that are taken with regards to the "American Depositary Receipts".

(3) Includes: financial income, financial expenses, service charge income and service charge expenses.

(4) Includes: financial income, financial expenses, provision for loan losses, services charge income, service charge expenses and operating expenses.

(5) Net income as a percentage of average total assets, computed as the average of fiscal-year-beginning and fiscal-year-ending balances.

(6) Net income as a percentage of average stockholders' equity, computed as the average of fiscal-year-beginning and fiscal-year-ending balances.

(7) Operating expenses as a percentage of average total assets, computed as the average of fiscal-year-beginning and fiscal-year-ending balances.

(8) Non-performing loans include all loans to borrowers classified as "Problem", "Medium Risk", "High Risk of Insolvency", "High Risk", "Irrecoverable" and "Irrecoverable for Technical Decision" according to the Central Bank's loan classification system as well as all loans contractually past due 90 days or more. See "Item 4. Information on the Company—Selected Statistical Information—Allowance for Loan Losses and Loan Loss Experience".

(9) The average ordinary shares outstanding was computed as the average of the previous twelve months.

(10) For the fiscal years ended December 31, 2013, the dividends in cash authorized at the Ordinary and Extraordinary Shareholders' Meeting on April 10, 2014 were Ps.28.8 million (see Note 14.b) to the Consolidated Financial Statements). For the fiscal years ended December 31, 2012 and 2011, the Bank decided not to declare and distribute dividends as result of the issuance of Communications "A" 5272 and 5273 of the Central Bank (see "Item 8. Financial Information—Dividends"). For the fiscal years ended December 31, 2010 and 2009, the dividends were paid totally in cash.

(11) See Note 3.3. to our Consolidated Financial Statements.

Declared Dividends

The table below shows the declared dividends paid on each ordinary share and the equivalent of those dividends expressed in terms of dividends per American Depositary Share, each representing three ordinary shares (the “ADSs”), in each case adjusted for all stock dividends during the relevant periods. The Central Bank requires that we maintain 20% of our net income in legal reserves.

	Declared Dividends Per Ordinary Share ⁽⁶⁾		Declared Dividends Per ADS ⁽⁶⁾	
	Ps. ⁽¹⁾	US\$	Ps. ⁽¹⁾	US\$
	December 31, 2013 ^{(2) (5)}	0.05364	0.00670	0.16092
December 31, 2012 ⁽²⁾	—	—	—	—
December 31, 2011 ⁽²⁾	—	—	—	—
December 31, 2010 ^{(2) (4)}	1.49899	0.36994	4.49697	1.10981
December 31, 2009 ^{(2) (3)}	0.89492	0.23054	2.68476	0.69163

- (1) Historical values.
- (2) On April 2002, the Central Bank suspended the payment of dividends by Argentine financial institutions. Since June 2, 2004 the Central Bank makes some exceptions to the suspension of profits distributions and may pre-authorize dividend payments under certain conditions. See “*Item 8. Financial Information—Dividends*”.
- (3) Based upon the reference exchange rate quoted by Central Bank at April 29, 2010.
- (4) Based upon the reference exchange rate quoted by Central Bank at March 31, 2011.
- (5) Based upon the reference exchange rate quoted by Central Bank at April 7, 2014.
- (6) For the fiscal year ended December 31, 2013, the dividends in cash authorized at the Ordinary and Extraordinary Shareholders’ Meeting on April 10, 2014 were Ps.28.8 million (see Note 14.b) to the Consolidated Financial Statements). For the fiscal years ended December 31, 2012 and 2011, the Bank decided not to declare and distribute dividends as result of the issuance of Communications “A” 5272 and 5273 of the Central Bank (see “*Item 8. Financial Information—Dividends*”). For the fiscal years ended December 31, 2010 and 2009 the dividends were paid totally in cash. For the fiscal year ended December 31, 2013 the number of outstanding shares were 536,877,850. For the fiscal years ended December 31, 2010 and 2009 the number of outstanding shares were 536,361,306, respectively. Declared dividends per ordinary share are calculated taking into account dividends paid over the outstanding shares at the end of each fiscal year.

Exchange Rates

The following table shows the annual high, low, average and year-end free exchange rate for US\$1.00 for the periods indicated. The Federal Reserve Bank of New York does not report a noon buying rate for pesos.

Year /Period	High ⁽¹⁾	Low ⁽¹⁾	Average ⁽²⁾
	(in pesos per US\$1.00)		
March 2014	8.0098	7.8657	7.9313
February 2014	8.0178	7.7635	7.8565
January 2014	8.0225	6.5430	7.0967
2013	6.5180	4.9228	5.4789
December 2013	6.5180	6.1547	6.3192
November 2013	6.1360	5.9215	6.0149
October 2013	5.9108	5.7995	5.8482
2012	4.9173	3.9715	4.5502
2011	4.3035	3.9715	4.1302
2010	3.9857	3.7942	3.9127
2009	3.8545	3.4497	3.7301

- (1) Source: BCRA.
- (2) The average of monthly average rates during the period.

The exchange rate on April 7, 2014 was Ps.8.0018. = US\$1.00.

Fluctuations in the exchange rate between pesos and dollars affect the dollar equivalent of the peso price of the ordinary shares on the Buenos Aires Stock Exchange (Bolsa de Comercio de Buenos Aires — the “BCBA”) and as a result, would most likely affect the market price of the ADSs. Fluctuations in exchange rates also affect dividend income measured in dollars. The Bank of New York Mellon, as depositary for the ADSs is required, subject to the terms of the deposit agreement, to convert pesos to dollars at the prevailing exchange rate at the time of making any dividend payments or other distributions. The following table shows the rate of devaluation of the peso vis-à-vis the dollar, the rate of exchange (number of pesos per dollar prevailing in the Argentine foreign exchange market) and the rate of inflation for wholesale prices for fiscal year ended December 31, 2013 and for the four most recent fiscal years. Since the repeal of the Convertibility Law in January 2002, the peso has devalued approximately 700.18% vis-à-vis the dollar.

	December 31,				
	2013	2012	2011	2010	2009
Devaluation Rate	32.55%	14.27%	8.23%	4.72%	9.93%
Exchange Rate	6.5180	4.9173	4.3032	3.9758	3.7967
Inflation Rate ⁽¹⁾	14.76%	13.13%	12.67%	14.56%	10.26%

(1) The inflation rate presented is the general WPI 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 was able to recover 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. Although the economic policies implemented by the Kirchner administrations have succeeded in the short- and mid-term, there still 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. Energy and gas companies have remained in operation through subsidies from the public sector but investment in the sector has been low, leading to energy shortages in high demand periods, negatively affecting economic growth;
- accelerating 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.
- a significant intervention by the Government in the private sector, including through the expropriation of YPF, the country’s largest oil and gas company. Repsol, the majority shareholder of YPF, and the Argentine Republic have reached an agreement regarding the compensation amount for such expropriation. This agreement has been submitted to Congress for its approval.

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, there has existed a discrepancy between statistical data published by National Institute for Statistics and Census (“INDEC”) referring to the CPI (consumer price index) for the Greater Buenos Aires area (the “CPI-GBA”), CPI indexes corresponding to the different Argentine regions/provinces and private estimates. This generated 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 Coeficiente de Estabilización de Referencia (“CER”) are adjusted according to the CPI-GBA. In February 2014, following 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). Although the new index has had only one publication (3.7% m/m), the CPI NU, to the present date, it has not received any observation from de FMI. The new index replaces the previous measurement and will be used to calculate “CER” indexation.

Impositions of sanctions on Argentina by international organizations such as the declaration of censure recently issued by 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, the IMF issued on February 1, 2013 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 to 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 the 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) but further actions must be implemented by end-September 2014 and end-February 2015. The Managing Director of the IMF is required to report to the executive board by within 45 days of the aforementioned deadlines on the status of Argentina’s implementation of the specified actions. At such time, the Executive Board will review this status in line with IMF procedures.

Argentina’s failure to implement the new estimates for GDP by end March 2014 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 to 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 expenditure 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.4.37 billion or 0.2% of GDP in 2012. In 2013, the primary fiscal deficit deteriorated further to Ps.22.47 billion, while the overall fiscal deficit was Ps.64.48 billion representing a 16% increase as compared to the deficit of the prior year although no GDP coupon payments were due in the 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.

A recent ratification by the NY Court of Appeals, of U.S. District Judge decision requiring Argentina to pay 100% of the principal and interest in arrears due to certain holders of bonds issued by Argentina and even subjecting the paying agent to injunction, could, if it becomes effective, result in Argentina's default on its payment obligations, negatively affecting its access to international financial markets.

The plaintiffs in this case are holders of sovereign bonds issued by the Argentine Republic pursuant to a Fiscal Agency Agreement prior to Argentina's default on its payments obligations ("FAA Bonds"). The plaintiffs bonds are in default, and are the subject of federal court judgments which are unsatisfied.

In 2005 and again in 2012, Argentina made exchange offers to the holders of FAA Bonds, pursuant to which bondholders who tendered their FAA Bonds received new Bonds ("Exchange Bonds"). As the result of the two exchange offers, approximately 91% of the FAA Bonds were tendered, and the Exchange Bonds are currently held by Argentina. The plaintiff's FAA Bonds were not tendered in the exchange offer.

Argentina has stated that it does not intend to make further payments on the plaintiffs' unexchanged FAA Bonds. Further, Argentina adopted legislation, referred to as the Lock Law, that prohibited the Argentine state from making any payment on pay the unexchanged FAA Bonds.

The plaintiffs applied to the United States District Court for the Southern District of New York for a determination that Argentina's conduct in making full payment on the Exchange Bonds while making no payments on the FAA Bonds constituted a breach of the Pari Passu Clause (equal treatment of all bondholders) included in the FAA Bonds. The matter was referred to Judge Thomas Griesa, who has been assigned to hear all matters arising out of Argentina's 2001 default. In a series of rulings running from December 2011 through October 2012, Judge Griesa held that Argentina breached the Pari Passu Clause by lowering the rank of the FAA Bonds in violation of the said clause, by making payments under the Exchange Bonds, while persisting on its refusal to satisfy its payment obligations currently due under the term of the plaintiffs' FAA Bonds.

The Second U.S. Circuit Court of Appeals initially ratified Griesa's interpretation and asked the Judge to specify a formula for payments to the plaintiff. The formula, which was announced in November 2012, implied paying 100% of the capital and interest in arrears due on the bonds under litigation. Furthermore, it included the agent of payment Bank of New York Mellon ("BoNY") in the injunction, meaning that funds paid to BoNY for payment to the exchange bondholders are potentially available for payment instead to the plaintiffs. This interpretation constituted the worst possible scenario for Argentina, and the market reacted with an extensive sale-off of Argentine sovereign bonds and a skyrocketing price for Argentine credit default swaps.

After an appeal by Argentina against the decision, the NY Appeals Court placed a stay on Griesa's decision and is currently reviewing it. It should be noted, however, that "pari passu" provision (or equal treatment of all bondholders) is not subject to review and, thus, holdout bondholders have the right to eventually receive payments from Argentine under their bonds. Only the formula that results in 100% of such payments being required is subject to review.

On February 27, 2013 a hearing was held by the Second U.S. Circuit Court of Appeals where the parties exposed their arguments. After the hearing the Court requested Argentina to state in writing on or before March 29, 2013, the precise terms of any alternate payment formula and schedule to which it is willing to commit.

On August 23, 2013, the U.S. Second Circuit Court of Appeals issued its decision requiring Argentina to make a "ratable payment" to the plaintiffs when it makes the next payment to the holders of Exchanged Bonds. Due the relevance of this decision for Argentina's prospects, Argentina has filed a petition for certiorari to the Supreme Court. The Supreme Court is entitled to accept or reject the analysis of the case. The effectiveness of the Second U.S. Circuit Court of Appeals decision will be suspended until the Supreme Court issues said decision. The Supreme Court has scheduled a hearing for April 10, 2014. The Supreme Court's final decision is still pending, and the legal process will therefore continue during the 2014, but a negative ruling for Argentina cannot be discarded, which could lead to a default in the payment of Argentina's obligations currently being serviced. The macroeconomic impact of an unfavorable ruling could lead to a further financial isolation of Argentina, and companies, such as BBVA Francés, and a denial from accessing to international markets in order to obtain financing.

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. 1722 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. 3378/12 creating a new 15% tax on the purchase of assets and services in foreign countries, which are paid with credit or debit cards, which also includes purchases through the internet. This new tax is considered as an advanced payment of the taxpayers’ annual income tax.

Moreover, on March 18, 2013, the NTB issued Resolution Nr. 3450/13, 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. 3550/13, 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. 3579 and 3582, 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. 3583 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 the first months of 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. The foreign exchange rate has since stabilized slightly below Ps.8/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 position 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.

As a consequence of Financial Action Task Force's ("FATF") evaluation report on Anti-Money Laundering and Combating Financing of Terrorism ("AML/CFT"), Argentina has to implement measures in order to comply with FATF's recommendations. In the event these measures are not correctly addressed, Argentina could find difficulties in obtaining financing and attracting direct foreign investments.

In October 2010, FATF issued a report on AML/CFT in Argentina, stating that since the last evaluation, finalized in June 2004, Argentina has not made adequate progress in addressing a number of deficiencies identified at the time.

Moreover, in February 2011, Argentina, represented by the Minister of Justice, attended the FATF Plenary in Paris, in order to present a preliminary action plan. Notwithstanding that, FATF has granted an extension until June 2011 to work closely with Argentina and will consider its next steps in the context of the enhanced follow-up process.

In June 2011, Argentina made a high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies. Since October 2012, Argentina has taken substantial steps towards improving its AML/CFT regime, including by enacting a new capital markets law on December 28, 2012, which improves licensing and supervision of the securities sector, enhances co-operation mechanisms, and removes secrecy among domestic agencies, improving the exchange of AML/CFT information with a positive impact on financial transparency. However, the FATF has determined that certain strategic AML/CFT deficiencies remain. Argentina should continue to work on implementing its action plan to address these deficiencies, including by: (1) addressing the remaining deficiencies with regard to the criminalization of money laundering, confiscation of funds related to money laundering, and freezing terrorist-related assets; (2) addressing the remaining issues for the Financial Intelligence Unit and suspicious transaction reporting requirements; (3) further enhancing the AML/CFT supervisory program for all financial sectors; (4) further improving and broadening customer due diligence measures; and (5) enhancing the appropriate channels for international co-operation and ensuring effective implementation. The FATF encourages Argentina to address its remaining deficiencies and continue the process of implementing its action plan.

Despite Argentina substantial steps towards improving its AML/CFT regime, Argentina still has a pending action plan for the total fulfilment of all recommendations set forth by the FATF. Non-compliance with such report could limit the Bank's access to foreign financial markets.

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. This scenario seems no longer possible; therefore from now on, credits growth will depend on deposits levels. This adjustment is currently taking place with an interest rate increase.

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 is 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.2.961 million in 2013 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 February 4, 2014 Central Bank issued Communication “A” 5536 limiting foreign currency positions of financial entities. This limit is fixed at a 30% of the RPC (adjusted stockholder’s equity) of each entity.

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 2013, 13 legal labor actions were filed against AFJP claiming differences in severance payment amounts. 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, and therefore in the result of liquidation process for BBVA Francés as its shareholder which owns a 53.89% interest in the company.

ITEM 4. INFORMATION ON THE COMPANY

RECENT POLITICAL AND ECONOMIC DEVELOPMENTS IN ARGENTINA

Macroeconomic Environment

In 2013, economic activity, measured by Gross Domestic Product ("GDP") improved from the low growth of the previous year. After growing only 1.9% in 2012, GDP growth 5.5% year-over-year in the third quarter of 2013, accumulating an increase of 4.5% in the first nine months of the year compared with the same period of the previous year. The main drivers of this growth, in real terms, were: private consumption, which accumulated growth of 6.1% in the first three quarters of 2013 and investment and public consumption, which recorded growth of 5.6% and 6.1%, respectively in the same period. Exports, meanwhile, rose 2.3%. The rise in GDP was partly offset by imports which grew by 7.8% in the first nine months of 2013. In late March the national statistical office INDEC launched a GDP with 2004 as a new base year. This new series of GDP grew in real terms by 3.0% in 2013 with respect to 2012. The decomposition of this growth has not been published yet.

In the labor market, no significant changes were observed, maintaining the average recorded unemployment rate at 7.2% in 2013, the same average of 2012. Salaries recorded an increase of 25.2% at December 2013 compared to December 2012 by private

registered workers and of 25.9% for the General Index. In this scenario the salaries of public workers accumulated an increase of 26.2%, while the increase in salaries for workers in the informal sector is estimated at 27.7%.

Inflation, as measured by the CPI, reached 10.9% at December 31, 2013, showing a marginal increase over the previous year. Among sub-items, the education sector led the annual increases in CPI of 16.6%, compared to 11.3% in 2012, followed by the entertainment sector with a 15.6% increase and the health sector with a 14.7% increase. As of January 2014, INDEC published and started using a new index, the CPI NU, which has national and urban coverage.

Fiscal policy remained expansive and in 2013 primary fiscal deficit of Ps.22,479 million was recorded while in the same period of the previous year there had been a deficit of Ps.4,374 million. This was the result of a 33.5% increase in public spending in the period, higher than the 30.4% growth in total revenues.

Within expenses, there was an increase of 46.9% in capital expenditures, 45.7% in current expenditures and 33.0% in social security benefits. Growing below average, transfers to the private sector increased by 28.8% and wages increased by 28.4%. Transfers to provinces and public sector also grew below average.

While revenues were supported by income from the Central Bank and the Argentine Social Security Administration (the "ANSES") and other non-tax revenues which were 69% of the overall revenues. The total tax revenue grew by 26.3% in the year, driven by an increase of 32.6% in income tax, 30.7% increase in VAT and 30.9% increase in social security contributions. Withholding taxes on the exports suffered by the decline in exports of fuels and fell 10% while import duties rose by 41.8%. Taking into account the payment of interest, the Government recorded an operating deficit of Ps.64,477 million, a 16.0% higher than the deficit in the previous year.

In 2013 the trade balance recorded a surplus of US\$9,024 million which implies a decrease of 27.3% over the same period of the previous year. The exports totaled US\$83,026, a 2.6% increase from the same period of the previous year as a result of an overall 3% increase in volume and a decrease of 1% in prices. Exports were negatively affected by a decrease in the harvest plus the drop in demand in Brazil in the last months. Imports rose by 8.0% in 2013 and reached US\$74,002 million, as a result of a 5% increase in volume and a 3% increase in prices. Foreign purchases recorded significant increases in the energy and automotive categories.

The Central Bank, maintaining its policy of managed float, allowed an acceleration of the average monthly rate of devaluation of the peso during the second half of the year, reaching 2.9% versus the 1.5% monthly average devaluation in the first half of 2013 and 1.1% in 2012. The exchange rate ended up at Ps.6.52/US\$ by the end of 2013 (increasing 33% over the year), with an average of Ps.6.32/US\$ in December 2013, 29% higher than the average of December 2012.

International reserves at December 31, 2013 amounted to US\$30,599 million representing a net fall of US\$12,691 million compared to the balance at the end of 2012. Given the outflow of foreign currency in the tourism purposes category, the charge for advance of income tax due to credit card use abroad and purchase of transportation tickets and package tours abroad rose 35%.

Monetary Policy

Monetary policy had a lower expansion in 2013. The monetary base grew by Ps.68,309 million, which implies an increase of 23% over the previous year (versus a 39% increase in 2012). The main source of growth during 2013 was the public sector funding of Ps.94,082 million (98% higher than the Ps.47,495 million in 2012) while a contractionary effect operated in the foreign exchange market where the Central Bank sold US\$5,310 million absorbing Ps.32,331 million.

Meanwhile, the "M2" monetary aggregate grew by 26% year over year in 2013 compared to an increase of 39% year over year in 2012 and a private "M2" growth of 37% year over year in 2013. The interest rate BADLAR for private banks, which had ended at an average rate of 15.4% in December 2012, suffered a slight decline until March 2013 when it came to the monthly average of 14.8% and then started an upward path to an average of 20.2% by December 2013.

Peso denominated deposits of the private sector grew by 29.3% in 2013, while those denominated in dollars fell by 13%. In turn, total public sector deposits rose by 26.5% in the same period.

As a result of lower economic activity, private sector loans denominated in pesos increased by 33.7%, showing a slowdown from the growth achieved in 2012 (42%). Loans in foreign currencies fell by 34%, while they had fallen 42% in 2012.

In June and December 2013 by making use of the power to "target credit" detailed in the new Charter of the Central Bank, the Central Bank established two new "Lines of credit for productive investment" which established that the largest financial institutions

in the financial system and those that are financial agents of the State should allocate at least 5% of their peso-denominated deposits of the private sector at that time to finance the purchase of capital equipment or construction of production facilities. The lines have regulated rates. The most recent line had a maximum interest rate of 17.5% and required that half of the amount be allocated to micro, small and medium enterprises (MiPyMEs). In this context, corporate lending grew by 32.8% in pesos at December 31, 2013, while loans to individuals (personal, mortgage, and pledge cards) increased by 34.4%.

A.HISTORY AND DEVELOPMENT OF THE COMPANY

BBVA Francés, an Argentine corporation (a “sociedad anónima” or “S.A.”), was duly incorporated under the name Banco Francés del Río de la Plata S.A. on October 14, 1886. We have our registered office in Argentina, Reconquista 199, C1003ABB, Buenos Aires, telephone number 54-11-4346-4000. Our agent in the United States for U.S. federal securities law purposes is CT Corporation System, currently with offices at 111 Eighth Avenue, New York, New York 10011.

Our original by-laws (“Estatutos”) were approved on November 20, 1886, by a decree recorded in the Public Registry of Commerce of Buenos Aires City on December 6, 1886, under Number 1065 on Folio 359, Book 5, Volume “A” of National By-laws. Our by-laws, including all amendments introduced to this date, were recorded in the Public Registry of Commerce (the Governmental regulatory agency of corporations). The last amendment was recorded on March 8, 2011, under N° 3930Book 62 of Corporations (“sociedades anónimas”). Pursuant to current corporate by-laws, the Bank will terminate its activities on December 31, 2080, unless this term is extended by the shareholders. On March 5, 1998 the Public Registry of Commerce registered the change from Banco Francés del Río de la Plata S.A. to Banco Francés S.A. At the ordinary and extraordinary shareholders’ meeting held on April 27, 2000, a resolution was passed to change our name to BBVA Banco Francés S.A. On October 4, 2000, the Public Registry of Commerce registered the change from Banco Francés S.A. to BBVA Banco Francés S.A., and the amendment to our by-laws reflected the name change.

We are supervised by the Central Bank of Argentina, an entity that establishes valuation and accounting criteria, the rules on liquidity and capital requirements as well as the informative systems of Argentine financial institutions. We are also subject to inspections by the Central Bank, based on which we are assigned a “rating”. See “*Item 4. Information on the Company—The Argentine Banking System and its Regulatory Framework*”.

On August 11, 1997, we acquired 71.75% of the capital stock of Banco de Crédito Argentino S.A. (“Banco de Crédito”). We completed this merger of the two banks by final registration with the Public Registry of Commerce on March 5, 1998. To effect the merger, BBVA Francés issued 14,174,432 ordinary shares to the existing shareholders of Banco de Crédito through a capital increase.

As a result of the acquisition of Banco de Crédito, we gained control of Consolidar Compañía de Seguros de Retiro S.A., Consolidar Compañía de Seguros de Vida S.A. and Consolidar Administradora de Fondos de Jubilaciones y Pensiones S.A. (together the “Consolidar entities” or the “Consolidar Group”), and also acquired control of Crédito Argentino Sociedad de Bolsa S.A. which was liquidated in 2000.

On November 5, 1999, we and Banco Bilbao Vizcaya (today Banco Bilbao Vizcaya Argentaria S.A. or “BBVA”), executed a share purchase agreement, pursuant to which we acquired 99.99% of the shares of Corp Banca S.A., an Argentine bank, and 99.99% of Atuel Fideicomisos S.A., a trust company. On November 22, 1999, as part of a corporate reorganization, all assets and liabilities of Corp Banca S.A. were transferred to us, with full integration of operations and systems.

On March 29, 2000, our affiliate Rombo Compañía Financiera S.A. (“Rombo”) was registered with the Public Registry of Commerce. On April 24, 2000, the Central Bank by Communication “B” 6684 authorized Rombo to conduct business as a financial company.

On October 17, 2000, as part of BBVA group’s (the “Group”) business reorganization plan, Banco Exterior de América S.A. (Uruguay) (wholly owned by BBVA) merged with and into Banco Francés Uruguay S.A. (wholly owned by us). As a result of such merger, Banco Francés Uruguay has changed its corporate name to Banco Bilbao Vizcaya Argentaria Uruguay S.A., or BBVA Banco Uruguay (“BBVA Uruguay”).

In November 2001, Credilogros Compañía Financiera S.A. (“Credilogros”) and Banque PSA Finance formed PSA Finance Argentina Cía. Financiera S.A. (“PSA Finance”). On February 21, 2002, the Central Bank by Communication “B” 7194 authorized PSA Finance to begin its activities as a financial company. On June 1, 2002 Finanzia Banco de Crédito S.A. sold 29.95% of its interest in Credilogros to BBVA. Such transaction was approved by the Central Bank on April 3, 2003, under Resolution Nr. 37. On October 31, 2003, subject to the approval of the Central Bank, we acquired 50% of the shares of PSA Finance from Credilogros. On December 16, 2004, the Central Bank issued Resolution Nr. 371, approving the transfer of 50% of PSA Finance capital stock from Credilogros to us.

On June 28, 2006, we sold our entire interest in Credilogros to Banco de Servicios y Transacciones and Grupo de Servicios y Transacciones S.A.

On February 4, 2010, we acquired all 131 shares of Atuel Fideicomisos S.A. from Inversora Otar S.A. becoming its sole shareholder. On February 11, 2010, we sold our 5% interest in BBVA Francés Asset Administradora de Inversiones S.A. to BBVA Francés Valores Sociedad de Bolsa S.A. for Ps.1,681,678.

On October 22, 2010 the merger of BBVA Francés with Atuel Fideicomisos S.A. was registered with the Public Registry of Commerce under Number 19,916 Book 51 of Corporations .

On March 31, 2011, BBVA Francés and BBVA, the shareholders of Consolidar Compañía de Seguros de Retiro S.A. (“Consolidar Retiro”) entered into a stock purchase agreement with Orígenes Compañía de Seguros de Retiro S.A. and other entities whereby both shareholders sold all their shares in Consolidar Retiro. The total price of this transaction was Ps.386.2 million, 66.21% of which belong to BBVA Francés because of its percentage of participation in Consolidar Retiro. This transaction was subject to the prior approval of Argentine Insurance Bureau, which was obtained on May 13, 2011 through decision number 114,219. The transfer of shares was completed on June 10, 2011.

On September 14, 2011, the merger of BBVA Francés with Consolidar Comercializadora S.A. was registered with the Public Registry of Commerce. As a result of the merger BBVA Francés increased its capital in 516,544 ordinary shares issued to the existing shareholders of Consolidar Comercializadora.

On October 6, 2011 a stock purchase agreement, for the total amount of shares of Consolidar Aseguradora de Riesgos del Trabajo S.A. (“Consolidar ART”) was executed between BBVA Francés and BBVA, on the one hand, acting as selling shareholders; and Galeno Argentina S.A., on the other hand, in its capacity as buyer.

The price of the transaction was US\$62,857,775, of which 12.5% was paid to BBVA Francés and 87,5% to BBVA. This transaction was also subject to the prior approval of the Argentine Insurance Bureau, authorization that was issued on February 6, 2012. The transfer of the shares was completed on March 6, 2012.

On February 9, 2012 the board of directors of BBVA Francés and Inversora Otar S.A. approved the merger between both companies. On March 26, 2012, the Shareholders Meetings of both companies approved the merger. As a result of the merger, as from April 1, 2012, BBVA Francés acquired all the shares of Inversora Otar S.A. BBVA Francés issued the corresponding shares in favor of Inversora Otar’s shareholders (BBV América S.L., Corporación General Financiera S.A, and Sucesión Romero) and cancelled the shares received as result of the incorporation of Inversora Otar’s assets. Because of this simultaneous increase and cancelation of the shares, the total amount of the corporate capital of the Bank will remain the same, as result of the merger. Finally, the shares resulting for the merger were issued on March 28, 2014, to the former shareholders of Inversora Otar S.A. As a result of the merger BBV América S.L. owns 29.81%, Corporación General Financiera S.A. 0.47% and Sucesión Romero 0.0041% of the shares of BBVA Francés.

On April 1, 2012, as a result of the merger between BBVA Francés and Inversora Otar S.A, BBVA Francés acquired all the shares of BBVA Francés Valores Sociedad de Bolsa S.A previously held by Inversora Otar S.A, becoming its sole shareholder. On June 29, 2012, BBVA Francés sold a 3.0047% interest in BBVA Francés Valores Sociedad de Bolsa S.A to BBV America SL for Ps.441,194.

On July 10, 2013, BBVA Francés and Consultatio S.A signed a sale and purchase agreement, under which the Bank acquired 23 of the 33 floors of a building under construction by Consultatio S.A., which will become the “BBVA Tower”. This is the largest corporate headquarters real estate development project in the country and is part of the plan designed in 2010 by BBVA Francés to unify its core areas, currently divided among 10 buildings in the City of Buenos Aires. The goal is to have a building with the highest construction and, environmental standards that will allow the Bank’s staff to work together in the same area, thus achieving greater efficiency. The building is being developed according to the highest international environmental and sustainability standards and with the commitment of the BBVA Group of preserving the environment. The investment of approximately Ps.1,200 million has a payment schedule associated with the work progress of the project. To date, construction is progressing according to plan and projected for completion in late 2015.

B.BUSINESS OVERVIEW

BBVA Francés ended its fiscal year 2013 with Ps.58.5 billion in total assets, a total of Ps.43.8 billion in deposits, on a consolidated basis, and a market capitalization of Ps.10.9 billion. It is the third largest private bank in terms of private deposits in the Argentine financial system according to statistics published by the Central Bank, as of December 31, 2013.

Substantially all of its operations, property and customers are located in Argentina. The Bank has traditionally accepted deposits and made loans in pesos and in certain other currencies, primarily in U.S. dollars. Following the Argentine Crisis, U.S. dollar deposits were limited to granting U.S. dollar-denominated loans in relation to foreign trade transactions, which continued to be subject to Central Bank restrictions.

As part of its business, BBVA Francés conducts capital markets and securities operations directly in the over-the-counter market and indirectly in the Buenos Aires Stock Exchange. At the end of December 2013, the Bank had a 3% market share in the mutual fund portfolio management industry in Argentina through BBVA Francés Asset Management S.A (“Mutual Investment Funds Manager”), the eighth among the capital managing companies.

The Bank was one of the first companies listed on the Buenos Aires Stock Exchange, quoting since 1888. Its shares have been listed on the New York Stock Exchange since 1993 and on the Madrid-based LATIBEX (“Mercado de Valores Latinoamericanos”) since December 1999.

The following table presents financial information of our principal business for the year ended December 31, 2013.

	As of December 31, 2013				
	Continued operations			Discontinued operations ⁽⁴⁾	
	Banking Financial			Pension Fund Manager	
	BBVA Francés ⁽³⁾	PSA Finance S.A.	Total		Total
Total assets	55,765,494	2,684,358	58,449,852	73,772	58,523,624
Total income ⁽¹⁾	11,282,644	760,892	12,043,536	15,254	12,058,790
Total expenses ⁽²⁾	(9,531,897)	(431,681)	(9,963,578)	(16,554)	(9,980,132)
(Loss)/Gain on minority interest in subsidiaries	(97)	(54,916)	(55,013)	599	(54,414)
Total net income	1,750,650	274,295	2,024,945	(701)	2,024,244

(1) Includes financial income, service charge income and other income.

(2) Includes financial expenses, allowances for doubtful loans, service charge expenses, operating expenses, other expenses and income tax.

(3) Includes BBVA Francés Asset Management S.A. Sociedad Gerente de Fondos Comunes de Inversión and BBVA Francés Valores S.A.

(4) See Note 15. to the Consolidated Financial Statements.

The Bank has a large network of branches throughout Argentina: there are 275 branches, 245 of which are retail branches and 30 are specialized in the middle-market segment, while seven business units grouped by industry provide personalized attention to corporate and institutional clients. BBVA Francés also has 13 in-company branches and two points of sale complemented by other distribution channels, such as 655 automatic teller machines (“ATMs”), a telephone banking service and an Internet banking service called Francés Net, as of December 2013. Through this network the Bank provides attention to more than 1,843,328 individual clients, 18,640 companies and 834 large corporations. The Bank is member of Banelco S.A., a corporation owned by seven partner banks that includes 16 participating banks, and our ATMs are part of the Banelco Network (Red Banelco – “Banelco”).

BBVA Francés – Background

Since 1886, we have been recognized as a leading provider of financial services to large corporations. In the early 1980s, we broadened our customer base to include medium and small companies as well as individual customers. In response to demands from the corporate market and following the structural changes brought about by the stabilization process in Argentina since 1991, we added to our traditional commercial banking products a full range of services, such as investment banking, capital market transactions and international banking.

In the 1980s and 1990s, in order to achieve a wider market penetration, we expanded our branch network by opening branches throughout Argentina.

In December 1996, when BBVA became our principal shareholder, we reaffirmed our universal banking strategy with the goal of increasing the most profitable business segment: medium- and low-income individuals and small- and medium-size businesses in

the Middle Market. To this end, in August 1997, we acquired 71.752% of Banco de Crédito Argentino (the “Crédito acquisition”), a retail bank focused on the middle market and consumer banking sectors. This merger allowed us to maximize the strengths of each bank and to implement an ambitious leadership plan that included an expansion plan, starting with a strong initial positioning in each market.

The Argentine Crisis and the ensuing economic and political instability led to a deep contraction in the intermediation volume. In response, we changed our short-term commercial strategy towards the transactional business, adjusted our operating structure and implemented a strict cost control plan. Actions were also focused on recovering asset quality levels, which had been strongly affected by the Argentine Crisis. By mid-2003, the economy began to recover and we returned to offering the full range of financial services, including credit facilities, albeit restricted to short-term financing. Commencing in 2004, we gradually strengthened our credit activity in the midst of economic solvency, and consolidated our transactional business.

In 2009, we had an efficient management of assets and liabilities, which offset the lower volume of transactions. During 2010 and 2011, the Argentine economy showed a great expansion, mainly due to higher consumer spending. Within this context, BBVA Francés, always keeping focused on customers, has consolidated its leadership position in the Argentine financial system.

In March, 2011 a share purchase agreement was signed for all the shares of Consolidar Retiro between BBVA Francés, holder of 66.21% of the corporate capital, and BBVA, holder of the remaining 33.79% of the corporate capital. This agreement established a total price for the shares of Ps.380 million, adjustable in accordance with the revenues obtained from the sale by Consolidar Retiro of its own property where the offices are located.

On October 6, 2011, a purchase and sale agreement was executed for the aggregate shares held by Consolidar ART between BBVA Francés, holder of 12.50% of the capital stock, and Banco Bilbao Vizcaya Argentaria S.A., holder of 87.50% of the capital stock, in their capacities as selling shareholders, and Galeno Argentina S.A. in its capacity as buyer. The purchase price for the shares was US\$59.4 million, adjustable on the basis of the net proceeds resulting from the sale of the interest held by Consolidar ART in the real estate where it had its offices. On October 6, 2011 BBVA Francés received from the buyer a down payment in the amount of Ps.18.8 million equal to 60% of the pro rata price of the transaction.

On February 6, 2012, the transaction was approved by the National Superintendence of Insurance (SSN) and on March 6, 2012, the transfer of the stock ownership from Consolidar ART to Galeno Argentina S.A. was effected, together with the collection of the remaining of the purchase price.

Banking and Financial Services

The Bank is focused on the brokering business, mainly in the private sector. The loan portfolio in this sector totaled Ps.35.3 billion. We increased our private portfolio by 28% compared to 2012; mainly due to more personal loans, credit cards and car loans in the retail sector, while in the middle market sector the products that lead the expansion were leaseings and commercial loans. The private loan market share reached a 8% level at the end of the year. In terms of liabilities, deposits were Ps.43.8 billion at the end of 2013, 28% higher than last year, sight deposits increased by 17% and time deposits by 42%.

After the regulations regarding the purchase of foreign exchange and foreign trade came into effect, the financial system suffered a significant loss on U.S. dollar denominated deposits. For this reason the Bank recorded a decrease of 34% in such deposits in 2012, totaling Ps.3,514 billion (equivalent to US\$715 million) at December 2012, which represented 10% of the Bank’s total deposits. In December of 2013, the Bank’s US denominated deposits totaled Ps.4,721 (equivalent to US\$724 million) representing a 34% increase compared to 2012. These deposits represent 11% of the Bank’s total deposits.

The following table sets forth our estimates of the relative proportions of loans and deposits attributable to our principal markets.

	Loans					
	December 31, 2013		December 31, 2012		December 31, 2011 ⁽¹⁾	
	(in thousands of pesos, except percentages)					
Public Sector	40,915	0.11%	35,067	0.12%	46,027	0.20%
Corporate	6,613,086	18.13%	7,755,847	27.21%	6,378,971	28.10%
Middle market	9,435,080	25.88%	7,014,829	24.62%	5,676,856	25.01%
Retail	20,379,113	55.88%	13,687,688	48.04%	10,595,177	46.68%
Total	36,468,194	100.00%	28,493,431	100.00%	22,697,031	100.00%

(1) See Note 3.3. to our Consolidated Financial Statements.

	Deposits					
	December 31, 2013		December 31, 2012		December 31, 2011	
	(in thousands of pesos, except percentages)					
Corporate	8,860,338	20.25%	6,213,292	18.19%	4,774,471	16.37%
Middle market	5,391,617	12.32%	4,092,888	11.98%	3,843,486	13.18%
Retail	29,507,510	67.43%	23,858,873	69.83%	20,547,747	70.45%
Total	43,759,465	100.00%	34,165,053	100.00%	29,165,704	100.00%

BBVA Growth Plan

South America is a key component of the Group's strategy. This is why the Group has implemented an ambitious growth and development plan for this area for the next four years.

This plan strengthens the commitment of BBVA in South America and is part of the Group's growth and diversity strategy. Under this plan, BBVA will allocate 40% of the investment to technological projects and the remaining 60% to initiatives focused on the growth of infrastructure and distribution networks.

BBVA Francés has devised its own plan for the purpose of becoming the country's first digital bank and the one preferred by its clients. The basic elements of this plan are:

- Segmented, specialized management with the objective of deepening its knowledge of the client base in order to design value offers according to its needs.
- Expanding the distribution network by increasing the number of offices based on new models according to market requirements, adding more and more ATMs and promoting the digital channels, which will play a fundamental role in the coming years' banking business.
- Continuing with the transformation process, by making such channels more agile, safe and reliable through digitalization and automatization.

Customer centric and quality

BBVA Francés continues to work on a program to continuously improve the client's satisfaction. The objectives of this program are to achieve differentiation by the quality of the services offered by the Bank and to increase the level of recommendation by its clients.

The Bank registered in 2013 the highest client satisfaction indicator for the past five years: 8.5/10, asserting itself as the leader of the market in this respect (source: Knack Argentina S.A. 2013).

Apart from this improvement, BBVA Francés has been the most recommended bank by its clients in 2013, with a Net Recommendation Index ("IRENE" or "NPS") of 40%. The main reason for recommendation by clients has been the good level of attention received from our personnel at all branches.

Always relying on the four pillars which constitute the Client's Experience Improvement Plan, a number of initiatives were developed in a continuous and consistent manner:

1. Understanding the client better:

A new measurement architecture was implemented, consisting of:

- Creation of an integral quality management plan (the "KPI"), with business indicators. Along 2013 we worked on the generation of a control panel at territory and branch levels for monitoring the different units.
- Installation of the Client's Voice (IRENE or NPS) as the metric for monitoring client perception of our products and services. Since the start of the measurements, more than 100,000 surveys have been made among clients. In addition, during the first quarter of 2013 we worked on perfecting the application of this methodology (making surveys, capturing results, coding the answers, among other things). In the second half of the year, the efforts were concentrated on the development of reports.

2. Improving processes with high impact on quality perception

We worked on the following targets:

- Improving card processes and circuits.
- Improving clients' experience at branches, speeding up attention and reducing waiting times.
- Reducing the volume of complaints and reinforcing the First Contact Resolution (FCR) model under which 33% of the complaints made in 2013 were resolved within 72 hours (versus 31% in 2012).

3. Promoting a culture of service to the client

Under the "I choose Excellence" campaign, the following actions were carried out:

- Sensibilization workshop (by presence or by delivery of material).
- Creation of BBVA Service and Attention Protocols which define behavior and attitude guidelines expected from all members of BBVA, as part of the value chain.
- Publication of the Protocols and promotion of all key improvement aspects through quality campaigns.
- Participation of the Quality Area in different forums (Business Committees, training and others) in order to continue internalizing the pillars of the Quality Plan and sharing its improvements.
- "Internal Irene" survey: this internal survey was launched in the last quarter of 2013 for the purpose of obtaining an indicator to measure the network's perception regarding the service it received from its internal suppliers (Central Areas) in view of the service they provide to the external client.

This measurement tool has completed two stages:

- Diagnostic stage: performance of focuses and interviews to representatives of branch networks from all banking sections in their different positions/levels (over 100 participants).
- Launching of online surveys to all members of the main areas of contact with the client, including branches (retail, companies and corporate) and channels (3.500 individuals).

4. Defining a government model and a quality measurement methodology

The Government Forums in force are maintained, as they allow us to control the evolution of the plan:

- Quality and Servicing Committee (strategic), monthly, with participation of the Management Committee.
- Operative Quality Committee (tactical), fortnightly, with the presence of all banking sections and managements

Complaint Management Improvements

During 2013 there was an increase in the number of complaints and, as a consequence, a deterioration in our response times. For this reason we continue to work hard to improve the negative experience perceived by the client making a complaint.

Regarding the channels for reception and management of complaints, the following actions were taken during 2013:

- Communication "A" 5388 of the BCRA created the figure of the person Responsible for the Attention of Users of Financial Services. The new regulation established responsibilities and functions to improve the resolution and monitoring of clients' complaints, as a body at a higher level.

- A new electronic form was implemented both on the website and inside the home banking service (Francés Net), by which clients may contact BBVA Francés to carry out different activities, including “Inquiries, Claims, Requests and Complaints”. The Resolution Center is the organ that receives the forms, manages them and provides an answer in each case

Management and Relationship Model

During 2013, the Management and Relationship Model underwent a number of adjustments regarding multichannel and productivity concepts.

In the realm of the branches network, the new scheme proposes that every retail office must have at least one person of reference to work on and develop each of the client segments. This system promotes a greater development of personal management.

In the field of mass sales forces a model was implemented which establishes links among salesmen at locations far away from specific nodes for them to work in cohesion with the managers of their offices.

Regarding building structure, 15 offices were remodeled making a total of 147 branches with a new image in Retail Banking and 19 in Companies Banking; 14 VIP Spaces were also installed as differential areas for the attention of clients from such segment.

Moreover, one of the downtown branches was relocated to Puerto Madero Este. This decision reassesses the strategic position that the Bank pursues in the segment of high-value customers, both in order to enhance and ensure the fidelity of the current portfolio.

Two branches were inaugurated in the year 2013, a retail office at Esquel, province of Chubut, and a Company, Agriculture and Institutions branch in Rosario, province of Santa Fe. Two new in-house banks were also opened, one at the corporate premises of LAN Argentina and the other at the Buenos Aires Casino.

Area Management:

- VIP and PREMIUM

High-value clients are for BBVA Francés one of its main strategic focuses. During 2013, VIP has continued to develop as planned, with a schedule of special actions and events for clients and products suited to their requirements.

Also towards the end of the year the PREMIUM WORLD segment was launched, containing a value offer as appropriate for the higher-value clients in this portfolio.

Among the most significant actions of the year the following should be mentioned:

- Implementation of VIP BBVA Francés spaces: they have been especially devised in order to ensure an exclusive environment with the privacy and personalized attention that such clients deserve, and to maximize interaction between the client and its VIP executive. In the creation of this particular environment, spaces have been intervened with details of design and high-rank services which define a style of attention and try to make a difference between the Bank and its competitors.
- Continuous Training on Attention Protocol: with the purpose of using a single methodology for each contact that a VIP executive has with a client, a written handbook has been prepared containing the definitions set forth by the segment management for attention thereof.
- Permanent communication of the benefits of the segment: it is important for the VIP executive to keep in mind during his dialog with the client the benefits that the latter has at his/her disposal, especially those directly related to the client’s profile and interests.
- Development of events: we continued to carry out actions to approach the clients through the Gourmet Route. The entity publicized such events in the most important printed press means.

As mentioned above, a significant milestone was the launching of the PREMIUM WORLD segment. In the initial stage there will be 11 PREMIUM executives who will have at their disposal all the tools, knowledge and expertise to provide solutions at all times.

Furthermore, all PREMIUM WORLD clients will have an exclusive contact line, the Línea Francés PREMIUM (0800-333-0540). At Francés Inversiones (0800-666-4600), a group of experts will advise them on the best way to invest their savings, and will enjoy priority and celerity in all their contacts: tellers, offices, telephone attention, investment inquiries, approval of applications and resolution of complaints.

In order to support its level of excellence, BBVA Francés has become the first Argentine bank to grant a service satisfaction guarantee which ensures, in case of displeasure, the return of 100% of all maintenance commissions charged during the year.

The benefits offered in this new segment contemplate:

- Parking at branches with VIP Space.
- Subscription to digital newspapers and magazines free of charge.
- Birthday gift.
- Premium experiences at cinemas, theaters and concerts, with pre-sale of tickets and priority in VIP invitations, apart from PREMIUM WORLD encounters at embassies and gourmet routes.
- Free-of-charge documentation delivery service.
- Exclusive communication brochure for a better knowledge and use of all possibilities and benefits at their disposal.

During 2013, the Bank also designed the PREMIUM WORLD account, the most comprehensive assortment of financial solutions through the Mastercard Black and Visa Signature credit cards, which grant to customers benefits such as Priority Pass, Personal Concierge, VIP Access to Ezeiza, tag priority for luggage and 40% extra accumulation on KMS Lanpass.

The customers will also receive credit offers and exclusive sales campaigns, and business meetings will be organized for them with investment experts.

BBVA Francés places a new innovation wager with the goal of underlining even more its differences vis-a-vis its competitors.

- Small and medium-sized entities segment and businesses (“SMEs” or “PYMES”)

Continuing with the plans to develop its different client segments, and for the purpose of deepen the relationship with the PYMES segment, BBVA Francés keeps trying to improve the model of attention and the offer of credit and transactional solutions to accompany the growth of this sector.

Regarding the model of attention, we increased the number of executives specialized in PYMES to 75. On the other hand, it was determined that in those branches where there is no PYMES officer, the manager will be responsible for the management and development of this portfolio. To this effect, an intensive training plan was carried out to improve the knowledge and detection of these clients’ needs.

The business offer grew substantially, increasing the number of products directed to previously approved clients. With the idea of strengthening our relationship with them, in November of 2013 we held the first event at Mendoza, with attendance by more than fifty PYMES businessmen from different sectors, who exchanged experiences in a relaxed environment together with the zone managers.

We continue to work in order to provide more and better services to this segment, which is the most dynamic in the country

Core Management – 2013

- Consumer financing

BBVA Francés surprised the market with a new publicity campaign under the motto “Estás Dulce” [a colloquial expression meaning “You’ve got money”]. The goal was to promote the entity to position it as an important player in the world of consumer financing.

Pledge loans maintained their expansive tendency, strengthening their position in the business through an ample offer of products that grant benefits through the associated concessionaries. To this we must add the financing of vehicles through financing companies structured in agreements with Renault and Peugeot.

During 2013, the credit card product also had a very good performance. The strategy was to offer the best benefits to the clients through commercial alliances. The consumer quota increased in the year by 32 basis points and, at the same time, promotional expenses gained more efficiency. This underlines the advantage of the differential alliances with LAN, T4F and Popart, which offer the client a wide variety of benefits in travel, shows, etc.

Seasonal campaigns continued in place, providing several discounts and benefits to our customers. "Discount days", already a tradition, were staged at Unicenter shopping and other commercial centers, apart from summer campaigns at the main tourist centers on the Argentine coastline, and Winter campaigns at Cerro Catedral, in San Carlos de Bariloche, the country's main skiing center.

Francés GO continued to be an important tool for promoting consumption through the announcement of special discounts for the segment of subscribed clients. There was also a migration of its administration platform in order to achieve greater flexibility and efficiency.

BBVA Francés, as sponsor of Argentina's most important soccer clubs, Boca Juniors and River Plate, accompanies its clients in promoting soccer as one of the greatest Argentine passions.

- Managed resources

BBVA Francés continued to offer various investment alternatives:

- Fixed-term deposits
- Corporate Bonds, and
- Mutual Funds.

Fixed-term deposits may be made through different channels on Francés Net, by telephone or at any offices of the network, from a minimum amount of Ps.1,000. During the year several actions were made in order to promote the product, mainly by converging the message that a fixed term deposit in BBVA Francés is the simpler and fastest investment compared to other options available in the market.

The LANPASS Advanced Fixed-term Deposit continued to stand out as an innovative product and an excellent alternative for clients to be able to use in advance the quantity of kilometers needed to travel as desired even without having completed the total of accumulated kilometers.

The most relevant placements of corporate bonds in the year 2013 for the Bank were those of YPF. Additionally, different series of bonds were issued to retail clients, with a one-year term, 19% interest rate and for a minimum amount of Ps.1,000. BBVA Francés was leader in this type of placements.

A significant role was also played by the Bank in issuances made by front-line companies such as BBVA Francés, Arcor, Molinos, Rombo, Pan American Energy, Petroquímica Comodoro Rivadavia, etc. These placements allowed the clients to participate by applying on-line through Francés Net, by phone through Francés Inversiones, and personally at the branches.

During 2013 we continued to promoting the offer of FBA mutual funds, oriented to retail and institutional investors and comprising all possible profiles resulting from a profit-risk relationship. It is important to underline that a well-defined investment style has been developed, based on risk management and the search for sustained yields on the medium and long term.

- Payroll management

In view of the significance of payroll management for the Bank, an inter-directional working forum was established for dealing with critical issues of the product and its development through different management channels, both from the point of view of employers and employees.

Training courses were conducted for executives, at product and commercial tool level, and we also worked on the development of new instruments for the management of agreements, which will provide greater efficiency and celerity from a client standpoint.

The first quarter of 2013 was a complex period due to the migration of crediting transactions of public bodies to the Banco de la Nación Argentina, a process which started late in the previous year.

In 2014, payrolls are expected to be one of the main components of the transactional business. In this connection, apart from a strategy based on attracting PYMEs, companies and corporations, the entity will provide an offer cut-to-measure for the employer and its employees, so as to facilitate the decision to migrate to this service.

- Related Products:

Insurance

The Bank continued to manage the sale of insurance through all its available channels: Telemarketing, Offices network, Francés Net and others.

Among the most significant advances of the year, the following stand out:

- Upgrade of the Life and Personal Accidents insurance portfolio.
- Adjustment of the insured amounts to the present context in the different sections.
- Continuity of campaigns to attract new clients.
- Focus on cross-sell through Televentas.
- Increased offer of products through the ATM channel.

These initiatives managed to improve our income from insurance by approximately 30% in the year.

Development of channels:

Electronic banking continued to consolidate itself as a priority tool of BBVA Francés.

Automated means were the most important component of the Plan for the Migration of transactions, together with the cooperation of hostesses at the branches to instruct and help the clients in this process of change. At present we maintain a staff of 129 hostesses providing service at 113 branches.

As of December 2013, estimates were that 88.6% of the transactions of cash deposits, check deposits and cash withdrawals were conducted by alternative channels and only 11.4% by teller..

ATMs, devices and new technologies:

During the year 2013 we continued with the plan to renew the ATMs and exclusive terminals network, improving the levels of availability for all clients. Furthermore, we continued to expand the "Plus" units of equipment for the recognition of banknotes, which make it possible to carry out deposits without an envelope with and without Visa Debit Card in own or third parties' accounts, with immediate crediting and 24-hour availability. A total of 147 units are already installed in 109 of our branches.

We also implemented a series of projects, providing the branches with tools and technology to optimize management, attention times and reduce transactional costs.

Among these advances we can mention the optimization of the operation of the 38 queue managers with the functionality of identifying clients, the creation of new priority algorithms and the pre-queue system, now in its pilot stage, to be expanded in 2014. We can also mention the teller announcers at all branches and the expansion of such equipment to the commercial platform and the addition 254 Francés Express units.

New devices were also installed to optimize teller times by accelerating money counting with units that recognize counterfeit notes. We are planning to have at least one unit for every two tellers by December of 2014. More than 300 of these units are installed at present, covering 98% of the retail branches.

New Self-service terminals:

We are making progress in the implementation of new self-service terminals which permit effecting cash and check deposits and paying credit cards without the use of envelopes and with immediate crediting. These were installed at 14 branches in 2013.

The entity has 43 new units and at least another 300 are expected to be installed in 2014 as a fundamental support for the teller operations.

These strategic advances result in an increase of the operating capacity, since they reduce processing tasks for the release of transactions and will provide greater time availability in the reception of transactions by these automatic means.

In 2014 we will reinforce the plan for deriving transactions to self-service channels and will incorporate new technology and functionalities to them, so as to give our clients the best options of attention.

Servicing objectives, marketing and metrics:

In line with the strategic plan, we also continue with the measuring of specific servicing goals on the retail network.

On the other hand, we continue working on marketing actions in the field of servicing by means of training campaigns, e-mail actions, communications on the web and on Francés Net, among others.

Internet banking:

With respect to Francés Net, during 2013 a series of adjustments were made to facilitate operations by the client, improving services with:

- Contracting of custody accounts.
- Contracting of additional credit cards.
- Automatic debit for Mastercard holders.
- Creation of investor's profile.
- Pre-approved offer of products.

The channel also continued its expansion and achieved:

- An estimated volume of Ps.17,702 million (accumulated as of November 2013), more than Ps.5,400 higher than the previous year.
- 636,000 active clients, representing a 11% growth for the year.
- 178.6 million transactions (accumulated as of October 2013) representing some 10% increase over the same period of the preceding year.

Mobile Banking:

BBVA Francés mobile was created for devices such as BlackBerry, iPhone and Android, a tool which permits operating with the entity in a simple, fast and secure manner through smartphones.

This new technological development permits the following transactions:

- Inquiries: global position, products (accounts, cards, fixed term deposits, custody accounts, loans), movements (accounts and cards).
- Transfers.
- Management of keys.
- Localization of ATMs and branches (available only on iPhone and Android).

Transactional Mobile Banking, a new development which maintains BBVA Francés well ahead in innovation and technology.

Francés Line:

Francés Line continues to be one of the main alternative channels for customer service. Until October 2013 approximately 6.5 million calls were received and nearly 7.8 million transactions were executed.

Business Trends by area

- Retail

At the end of 2013, retail banking recorded a volume of transactions representing more than Ps.47.016,9 billion, including investment funds. During the year, credit investment grew by 41.8%, until Ps.17.499 billion. The loans granted to PYMEs according to BCRA regulations on credit lines for productive investment had an outstanding performance in the year.

The clients' resources increased by 22% to an approximate total of Ps.28.668 billion. Time deposits increased by 25%, while sight deposits had a 17% increase. The growth in lower time deposits (< Ps.1 million) was 23.5%, higher than the system's average growth, and the portfolio reached a total of more than Ps.8.8 billion. The year witnessed a number of campaigns directed to the clients, focused on its simplicity and availability through the available channels. These campaigns were reinforced by the plan of training and updating plan that our executives receive through the Bank's equity services area in order to give greater value added to client attention.

During 2013, the Bank has worked on the main lines of action:

- Plan for the renovation of branches to give them more amplitude and comfort, thus contributing to the satisfaction of clients and network equipment.
- Development and implementation of the Business Management Space Project throughout the branches network, to create an insulated and exclusive environment equipped for conducting proactive business transactions by the commercial managers, thus achieving an improvement in the productivity of effective contacts and sales.
- Development of the Project to merge the Commercial Systems and MIRAS (regional incentive model for south America) tools within the applicable Commercial Scenarios, for the purpose of substantially reducing operation times. This is currently on a pilot stage.
- The credit lines for productive investment destined for PYMEs recorded a very good level of placements in the year, showing growth of 42% in ordinary margins, 33% in volume of deposits and 24% in payrolls. In addition, this resulted in the incorporation of 110 new clients.

An appropriate planning of commercial campaigns was another remarkable achievement of the Bank for the year. Its main purpose was to accelerate organic growth by carrying out optimizing strategies in order to increase the clients' cross-sell. A commercial planning circuit was established which considered the goals of each campaign and the best management channel to contact the higher-value client with the right offer at the right time.

During 2013 more than 300 commercial actions were carried out through the sending of more than 28 million e-mails and 3 million pieces by regular mail.

The sales so generated by campaigns now exceed 50% of the average total for a month. This marks a tendency and gives us the opportunity to be competitive and get to know the clients better every day.

- Middle Market

The Bank consolidated a highly professional structure, based on two main pillars: closeness to the client and specialized advice. In line with this we opened the Agro and Institutional branch in Rosario, which will contribute to improve the attention of clients in both the agricultural and institutional sectors by providing expert advice which is badly needed in the region.

With a base of more than 18,700 clients (9% more than in 2012) distributed in the Companies, Agro and Institutional segments, BBVA Francés is an important point of reference in the system.

The active portfolio of the Corporate Banking segment exceeded Ps.11.0 billion, representing a 28% growth in the year-over-year variation. The management of the line of financing with credits for productive activities under the BCRA regulations and mainly focused on investment projects achieved the targeted objectives: Ps.1,760 billion in the placement of loans and leasing during 2013.

As for the rest of products, leasing achieved a substantial 60% growth in the year, maintaining its leadership in market participation. The use of the Agro card was practically doubled in the same period, asserting it as the financing instrument for the agricultural segment.

Through the implementation of the new tool “online assets quoting”, which permitted to achieve a more orderly and efficient pricing policy a spread differential took form in a market scenario with rates permanently on the rise. This generated an improvement in the profitability of checks, overdrafts, foreign trade and loans with interest at due date, which compensated for the lower yield of loans to productive investment.

On the other hand, the managed resources had a 30% growth, reaching a volume of Ps.9,500 billion at year end. It was a challenge and a priority for the Bank to increase the generation of sight deposits so as to optimize the funding mix and they increased by 29%.

This was achieved through the development of a Transactional Plan, an action which involves an active management of a variety of products, such as payments to suppliers, collection account, member businesses, direct debit and commercial cards, and which contributed to an improvement of the financial margin.

The growth of the active portfolio took place in a context of selected quality clients. The Bank’s non-performing portfolio index level was 0.47% at December 2013.

The evolution of commissions also constituted an important component of the management. The income generated by services reached Ps.286 million, representing a 28% increase in the year.

The model of attention to companies was especially focused on the use of management tools. The “Integral Companies Platform” permits inquiring a client’s complete information at a single location, planning the working day of the business officer, checking out the alerts for expiration, diagramming commercial actions and exporting information on spreadsheets, among other things.

For 2014, which is expected to be a complex scenario, the Bank is getting ready to try to convert the new market regulations into opportunities, both for purposes of client fidelity and profitability by means of linking and ease of transactions. Having a specific segmentation for PYMEs, Companies, Agricultural sector and Institutions is basic in order to take advantage of all the potential relationship between clients and specialized officers.

All of this, results and is expected to result in the future in a better market positioning for the Bank, focused on permanently exceeding the attention and service quality levels, both as regarding the products and the internal processes.

- Corporate & Investment Banking (“C&IB”)

The Bank’s Corporate & Investment Banking remained with an outstanding performance both in the credit business and in the transactional banking services.

In this context, the Bank continued with its policy of client financing and fidelity based on an assortment of non-credit products to satisfy their requirements.

The portfolio of profitable investment increased by 12% over the past year to Ps.9,944 billion. During the year, loans were granted to clients for financing investment for an amount of Ps.680 million, thus complying with the quota portion as set forth in the applicable BCRA regulation.

Meanwhile, the clients' resources reached a balance of Ps.8,993 billion as of the year end, more than 43% higher than the previous year, maintaining the volume of transactional balances, which, in turn, indicates a strong evolution of the business as a whole.

As for the transactional products, these continue to be one of the Bank's main priorities. The strengthening of the relationship with the clients and the offering of an assortment of products and services adapted to the needs was reflected in an increase of 38% in the volume collected and of 26% in received commissions.

In Global Markets, corporate debt issuances continued to grow, maintaining a position of leadership in the segment with a total of 24 issues, 41.12% more than in 2012. As a result of such growth, 25 derivatives transactions were generated by restructuring, involving coverage of interest rate risks for the clients.

The Bank continued during 2013 to hold the leadership position in market quota both in terms of loans to the private sector and in terms of clients' resources, with increases in transactional businesses, cross-selling and commercial relationship. This is proof of a rigorous, coordinated management scheme between C&IB, the local bank, global management and the companies.

Asset Management

The year has been particularly encouraging for the Asset Management area, due to certain regulatory changes that have started a process of profound transformation in this sector. In particular, Law Nr. 26,831, "Capital Market Law", was the main driver of these changes.

The "Capital Markets Law" was issued on December 26, 2012, and was further developed by the CNV by Resolution Nr. 622/2013 dated September 5, 2013. According to section 47 of the Capital Market Law, all agents acting in the different markets, must have the prior approval and registration of the CNV. On December 17, 2013 BBVA Banco Francés and Francés Valores initiated their registration as settlement and integral compensation Agents.

The Capital Market Law has clear and specific goals, such as (i) promoting the involvement in the capital markets of small investors, trade unions, associations and chambers of commerce, professional organizations and all public savings institutions; (ii) strengthening protection mechanisms and prevention of abuses against small investors; (iii) to promote access to capital markets of medium-sized companies; and (iv) promoting the creation of a federally integrated capital market and simplifying trading settlement for users.

The management of resources is expected to be favored by the wide variety of administrators that will be able to provide management and advice services in financial matters. Asset Management enjoys recognition for a long history which gives it a position of privilege, with the challenge of facing the tests imposed by the new reality. In this connection, we have been working on the definition of a new business model which may allow us to offer, on the basis of technological development, a greater number of products to cover a wider range of clients' profiles.

Mutual Funds

The mutual funds industry in Argentina showed a significant increase in the number of managed funds during 2013. According to provisional data prepared by the Argentine Chamber of Mutual funds (CAFCEI), at the end of 2013 the industry had managed funds amounting to Ps.72,884.3 billion, Ps.27,745 billion (61.5%) higher than the level at December of 2012.

Such equity increase was led by the market funds segment which totaled Ps.49,454.6 billion at the end of the year, Ps.21,387.5 billion or 76,2% more than the previous year.

Within this category the equity hike in the fixed-income funds stood out, which amounted to Ps.13,777.7 billion, a 67.8% increase, to reach a total of Ps.34,101.9 billion. Also positive was the performance of the mixed-income funds, which increased by

Ps.6,821.7 billion (107.8%). The fixed-term deposit segment, on the other hand, totaled equity of Ps.23,429.7 billion at the end of the year, an increase of Ps.6,357.5 billion or 37.2%.

At December 31, 2013, the managed equity amounted Ps.2,386.5 billion, representing an increase of Ps.81.6 million (3.5%) over the previous year with a 3.3% participation in the market of Mutual Investment Funds.

In the fixed-term funds category, FBA Renta Pesos ended the year with an equity of Ps.1,460.3 billion, showing a decrease of Ps.37.4 million or 2.5% compared to the previous year.

Regarding the market funds, the Bank's managed equity increased by Ps.119.1 million, or 14.8% during the period. These funds ended the year with a managed total of Ps.926.3 million and a market participation of 1.9% in this category.

Among the market funds managed by the Bank, the following funds showed, the best equity improvements: FBA Ahorro Pesos, which increased its equity by Ps.97.4 million (21.9%) to a total of Ps.541.7 million; FBA Calificado which increased by Ps.43.5 million (52.4%) to Ps.126.5 million at the end of the year; FBA Acciones Latinoamericanas, whose equity increased by Ps.17.5 million (72.5%) to Ps.41.6 million; and FBA Horizonte (52.6%), which increased by Ps.16.3 million to Ps.47.3 million at the end of the year.

On the other hand, the commissions generated by the Bank amounted to Ps.21.8 million, a 6.2% increase over those of the previous year. Based on their origin, those generated by the Fixed Term Fund amounted to 32.5% of the total, a share very similar to that of the previous year. Also the commissions generated by the FBA Ahorro Pesos fund stood out, as they represented more than 28% of the total.

As of December 31, 2013, our mutual funds had the following equity volumes:

Name of Mutual Fund	Thousands of Pesos
FBA Acciones Globales (*)	47,620
FBA Total	20,817
FBA Renta (*)	20,537
FBA Renta Pesos	1,460,275
FBA Renta Dólares (*)	5,971
FBA Bonos Latinoamericanos	26,211
FBA Calificado	126,513
FBA International	4,558
FBA Ahorro Dólares (*)	14,092
FBA Renta Fija (*)	14,373
FBA Ahorro Pesos	541,736
FBA Renta Premium (*)	8,866
FBA Horizonte	47,322
FBA Renta Corto Plazo (*)	316
FBA Acciones Latinoamericanas	41,623
FBA Bonos Argentina	5,096
FBA Acciones Argentinas	468
FBA Bonos Globales	117
Total	<u>2,386,511</u>

Source: see Note 13.2. to our Consolidated Financial Statements.

(*) BBVA Francés Asset Management S.A. Sociedad Gerente de Fondos Comunes de Inversión decided to start the process of liquidation of FBA Renta Dólares, FBA Ahorro Dólares, FBA Renta Fija, FBA Renta Premium and FBA Renta Corto Plazo on August 30, 2013 and of FBA Acciones Globales and FBA Renta on September 2, 2013.

Portfolio Management

As in previous years, the Company will pay special attention to the evolution of the international economic and financial situation, the behavior of the money market and the performance of the price for crude oil and other commodities. Regarding the domestic context, monitoring will be focused on the levels of activity, inflation and public spending.

For 2014, we expect a local context characterized by the improvement of economic growth levels, where the mutual funds constitute an efficient alternative for different types of investors, so that this industries' evolution maintains favorable prospects.

In such scenario, the Company will continue to work in favor of expanding the offer of products and contributing to a better risk management by the quotaholders

Insurance

We provide advisory services to our customers in the selection of the adequate coverage of risks related to life, personal accidents as well as home and ATM robbery insurance, within a range of products offered by certain insurance companies.

Additionally, as part of our overall business, we have equity investment in an insurance company: 12.22% of the capital stock of BBVA Consolidar Seguros S.A., with BBVA holding the remaining shares of this company.

International Operations

Since the Argentine Crisis began at the end of 2001, access to international markets for Argentine companies has been quite limited. Notwithstanding this constraint, we have been able to assist our clients with traditional foreign trade services, including letters of credit, collections, bank drafts, fund transfers and foreign currency transactions.

Cost Controls and Efficiency Improvements

The increase in administrative expenses above inflation is mainly related to a higher activity level together with higher payroll and advertising expenses in connection with a more aggressive advertising campaign.

The following table shows assets and income derived from the business areas described above for the fiscal years ended December 31, 2013, 2012 and 2011:

	As of December 31, 2013				
	Continued operations			Discontinued operations ⁽⁵⁾	
	Banking Financial			Pension Fund Manager	Total
	BBVA Francés, ⁽⁴⁾	PSA Finance S.A.	Total		
Total assets	55,765,494	2,684,358	58,449,852	73,772	58,523,624
Financial income	7,818,945	416,334	8,235,279	8,130	8,243,409
Service charge income and other income	3,463,699	344,558	3,808,257	7,124	3,815,381
Total income ⁽¹⁾	11,282,644	760,892	12,043,536	15,254	12,058,790
Financial expenses	(3,015,193)	(241,659)	(3,256,852)	3,042	(3,253,810)
Allowances for doubtful loans	(431,467)	(21,797)	(453,264)	—	(453,264)
Operating expenses	(3,848,175)	(33,797)	(3,881,972)	(18,497)	(3,900,469)
Other expenses ⁽²⁾	(2,237,062)	(134,428)	(2,371,490)	(1,099)	(2,372,589)
Total expenses ⁽³⁾	(9,531,897)	(431,681)	(9,963,578)	(16,554)	(9,980,132)
(Loss)/Gain on minority interest in subsidiaries	(97)	(54,916)	(55,013)	599	(54,414)
Total net income	1,750,650	274,295	2,024,945	(701)	2,024,244

(1) Includes: financial income, service charge income and other income.

(2) Includes: service charge expense, other expense and income tax.

(3) Includes: financial expenses, allowances for doubtful loans, operating expenses and other expenses.

(4) Includes: BBVA Francés Asset Management S.A. Sociedad Gerente de Fondos Comunes de Inversión and BBVA Francés Valores S.A.

(5) See Note 15. to the Consolidated Financial Statements.

As of December 31, 2012					
	Continued operations			Discontinued operations ⁽⁵⁾	
	Banking Financial			Pension Fund Manager	Total
	BBVA Francés, ⁽⁴⁾	PSA Finance S.A.	Total		
Total assets	42,761,978	1,916,525	44,678,503	106,076	44,784,579
Financial income	5,423,751	281,442	5,705,193	9,728	5,714,921
Service charge income and other income	2,735,119	197,682	2,932,801	5,400	2,938,201
Total income ⁽¹⁾	8,158,870	479,124	8,637,994	15,128	8,653,122
Financial expenses	(1,955,017)	(106,114)	(2,061,131)	3,260	(2,057,871)
Allowances for doubtful loans	(242,753)	(13,506)	(256,259)	—	(256,259)
Operating expenses	(3,014,278)	(25,453)	(3,039,731)	(21,977)	(3,061,708)
Other expenses ⁽²⁾	(1,896,026)	(81,333)	(1,977,359)	(51)	(1,977,410)
Total expenses ⁽³⁾	(7,108,074)	(226,406)	(7,334,480)	(18,768)	(7,353,248)
(Loss)/Gain on minority interest in subsidiaries	(84)	(37,790)	(37,874)	1,679	(36,195)
Total net income	1,050,712	214,928	1,265,640	(1,961)	1,263,679

Includes: financial income, service charge income and other income.

(1) Includes: service charge expense, other expense and income tax.

(2) Includes: financial expenses, allowances for doubtful loans, operating expenses and other expenses.

(3) Includes: BBVA Francés Asset Management S.A. Sociedad Gerente de Fondos Comunes de Inversión and BBVA Francés Valores S.A.

(4) See Note 15. to the Consolidated Financial Statements.

As of December 31, 2011					
	Continued operations			Discontinued operations ⁽⁵⁾	
	Banking Financial			Pension Fund Manager / Insurance	Total
	BBVA Francés, ⁽⁴⁾	PSA Finance S.A.	Total		
Total assets	37,640,829	1,329,244	38,970,073	35,572	39,005,645
Financial income	3,412,422	152,608	3,565,030	249,655	3,814,685
Service charge income and other income	2,078,461	129,350	2,207,811	78,537	2,286,348
Total income ⁽¹⁾	5,490,883	281,958	5,772,841	328,192	6,101,033
Financial expenses	(1,300,279)	(55,419)	(1,355,698)	10,295	(1,345,403)
Allowances for doubtful loans	(122,066)	(10,597)	(132,663)	—	(132,663)
Operating expenses	(2,263,288)	(16,212)	(2,279,500)	(63,700)	(2,343,200)
Other expenses ⁽²⁾	(1,006,203)	(58,661)	(1,064,864)	(200,864)	(1,265,728)
Total expenses ⁽³⁾	(4,691,836)	(140,889)	(4,832,725)	(254,269)	(5,086,994)
(Loss)/Gain on minority interest in subsidiaries	24,691	(17,908)	6,783	(15,245)	(8,462)
Total net income	823,738	123,161	946,899	58,678	1,005,577

(1) Includes: financial income, service charge income and other income.

(2) Includes: service charge expense, other expense and income tax.

(3) Includes: financial expenses, allowances for doubtful loans, operating expenses and other expenses.

(4) Includes: BBVA Francés Asset Management S.A. Sociedad Gerente de Fondos Comunes de Inversión and BBVA Francés Valores S.A.

(5) See Notes 1.4. and 15. to the Consolidated Financial Statements.

C. ORGANIZATIONAL STRUCTURE

Banco Bilbao Vizcaya Argentaria S.A. (BBVA)

As of December 31, 2013, BBVA owned approximately 76% of our capital stock.

BBVA is the result of a merger by absorption of Argentaria and Banco Bilbao Vizcaya, S.A., formerly Spanish retail banking, asset management and insurance providers, into Banco Bilbao Vizcaya Argentaria, S.A. The merger was approved by the shareholders of both institutions on December 18, 1999. As of December 31, 2013, BBVA, through its subsidiaries, has a presence in 9 Latin American countries, United States, Mexico, China, several countries throughout Europe and Turkey.

BBVA is a global financial group, organized in five geographical business areas: (i) Spain and Portugal, (ii) Mexico, (iii) South America, (iv) the United States and (v) Eurasia. In addition to these geographical business areas, BBVA have a separate “Corporate Activities” area. This area handles our general management functions. The benefits we receive from the BBVA Group are:

- sharing of technology;
- development of new banking products that have been customized for the Argentine market;
- leveraging BBVA’s global client relationships to serve those clients operating in Argentina; and
- BBVA’s participation in BBVA Francés as a shareholder is both long term and strategic.

Subsidiaries and affiliates of BBVA Francés

We conduct our securities trading operations on the BCBA through our brokerage affiliate, BBVA Francés Valores S.A.

Rombo is the main financial company for the concessionaries of Renault, a brand which achieved a significant growth in its market share, growing from 13% in 2011 to 15% in 2012, and to 15.4% in 2013 and allowing it to raise from the third to the second position.

The participation rate of Rombo continued to grow compared to the previous year (25.5% growth in 2013 against 25.1% growth in 2012), reflecting an adaptation of the commercial policy and a greater inclination of its clients to resort to financing in view of the low rate levels which prevailed during most of the year.

With the financing of 35,936 new vehicles and 5,587 second-hand vehicles, Rombo registered 41,523 new credits, 21% above the previous year.

The aggregate amount of pledge credits, leasing and factoring amounted to Ps.2,999 million in 2013, compared to Ps.1.998 in 2012, representing a 50% increase.

In the last quarter of the year the factoring tool was developed, which made it possible to provide financing to the network of agents through Rombo.

The indicators that measure risk and portfolio quality have remained at low values as compared to those of the company’s history. The level of non-performing loans varied from 1.8% in December 2012 to 1.9% at the close of 2013.

As for the financing, six series of corporate bonds were issued during the year for a total of Ps.504 million, with a total balance of such bonds of Ps.736 million at the end of the year. The total amount for the program continued to be Ps.1,000 million, rated as “raAA” by Fix SCR S.A. Agente Calificadora de Riesgo (previously known as Fitch Argentina Calificadora de Riesgo S.A and as “raBB+“ by Standard & Poor’s.

The result before taxes of Rombo amounted to Ps.213.4 million, 46% higher than the previous year.

The shares of PSA Finance are divided in equal parts between BBVA Francés S.A. and Banque PSA Finance, a company linked to the group of PSA Peugeot Citroën S.A. with headquarters in France.

PSA Finance’s main business is focused on the granting of pledge loans for the purchase of new Peugeot and Citroën vehicles, and the purchase of cars of the said brands by leasing. It also offers financing to purchase second-hand cars (for clients proposed by the official concessionaries networks), as well as other financial products and services linked to the purchase, maintenance and insurance of vehicles.

The motor car industry closed the year with a total of 917,920 vehicle licenses, 13.8% more than in 2012.

During 2013, the Peugeot and Citroën trademarks increased their market share from 13.8% to 15.3%.

PSA Finance has accompanied this process achieving in turn a penetration of 25.1% in vehicles licensed or both trademarks (measured on the basis of financing for brand-new cars). Translated into number of contracts, the company financed 39,915 pledge credits for new cars, used cars and vehicles granted by leasing for the equivalent of Ps.2.015 billion. As at December 31, 2013, the company ended the year with an 82,561 client portfolio valued at Ps.2.618 billion, a figure representing approximately 36% growth over the previous year.

As for the products offered, during 2013 the strategy of working in conjunction with the Peugeot and Citroën trademarks was maintained, especially in connection with the launching of exclusive and differential financial products. This has helped to obtain a new record in the number of loans granted by PSA Finance, with a 26% increase above the previous year.

It was also possible to maintain a dynamic and competitive offer of products, thanks to a permanent commercial work with the concessionaries network. Proof of this is the fact that 100% of concessionaries of the Peugeot Citroën commercial network have continued working with PSA Finance, as a result of which 89% of the financing of cars sold by the network were financed through PSA Finance. This fidelity factor is one of the most important pillars in the development and growth of the company's portfolio.

Throughout the year, the company has maintained its proactive policy in favor of developing its financing structure and its capacity of anticipation so as to financially consolidate the growth in the volume of business over the past few years. During 2013, PSA Finance has made decisions and executed actions which allowed it to finance and create the bases required for consolidating its growth. These are detailed below:

- In the first place, during 2013 the company issued for the first time in a single year four issuances of corporate bonds in the months of February, May, July and October. PSA Finance successfully completed such issuances and obtained a total amount of Ps.528 million, which was 79.9% higher than the best performance it had recorded until the start of the year. Among such issuances stands out the one made in July, when Ps.150 million were issued and offers were received for Ps.213 million.
- On the other hand, the continuity in 2013 of actions started the previous year to promote the capture of corporate term deposits allowed the organization to increase by 41% its balance on stock at the close of the year, to a total of Ps.43.8 million.

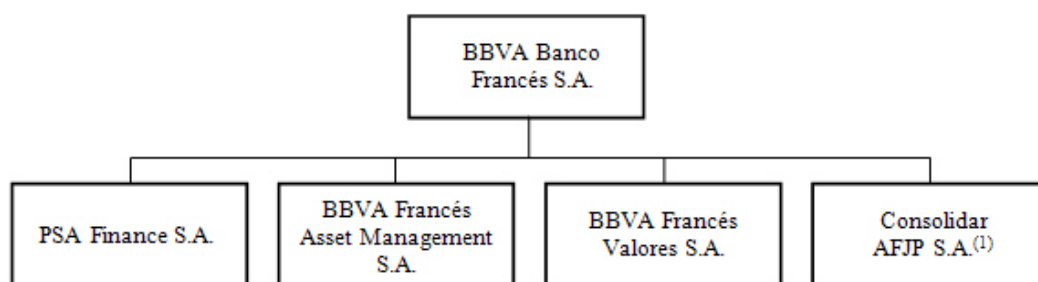
In 2013 a second syndicated loan was also negotiated by PSA Finance for Ps.65 million. Furthermore, and even if BBVA Francés continues to be the main financing source for the company, another outstanding action in 2013 was an increase of the lines with other Banks amounting to approximately Ps.693 million, representing a 47% growth over the balance at the beginning of the year.

As a result of the great work performed, the net result of PSA Finance amounted to Ps.109.8 million, showing a 45% increase over 2012.

The scenario foreseen for 2014 is similar to that for 2013, which would permit a growth of about 20% in the portfolio. However, many question marks appear, such as the availability of products, the impact of the tax burden on luxury cars and, in a financial context, the evolution of rate levels.

Beyond the above, the company will continue to offer a dynamic offer of financial products and services and, in the operative context, a permanent variety of improvements to make the management as efficient as possible.

The following chart reflects our subsidiaries as of December 31, 2013:



⁽¹⁾ Undergoing liquidation proceedings.

The following information is related to our subsidiaries and affiliates as of December 31, 2013:

Subsidiary or Affiliates Company	Country of Incorporation/ Residence	BBVA Francés Ownership and Voting Power (in percentages)	Principal Activity	Stockholders' Equity (in millions of pesos) (2) (3)
A Francés Asset Management S.A.(1)	Argentina	95.00%	Investment fund manager	72.6
BBVA Francés Valores S.A. (1)	Argentina	97.00%	Stock exchange brokerage	18.5
Consolidar AFJP S.A. (undergoing liquidation proceedings) (1)	Argentina	53.89%	Pension fund manager	15.3
Finance Argentina Cía. Financiera S.A. (1)	Argentina	50.00%	Financial institution	329.3
bo Compañía Financiera S.A.	Argentina	40.00%	Financial institution	376.0
A Consolidar Seguros S.A. (1)	Argentina	12.22%	Insurance	239.1

(1) For information regarding the number of shares we hold in such entities, see Note 2 to the Consolidated Financial Statements.

(2) Total stockholders' equity as of December 31, 2013.

(3) Statutory Stockholders' Equity, adjusted for purposes of consolidation so as to apply an accounting criterion being uniform with that of BBVA Francés, if applicable.

Grupo Consolidar

Grupo Consolidar consists of Consolidar AFJP S.A. (under liquidation proceedings) and BBVA Consolidar Seguros S.A., in which BBVA Francés has participations of 53.89% and 12.22%, respectively.

Consolidar AFJP S.A. (undergoing liquidation proceedings)

Law Nr. 26,425- Dissolution and liquidation of Consolidar AFJP S.A.:

Law Nr. 26,425 was enacted on December 4, 2008. It abolished the capitalization system that was part of the Integrated Pension and Retirement System (Sistema Integrado de Jubilaciones y Pensiones) which was merged into and substituted by a single public distribution system called SIPA (Sistema Integrado Previsional Argentino, i.e. Argentine Integrated Pension System). As a consequence, Consolidar AFJP S.A. no longer managed the resources in the individual capitalization accounts of its members, who were the beneficiaries of the Argentine Integrated Pension System. These funds were transferred to the Sustainability Guarantee Fund of the SIPA in the same amounts as they were invested, and the Argentine Social Security Administration (ANSES) became the only and single holder of its assets and rights.

On October 29, 2009 ANSES issued Resolution Nr. 290/2009 granting pension and retirement fund managers the possibility of converting their corporate purpose to manage funds of voluntary contributions and deposits of the members in their respective capitalization accounts. Companies had 30 business days to express their interest in doing so.

In view of all of the above, on December 28, 2009, and bearing in mind that it was not possible for Consolidar AFJP S.A. to continue with the corporate purpose for which it had been created, the company held a unanimous special shareholders meeting. The resolution of this meeting was to dissolve and subsequently wind-up the company as of December 31, 2009. Under the understanding that this was the best alternative to preserve in the best possible way the creditors and shareholders interests. At the same time, and in accordance with the terms of the Argentine Corporate Law, the shareholders' meeting resolved to appoint the accountants Messrs. Gabriel Orden and Rubén Lamandia to liquidate Consolidar AFJP S.A. These accountants are the legal representatives of the company since December 31, 2009 and are working in order to wind it up. As of this date, they are taking all necessary steps to liquidate Consolidar AFJP S.A.

On 28 January 2010, the dissolution of Consolidar AFJP S.A. (undergoing liquidation proceedings) was registered with the IGJ (Office of Corporate Oversight)¹ as well as the names of the appointed liquidators.

Consolidar AFJP S.A. (undergoing liquidation proceedings) general and special shareholders' meeting approved a voluntary reduction of the corporate capital by Ps.75 million on October 19, 2009, which was approved by the Office of Corporations on January 11, 2010. Subsequently, on January 19, 2010 all capital contributions were returned to the shareholders, in accordance with the above mentioned capital reduction.

¹ The Office of Corporate Oversight is part of the Argentine Department of Justice and Human Rights. Its main functions involve the registry and supervision of commercial companies, foreign companies, civil associations and civil foundations, established in Ciudad Autónoma de Buenos Aires.

BBVA Francés, in its capacity as shareholder, requested that Consolidar AFJP S.A. (undergoing liquidation proceedings) submit a request for negotiations with the Argentine Ministry of Economy and Public Finances (Ministerio de Economía y Finanzas Públicas de la Nación) and the Argentine Social Security Administration (Administración Nacional de la Seguridad Social). This was done in accordance with the terms of Law Nr. 26,425 in order to find solutions to the consequences of the effects of the implementation of the Law. This request was filed by Consolidar AFJP S.A. (undergoing liquidation proceedings) on June 11, 2010.

In turn, on December 7, 2010, Consolidar AFJP S.A. (undergoing liquidation proceedings) filed a claim for damages against the Federal Government and the Ministry of Labor, Employment and Social Security at the Contentious-Administrative Federal Court number 4, Secretariat number 7, under case number 40,437/2010. The claim was ratified by BBVA Francés as controlling shareholder of the company. On July 15, 2011 Consolidar AFJP S.A. (undergoing liquidation proceedings) and BBVA Francés filed an additional motion to determine the amount of damages. On March 9, 2012, the Court ordered the service of process to the National State.

Additionally, on April 12, 2011, the Argentine Supreme Court confirmed the ruling of the Court of Appeals in Contentious-Administrative Matters in favor of Consolidar AFJP S.A. (undergoing liquidation proceedings) of the Court of Appeals in Contentious-Administrative Matters in connection with a recovery claim filed against the Argentine Federal Tax Agency for the excess amounts paid as income tax (Ps.12.5 million) for the 2002 fiscal year, as a consequence of the absence of tax adjustment for inflation. As Consolidar AFJP S.A. (undergoing liquidation proceedings) is in the process of winding-up, in order to benefit from an early collection of funds resulting from such legal decision, on June 29, 2011, Consolidar AFJP S.A. (undergoing liquidation proceedings) assigned to BBVA Francés for valuable consideration all its rights under the above mentioned legal proceedings.

On August 23, 2011, the National Supreme Court confirmed the ruling in favor of the company in the lawsuit “Consolidar AFJP S.A. c/ EN – PEN – s/ proceso de conocimiento”, recognizing the company’s rights to all sums paid as collection rates under Decree Nr. 863/98 between August 1998 and November 2000 plus interest.

On the case “Consolidar AFJP SA c/ Estado Nacional- Min. de Trabajo- ANSES (Ley 26,425) s/Daños y Perjuicios”, on May 13, 2013, the judge in charge ordered the commencement of the trial stage. The company collected witness, documentary and expert evidence and on May 28, 2013 it accompanied the examinations and the statements of its witnesses.

BBVA Consolidar Seguros S.A.

BBVA Consolidar Seguros operates in: fire, mixed family and comprehensive insurance, civil liability, theft, personal accidents, umbrella life and other insurance risks.

During 2013, it has achieved a level of issued premiums of Ps.768 million, which represents a growth of 36% in respect of the previous year. This increase confirms the strategy that combines an ample variety of products with multiple channels of distribution and attention, all of which are based on segmentation of its clients’ needs. Total claims paid out Ps.126 million an increase of 16% over its issued premiums. The annual result after tax was Ps.76 million, and it represents a return on net equity at year closing of 31%.

Within the framework of the “Plan Estratégico Nacional de Seguros” (PLANES), and by Resolution SSN 37,163 dated October 22, 2012, the general regulations for the insurance activity were amended for the purpose of redirecting an important part of the insurance companies’ investments to the productive sector of the Argentine economy. The new clause k of clause 35.8.1 of the Regulations for the insurance activity established a range of percentages on the total investments, excluding real property, which the companies must assign to certain productive investments.

On January 17, 2013 the National Insurance Superintendence issued Resolution Nr. 37,358 which became effective on January 24, 2013, introducing modifications to the determination of computable capital and the normalization plan in order to cover the deficit of minimum capital required to entities, if applicable. The main change affects the term proposed for absorbing the deficit, which cannot exceed the closing date of the fiscal year or immediately following period.

For 2014, the plan for BBVA Consolidar Seguros will be to continue with the growth of its main lines of business, in particular collective live insurance, personal accidents and family integral and combined, based on an offer of products to satisfy in a differential manner the needs of its main clients.

Equity Investments

The following are all positions that we hold in non-financial institutions where we own more than 2% of the invested companies’ equity as of December 31, 2013.

Investment	Country	% of Shares Owned (in percentages)	Principal Activity	Total Stockholders' Equity (in millions of pesos)
Coelsa S.A. ⁽¹⁾	Argentina	8.64%	Clearing house	3.1
Interbanking S.A. ⁽¹⁾	Argentina	11.11%	Information services for financial markets	116.3
Argencontrol S.A. ⁽²⁾	Argentina	7.77%	Agent mandatory	1.2
Sedesa S.A. ⁽¹⁾	Argentina	9.52%	Deposit guarantee fund	1.0
Banelco S.A. ⁽³⁾	Argentina	10.91%	Nationwide ATM network & credit card administration	79.3
Visa Argentina S.A. ⁽⁴⁾	Argentina	10.48%	Credit card issuer	265.1

(1) Total Stockholders' Equity as of December 31, 2012.

(2) Total Stockholders' Equity as of December 31, 2011.

(3) Total Stockholders' Equity as of November 30, 2013.

(4) Total Stockholders' Equity as of May 31, 2013.

D.PROPERTY, PLANTS AND EQUIPMENT

BBVA Francés is domiciled in Argentina and has its principal executive offices at Reconquista 199, C1003ABB Buenos Aires, Argentina. The principal executive offices, which we own, are approximately 16,000 square meters in area.

At December 31, 2013, our branch network consisted of 245 branches, of which 111 were located in properties that we own and 134 were located in properties leased to us. The branches are located throughout all of the 23 Argentine provinces as well as the City of Buenos Aires.

SELECTED STATISTICAL INFORMATION

The following information is included for analytical purposes and should be read in conjunction with the Consolidated Financial Statements as well as "Operating and Financial Review and Prospects". This information has been prepared from our financial records, which are maintained in accordance with the regulations established by the Central Bank and do not reflect adjustments necessary to state the information in accordance with U.S. GAAP. See Note 22 to the Consolidated Financial Statements for a summary of the significant differences between Argentine Banking GAAP and U.S. GAAP.

The average balances of interest-earning assets and interest-bearing liabilities, including the related interest earned or paid, were calculated on a monthly basis in the case of the financial information of BBVA Francés and its subsidiaries. Average balances have been separated between those denominated in pesos and in dollars.

The nominal interest rate is the amount of interest earned or paid during the period divided by the related average balance.

The nominal average rates for each fiscal year were converted to average real rates as follows:

$$R_p = \frac{1 + N_p}{1 + I} - 1 \quad R_d = \frac{(1 + N_d)(1 + D)}{1 + I} - 1$$

Where:

R_p: real average rate for Argentine peso-denominated assets and liabilities of BBVA Francés;

R_d: real average rates for dollar-denominated assets and liabilities of BBVA Francés;

N_p: nominal peso average rate in peso-denominated assets and liabilities for the fiscal year;

N_d: nominal dollar average rate in dollar-denominated assets and liabilities for the fiscal year;

D: devaluation rate of the Argentine peso to the dollar for the fiscal year; and

I: Argentine inflation rate ("WPI").

The formula for the average real rates for dollar-denominated assets and liabilities (Rd), when compared with the corresponding nominal rates, reflects the loss, or gain, in purchasing power of the dollar caused by the difference between peso devaluation and inflation in Argentina for each fiscal year.

Included in interest earned are the net gains on our portfolio of Government securities and related differences in market quotations. We manage our trading activities in Government Securities as an integral part of our business. We do not, as a matter of practice, distinguish between interest income and gain or loss on our Government Securities portfolio. Non-accrual loans have been included in the related average loan calculation.

Negative interest rates in real terms occur in periods when the inflation rate in each country exceeds the nominal interest rate in pesos or exceeds the combination of the nominal interest rate on dollar-denominated assets or liabilities and the devaluation rate.

The following illustrates the calculation of the real interest rate in pesos for a dollar-denominated asset yielding a nominal annual interest rate of 20.0% (Nd=0.20) using different combinations of devaluation and inflation rates. If devaluation is 15.0% per annum (D=0.15) and inflation runs at a rate of 25.0% per annum (I=0.25), the result is as follows:

$$Rd = \frac{(1+0.20)(1+0.15)}{1+0.25} - 1 = 10.4\% \text{ per annum}$$

which in this case means that, because inflation exceeds devaluation, the real interest rate in pesos is less than the nominal interest rate in dollars. In this example, if the devaluation rate had been 30.0% per annum, and the other assumptions had remained the same, then the real interest rate in pesos would have been 24.8% per annum, which is more than the nominal interest rate in dollars. If the inflation rate were to exceed 38.0% per annum, then the real interest rate in pesos on this dollar denominated asset would become negative.

Average Balance Sheets, Interest Earned on Interest-Earning Assets and Interest Paid on Interest-Bearing Liabilities

The following tables show average balances, interest amounts and real rates for our interest-earning assets and interest-bearing liabilities for the fiscal years ended December 31, 2013, 2012 and 2011.

	December 31,								
	2013			2012			2011		
	Average balance ⁽¹⁾	Interest earned/paid	Average real rate ⁽²⁾	Average balance ⁽¹⁾	Interest earned/paid	Average real rate ⁽²⁾	Average balance ⁽¹⁾	Interest earned/paid	Average real rate ⁽²⁾
	(in thousands of pesos, except percentages)								
ASSETS									
Interest-earning assets									
Government securities ⁽³⁾									
Pesos	4,259,330	439,174	(3.84)%	5,733,710	775,808	0.40%	5,910,088	585,291	(2.45)%
Dollars	231,056	58,219	44.66%	114	83	74.41%	164,044	714	(3.51)%
Total	4,490,386	497,393	(1.34)%	5,733,824	775,891	0.40%	6,074,132	586,005	(2.48)%
Loans ⁽⁴⁾									
Private Sector									
Pesos	30,347,126	6,263,679	5.16%	21,784,022	4,258,681	5.72%	15,665,675	2,634,984	3.69%
Dollars	1,797,921	72,599	20.21%	2,994,902	135,684	5.63%	3,417,049	73,626	(1.86)%
Total	32,145,047	6,336,278	6.01%	24,778,924	4,394,365	5.71%	19,082,724	2,708,610	2.70%
Public Sector									
Pesos	784,655	4,982	(12.27)%	491,604	—	—	929,371	548	(11.19)%
Dollars	588	—	—	4	—	—	—	—	—
Total	785,243	4,982	(12.27)%	491,608	—	—	929,371	548	(11.19)%
Deposits with the Central Bank									
Pesos	208,782	—	—	163,946	—	—	127,251	—	—
Dollars	2,946,513	—	—	1,860,749	—	—	2,537,075	—	—
Total	3,155,295	—	—	2,024,695	—	—	2,664,326	—	—
Other assets									
Pesos	2,582,950	805,843	14.37%	2,170,203	341,302	2.34%	1,867,995	296,536	2.85%
Dollars	865	(16)	13.45%	1,166	22	2.99%	40,687	2,967	3.08%
Total	2,583,815	805,827	14.37%	2,171,369	341,324	2.34%	1,908,682	299,503	2.86%
Interest-earning assets from continued operations									
Pesos	38,182,843	7,513,678	4.33%	30,343,485	5,375,791	4.10%	24,500,380	3,517,359	1.51%
Dollars	4,976,943	130,802	18.59%	4,856,935	135,789	3.88%	6,158,855	77,307	(2.72)%
Total	43,159,786	7,644,480	5.97%	35,200,420	5,511,580	4.07%	30,659,235	3,594,666	0.66%
Interest-earning assets from discontinued operations									
Pesos	43,123	12,964	0.01%	69,455	12,696	—	50,588	3,384	(0.01)%
Dollars	1,625	—	(0.01)%	2,284	—	—	7,718	—	—
Total	44,748	12,964	0.01%	71,739	12,696	—	58,306	3,384	(0.01)%
Total interest-earning assets									
Pesos	38,225,966	7,526,642	4.34%	30,412,940	5,388,487	4.10%	24,550,968	3,520,743	1.49%
Dollars	4,978,568	130,802	18.58%	4,859,219	135,789	3.88%	6,166,573	77,307	(2.72)%
Total	43,204,534	7,657,444	5.98%	35,272,159	5,524,276	4.07%	30,717,541	3,598,050	0.65%

	December 31,								
	2013			2012			2011		
	Average balance ⁽¹⁾	Interest earned/ paid	Average real rate ⁽²⁾	Average balance ⁽¹⁾	Interest earned/ paid	Average real rate ⁽²⁾	Average balance ⁽¹⁾	Interest earned/ paid	Average real rate ⁽²⁾
	(in thousands of pesos, except percentages)								
Non-interest-earning assets									
Cash and due from banks									
Pesos	4,983,751	—	—	4,132,461	—	—	3,110,071	—	—
Dollars	392,078	—	—	613,787	—	—	776,237	—	—
Total	5,375,829	—	—	4,746,248	—	—	3,886,308	—	—
Investments in other companies									
Pesos	186,104	—	—	137,128	—	—	91,232	—	—
Dollars	1,465	—	—	1,209	—	—	1,095	—	—
Total	187,569	—	—	138,337	—	—	92,327	—	—
Property and equipment and miscellaneous and intangible assets and items pending allocation									
Pesos	1,042,972	—	—	707,605	—	—	652,799	—	—
Total	1,042,972	—	—	707,605	—	—	652,799	—	—
Allowance for loan losses									
Pesos	(992,499)	—	—	(673,167)	—	—	(423,818)	—	—
Dollars	(56,658)	—	—	(67,308)	—	—	(52,569)	—	—
Total	(1,049,157)	—	—	(740,475)	—	—	(476,387)	—	—
Other assets									
Pesos	1,230,519	—	—	810,826	—	—	710,741	—	—
Dollars	299,246	—	—	264,328	—	—	284,003	—	—
Total	1,529,765	—	—	1,075,154	—	—	994,744	—	—
Non-interest-earning assets from continued operations									
Pesos	6,450,847	—	—	5,114,853	—	—	4,141,025	—	—
Dollars	636,131	—	—	812,016	—	—	1,008,766	—	—
Total	7,086,978	—	—	5,926,869	—	—	5,149,791	—	—
Non-interest-earning assets from discontinued operations									
Pesos	34,935	—	—	24,164	—	—	16,140	—	—
Dollars	—	—	—	264	—	—	268	—	—
Total	34,935	—	—	24,428	—	—	16,408	—	—
Total non-interest-earning assets									
Pesos	6,485,782	—	—	5,139,017	—	—	4,157,165	—	—
Dollars	636,131	—	—	812,280	—	—	1,009,034	—	—
Total	7,121,913	—	—	5,951,297	—	—	5,166,199	—	—
ASSETS FROM CONTINUED OPERATIONS									
Pesos	44,633,690	—	—	35,458,338	—	—	28,641,405	—	—
Dollars	5,613,074	—	—	5,668,951	—	—	7,167,621	—	—
Total	50,246,764	—	—	41,127,289	—	—	35,809,026	—	—
ASSETS FROM DISCONTINUED OPERATIONS									
Pesos	78,058	—	—	93,619	—	—	66,728	—	—
Dollars	1,625	—	—	2,548	—	—	7,986	—	—
Total	79,683	—	—	96,167	—	—	74,714	—	—
TOTAL ASSETS									
Pesos	44,711,748	—	—	35,551,957	—	—	28,708,133	—	—
Dollars	5,614,699	—	—	5,671,499	—	—	7,175,607	—	—
Total	50,326,447	—	—	41,223,456	—	—	35,883,740	—	—

(1) Average balances are derived from month-end balances.

(2) Annualized on a 360-day basis.

(3) Includes trading gains and losses in all fiscal years. Unrealized gains and losses arising from changes in the market value of our trading portfolio of Government Securities and yield on our investment portfolio of Government Securities are included.

(4) Loan amounts are stated before deduction of the allowance for loan losses. Non-acrual loans are included in loans as interest-earning assets.

	December 31,								
	2013			2012			2011		
	Average balance ⁽¹⁾	Interest earned/paid	Average real rate ⁽²⁾	Average balance ⁽¹⁾	Interest earned/paid	Average real rate ⁽²⁾	Average balance ⁽¹⁾	Interest earned/paid	Average real rate ⁽²⁾
	(in thousands of pesos, except percentages)								
LIABILITIES									
Interest-bearing liabilities									
Savings accounts									
Pesos	7,719,280	13,453	(12.68)%	6,186,969	9,367	(11.43)%	4,784,502	6,767	(11.11)%
Dollars	1,458,765	1,319	15.65%	1,913,643	1,781	1.15%	2,671,586	2,416	(3.84)%
Total	9,178,045	14,772	(8.17)%	8,100,612	11,148	(8.46)%	7,456,088	9,183	(8.51)%
Time deposits									
Pesos	15,037,091	2,373,976	0.93%	11,201,224	1,526,358	0.49%	9,010,574	1,058,109	(0.81)%
Dollars	1,131,265	3,295	15.89%	1,460,417	3,842	1.32%	1,918,794	4,666	(3.69)%
Total	16,168,356	2,377,271	1.98%	12,661,641	1,530,200	0.58%	10,929,368	1,062,775	(1.32)%
Borrowings from the Central Bank									
Pesos	132,961	6,145	(8.80)%	81,135	2,311	(9.04)%	53,083	558	(10.30)%
Dollars	3,291	—	—	1,702	2	1.19%	2,526	18	(3.26)%
Total	136,252	6,145	(8.59)%	82,837	2,313	(8.83)%	55,609	576	(9.98)%
Borrowings from other financial institutions									
Pesos	23,577	308,112	1,126.36%	11,031	215,348	1,714.81%	29,736	38,961	105.06%
Dollars	113,219	3,892	19.52%	501,100	17,881	4.66%	265,254	3,259	(2.75)%
Total	136,796	312,004	210.29%	512,131	233,229	41.50%	294,990	42,220	8.12%
Corporate bonds									
Pesos	798,698	57,186	(6.59)%	593,162	54,341	(3.46)%	63,056	11,149	4.46%
Total	798,698	57,186	(6.59)%	593,162	54,341	(3.46)%	63,056	11,149	4.46%
Other liabilities									
Pesos	646,203	(87,956)	(24.69)%	357,890	(115,073)	(40.00)%	9,814	19,905	168.81%
Dollars	16,489	—	—	66,303	—	—	108,675	—	—
Total	662,692	(87,956)	(24.08)%	424,193	(115,073)	(33.75)%	118,489	19,905	13.98%
Interest-bearing liabilities from continued operations									
Pesos	24,357,810	2,670,916	(3.27)%	18,431,411	1,692,652	(3.44)%	13,950,765	1,135,449	(4.01)%
Dollars	2,723,029	8,506	15.91%	3,943,165	23,506	1.66%	4,966,835	10,359	(3.73)%
Total	27,080,839	2,679,422	(1.34)%	22,374,576	1,716,158	(2.54)%	18,917,600	1,145,808	(3.94)%
Interest-bearing liabilities from discontinued operations									
Pesos	(17,152)	2,222	0.02%	(11,923)	5	—	(59,130)	(9,602)	(0.03)%
Total	(17,152)	2,222	0.01%	(11,923)	5	—	(59,130)	(9,602)	(0.03)%
Total interest-bearing liabilities									
Pesos	24,340,658	2,673,138	(3.25)%	18,419,488	1,692,657	(3.44)%	13,891,635	1,125,847	(4.04)%
Dollars	2,723,029	8,506	15.91%	3,943,165	23,506	1.66%	4,966,835	10,359	(3.73)%
Total	27,063,687	2,681,644	(1.33)%	22,362,653	1,716,163	(2.54)%	18,858,470	1,136,206	(3.97)%

	December 31,								
	2013			2012			2011		
	Average balance ⁽¹⁾	Interest earned/paid	Average real rate ⁽²⁾	Average balance ⁽¹⁾	Interest earned/paid	Average real rate ⁽²⁾	Average balance ⁽¹⁾	Interest earned/paid	Average real rate ⁽²⁾
	(in thousands of pesos, except percentages)								
Non-interest bearing liabilities and stockholders' equity									
Demand deposits									
Pesos	10,348,993	—	—	8,660,998	—	—	6,820,551	—	—
Dollars	846,636	—	—	803,844	—	—	1,017,747	—	—
Total	11,195,629	—	—	9,463,942	—	—	7,838,298	—	—
Other liabilities									
Pesos	5,126,499	—	—	4,102,444	—	—	4,764,021	—	—
Dollars	633,047	—	—	701,226	—	—	869,190	—	—
Total	5,759,546	—	—	4,803,670	—	—	5,633,211	—	—
Minority interest									
Pesos	—	—	—	—	—	—	—	—	—
Total	—	—	—	—	—	—	—	—	—
Stockholders' equity									
Pesos	6,210,750	—	—	4,485,101	—	—	3,419,917	—	—
Total	6,210,750	—	—	4,485,101	—	—	3,419,917	—	—
Non-interest bearing liabilities and stockholders' equity from continued operations									
Pesos	21,686,242	—	—	17,247,643	—	—	15,004,489	—	—
Dollars	1,479,683	—	—	1,505,070	—	—	1,886,937	—	—
Total	23,165,925	—	—	18,752,713	—	—	16,891,426	—	—
Non-interest bearing liabilities and stockholders' equity from discontinued operations									
Pesos	96,835	—	—	108,090	—	—	133,845	—	—
Dollars	—	—	—	—	—	—	—	—	—
Total	96,835	—	—	108,090	—	—	133,845	—	—
Total non-interest bearing liabilities and stockholders' equity									
Pesos	21,783,077	—	—	17,355,733	—	—	15,138,333	—	—
Dollars	1,479,683	—	—	1,505,070	—	—	1,886,937	—	—
Total	23,262,760	—	—	18,860,803	—	—	17,025,270	—	—
LIABILITIES AND STOCKHOLDERS' EQUITY FROM CONTINUED OPERATIONS									
Pesos	46,044,052	—	—	35,679,054	—	—	28,955,254	—	—
Dollars	4,202,712	—	—	5,448,235	—	—	6,853,772	—	—
Total	50,246,764	—	—	41,127,289	—	—	35,809,026	—	—
LIABILITIES AND STOCKHOLDERS' EQUITY FROM DISCONTINUED OPERATIONS									
Pesos	79,683	—	—	96,167	—	—	74,715	—	—
Dollars	—	—	—	—	—	—	—	—	—
Total	79,683	—	—	96,167	—	—	74,715	—	—
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY									
Pesos	46,123,735	—	—	35,775,221	—	—	29,029,968	—	—
Dollars	4,202,712	—	—	5,448,235	—	—	6,853,772	—	—
Total	50,326,447	—	—	41,223,456	—	—	35,883,740	—	—

(1) Average balances are derived from month-end balances.

(2) Annualized on a 360-day basis.

The following tables show average balances, interest amounts and nominal rates for our interest-earning assets and interest-bearing liabilities for the fiscal years ended December 31, 2013, 2012 and 2011.

	December 31,								
	2013			2012			2011		
	Average balance ⁽¹⁾	Interest earned/paid	Average nominal rate ⁽²⁾	Average balance ⁽¹⁾	Interest earned/paid	Average Nominal rate ⁽²⁾	Average balance ⁽¹⁾	Interest earned/paid	Average nominal rate ⁽²⁾
	(in thousands of pesos, except percentages)								
ASSETS									
Interest-earning assets									
Government securities ⁽³⁾									
Pesos	4,259,330	439,174	10.31%	5,733,710	775,808	13.53%	5,910,088	585,291	9.90%
Dollars	231,056	58,219	25.20%	114	83	72.59%	164,044	714	0.44%
Total	4,490,386	497,393	11.08%	5,733,824	775,891	13.53%	6,074,132	586,005	9.65%
Loans ⁽⁴⁾									
Private Sector									
Pesos	30,347,126	6,263,679	20.64%	21,784,022	4,258,681	19.55%	15,665,675	2,634,984	16.82%
Dollars	1,797,921	72,599	4.04%	2,994,902	135,684	4.53%	3,417,049	73,626	2.15%
Total	32,145,047	6,336,278	19.71%	24,778,924	4,394,365	17.73%	19,082,724	2,708,610	14.19%
Public Sector									
Pesos	784,655	4,982	0.63%	491,604	—	—	929,371	548	0.06%
Dollars	588	—	—	4	—	—	—	—	—
Total	785,243	4,982	0.63%	491,608	—	—	929,371	548	0.06%
Deposits with the Central Bank									
Pesos	208,782	—	—	163,946	—	—	127,251	—	—
Dollars	2,946,513	—	—	1,860,749	—	—	2,537,075	—	—
Total	3,155,295	—	—	2,024,695	—	—	2,664,326	—	—
Other assets									
Pesos	2,582,950	805,843	31.20%	2,170,203	341,302	15.73%	1,867,995	296,536	15.87%
Dollars	865	(16)	(1.81)%	1,166	22	1.92%	40,687	2,967	7.29%
Total	2,583,815	805,827	31.19%	2,171,369	341,324	15.72%	1,908,682	299,503	15.69%
Interest-earning assets from continued operations									
Pesos	38,182,843	7,513,678	19.68%	30,343,485	5,375,791	17.72%	24,500,380	3,517,359	14.36%
Dollars	4,976,943	130,802	2.63%	4,856,935	135,789	2.80%	6,158,855	77,307	1.26%
Total	43,159,786	7,644,480	17.71%	35,200,420	5,511,580	15.66%	30,659,235	3,594,666	11.72%
Interest-earning assets from discontinued operations									
Pesos	43,123	12,964	0.01%	69,455	12,696	—	50,588	3,384	(0.02)%
Dollars	1,625	—	—	2,284	—	—	7,718	—	—
Total	44,748	12,964	0.01%	71,739	12,696	—	58,306	3,384	(0.01)%
Total interest-earning assets									
Pesos	38,225,966	7,526,642	19.69%	30,412,940	5,388,487	17.72%	24,550,968	3,520,743	14.34%
Dollars	4,978,568	130,802	2.63%	4,859,219	135,789	2.79%	6,166,573	77,307	1.25%
Total	43,204,534	7,657,444	17.72%	35,272,159	5,524,276	15.66%	30,717,541	3,598,050	11.71%

	December 31,								
	2013			2012			2011		
	Average balance ⁽¹⁾	Interest earned/paid	Average nominal rate ⁽²⁾	Average balance ⁽¹⁾	Interest earned/paid	Average Nominal rate ⁽²⁾	Average balance ⁽¹⁾	Interest earned/paid	Average nominal rate ⁽²⁾
	(in thousands of pesos, except percentages)								
Non-interest-earning assets									
Cash and due from banks									
Pesos	4,983,751	—	—	4,132,461	—	—	3,110,071	—	—
Dollars	392,078	—	—	613,787	—	—	776,237	—	—
Total	5,375,829	—	—	4,746,248	—	—	3,886,308	—	—
Investments in other companies									
Pesos	186,104	—	—	137,128	—	—	91,232	—	—
Dollars	1,465	—	—	1,209	—	—	1,095	—	—
Total	187,569	—	—	138,337	—	—	92,327	—	—
Property and equipment and miscellaneous and intangible assets and items pending of allocation									
Pesos	1,042,972	—	—	707,605	—	—	652,799	—	—
Total	1,042,972	—	—	707,605	—	—	652,799	—	—
Allowance for loan losses									
Pesos	(992,499)	—	—	(673,167)	—	—	(423,818)	—	—
Dollars	(56,658)	—	—	(67,308)	—	—	(52,569)	—	—
Total	(1,049,157)	—	—	(740,475)	—	—	(476,387)	—	—
Other assets									
Pesos	1,230,519	—	—	810,826	—	—	710,741	—	—
Dollars	299,246	—	—	264,328	—	—	284,003	—	—
Total	1,529,765	—	—	1,075,154	—	—	994,744	—	—
Non-interest-earning assets from continued operations									
Pesos	6,450,847	—	—	5,114,853	—	—	4,141,025	—	—
Dollars	636,131	—	—	812,016	—	—	1,008,766	—	—
Total	7,086,978	—	—	5,926,869	—	—	5,149,791	—	—
Non-interest-earning assets from discontinued operations									
Pesos	34,935	—	—	24,164	—	—	16,140	—	—
Dollars	—	—	—	264	—	—	268	—	—
Total	34,935	—	—	24,428	—	—	16,408	—	—
Total non-interest-earning assets									
Pesos	6,485,782	—	—	5,139,017	—	—	4,157,165	—	—
Dollars	636,131	—	—	812,280	—	—	1,009,034	—	—
Total	7,121,913	—	—	5,951,297	—	—	5,166,199	—	—
ASSETS FROM CONTINUED OPERATIONS									
Pesos	44,633,690	—	—	35,458,338	—	—	28,641,405	—	—
Dollars	5,613,074	—	—	5,668,951	—	—	7,167,621	—	—
Total	50,246,764	—	—	41,127,289	—	—	35,809,026	—	—
ASSETS FROM DISCONTINUED OPERATIONS									
Pesos	78,058	—	—	93,619	—	—	66,728	—	—
Dollars	1,625	—	—	2,548	—	—	7,986	—	—
Total	79,683	—	—	96,167	—	—	74,714	—	—
TOTAL ASSETS									
Pesos	44,711,748	—	—	35,551,957	—	—	28,708,133	—	—
Dollars	5,614,699	—	—	5,671,499	—	—	7,175,607	—	—
Total	50,326,447	—	—	41,223,456	—	—	35,883,740	—	—

(1) Average balances are derived from month-end balances.

(2) Annualized on a 360-day basis.

(3) Includes trading gains and losses in all fiscal years. Unrealized gains and losses arising from changes in the market value of our trading portfolio of Government Securities and yield on our investment portfolio of Government Securities are included.

(4) Loan amounts are stated before deduction of the allowance for loan losses. Non-accrual loans are included in loans as interest-earning assets.

	December 31,								
	2013			2012			2011		
	Average balance ⁽¹⁾	Interest earned/paid	Average nominal rate ⁽²⁾	Average balance ⁽¹⁾	Interest earned/paid	Average Nominal rate ⁽²⁾	Average balance ⁽¹⁾	Interest earned/paid	Average nominal rate ⁽²⁾
	(in thousands of pesos, except percentages)								
LIABILITIES									
Interest-bearing liabilities									
Savings accounts									
Pesos	7,719,280	13,453	0.17%	6,186,969	9,367	0.15%	4,784,502	6,767	0.14%
Dollars	1,458,765	1,319	0.09%	1,913,643	1,781	0.09%	2,671,586	2,416	0.09%
Total	9,178,045	14,772	0.16%	8,100,612	11,148	0.14%	7,456,088	9,183	0.12%
Time deposits									
Pesos	15,037,091	2,373,976	15.79%	11,201,224	1,526,358	13.63%	9,010,574	1,058,109	11.74%
Dollars	1,131,265	3,295	0.29%	1,460,417	3,842	0.26%	1,918,794	4,666	0.24%
Total	16,168,356	2,377,271	14.70%	12,661,641	1,530,200	12.09%	10,929,368	1,062,775	9.72%
Borrowings from the Central Bank									
Pesos	132,961	6,145	4.62%	81,135	2,311	2.85%	53,083	558	1.05%
Dollars	3,291	—	—	1,702	2	0.13%	2,526	18	0.69%
Total	136,252	6,145	4.51%	82,837	2,313	2.79%	55,609	576	1.04%
Borrowings from other financial institutions									
Pesos	23,577	308,112	1,306.83%	11,031	215,348	1,952.12%	29,736	38,961	131.02%
Dollars	113,219	3,892	3.44%	501,100	17,881	3.57%	265,254	3,259	1.23%
Total	136,796	312,004	228.08%	512,131	233,229	45.54%	294,990	42,220	14.31%
Corporate bonds									
Pesos	798,698	57,186	7.16%	593,162	54,341	9.16%	63,056	11,149	17.68%
Total	798,698	57,186	7.16%	593,162	54,341	9.16%	63,056	11,149	17.68%
Other liabilities									
Pesos	646,203	(87,956)	(13.61)%	357,890	(115,073)	(32.15)%	9,814	19,905	202.84%
Dollars	16,489	—	—	66,303	—	—	108,675	—	—
Total	662,692	(87,956)	(13.27)%	424,193	(115,073)	(27.13)%	118,489	19,905	16.80%
Interest-bearing liabilities from continued operations									
Pesos	24,357,810	2,670,916	10.97%	18,431,411	1,692,652	9.18%	13,950,765	1,135,449	8.14%
Dollars	2,723,029	8,506	0.31%	3,943,165	23,506	0.60%	4,966,835	10,359	0.21%
Total	27,080,839	2,679,422	9.89%	22,374,576	1,716,158	7.67%	18,917,600	1,145,808	6.06%
Interest-bearing liabilities from discontinued operations									
Pesos	(17,152)	2,222	0.01%	(11,923)	5	(0.01)%	(59,130)	(9,602)	(0.03)%
Total	(17,152)	2,222	0.02%	(11,923)	5	—	(59,130)	(9,602)	(0.03)%
Total interest-bearing liabilities									
Pesos	24,340,658	2,673,138	10.98%	18,419,488	1,692,657	9.19%	13,891,635	1,125,847	8.10%
Dollars	2,723,029	8,506	0.31%	3,943,165	23,506	0.60%	4,966,835	10,359	0.21%
Total	27,063,687	2,681,644	9.91%	22,362,653	1,716,163	7.67%	18,858,470	1,136,206	6.02%

	December 31,								
	2013			2012			2011		
	Average balance ⁽¹⁾	Interest earned/paid	Average nominal rate ⁽²⁾	Average balance ⁽¹⁾	Interest earned/paid	Average Nominal rate ⁽²⁾	Average balance ⁽¹⁾	Interest earned/paid	Average nominal rate ⁽²⁾
	(in thousands of pesos, except percentages)								
Non-interest-bearing liabilities and stockholders' equity									
Demand deposits									
Pesos	10,348,993	—	—	8,660,998	—	—	6,820,551	—	—
Dollars	846,636	—	—	803,844	—	—	1,017,747	—	—
Total	11,195,629	—	—	9,463,942	—	—	7,838,298	—	—
Other liabilities									
Pesos	5,126,499	—	—	4,102,444	—	—	4,764,021	—	—
Dollars	633,047	—	—	701,226	—	—	869,190	—	—
Total	5,759,546	—	—	4,803,670	—	—	5,633,211	—	—
Minority interest									
Pesos	—	—	—	—	—	—	—	—	—
Total	—	—	—	—	—	—	—	—	—
Stockholders' equity									
Pesos	6,210,750	—	—	4,485,101	—	—	3,419,917	—	—
Total	6,210,750	—	—	4,485,101	—	—	3,419,917	—	—
Non-interest-bearing liabilities and stockholders' equity from continued operations									
Pesos	21,686,242	—	—	17,247,643	—	—	15,004,489	—	—
Dollars	1,479,683	—	—	1,505,070	—	—	1,886,937	—	—
Total	23,165,925	—	—	18,752,713	—	—	16,891,426	—	—
Non-interest-bearing liabilities and stockholders' equity from discontinued operations									
Pesos	96,835	—	—	108,090	—	—	133,845	—	—
Dollars	—	—	—	—	—	—	—	—	—
Total	96,835	—	—	108,090	—	—	133,845	—	—
Total non-interest-bearing liabilities and stockholders' equity									
Pesos	21,783,077	—	—	17,355,733	—	—	15,138,333	—	—
Dollars	1,479,683	—	—	1,505,070	—	—	1,886,937	—	—
Total	23,262,760	—	—	18,860,803	—	—	17,025,270	—	—
LIABILITIES AND STOCKHOLDERS' EQUITY FROM CONTINUED OPERATIONS									
Pesos	46,044,052	—	—	35,679,054	—	—	28,955,254	—	—
Dollars	4,202,712	—	—	5,448,235	—	—	6,853,772	—	—
Total	50,246,764	—	—	41,127,289	—	—	35,809,026	—	—
LIABILITIES AND STOCKHOLDERS' EQUITY FROM DISCONTINUED OPERATIONS									
Pesos	79,683	—	—	96,167	—	—	74,715	—	—
Dollars	—	—	—	—	—	—	—	—	—
Total	79,683	—	—	96,167	—	—	74,715	—	—
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY									
Pesos	46,123,735	—	—	35,775,221	—	—	29,029,968	—	—
Dollars	4,202,712	—	—	5,448,235	—	—	6,853,772	—	—
Total	50,326,447	—	—	41,223,456	—	—	35,883,740	—	—

(1) Average balances are derived from month-end balances.

(2) Annualized on a 360-day basis.

Changes in Interest Income and Interest Expense; Volume and Rate Analysis

The following tables allocate, by currency of denomination, changes in our interest income and interest expense between changes in the average volume of interest-earning assets and interest-bearing liabilities and changes in their respective nominal interest rates for the fiscal year ended December 31, 2013 compared to the fiscal year ended December 31, 2012, for the fiscal year ended December 31, 2012 compared to the fiscal year ended December 31, 2011 and for the fiscal year ended December 31, 2011 compared to the fiscal year ended December 31, 2010. Volume and rate variances have been calculated based on movements in average balances over the period and changes in nominal interest rates on average interest-earning assets and average interest-bearing liabilities. The net change attributable to changes in both volume and rate has been allocated to volume. Trading and yield on Government trading and investment accounts results are included in the computation of interest income in all fiscal years.

	December 2013/December 2012 Increase (Decrease) Due to Changes in			December 2012/December 2011 Increase (Decrease) Due to Changes in			December 2011/December 2010 Increase (Decrease) Due to Changes in		
	Volume	Rate	Net Change	Volume	Rate	Net Change	Volume	Rate	Net Change
(in thousands of pesos)									
ASSETS									
Interest-earning assets									
Government securities									
Pesos	(152,022)	(184,612)	(336,634)	(23,864)	214,381	190,517	93,547	(727,324)	(633,777)
Dollars	58,190	(54)	58,136	(118,989)	118,358	(631)	185	(20,867)	(20,682)
Total	(93,832)	(184,666)	(278,498)	(142,853)	332,739	189,886	93,732	(748,191)	(654,459)
Loans									
Private sector									
Pesos	1,767,433	237,565	2,004,998	1,196,110	427,587	1,623,697	919,286	34,848	954,134
Dollars	(48,333)	(14,752)	(63,085)	(19,125)	81,183	62,058	30,818	(20,969)	9,849
Total	1,719,100	222,813	1,941,913	1,176,985	508,770	1,685,755	950,104	13,879	963,983
Public sector									
Pesos	1,861	3,121	4,982	—	(548)	(548)	247	301	548
Total	1,861	3,121	4,982	—	(548)	(548)	247	301	548
Deposits with the Central Bank									
Pesos	—	—	—	—	—	—	—	—	—
Dollars	—	—	—	—	—	—	—	—	—
Total	—	—	—	—	—	—	—	—	—
Other assets									
Pesos	128,771	335,770	464,541	47,527	(2,761)	44,766	117,855	58,373	176,228
Dollars	5	(43)	(38)	(758)	(2,187)	(2,945)	(4,811)	5,355	544
Total	128,776	335,727	464,503	46,769	(4,948)	41,821	113,044	63,728	176,772
Interest-earning assets from continued operations									
Pesos	1,746,043	391,844	2,137,887	1,219,773	638,659	1,858,432	1,130,935	(633,802)	497,133
Dollars	9,862	(14,849)	(4,987)	(138,872)	197,354	58,482	26,192	(36,481)	(10,289)
Total	1,755,905	376,995	2,132,900	1,080,901	836,013	1,916,914	1,157,127	(670,283)	486,844
Interest-earning assets from discontinued operations									
Pesos	(5,416)	5,684	268	2,771	6,541	9,312	(207,972)	(295,697)	(503,669)
Dollars	(571)	571	—	113,119	(113,119)	—	(6,084)	6,084	—
Total	(5,987)	6,255	268	115,890	(106,578)	9,312	(214,056)	(289,613)	(503,669)
Total interest-earning assets									
Pesos	1,740,627	397,528	2,138,155	1,222,544	645,200	1,867,744	922,963	(929,499)	(6,536)
Dollars	9,291	(14,278)	(4,987)	(25,753)	84,235	58,482	20,108	(30,397)	(10,289)
Total	1,749,918	383,250	2,133,168	1,196,791	729,435	1,926,226	943,071	(959,896)	(16,825)

	December 2013/December 2012 Increase (Decrease) Due to Changes in			December 2012/December 2011 Increase (Decrease) Due to Changes in			December 2011/December 2010 Increase (Decrease) Due to Changes in		
	Volume	Rate	Net Change	Volume	Rate	Net Change	Volume	Rate	Net Change
(in thousands of pesos)									
LIABILITIES									
Interest-bearing liabilities									
Savings accounts									
Pesos	2,670	1,416	4,086	2,123	477	2,600	1,278	463	1,741
Dollars	(411)	(51)	(462)	(705)	70	(635)	360	419	779
Total	2,259	1,365	3,624	1,418	547	1,965	1,638	882	2,520
Time deposits									
Pesos	605,587	242,031	847,618	298,513	169,736	468,249	314,091	132,232	446,323
Dollars	(959)	412	(547)	(1,206)	382	(824)	314	(3,667)	(3,353)
Total	604,628	242,443	847,071	297,307	170,118	467,425	314,405	128,565	442,970
Borrowings from the Central Bank									
Pesos	2,396	1,438	3,834	799	954	1,753	225	333	558
Dollars	—	(2)	(2)	(2)	(14)	(16)	4	4	8
Total	2,396	1,436	3,832	797	940	1,737	229	337	566
Borrowings from other financial institutions									
Pesos	163,946	(71,182)	92,764	(365,136)	541,523	176,387	29,228	(62,354)	(33,126)
Dollars	(13,334)	(655)	(13,989)	8,416	6,206	14,622	2,566	(692)	1,874
Total	150,612	(71,837)	78,775	(356,720)	547,729	191,009	31,794	(63,046)	(31,252)
Corporate bonds									
Pesos	14,715	(11,870)	2,845	48,565	(5,373)	43,192	11,149	—	11,149
Total	14,715	(11,870)	2,845	48,565	(5,373)	43,192	11,149	—	11,149
Other liabilities									
Pesos	(39,243)	66,360	27,117	(111,917)	(23,062)	(134,979)	(867,040)	944,100	77,061
Dollars	—	—	—	—	—	—	—	(13)	(13)
Total	(39,243)	66,360	27,117	(111,917)	(23,062)	(134,979)	(867,040)	944,087	77,048
Interest-bearing liabilities from continued operations									
Pesos	750,071	228,193	978,264	(127,053)	684,255	557,202	(511,069)	1,014,774	503,705
Dollars	(14,704)	(296)	(15,000)	6,503	6,644	13,147	3,244	(3,949)	(705)
Total	735,367	227,897	963,264	(120,550)	690,899	570,349	(507,825)	1,010,825	503,000
Interest-bearing liabilities from discontinued operations									
Pesos	(1,067)	3,284	2,217	20,876	(11,269)	9,607	(11,718)	379	(11,339)
Total	(1,067)	3,284	2,217	20,876	(11,269)	9,607	(11,718)	379	(11,339)
Total interest-bearing liabilities									
Pesos	749,004	231,477	980,481	(106,177)	672,986	566,809	(522,786)	1,015,153	492,367
Dollars	(14,704)	(296)	(15,000)	6,503	6,644	13,147	3,244	(3,949)	(705)
Total	734,300	231,181	965,481	(99,674)	679,630	579,956	(519,542)	1,011,204	491,662

Interest-Earning Assets: Net Interest Margin and Spread

The following table analyzes, by currency of denomination, our levels of average interest-earning assets and net interest income, and illustrates the comparative margins and spreads for each of the fiscal years indicated.

	December 31,		
	2013	2012	2011
(in thousands of pesos, except percentages)			
Average interest-earning assets			
Pesos	38,225,966	30,412,940	24,550,968
Dollars	4,978,568	4,859,219	6,166,573
Total	43,204,534	35,272,159	30,717,541
Net interest income ⁽¹⁾			
Pesos	4,853,504	3,695,830	2,394,895
Dollars	122,296	112,283	66,948
Total	4,975,800	3,808,113	2,461,843
Net interest margin ⁽²⁾			
Pesos	12.70%	12.15%	9.75%
Dollars	2.46%	2.31%	1.09%
Weighted average rate	11.52%	10.80%	8.01%
Yield spread nominal basis ⁽³⁾			
Pesos	8.71%	8.53%	6.24%
Dollars	2.31%	2.20%	1.05%
Weighted average rate	7.82%	7.99%	5.69%

(1) Net interest income is defined as interest earned less interest paid. Trading results from our portfolio of Government Securities are included in interest.

(2) Net interest margin is net interest income stated as a percentage of average interest-earning assets.

(3) Yield spread nominal basis is defined as the difference between the average nominal rate on interest-earning assets and the average nominal rate on interest-bearing liabilities.

Investment Portfolio: Government and Private Securities

We own, manage and trade a portfolio of securities issued by the Argentine and other governments and private issuers. The following table sets out our investments in Argentine and other governments and private securities as of December 31, 2013, 2012 and 2011 by type and currency of denomination.

	December 31,		
	2013	2012	2011
	(in thousands of pesos)		
Government securities			
In pesos:			
Holdings booked at fair value			
Debt consolidation bonds—Social security (BOCON)	31,040	—	14,814
Argentine bonds	1,079,408	1,829,927	2,063,719
Other debt bonds	393	241	166
Holdings booked at amortized cost			
Other debt bonds	164	164	164
Instruments issued by the Argentine Central Bank			
Argentine Central Bank bills (LEBAC)	1,273,092	2,201,676	2,352,026
Argentine Central Bank notes (NOBAC)	135,395	—	1,095,946
Total government securities in pesos	<u>2,519,492</u>	<u>4,032,008</u>	<u>5,526,835</u>
In foreign currency:			
Holdings booked at fair value			
Argentine bonds	871,590	1,911	9,823
Total government securities in foreign currency	<u>871,590</u>	<u>1,911</u>	<u>9,823</u>
Total government securities	<u>3,391,082</u>	<u>4,033,919</u>	<u>5,536,658</u>
Investments in listed private securities			
Shares	90	69	157
Corporate bonds—Listed	—	119	81
Mutual funds	68,959	67,927	28,317
Total private securities	<u>69,049</u>	<u>68,115</u>	<u>28,555</u>
Subtotal government and private securities	3,460,131	4,102,034	5,565,213
Allowances	(196)	(188)	(184)
Total government and private securities	<u>3,459,935</u>	<u>4,101,846</u>	<u>5,565,029</u>
Corporate bonds—Unlisted	<u>3,401</u>	<u>15,973</u>	<u>13,424</u>

The following table analyzes the remaining maturities of our investment portfolio as of December 31, 2013 in accordance with issuance terms.

	Maturing				Total
	Within 1 year	After 1 year but within 5 years	After 5 years but within 10 years	After 10 years	
Book value					
(in thousands of pesos, except percentages)					
Government securities					
In Pesos:					
Holdings booked at fair value					
Debt consolidation bonds—Social security (BOCON) (*)	2,319	12,366	15,458	897	31,040
Argentine bonds (*)	170,443	591,171	239,289	78,505	1,079,408
Other debt bonds	—	314	79	—	393
Holdings booked at amortized cost					
Other debt bonds	164	—	—	—	164
Instruments issued by the Argentine Central Bank					
Argentine Central Bank bills (LEBAC) (*)	1,273,092	—	—	—	1,273,092
Argentine Central Bank notes (NOBAC) (*)	135,395	—	—	—	135,395
Total government securities in pesos	<u>1,581,413</u>	<u>603,851</u>	<u>254,826</u>	<u>79,402</u>	<u>2,519,492</u>
In foreign currency:					
Holdings booked at fair value					
Argentine bonds (*)	—	829,290	—	42,300	871,590
Total government securities in foreign currency	—	829,290	—	42,300	871,590
Total government securities	<u>1,581,413</u>	<u>1,433,141</u>	<u>254,826</u>	<u>121,702</u>	<u>3,391,082</u>
Corporate bonds —Unlisted	<u>2,026</u>	<u>1,375</u>	<u>—</u>	<u>—</u>	<u>3,401</u>
Weighted average yield (for the securities indicated with *)	16.15%	12.40%	15.34%	10.33%	

Loan Portfolio

The following table analyzes our loan portfolio by types of loan at December 31, 2013, 2012 and 2011. Loans are stated before deduction of the allowance for loan losses.

	December 31,		
	2013	2012	2011 ⁽⁷⁾
(in thousands of pesos)			
Principal			
Advances ⁽¹⁾	6,552,258	5,097,179	2,881,496
Notes discounted and purchased ⁽²⁾	5,476,961	4,240,993	3,412,091
Secured with mortgages	1,243,900	877,775	736,900
Consumer loans ⁽³⁾	16,907,751	11,981,439	8,861,911
Financial loans ⁽⁴⁾	1,871,093	1,493,493	1,146,532
Loans to governmental sector ⁽⁵⁾	40,915	35,067	46,027
Other loans	4,647,736	4,921,690	5,829,606
Less: Unaccrued interest and unused collections ⁽⁶⁾	(132,213)	(73,413)	(89,332)
Plus: Interest and exchange differences receivable	582,255	443,065	316,773
Less: Allowance for loan losses	(722,462)	(523,857)	(444,973)
Total	<u>36,468,194</u>	<u>28,493,431</u>	<u>22,697,031</u>

(1) Advances include short and long-term loans to companies and overdraft lines of credit.

(2) Notes discounted and purchased are endorsed promissory notes.

(3) Consumer loans include credit card loans and other consumer loans. Overdrafts to individuals are included under "Advances".

(4) Financial loans are defined as loans to financial institutions.

(5) Loans to governmental sector are secured by taxable rights.

(6) Unaccrued interest is defined as the discount on notes and bills.

(7) See Note 3.3. to our Consolidated Financial Statements.

Secured Loans

	December 31,		
	2013	2012	2011 ⁽¹⁾
	(in thousands of pesos)		
Liquid guarantees	412,176	328,725	318,259
Preferred guarantees	4,484,338	3,390,488	2,152,151
Total	4,896,514	3,719,213	2,470,410

(1) See Note 3.3. to our Consolidated Financial Statements.

Credit Policy

Overview

The Risks Department of BBVA Francés continues to improve its Comprehensive Risk Management Model through the incorporation or upgrading of its structures, policies and tools, aimed at facilitating optimum response times in connection with our clients' requirements, the changes of environment and the enactment of new regulations. It is also focused on the permanent improvement of tools and processes, and on the detection, monitoring and mitigation of each of the risks faced by the Bank.

This model allows us to comply with the guidelines set forth by the BCRA communications.

"Risks" consists of three main groups:

- Credit Risk: meaning the possibility that one counterpart does not meet its contractual obligations in a concrete transaction.
- Financial Risk: meaning the possibility of losses generated by changes in market rates or credit quality, which determine the value of an entity's assets and liabilities. It is classified in turn as: market risk, liquidity risk, interest rate risk and credit risk at the marketplace.
- Operational Risk: meaning the possibility of suffering losses due to events external to the entity or to some deficiency or failure of the processes, the personnel and/or the internal systems.

The purpose of the area is to ensure the quality of the portfolio by controlling the businesses at origin and optimizing the recovery of credits under the best practice standards. This without disregarding the main focus, which is the client, with special emphasis in not inducing his/her over-indebtedness. It is a proactive model, oriented to commercial support and in permanent technological evolution, respecting, as a priority, the control, monitoring and tracking policies.

Ratios and performance of credit risk

The evolution of the non-performing loans ("NPL") and coverage ratios is reflects the good behavior of our credit risk portfolio over the past few years. Our coverage ratio was 254.16% at December 2013, whereas the NPL ratio was 0.76%, maintaining our leadership in the financial system in terms of risk quality.

With respect to the risk premium, which is measured as the relationship between non-performing costs and the financial margin, we maintained during 2013 our leadership in the market as compared to our main competitors.

Management Units

The Risk Management Units provide support to the management of the Bank's commercial banking units, both in the admission and in the monitoring and recovery of credits. The model is based on the Bank's business structure.

Risk Management in 2013

Retail Risks

It undertakes the management of individuals and PYMEs banking. Its structure includes the admission by means of predictive/statistic tools of special cases and the follow-up and management of tools and policies.

With this configuration, we continued with the intensive development of methods and tools to multiply the management of risks by automated means, all of which means a qualitative change in the proactive risk offer, aiming at a greater decentralization in credit decision-taking and permitting reactive admission teams to improve their value contribution, both situations being of the utmost relevance for the Bank.

We currently use a methodology based on different groups of risk, which permits a more personalized offer in admission and an improved management capacity for re-collection in non-performing cases. Regional differentiation has also been incorporated to this methodology, both in terms of minimum income and credit support per product and in differentiated purchasing power.

During 2013 reactive and proactive scorings were implemented which were recently re-evaluated and whose aim is to achieve greater risks discrimination.

Given the relevance acquired by proactive sales, mechanisms have been instituted to control the quality of pre-approved offers for their whole duration.

In the PYMEs segment, intense client classification campaigns have been staged by means of pre-approval, improving the offer and making it more flexible for the client.

Regarding risk tracking and monitoring, several innovations have been made in the management of clients, among them the fast-track mechanisms by which we identify those clients who a priori show a profile with high probability of incurring default and therefore these are awarded a different admission and monitoring policy.

Companies and Wholesale Risks

The structure of this area responds to the business requirements. It is dynamic in the face of business changes and follows principles of caution in respect of specific proposals or requirements of the environment.

During 2013 the Bank continued working in order to adjust the risk decision to the client's needs, taking into account the profile of each segment and the different regions of the country.

We also continued improving the process to manage the Corporate Banking clients with coordinated commercial and risks teams so as to provide a solid analysis to satisfy the business requirements and reduce response times.

We complied with the objective fixed by the BCRA regarding credit lines for productive investment, which reached an amount higher than Ps.2.961 billion.

We also worked on client campaigns and pre-approved products, in coordination with the business sectors.

Regarding the field of wholesale risk decision tools, the rating for the companies and corporate segments was recalibrated and sectorized, which resulted in a tool adapted to the current context, with greater predictability variables.

We also consolidated the process of risk-adjusted profitability information under the scheme provided by the "Client Profitability Card", which makes it possible to evaluate both the profitability and the reciprocity at the time of considering credit lines.

Recoveries

This area manages the recovery of debts since their classification as non-performing, including debts of the Bank and of linked companies (PSA Finance and Rombo).

During 2013 we completed the structural changes to disaggregate the different functions into clusters and regroup them so that the teams can be responsible for most of the processes. As a result of such restructuring, improvements are appreciated in the response times, the levels of specialization and the increased profitability as measured by collections per resource.

We also continued to improve during 2013 the computer platform, where the main highlights were: the online management through the Engage application by the external collection agencies; automation of the process for accounting recovery and the implementation of Engage's Judicial module for pledge transactions. The general goal for this tool consists of having a transversal integration application for the management of credits since origin to resolution, in order to make the whole cycle traceable. First steps

were taken in calculating the intrinsic value of portfolios, and work continues for its integration into the applications and management.

Control and Reporting Units

The control and monitoring areas are the ones that give cohesion to credit risk management and ensure that the management of other critical risks for the Bank, such as Financial and Operating Risks, is handled according to the established standards.

This control layer completes the structure of the Comprehensive Risk Management Model.

Financial and Reporting Risks

This is the unit that controls the management of financial risks (market and structural risks) and as well as the measurement and tracking of net funds requirements under various scenarios, including stress scenarios.

Market risk

For the management of market risk we use the VaR (Value at Risk) tool. This is the basic measure to control the risks as it estimates the maximum loss which may occur in the market positions of a portfolio based on a given level of trust and within a certain time horizon.

At BBVA Francés, the VaR is calculated with a trust level of 99% and a time horizon of one day. A two-year historical period is used (504 measurements). During 2013, the VaR fluctuated between Ps.0.9 million and Ps.6 million, averaging Ps.3 million (a 50.5% increase compared to 2012). The interest risk measured by VaR decreased in 2013 13% from the average rate in the previous year.

The market risk limit structure of BBVA Francés establishes schemes of limits, sublimits and VaR alerts, and of the economic capital market risk for each business unit.

In parallel, stress tests are conducted on a daily basis. They allow us to estimate the maximum expected loss when applying on the current portfolio the volatility of historical scenarios of crisis or economic stress (stress testing). In the case of economic stress tests, apart from the maximum expected loss we control the limits in order to anticipate or mitigate any excess.

Tests are also conducted on the validity of our models. On a monthly basis, we conduct back testing exercises to control that the daily results for the month fall within the limits determined by VaR and identify any exceptions occurred in the period. The Market Risks area is also responsible for the prices. This means that it assumes the daily capturing and publication of all prices having an impact on the negotiation and structural portfolios, as in all other areas of BBVA Francés. To this effect we use automatic tools and processes whose control and adjustment is conducted on a daily basis to ensure appropriate results. On the other hand, the area conducts the valuing of all species positioned both in the entity's portfolios and under the custody of clients.

Finally, Market Risks conducts the control and monitoring of credit risk on all transactions effected by the Treasury. Through a series of tools, each transaction is verified and the risk assumed with each counterpart is analyzed, avoiding concentration and diversifying potential risk factors.

Liquidity and financing risk

The management of structural liquidity pursues the objective of financing the Bank's recurring activity under optimum term and cost conditions, avoiding the assumption of undesired liquidity risks.

At BBVA Francés, the management of liquidity and financing is a basic element in its business strategy and represents a competitive advantage.

Among the main basic metrics used for controlling the liquidity risk, the following stand out:

- Self-financing ratio: The Loan to Score Credits Deposits (LtSCD) provides information on the financing structure of the balance-sheet for a certain period. It is prepared in consolidated form as well as for each of the currencies operated by the entity, providing information and the adequacy of the risk-appetite maintained with respect to the desirable funding structure.

- Net short-term Financing: the objective of this metric is to determine the reasonableness of the balance-sheet's financing structure according to the criterion of conducting a detailed monitoring of any financing type which differs from the one considered as stable as per the corporate criteria. In this connection, those deposits which entail a higher level of volatility are grouped together and assigned a specific monitoring and a maximum amount determined by the Board of Directors' guidelines.
- Basic capacity: a balance-sheet is prepared for liquidity (as opposed to the one for accounting purposes) classifying the different asset and liability items in and off balance sheet according to their nature in terms of liquidity. Each item's financing structure is thus determined, which must at all times comply with a fundamental condition: basic businesses must be financed with stable resources. This guarantees the solidity of the Bank's financial structure and the sustainability of its business plans.

In relation to regulatory ratios, it is worth mentioning that, back in 2012, the Basel Committee approved the definitive implementation of the LCR (Liquidity Coverage Ratio), both regarding the definition of computable assets that are part of the liquidity buffer and the period for its gradual introduction. Although this information is only required in Argentina starting in 2014 by the BCRA regulations, it is being monitored by the Bank since 2011.

At the end of 2013, BBVA Francés complies with all the requirements of the new LCR with respect to its complete application.

Reporting

To monitor all department activities we have the Risk Intelligence and Information Unit, which conducts all reporting for decision making in compliance with internal policies and policies pertaining to controlling bodies, reviewing all processes and proposing alternatives for improvement.

Such reports are oriented to a correct analysis of the management or administration of the credit risk in its different stages, including identification, evaluation and monitoring.

Studies are conducted in relation to the risks by economic sectors, the evolution of clients' risks both at internal level and within the financial system, the monitoring of debtors in arrears and significant increases thereon, statistics linked to approval of risks, benchmarking reports, generation of tools to identify the best risks for linking, use of approved limits and evaluation of the different campaigns launched by the entity.

Validation and Internal Control

The Risks Direction, in accordance with international standards and Central Bank regulations, operates the Validation and Internal Control area whose task is to ensure an updated, homogenous and appropriate control environment on all units of the Group in Argentina.

This area has a unit in charge of the Risks Global Management, which is oriented, in accordance with the principles of the Basel II Agreement, towards the performance of expected loss and economic capital calculations. It also conducts control procedures on the granting of credits, graduation and fractioning of the risk, maximum assistance, provisioning, determining of risk quotas per segment of economic activity and per type of financing.

The area also performs the tasks of a technical risk department, which involve the management of risks committees, the analysis of standards and the revision and coordination of audits. All measurement, monitoring, validation and control activities are presented and analyzed at the Risks Committees which, depending on the subjects, submit them to the Board of Directors and the Management Committee. This procedure closes the loop of information about the management and information of the risks activity.

Regarding internal control and operational risk, BBVA Francés has implemented a control model based on a scheme of specialists for five areas defined as critical and of operational risk managers for the remaining business and support areas.

The Internal Control Model ("ICM") identifies all of the Bank's operating processes and the operational risks they are exposed to. By applying a methodology based on probable occurrence and economic impact, it evaluates each of these risks and establishes its priorities critical nature so that they can be managed and mitigated if necessary.

Regarding tools, the Bank has an application for mapping and evaluating all operational risks. It contains processes, risks and controls. It also has a database which reflects all events of loss due to operational risk.

The Risk Management Model is integrated, robust, according to international standards, modern and capable of adapting itself to the environment or to any internal requirements, all of them characteristics which identify the Risk Management of BBVA Francés.

Loans by Economic Activity

The table below analyzes our loan portfolio according to the borrowers' main economic activity as of December 31, 2013, 2012 and 2011. Where appropriate, personal loans are allocated to the economic activity of the borrower. Loans are stated before deduction of the allowance for loan losses.

	December 31,					
	2013		2012		2011 ⁽¹⁾	
	Loan Portfolio	% of Loan Portfolio	Loan Portfolio	% of Loan Portfolio	Loan Portfolio	% of Loan Portfolio
	(in thousands of pesos, except percentages)					
Agricultural and livestock	2,057,623	5.53%	1,591,185	5.48%	986,984	4.26%
Beverage	798,011	2.15%	453,931	1.56%	240,024	1.04%
Chemicals	2,481,665	6.67%	1,804,376	6.22%	1,076,272	4.65%
Construction	240,707	0.65%	186,295	0.64%	171,680	0.74%
Consumer	16,511,057	44.40%	11,628,175	40.07%	9,655,152	41.72%
Electricity, oil, water and sanitary services	515,041	1.38%	278,560	0.96%	190,275	0.82%
Financial sector	1,871,093	5.03%	1,493,493	5.15%	1,146,532	4.95%
Foodstuff	1,623,070	4.36%	1,263,087	4.35%	732,311	3.16%
Government services	40,915	0.11%	35,067	0.12%	46,027	0.20%
Industrial metals	648,184	1.74%	697,031	2.40%	504,499	2.18%
Leather and fur product	38,521	0.10%	16,315	0.06%	15,128	0.07%
Mining products	981,471	2.64%	922,630	3.18%	640,413	2.77%
Oil and carbon	330,340	0.89%	288,784	1.00%	207,747	0.90%
Others	3,864,947	10.39%	4,726,115	16.29%	4,929,300	21.30%
Other manufacturing	265,935	0.72%	272,287	0.94%	109,469	0.47%
Printers, Publishers and Related Industries	66,277	0.18%	36,612	0.13%	—	—
Rubber products	389,815	1.05%	279,394	0.96%	117,929	0.51%
Retail trade	1,502,148	4.04%	988,538	3.41%	942,691	4.07%
Services	135,106	0.36%	85,421	0.29%	230,226	0.99%
Shoes, apparel and other textile products	268,601	0.72%	161,859	0.56%	70,015	0.30%
Textile	148,434	0.40%	120,637	0.42%	101,578	0.44%
Tobacco	6,590	0.02%	10,885	0.04%	17,097	0.07%
Transportation material	577,112	1.55%	365,210	1.26%	253,560	1.10%
Wholesale trade	1,787,888	4.81%	1,275,964	4.40%	727,847	3.15%
Wood products and cork	40,105	0.11%	35,437	0.11%	29,248	0.13%
Total	37,190,656	100.00%	29,017,288	100.00%	23,142,004	100.00%

(1) See Note 3.3. to our Consolidated Financial Statements.

Maturity Composition of the Loan Portfolio

The following table analyzes our loan portfolio as of December 31, 2013 by type and by the time remaining to maturity. Loans are stated before deduction of the allowance for loan losses. We expect most loans to be repaid at maturity in cash or through refinancing at market terms.

	Amount at December 31, 2013	Maturing			
		Within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years
		(in thousands of pesos, except percentages)			
To the non-financial public sector	40,915	1,422	—	39,493	—
To the financial sector	1,871,093	821,283	498,106	551,704	—
To the non-financial private sector and residents abroad	35,278,648	17,836,311	7,767,079	9,496,685	178,573
Overdrafts	6,686,364	4,507,962	2,106,294	72,108	—
With privileged guarantees	4,793,518	529,730	1,504,496	2,591,642	167,650
Credit cards	7,479,654	7,479,654	—	—	—
Other	16,319,112	5,318,965	4,156,289	6,832,935	10,923
Total	37,190,656	18,659,016	8,265,185	10,087,882	178,573
Percentage of total loan portfolio	100.00%	50.17%	22.22%	27.12%	0.48%

Interest Rate Sensitivity of Outstanding Loans as of December 31, 2013

The following table analyzes, by currency of denomination, the interest rate sensitivity of our loan portfolio as of December 31, 2013. Loans are stated before deduction of the allowance for loan losses.

	December 31, 2013 (in thousands of pesos)
Variable Rate	
Pesos — including adjustable loans	240,674
Foreign currency	—
	<u>240,674</u>
Fixed Rate	
Pesos	35,542,796
Foreign currency	1,122,932
	<u>36,665,728</u>
Non-performing ⁽¹⁾	
Pesos	272,785
Foreign currency	11,469
	<u>284,254</u>
Total	<u>37,190,656</u>

(1) For additional information on non-performing loans see “Item 4. Information on the Company—Selected Statistical Information—Non-performing and Restructured Loans” below.

The following table sets forth a breakdown of our fixed and variable rate loans which have a maturity of one year or more at December 31, 2013.

	Interest Sensitivity of Outstanding Loans Maturing in More Than One Year	
	Fixed Rate	Variable Rate
	(in thousands of pesos)	
To the non-financial public sector	39,493	—
To the financial sector	551,704	—
To the non-financial private sector and residents abroad	9,659,935	15,323
Total	<u>10,251,132</u>	<u>15,323</u>

Allowance for Loan Losses and Loan Loss Experience

BBVA Francés classifies its borrowers in accordance with the regulations of the Central Bank, its primary bank regulator, and not in the manner established by the Securities and Exchange Commission (“SEC”). As a result, BBVA Francés does not keep records classifying loans as “non-accrual”, “past due”, “restructured” and “potential problem loans”, as those terms are defined by the SEC.

Classification System According to Central Bank Regulations

The Central Bank established requirements with respect to the classification of borrowers and the provisions for loan losses. The following is a summary of the Central Bank’s loan classification requirements up to the date of this annual report.

The loan classification system is a bifurcated system, which requires the application of one set of criteria to classify loans in a bank’s “consumer” portfolio, and another set of criteria to classify loans in a bank’s “commercial” portfolio.

The principal criterion applied to loans in the consumer portfolio is delinquency aging, legal situation and refinancing compliance, irrespective of the fact that, prior to the granting of financing, debtors’ payment capacity should be analyzed, evaluating:

- The allocation of their periodic income in relation to the totality of credit commitments assumed; or
- Through the use of the credit scoring and screening methods.

The principal criterion applied to loans in the commercial portfolio is the borrower’s ability to pay, as measured by such borrower’s future cash flow. We can opt to apply the consumer loan classification criteria to commercial loans of up to Ps.1,500,000 (Ps.750,000 until May 2012 and Ps.500,000 until September 2009).

Under the regulations, consumer borrowers are classified as follows:

1. “Normal” if all payments on its loans are current or less than 31 days overdue and, in checking account overdrafts, less than 61 days overdue;
2. “Low Risk” if payments with respect to principal, interest or otherwise, on any of its loans, are overdue for more than 31 and up to 90 days;
3. “Medium Risk” if payments on any of its loans are overdue for more than 90 and up to 180 days;
4. “High Risk” if payments on any of its loans are overdue for more than 180 days and up to one year or if it is subject to judicial proceedings for default on any of those loans;
5. “Irrecoverable” if payments on any of its loans are overdue for more than one year, if the borrower is in bankruptcy or liquidation proceedings or if it is insolvent; and
6. “Irrecoverable for Technical Decision” if such borrower is:
 - (a) In arrears for more than 180 days according to a list provided by the Central Bank, which includes:
 - Financial institutions liquidated by the Central Bank,
 - Entities created as a result of the privatization of public financial institutions and in the process of dissolution,
 - Financial institutions whose licenses have been revoked by the Central Bank and are under judicial liquidation or bankruptcy, and
 - Any trust in which Seguro de Depósitos S.A. (“SEDESA”) is the beneficiary.
 - (b) A foreign borrower (including banks or other financial institutions) which is not classified as “investment grade” by any of the rating agencies admitted by the Central Bank pursuant to the Evaluation of Financial Entities standards, except for the following:
 - Foreign banks or other financial institutions controlling or controlled by the financial entity under the consolidated or other supervision systems approved by the Central Bank;

- Financing that is:
 - o Secured by foreign banks and classified as “Investment Grade” by any of the international rating agencies admitted by the Central Bank;
 - o Related to the buying or selling of securities through custodian banks admitted by the Central Bank (Caja de Valores, Clearstream, Euroclear or The Depository Trust Company), arising from the usual business practices in the market in which they are made;
 - o Related to foreign trade transactions;
 - o Entailing swaps of dollars and domestic government bonds at market price, with sufficient margins, involving custodians admitted by the Central Bank;
 - o Foreign banks or financial institutions subject to the consolidated supervision system which controls local financial institutions organized as corporations (sociedades anónimas);
 - o Other foreign banks authorized to take part in reciprocal payment and credit regimes to which the Central Bank is a party, to the extent the controlling financial entity is subject to a consolidated supervision system;
- Assistance provided through foreign subsidiaries or branches of local financial institutions under the consolidated supervision system, to the extent the financial assistance is not funded directly or indirectly by local financial institutions; and
- Clients from the non-financial private sector whose debt (all items included) plus the requested financing amount at the time of granting exceeds the lesser of 2.5% of the RPC (Responsabilidad Patrimonial Computable or “RPC”) on the last day of the preceding month or the equivalent of Ps.2,000,000, and who have not submitted a sworn statement as to whether they are or are not linked to the respective financial broker or whether their relationship with the latter implies the existence of a controlling influence, or who have not updated their previous presentation, except for those debtors under bankruptcy proceedings or requested extrajudicial composition proceedings or under judicial administration who, during a period of up to 540 days after the filing of the bankruptcy proceedings or the request of extrajudicial composition proceedings or the start of judicial collection proceedings, as the case may be, shall have not submitted the documentation that would allow the transaction, provided that a lawyer’s report from the financial creditor entity shall have been issued regarding the reasonability of recovering the relevant credits.

Irrespective of the fact that the analyses that preceded the granting of financing should also take into account debtors’ payment capacity by evaluating the allocation of their periodical income in relation to the totality of credit commitments assumed, the classification of these clients shall be made (at the end of each month) exclusively considering objective patterns related to the degree of compliance of their obligations as they become due or their legal situation, as well as the information deriving from the “Financial System Debtors Department” provided they reflect quality levels lower than those assigned by the entity.

Payment capacity evaluation based on the borrower’s income will not be mandatory, as long as specific evaluation methods are used or the borrowers’ loans are for minimal amounts in terms of point 1.1.3.3, Section 1 of the “Credit Management” rules.

The specific evaluation methods mentioned above are those known as “Credit Scoring and Screening”.

The limits to take into account for applying these methods are as follows:

i) Eligible borrowers:

Natural persons not related to the financial entity.

ii) Individual limit:

The capital owed may not at any time exceed the following limits, per class of credit and per client:

Until June 2012:

- Dwelling mortgage loans: Ps.200,000
- Chattel mortgage car loans: Ps.75,000
- Personal loans and financing by credit card: Ps.15,000

From June 2012:

- Dwelling mortgage loans: Ps.300,000
- Chattel mortgage car loans: Ps.100,000
- Personal loans, financing by credit card and overdraft in checking accounts (altogether): Ps.25,000

On December 26, 2008, by Communication “A” 4891, Point 7.4 of the Debtors Classification Regulation was incorporated. It contemplates controlling the totality of our entity’s non-performing consumer portfolio (Categories 3, 4 and 5) in respect of the financial system. If the result from the formula below is greater than 5% on the last day of a calendar quarter or greater than 10% in a year, the financial institution must inform the origin of such circumstance to the Superintendency of Financial Institutions and Exchanges, providing such explanations as may be requested and, if applicable, the amendments to be introduced in its credit policy so as to improve the quality of its credit portfolio.

$$\text{FICCT} - \text{FICCT-1} - \text{Máx} (\text{FICCST} - \text{FICCST-1} ; 0)$$

Where:

FICC: a quotient, expressed as a percentage between the totality of financings corresponding to the consumer or household portfolio of the financial institution, classified as Category 3 through 5 according to the “Debtors Classification Regulations” and the total amount of their financings for the consumption or household portfolio.

FICCS: a quotient, expressed as a percentage between the total amount of financings of the consumer or household portfolio corresponding to the whole financial system, classified as Category 3 through 5, according to the “Debtors Classification Regulations”, and the total amount of their financings for the consumption or household portfolio, according to such information as may be published by the BCRA.

T: the last day of a calendar quarter for which the calculation of the quotient is applicable.

T-1: the last day of the immediately preceding calendar quarter and the last day of the same quarter corresponding to the prior year, as the case may be.

On November 26, 2007, by Communication “A” 4738, two significant points were incorporated into, or modified in, the Borrower Rating Standard and Minimum Bad Debt Risk Provisions:

- 1) The treatment for refinancing in the Consumption Portfolio, depending on the refinanced borrower’s compliance record, according to the following criteria:

Criterion for an improving situation

In a normal situation, up to two refinancings are allowed for the last twelve months with arrears of less than 31 days. Counting starts as of the date of the last refinancing. For all other situations, the basic criterion is that the greatest penalty must be applied to the borrower who delays the refinancing, for which reason:

- Once the Refinancing Agreement has been signed, the previous framework applies, unless the borrower partially amortizes his debt in advance.
- The borrower must accumulate a greater number of downpayments (as shown in table (i) below) or increase his percentage of cancellation (as shown in table (ii) below) in order to improve his situation. The BCRA regulations provide that those clients whose debts have been refinanced via obligations subject to regular payments (monthly or bi-monthly) may be reclassified at the immediately upper level if they have complied punctually (or with delays not exceeding 31 days) with the payment of the established installments (in the case of single, regular above bi-monthly or irregular payments) or who have cancelled at least a certain specified percentage of their refinanced principal obligations, plus the number of installments or the accumulated percentage which may be applicable, respectively, if the refinancing was granted to a debtor included in lower levels.

- (i) To improve a borrower's situation through the payment of installments, the following table applies (*):

Change of category	Quantity of payments			
	from Irrecoverable	from High Risk	from Medium Risk	from Low Risk
Change to High Risk	3	—	—	—
Change to Medium Risk	6	3	—	—
Change to Low Risk	8	5	2	—
Change to Normal	9	6	3	1

(*) The refinancing requires a punctual payment or with delays of not more than 31 days according to the German or French Amortization System. Regularity may be monthly or bimonthly.

- (ii) To improve a borrower's situation through the Percentage of Capital Cancellation, the following table applies (also applicable to Commercial Portfolio) (**):

Until December 31, 2009:

Change of category	Percentage of cancellation			
	from Irrecoverable	from High Risk	from Medium Risk	from Low Risk
Change to High Risk	20%	—	—	—
Change to Medium Risk	35%	15%	—	—
Change to Low Risk	45%	25%	10%	—
Change to Normal	55%	35%	20%	10%

(**) For amortization systems with periods greater than bimonthly or irregular.

From January 1, 2010:

Change of category	Percentage of cancellation			
	from Irrecoverable	from High Risk	from Medium Risk	from Low Risk
Change to High Risk	15%	—	—	—
Change to Medium Risk	25%	10%	—	—
Change to Low Risk	30%	15%	5%	—
Change to Normal	35%	20%	10%	5%

(**) For amortization systems with periods greater than bimonthly or irregular.

Collections are not applied and rebates may not be counted in order to improve the situation (they belong to the debt preceding the signing of the Refinancing Agreement), so no quantification was made. Such treatment is consistent with U.S. GAAP.

Up-front payments may be computed as per their equivalent in installments or amortization percentage in order to improve borrower's situation.

The choice must be for a single parameter depending on the refinancing mode:

- Refinancings with regular monthly or bimonthly payments: by the timely payment of installments. This is the criterion adopted by BBVA Francés.
- All other forms: by capital amortization.

Criterion for deteriorating the situation by noncompliance with the refinancing and for improving it once again at a later stage.

Arrears are considered to exist in refinancing if a delay exceeding 31 days occurs.

The criteria determining the situation of a refinanced client are as follows:

1. Tranches of arrears are allocated in any applicable situation according to the table below:

Situation	Minimum delay time (in days)
Normal	0
Low Risk	32
Medium Risk	91
High Risk	181
Irrecoverable	More than 1 year

2. To the above must be added the refinancing arrears, and according to this the situation in which the refinanced client must be placed is determined:
- 2) Procedure for constituting provisions above the minimum ones established by the regulations for a portfolio in normal situation.

The main criterion is based on the provisions of point 7.1, third paragraph of the Borrower Rating Standard and Minimum Bad Debt Provisions. More stringent criteria may be adopted on the basis of the objective guidelines mentioned in the first paragraph of the same point, provided this constitutes a generally applied policy which must be duly detailed in the "Rating and Provision Procedures Manual", without this affecting the rating that must be allocated to eligible borrowers as provided hereunder, and provided this is duly grounded on objective criteria based on behavioral studies that give support to the higher provisions (be it for the active portfolio as a whole or by type of financing).

In accordance with the regulations in force, we apply provision percentages above the established minimum, under allowances policy that were approved by Risk Management Committee on March 19, 2012.

The reference framework of the policy in force for the management of provisions by BBVA Francés sets forth two control levels:

- Regulatory and technical control

Two basic references when it comes to the management of provisions are, on the one hand, compliance with the regulatory requirements on minimum capitals and non-performance provisions; and, on the other hand, the Bank's capital ratio. BBVA Francés will at all times comply with the regulatory requirements on minimum capital and non-performance provisions. Therefore, both values per se determine a lower limit for the management of provisions. Likewise, a second lower limit is established for the management of provisions, and that is the capital ratio. In this connection, it is established that any disablement of provisions may only take place if the capital ratio is 10.5% or higher, defined as the Computable Equity Liability ("CEL") divided by the Risk-Weighted Assets ("RWA").

- Behavioral control of portfolio indicators.

In order to guarantee for the Bank an appropriate level of provisions, the behavior of the Bank's main credit portfolio indicators will be monitored on a regular basis.

At least the following portfolio behavior indicators will be analyzed:

- o NLP ratio behavior
- o Cycle-adjusted expected loss behavior
- o Expected loss behavior without cycle adjustment
- o Coverage performance

Absolute variations (increases and decreases) for these indicators and their tendencies will be analyzed, considering the last 12 months prior to the lowest month under analysis.

This procedure also requires authorization by the same member officers who are responsible for approving the "Significant Financings" (those exceeding 2.5% of the entity's RPC), for which reason it was discussed and confirmed by our Technical Committee of Operations (currently the Risk Management Committee) and validated by our board of directors.

Commercial borrowers are classified as follows:

1. “Normal” if there is no doubt that the borrower can meet all of its financial obligations.

2.(a) “Special Tracking-Under Observation” if the borrower is able to meet all of its financial obligations but is sensitive to changes that could compromise such ability absent timely corrective measures.

2.(b) “Special Tracking-Under Negotiation or with Refinancing Agreements” if the borrower is unable to comply with its obligations as agreed and formally states, at least 60 days before the date on which the payment of its obligations is due, its intention to refinance such debts.

The borrower must enter into an agreement with the lender within 90 days (if up to two lenders are involved) or 180 days (if more than two lenders are involved) after the date on which the obligations become overdue. If no agreement has been reached within the established deadline, the borrower must be reclassified to the next category below according to the indicators established for each level.

3. “Problem” if the borrower has problems in meeting its ordinary financial obligations.

4. “High Risk of Insolvency” if the borrower is highly unlikely to meet its financial obligations.

5. “Irrecoverable” if it is clear, at the time of the classification, that the borrower will not meet its financial obligations to the classifying bank.

6. “Irrecoverable for Technical Decision” if such borrower meets the same criteria as described above for consumer borrowers.

In classifying a commercial borrower, banks must take into account other factors depending upon the classification category, such as the quality of the borrower’s management, the borrower’s operating history, its present and projected financial situation, the adequacy of its financial reporting, the general risks associated with the market in which the borrower operates, the borrower’s relative position within such market, its payment history and ability to service debt.

In the case of legal proceedings, whether these proceedings are initiated by us or at the instance of the borrower, commercial borrowers must be classified according to pre-determined circumstances, independently from the classification under which they would fall.

Under this classification system, all loans to a given borrower are grouped under the highest classification assigned to that borrower by the classifying bank. The classification of a given borrower must not differ by more than one higher category from a lower classification given to that borrower by at least two other banks whose aggregate loans outstanding to that borrower represent 40% or more of the total loans outstanding to that borrower in the Argentine financial system at the time of the classification.

Under the Central Bank regulation, banks must establish the following loan loss provisions based on the amount owed on the loan (including accrued but unpaid interest). As the table suggests, the presence of preferred guarantees reduces the level of required provisions.

	Loan Loss Provision Required Consumer and Commercial Borrowers		
	With Preferred "A" Guarantees	With Preferred "B" Guarantees	Without Preferred "A" or Preferred "B" Guarantees
Normal	1%	1%	1%
Low risk / Special tracking - under observation	1%	3%	5%
Special tracking - under negotiation or with refinancing agreements ⁽²⁾	1%	6%	12%
Medium risk / Problem	1%	12%	25%
High risk / High risk of insolvency	1%	25% ⁽³⁾	50% ⁽³⁾
Irrecoverable	1%	50%	100%
Irrecoverable for technical decision	1%	100% ⁽¹⁾	100% ⁽¹⁾
Additional loans ⁽³⁾	1%	1%	1%

- (1) The classification of a debtor under this category will require a loan loss provision of 100% of any financings, such as rollovers, extensions and express or implied waits, that may be granted after 90 days have elapsed since the day following the announcement by the Central Bank of the data base that includes the debtor. The presence of preferred guarantees does not affect this obligation.
- (2) The entity has not yet classified its debtors in the "Special tracking -under negotiation or with refinancing agreements" category.
- (3) Extensions of credit that do not surpass the result of applying the percentages indicated below over the balance of the existing debt on the day prior to the extension of the additional credit:

Irrecoverable	10%
Difficult recovery / High risk of insolvency	20%
Deficient servicing / Problem	30%
Inadequate servicing / Potential risk	40%

Non-compliance with the payments for the services corresponding to this additional assistance will determine the obligation to provide assistance consistent with the objective standards for overdue payments or legal requirements pursuant to the classification of debtors included in the consumer portfolio for consumption or housing. This also applies to borrowers in the commercial portfolio, in which case the additional financing will be considered independently of the rest of the client's debt.

Furthermore, banks are required to establish provisions equal to 100% of any interest accrued on loans to borrowers classified as "Problem" or lower or "Medium Risk" or lower. The Bank chooses to interrupt interest accrual accounting as permitted by the regulation.

By Communication "A" 4683 the BCRA introduced the possibility for debtors of the Consumer and Consumer-like Portfolio to be assigned a percentage above the minimum estimate for the situation without having to be automatically reclassified to the next category. BBVA Francés has not used this possibility further supported by the regulations.

As a result of the regular revision of portfolio behaviors carried out by the Bank through back testing, it has been decided to modify the policy of allowances by adjusting the coverage percentages.

The main destination of these allowances is to generate coverage for expectations of arrears and an estimation of possible losses per portfolio and per type of financing in our entity.

Considering the applicable coverages and their regular revision and after a qualitative analysis of the environment, decisions are made as to whether the policy of allowances should be maintained or modified.

BBVA Francés has resolved to modify the allowance percentages applied for the Commercial, Consumer and Consumer-like Portfolios, as detailed below:

- (i) Percentages of allowance until June 29, 2011.

- Commercial, Consumer and Consumer-like Portfolio Clients in a Normal Situation:

Product	Provision Percentage
Foreign Trade	2.00
Corporate Bonds	
Personal	
Loans to Companies	
Financial Loans	
Negotiated Securities	
Pledges	
Checks	
Credit Accounts	2.50
Credit Cards	
Overdrafts	1.00
Mortgages	
Other provisionable products	1.25

- Consumer Portfolio Clients (other than normal):

Situation	Category	Without Preferred Guarantees	With Preferred Guarantees B	With Preferred Guarantees A
(in percentages)				
2	Low Risk	5	3	1
3	Medium Risk	100(*)	12	1
4	High Risk	100(*)	25	1
5	Irrecoverable	100	50	1
6	Irrecoverable for Technical Reasons	100	100	1

(*) In the event of clients classified under the current situations by the mandatory reclassification process, the applicable provision percentage will be 95%.

- Consumer-like Portfolio Clients (other than normal):

Situation	Category	Without Preferred Guarantees	With Preferred Guarantees B	With Preferred Guarantees A
(in percentages)				
2	Low Risk	5	3	1
3	Medium Risk	100(*)	12	1
4	High Risk	100(*)	25	1
5	Irrecoverable	100	50	1
6	Irrecoverable for Technical Reasons	100	100	1

(*) In the event of clients classified under the current situations by the mandatory reclassification process, the applicable provision percentage will be 95%.

This Policy will be applicable except as authorized by the Companies and Wholesale Banking Monitoring Committee.

- Commercial Clients Portfolio (other than normal):

Situation	Category	Without Preferred Guarantees	With Preferred Guarantees B	With Preferred Guarantees A
		(in percentages)		
2.a.	Under Observation	5	3	1
2.b.	Under Negotiation	12	6	1
3	With Problems	25	12	1
4	High Risk of Insolvency	50	25	1
5	Irrecoverable	100	50	1
6	Irrecoverable for Technical Reasons	100	100	1

- (ii) As of June 21, 2011 the Technical Operations Committee approved the modification of the percentages of allowance for clients who were in Normal Situation. The changes became effective on June 30, 2011 and are summarized in the table below:

Product	Commercial	Consumer-like	Consumer
Overdrafts			
Negotiated Securities			
Pledges			
Personal			
Credit Accounts			
Checks	1.50	1.50	2.00
Credit Cards			
Corporate Bonds			
Foreign Trade			
Loans to Companies			
Financial Loans			
Mortgages	1.00	1.00	1.00
Other provisionable products	1.25	1.25	1.25

- (iii) As of December 15, 2011 the Risk Management Committee (formerly Technical Operations Committee) approved the modification of the percentages of allowance for clients who were in Normal Situation. The changes became effective on December 30, 2011 and are summarized in the table below:

Product	Commercial	Consumer-like	Consumer
Overdrafts			
Negotiated Securities			
Pledges			
Personal			
Credit Accounts			
Checks	1.25	1.25	2.00
Credit Cards			
Corporate Bonds			
Foreign Trade			
Loans to Companies			
Financial Loans			
Mortgages	1.00	1.00	1.00
Other provisionable products	1.25	1.25	1.25

As of April 19, 2012 the Risk Management Committee (formerly Technical Operations Committee) approved the modification of the percentages of allowance for clients who were in a Normal Situation. The changes became effective on April 30, 2012 and are summarized in the table below:

Product	Commercial	Consumer-like	Consumer
Overdrafts			
Negotiated Securities			
Pledges			
Personal			
Credit Accounts			
Checks	1.00	1.00	1.75
Credit Cards			
Corporate Bonds			
Foreign Trade			
Loans to Companies			
Financial Loans			
Mortgages	1.00	1.00	1.00
Other provisionable products	1.00	1.00	1.00

The Central Bank regulations set requirements for the review by banks of their classification of borrowers. The classification given to borrowers whose outstanding loans represent at any given time more than 5% of the lending bank’s risk-hyphen weighted capital must be reviewed at least on a quarterly basis. The classification given to borrowers whose outstanding loans represent at any time between 1.00% and 5.00% of the lending bank’s risk-weighted capital, or are for an amount greater than Ps.4.0 million, must be reviewed at least every six months. The classification of all other types of borrowers must be reviewed at least once a year. In addition, banks must review the classification given to a borrower in any of the following situations:

- Any time the Central Bank modifies the definition of its borrower classifications;
- Any time another bank downgrades a borrower whose loan standings are greater than 10% of the total loans outstanding in the Argentine financial system;
- Any time a credit rating agency downgrades by more than one category the rating assigned to bonds issued by such borrower;
- If the Central Bank requires it as a result of an inspection; and
- In case of discrepancy by more than one level between the rating given by the financial entity and those granted by at least another two financial entities or trusts in categories below that assigned by it, and whose credits as a whole represent at least 20% and are below 40% of the total amount informed by all creditors, as per the latest information available at the Debtors Department of the financial system”.

We are therefore fully compliant with the Central Bank requirements relating to borrower declassifications. We also fully complied with the provisioning requirements regarding all our normal loans; that is, we had established the full 1.0% provision for normal loans, as well as the 100% provision required for loans with preferred guarantees being twenty-five months in arrears and classified as “High Risk”, “High Risk of Insolvency” and “Irrecoverable”. In addition, we believe that we have adequate provisions to cover any known losses and any losses inherent in the loan portfolio. See Note 3.4.5 to the Consolidated Financial Statements.

The Bank stops accruing interest on a loan as soon as any scheduled payment is 90 days overdue, or earlier if the customer is classified as “With Problems”, “Medium Risk”, “High Risk of Insolvency”, “High Risk”, “Irrecoverable” or “Irrecoverable for Technical Reasons”.

The following table presents our loan portfolio, before the deduction for the allowance for loan losses, using the classification system of the Central Bank in effect at the end of each fiscal year:

	December 31,					
	2013	%	2012	%	2011 ⁽¹⁾	%
	(in thousands of pesos, except percentages)					
Loan Portfolio Categories						
Normal	36,677,132	98.62%	28,660,468	98.77%	22,937,081	99.11%
Low risk / Special tracking	229,270	0.62%	168,917	0.58%	99,514	0.43%
Medium risk / Problem	138,687	0.37%	96,211	0.33%	54,568	0.24%
High risk / High risk of insolvency	106,622	0.29%	72,974	0.25%	39,981	0.17%
Irrecoverable	38,811	0.10%	18,556	0.06%	10,694	0.05%
Irrecoverable for technical decision	134	—	162	—	166	—
Total	<u>37,190,656</u>	<u>100.00%</u>	<u>29,017,288</u>	<u>100.00%</u>	<u>23,142,004</u>	<u>100.00%</u>

(1) See Note 3.3. to our Consolidated Financial Statements.

Classification of Loan Portfolio

The following table presents our consumer and commercial loan portfolio as of December 31, 2013, 2012, 2011, 2010 and 2009 under the classification system of the Central Bank, before the deduction of the allowance for loan losses:

	December 31,									
	2013		2012		2011 ⁽²⁾		2010		2009	
	Total	%	Total	%	Total	%	Total	%	Total	%
	(in thousands of pesos, except percentages) ⁽¹⁾									
Normal (Consumer)	16,527,979	97.43%	12,067,720	97.47%	9,271,567	98.16%	6,411,481	98.18%	4,417,993	96.47%
Normal (Commercial)	20,149,153	99.61%	16,592,748	99.73%	13,665,514	99.77%	10,529,060	99.65%	7,460,075	99.33%
	36,677,132	98.62%	28,660,468	98.77%	22,937,081	99.11%	16,940,541	99.09%	11,878,068	98.25%
Low risk (Consumer)	202,832	1.20%	151,296	1.22%	81,563	0.86%	50,854	0.78%	54,838	1.20%
Special tracking (Commercial)	26,438	0.13%	17,621	0.11%	17,951	0.13%	24,307	0.23%	35,169	0.47%
	229,270	0.62%	168,917	0.58%	99,514	0.43%	75,161	0.44%	90,007	0.74%
Medium risk (Consumer)	132,417	0.78%	90,692	0.73%	51,628	0.55%	31,016	0.47%	42,503	0.93%
Problem (Commercial)	6,270	0.03%	5,519	0.03%	2,940	0.02%	1,913	0.02%	3,415	0.05%
	138,687	0.37%	96,211	0.33%	54,568	0.24%	32,929	0.19%	45,918	0.38%
High risk (Consumer)	72,717	0.43%	55,616	0.45%	32,389	0.34%	27,252	0.42%	58,605	1.28%
High risk of insolvency (Commercial)	33,905	0.17%	17,358	0.10%	7,592	0.06%	7,862	0.07%	6,328	0.08%
	106,622	0.29%	72,974	0.25%	39,981	0.17%	35,114	0.21%	64,933	0.54%
Irrecoverable (Consumer)	27,205	0.16%	14,916	0.12%	8,180	0.09%	9,613	0.15%	5,364	0.12%
Irrecoverable (Commercial)	11,606	0.06%	3,640	0.02%	2,514	0.02%	2,539	0.02%	5,028	0.07%
	38,811	0.10%	18,556	0.06%	10,694	0.05%	12,152	0.07%	10,392	0.09%
Irrecoverable for technical decision (Consumer)	134	—	162	—	165	—	120	—	98	—
Irrecoverable for technical decision (Commercial)	—	—	—	—	1	—	62	—	159	—
	134	—	162	—	166	—	182	—	257	—
Total consumer loans	16,963,284	100.00%	12,380,402	100.00%	9,445,492	100.00%	6,530,336	100.00%	4,579,401	100.00%
Total commercial loans	20,227,372	100.00%	16,636,886	100.00%	13,696,512	100.00%	10,565,743	100.00%	7,510,174	100.00%
Total	37,190,656	100.00%	29,017,288	100.00%	23,142,004	100.00%	17,096,079	100.00%	12,089,575	100.00%

(1) Percentages for each category are of total consumer, commercial or total loans, as the context requires.

(2) See Note 3.3. to our Consolidated Financial Statements.

Non-performing and Restructured Loans

Applying the Central Bank’s loan classification criteria described above, the following table analyzes at each of the dates indicated below our gross non-performing and restructured loan portfolio, and further breaks down the total into loans with preferred guarantees and those which are unsecured:

	December 31,				
	2013	2012	2011	2010	2009
	(in thousands of pesos)				
Non-performing loans ⁽¹⁾	284,254	187,903	105,409	80,377	121,500
Total	284,254	187,903	105,409	80,377	121,500
With preferred guarantees	68,581	50,080	19,432	15,228	15,929
Unsecured	215,673	137,823	85,977	65,149	105,571
Total	284,254	187,903	105,409	80,377	121,500

(1) Non-performing loans includes all loans to borrowers classified as “Medium Risk”, “Problem”, “High Risk”, “High Risk of Insolvency”, “Irrecoverable” and “Irrecoverable for Technical Decision” under the Central Bank loan classification system. Non-performing loans also include all loans contractually past due 90 days or more. At December 31, 2013, 2012, 2011, 2010 and 2009, non-performing loans include Ps161,588, Ps.114,515 thousand, Ps.64,688 thousand, Ps.46,538 thousand and Ps.91,671 thousand, respectively, of non-accrual loans.

The table below sets forth non-performing loans by economic activity as of each of the dates indicated:

	December 31,									
	2013		2012		2011		2010		2009	
	Total	%	Total	%	Total	%	Total	%	Total	%
	(in thousands of pesos, except percentages)									
Agricultural and livestock	24,034	8.46%	10,557	5.62%	3,425	3.25%	78	0.10%	61	0.05%
Beverage	3	—	1	—	19	0.02%	1	—	—	—
Chemicals	115	0.04%	9	—	921	0.87%	—	—	—	—
Construction	560	0.20%	1,058	0.56%	401	0.38%	862	1.07%	1,498	1.23%
Consumer	240,428	84.57%	162,742	86.61%	92,372	87.63%	34,909	43.43%	41,814	34.41%
Electrical machinery	8	—	230	0.12%	—	—	3	—	16	0.01%
Financial sector	14	—	1	—	7	0.01%	5	0.01%	—	—
Foodstuff	140	0.05%	168	0.09%	372	0.35%	2	—	16	0.01%
Government services	—	—	—	—	—	—	1	—	1	—
Industrial metals	260	0.09%	5	—	954	0.91%	—	—	9	0.01%
Leather and fur products	3	—	833	0.44%	789	0.75%	—	—	4	—
Machinery and tools	10,177	3.58%	9,462	5.04%	—	—	—	—	—	—
Mining products	300	0.11%	4	—	8	0.01%	2	—	—	—
Oil and carbon	3	—	1	—	—	—	81	0.10%	—	—
Others	14	—	11	0.01%	1,511	1.43%	33,257	41.38%	64,826	53.35%
Other manufacturing	894	0.31%	40	0.02%	45	0.04%	56	0.07%	1	—
Paper products	190	0.07%	4	—	432	0.41%	—	—	—	—
Printer, publishers and related industries	165	0.06%	231	0.12%	229	0.22%	3	—	8	0.01%
Rubber products	—	—	—	—	—	—	—	—	3	—
Retail trade	1,076	0.38%	1,040	0.55%	330	0.31%	9,590	11.93%	8,105	6.68%
Services	108	0.04%	328	0.17%	448	0.43%	43	0.05%	156	0.13%
Shoes, apparel and other textile products	—	—	—	—	—	—	86	0.11%	3	—
Textile	6	—	342	0.18%	2,126	2.02%	4	—	1	—
Tobacco	—	—	—	—	—	—	—	—	5	—
Transportation material	336	0.12%	192	0.10%	9	0.01%	1	—	7	0.01%
Wholesale trade	5,419	1.92%	644	0.34%	820	0.79%	1,387	1.74%	4,966	4.10%
Wood products and cork	1	—	—	—	191	0.18%	6	0.01%	—	—
Total	284,254	100.00	187,903	100.00%	105,409	100.00%	80,377	100.00%	121,500	100.00%

As of December 31, 2013, the majority of our loan portfolio, and non-performing and restructured loan portfolio, consisted of loans to Argentine borrowers. At that date, approximately Ps.63.6 million, or 0.17% of our total loan portfolio, consisted of loans to foreign borrowers.

Gross interest income that would have been recorded on non-performing loans during the fiscal years ended December 31, 2013, 2012, 2011, 2010 and 2009 amounted to Ps.29.8 million, Ps.25.5 million, Ps.24.7 million, Ps.51.0 million and Ps.59.8 million, respectively.

The variation (decrease) in our non-performing loans classified as “Others” was due to the implementation of certain improvements that allowed us to identify each debtor’s economic activities and therefore classify his or her non-performing loan within the relevant economic activity (i.e., agricultural and livestock, beverage, etc.). Starting in 2011 we developed a technological application that allows us to obtain the economic activity of our clients from more complete and comprehensive database. Prior to that, the economic activities of certain clients were classified as “Others” because they did not have an specified economic activity assigned to them in the relevant database. The improvement, however, did not result in any material decrease in the amount of non-performing loans, just in a different classification of them by activities.

Analysis of the Allowance for Loan Losses

The table below sets forth the activity in the allowance for loan losses for the fiscal years ended December 31, 2013, 2012, 2011, 2010 and 2009. See Note 21.5 to the Consolidated Financial Statements. In conformity with Central Bank requirements, we charge-off non-performing loans when we believe that recovery is unlikely and, in any event, no later than seven months after a loan has been classified as “irrecoverable” without preferred guarantees. We continue to try to collect all amounts past due, even if they have been charged-off, if we believe that the likelihood of collecting such amounts justifies the commitment of resources to do so.

	December 31,				
	2013	2012	2011	2010	2009
	(in thousands of pesos, except percentages)				
Balance at the beginning of the year	523,857	444,973	396,227	337,686	196,489
Provisions for loan losses	456,267	259,181	134,199	178,800	244,800
Charge-offs ⁽¹⁾	(257,662)	(180,297)	(85,453)	(120,259)	(103,603)
Advances	—	(37,869)	(9,668)	(23,977)	(32,520)
Consumer	(241,126)	(119,112)	(48,248)	(72,849)	(24,645)
Notes discounted and purchased	—	—	(21,230)	(22,842)	(26,451)
Other	(16,536)	(23,316)	(6,307)	(590)	(19,987)
Balance at the end of year	722,462	523,857	444,973	396,227	337,686
Net charge-off / average loans	0.79%	0.70%	0.43%	0.85%	0.85%

(1) Charge-offs are not concentrated in any particular economic activity. Our management estimates that of the Ps.257.7 million charged-off in the fiscal year ended December 31, 2013, Ps.26.0 million or 10.08%, were related to corporate borrowers and Ps.231.7 million or 89.92%, were related to individual consumers. The variation between 2013 and 2012 is due to the increases in the ratio of arrears and doubtful loan portfolio. Of the Ps.180.3 million charged-off in the fiscal year ended December 31, 2012, Ps.23.0 million or 12.76%, were related to corporate borrowers and Ps.157.3 million or 87.24%, were related to individual consumers. The variation between 2012 and 2011 is due to the increases in the ratio of arrears and doubtful loan portfolio. Of the Ps.85.5 million charged-off in the fiscal year ended December 31, 2011, Ps.45.6 million or 53.36%, were related to corporate borrowers and Ps.39.9 million or 46.64%, were related to individual consumers. The lower volume of charge-offs in 2011 was due to the improvement in the quality of our credit portfolio during the years 2010 and 2011 which resulted in better severity ratios and lower volumes of delinquent debtors. This in turn led to a reduction in the volume of irrecoverable loans during the year 2011 and therefore to an attenuated fall in the volume of charge-offs. Of the Ps.120.3 million charged-off in the fiscal year ended December 31, 2010, Ps.77.3 million or 64.25%, were related to corporate borrowers and Ps.43.0 million or 35.75%, were related to individual consumers. Of the Ps.103.6 million charged-off in the fiscal year ended December 31, 2009, Ps.28.4 million or 27.45%, were related to corporate borrowers and Ps.75.2 million or 72.55%, were related to individual consumers. Charge-offs include reversal and applications.

Allocation of the Allowance for Loan Losses

The following table allocates the allowance for loan losses and sets forth the percentage distribution by each category of loans in the total loan portfolio (principals only) for each of the fiscal years ended December 31, 2013, 2012, 2011, 2010 and 2009.

	December 31,									
	2013		2012		2011		2010		2009	
	Total	%	Total	%	Total	%	Total	%	Total	%
	(in thousands of pesos, except percentages)									
Advances	80,045	17.96%	63,394	17.94%	41,871	12.54%	34,201	14.57%	25,192	16.31%
Notes discounted and purchased	56,611	15.01%	44,713	14.92%	44,792	14.85%	29,306	12.84%	15,692	10.23%
Secured with mortgages	15,705	3.42%	10,802	3.10%	14,558	3.99%	19,412	5.18%	15,379	8.03%
Chattel mortgage	72,982	9.54%	47,060	8.72%	29,207	7.19%	17,604	5.12%	10,641	1.00%
Consumers loans	382,529	36.81%	260,970	33.44%	201,941	31.39%	214,847	30.35%	197,786	31.43%
Financial Loans	25,926	4.50%	21,867	4.54%	23,605	4.55%	12,156	3.29%	7,595	5.22%
Other loans to governmental sector	—	0.02%	—	0.03%	—	0.11%	—	3.97%	—	1.12%
Other	88,664	12.74%	75,051	17.31%	88,999	25.38%	68,701	24.68%	65,402	26.66%
Total	722,462	100.00%	523,857	100.00%	444,973	100.00%	396,227	100.00%	337,686	100.00%

Composition of Deposits

The following table sets out the composition of each category of deposits that exceeded 10% of average total deposits in each of the fiscal years ended December 31, 2013, 2012 and 2011.

	December 31,		
	2013	2012	2011
(in thousands of pesos)			
Deposits in domestic Bank's offices			
Non-interest-bearing demand deposits			
Average			
Pesos	10,348,993	8,659,885	6,820,551
Dollars	846,636	803,844	1,017,747
Total	<u>11,195,629</u>	<u>9,463,729</u>	<u>7,838,298</u>
Saving accounts			
Average			
Pesos	7,719,280	6,186,969	4,784,502
Dollars	1,458,765	1,913,643	2,671,586
Total	<u>9,178,045</u>	<u>8,100,612</u>	<u>7,456,088</u>
Average real rate			
Pesos	(12.68)%	(11.43)%	(11.11)%
Dollars	15.65%	1.15%	(3.84)%
Total	<u>(8.17)%</u>	<u>(8.46)%</u>	<u>(8.51)%</u>
Time deposits			
Average			
Pesos	15,037,091	11,188,977	9,010,574
Dollars	1,131,265	1,460,417	1,918,794
Total	<u>16,168,356</u>	<u>12,649,394</u>	<u>10,929,368</u>
Average real rate			
Pesos	0.93%	0.50%	(0.81)%
Dollars	15.89%	1.32%	(3.69)%
Total	<u>1.98%</u>	<u>0.59%</u>	<u>(1.32)%</u>

Maturity of Deposits at December 31, 2013

The following table sets forth information regarding the maturity of our deposits at December 31, 2013.

	Maturing				
	Total	Within 3 months	After 3 but within 6 months	After 6 but within 12 months	After 12 months
(in thousands of pesos)					
Checking	12,031,221	12,031,221	—	—	—
Savings	11,902,594	11,902,594	—	—	—
Time deposits	18,892,386	18,224,859	555,964	108,285	3,278
Investment accounts	4,027	1,743	2,284	—	—
Other	929,237	919,542	1,314	8,381	—
Total	<u>43,759,465</u>	<u>43,079,959</u>	<u>559,562</u>	<u>116,666</u>	<u>3,278</u>

The following table sets forth information regarding the maturity of our certificates of deposit and other time deposits in denominations of US\$100,000 or more at December 31, 2013.

	Maturing,				
	Total	Within 3 months	After 3 but within 6 months	After 6 but within 12 months	After 12 months
	(in thousands of pesos)				
Domestic offices	10,045,934	9,806,166	187,927	46,134	2,708
Total	10,045,934	9,806,166	187,927	46,134	2,708

Return on Equity and Assets

The following table presents certain selected financial information and ratios of BBVA Francés for the fiscal years indicated.

	December 31,		
	2013	2012	2011
	(in thousands of pesos, except percentages)		
Net income	2,024,244	1,263,679	1,005,577
Average total assets ⁽¹⁾	51,654,102	41,895,112	35,792,946
Average stockholders' equity ⁽¹⁾	6,144,058	4,500,097	3,807,586
Stockholders' equity at the end of the fiscal year	7,156,180	5,131,936	3,868,257
Net income as a percentage of:			
Average total assets	3.92%	3.02%	2.81%
Average stockholders' equity	32.95%	28.08%	26.41%
Declared dividends ⁽²⁾	28,800	—	—
Dividend payout ratio ⁽³⁾	1.42%	—	—
Average stockholders' equity as a percentage of average total assets	11.89%	10.74%	10.64%

(1) Computed as the average of fiscal year-beginning and fiscal year-ending balances.

(2) For the fiscal years ended December 31, 2013, the dividends in cash authorized at the Ordinary and Extraordinary Shareholders' Meeting on April 10, 2014 were Ps.28.8 million (see Note 14.b) to the Consolidated Financial Statements). For the fiscal year ended December 31, 2012 and 2011, the Bank decided not to declare and distribute dividends as result of the issuance of Communications "A" 5272 and 5273 of the Central Bank (see "Item 8. Financial Information—Dividends").

(3) Declared dividends stated as percentage of net income. Since April 2002, the Central Bank had suspended the payment of dividends. As of June 2, 2004, financial institutions that are allowed to make distributions will have no effect on the prior authorization of the Central Bank provided that certain conditions are met. See "Item 8. Financial Information—Dividends".

Short-Term Borrowings

Our short-term borrowings, which equaled or exceeded 30% of stockholders' equity, totaled approximately Ps.4.1 billion, Ps.3.1 billion and Ps.4.0 billion for the fiscal years ended December 31, 2013, 2012 and 2011, respectively. The table below shows those amounts at the end of each fiscal year.

	December 31,					
	2013		2012		2011	
	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
	(in thousands of pesos, except percentages)					
Total amount outstanding at the end of the reported period	4,082,688	7.2%	3,133,360	5.6%	3,998,286	4.0%
Average during year	4,350,246	16.9%	3,346,909	10.8%	3,135,587	13.9%
Maximum month-end balance	6,092,795		3,644,184		3,998,286	

THE ARGENTINE BANKING SYSTEM AND ITS REGULATORY FRAMEWORK

Argentine Banking System

On November 30, 2013, Argentina's banking system consisted of 65 commercial banks, of which 12 were government-owned or government-related banks and 53 were privately owned banks. The principal regulators of financial institutions in Argentina are the Central Bank, the Superintendencia de Entidades Financieras y Cambiarias (the Superintendency of Financial Institutions and Exchanges, referred to as the "Superintendency") and, in the case of financial institutions that publicly offer their own securities in Argentina or otherwise engage in the offering or trading of third parties' securities in Argentina, the CNV.

Private Sector Banks

According to information published by the Central Bank, on November 30, 2013, the largest privately owned locally based commercial banks, in terms of total assets, were the following: Banco Santander Río S.A., Banco de Galicia y Buenos Aires S.A., Banco Macro S.A., BBVA Francés and HSBC Bank Argentina. Some of these banks, including BBVA Francés, have one or more significant foreign investors. Similarly, private financial institutions accounted for approximately 52.69% of deposits and approximately 59.43% of gross loans in the Argentine financial system. In addition, the ten largest private financial institutions accounted for 40.81% of all deposits and 47.15% of all loans in the Argentine financial system. Foreign banks compete under the same regulatory conditions as Argentine banks.

Public Sector Banks

The principal state owned banks are: Banco de la Nación Argentina, Banco de la Provincia de Buenos Aires and Banco de la Ciudad de Buenos Aires. As of November 30, 2013, based on the available data of the Central Bank, such entities accounted for approximately 42.18% of deposits and approximately 32.58% of gross loans in the Argentine banking system.

Under the provisions of the Argentine financial institutions Law Nr. 21,526 (the "Financial Institutions Law"), Government owned or government-related banks and private banks have comparable rights and obligations except that the former have the sole right and obligation to handle public revenues and promote regional development. Government-owned banks are required to meet the credit needs of public sector entities. Moreover, the by-laws of some government-owned banks, which include federal, provincial and locally owned banks, require that the principalities which own them guarantee their commitments.

Central Bank

The Financial Institutions Law regulates banking activities in Argentina and places the supervision and control of the Argentine banking system in the hands of the Central Bank, an autonomous institution. The Financial Institutions Law provides the Central Bank with broad access to the accounting systems, books, correspondence, documents and other papers of banking institutions. The Central Bank regulates the provision of credit and supervises the liquidity and the general operation of the Argentine financial markets. The Central Bank enforces the Financial Institutions Law and authorizes banks to operate in Argentina. Since an amendment to the final institutions Law of February 1994, there is no distinction between locally owned and foreign owned private financial institutions. The Central Bank does not have the authority to supervise the liquidation of financial institutions.

The Central Bank establishes "technical ratios" to limit the levels of indebtedness, liquidity, maximum credit that may be granted per customer and foreign exchange assets and liabilities positions, among others. The Central Bank carries out formal inspections from time to time of all banking institutions to monitor their compliance with legal and regulatory requirements. The Central Bank supervises banks on a consolidated basis. It has a supervision department of internal and external auditors of financial institutions that evaluate performance comprehensively in internal audit areas as well as firms and professionals working as external auditors of financial institutions. See "Item 4. Information on the Company—The Argentine Banking System and its Regulatory Framework—BASIC System" below. If a bank does not comply with the technical ratios, it must explain such noncompliance to the Central Bank. There are specific regulations governing reinstatement plans and other measures arising from the failure of these plans. Furthermore, the Central Bank has the power to impose sanctions for noncompliance, which vary from a strong reprimand to revocation of banking licenses.

The Central Bank requires banks to submit information to it on a daily, monthly, quarterly, semiannual and annual basis. These reports contain, among other important information, balance sheets and income statements, information relating to reserve funds, use of deposits and indicators on portfolio quality, including details on principal debtors and any loan-loss provisions established. The reports are designed to allow the Central Bank to monitor the banks' business practices. If the Central Bank's rules are breached, various sanctions may be imposed depending on the gravity of the violation, ranging from calling attention to the infraction to the imposition of fines or even the revocation of a bank's operating license. Moreover, noncompliance with certain rules may result in the

obligatory presentation to the Central Bank of specific capital adequacy or regularization plans. These plans must be approved by the Central Bank for a bank to maintain its license.

Law Nr. 25,780 introduced amendments to the Financial Institutions Law Corporate and the Central Bank charter. Among the most significant of such modifications are the following:

- Except by express provision to the contrary established by-law, the Central Bank will not be affected by any regulations of a general character which may have been or shall have been enacted with reference to Public Administration bodies and which may introduce limitations to the authority or powers of the Central Bank as set forth in its own charter.
- The Central Bank is empowered to make temporary advances to the Government up to an amount equivalent to 12% of the monetary base, which for this purpose includes amounts constituted by the monetary circulation plus the sight deposits of the financial institutions with the Central Bank, in current account or in special accounts. It may also grant advances up to an amount not exceeding 10% of the cash resources obtained by the Government in the past twelve months. At no time may the amount granted as temporary advances, excluding those exclusively allocated to the payment of obligations with the multilateral credit institutions, exceed 12% of the monetary base. All advances so granted must be reimbursed within the next twelve months; should any of these advances remain unpaid after its due date, it will not be possible to use these powers again until all owed amounts shall have been reimbursed.
- The validity of Articles 44, 46 paragraph (c), 47 and 48 of the Central Bank charter, regarding the powers and authority of the Superintendency, is reestablished in terms of the text approved as Article 1 of Law Nr. 24,144.
- A temporary regulation was introduced, not applicable any longer, authorizing the Central Bank to: (i) provide assistance to financial institutions with liquidity and/or solvency problems, including those undergoing restructuring by resolution of the Central Bank in terms of Article 35 bis of the Financial Institutions Law; and (ii) authorize the integration of the reserve requirements for financial institutions with financial assets other than cash, in the form of sight deposits with the Central Bank or in foreign currency accounts as per Article 28 of the Central Bank charter.
- Reserves exceeding 100% of the monetary base may be allocated to the payment of obligations assumed with international financial entities.

Amendments to the Central Bank's Charter and the Convertibility Law

Law Nr. 26,739 amended the functions and powers of the Central Bank, and the ability of the Federal Government to obtain financing from the Central Bank.

On March 28, 2012, Law Nr. 26,739 was published in the Official Gazette amending the charter of the Central Bank (as amended, the "Charter") of the Argentine Republic, which had been previously approved by Law Nr. 24,144 and the Convertibility Law.

The amendments introduced by Law Nr. 26,739 may be grouped in two main topics: (i) amendments to the functions and powers of the Central Bank as the regulatory and supervisory authority of the financial system; and (ii) expansion of the Federal Government's access to financing from the Central Bank.

- Functions and powers of the Central Bank:
 - Purpose of the Central Bank. Until Law Nr. 26,739 was enacted, according to the Charter, the "primary and fundamental purpose" of the entity was to "preserve the value of the currency". Following Law Nr. 26,739, the Central Bank will have multiple purposes, including "promoting currency stability, financial stability, employment and economic development with social equity".
 - Relationship of the Central Bank with the Executive Branch and the Congress. Under the Charter, the Central Bank remains a "self-governed entity", and it remain in effect that: (i) in the exercise of its powers and faculties, the Central Bank shall not be subject to the instructions of the Executive Branch, and (ii) the Central Bank may not enter into any obligation that implies a restriction or a delegation of its powers, without Congress' express authorization. However, the Charter provides that the Central Bank's purpose must be fulfilled "within the framework of the policies set by the Federal Government".

- Obligations and powers of the Central Bank related to economic information. The amendments to the Charter limit the ability of the Central Bank to supply economic information. In particular, (i) the requirement to report the expected rate of inflation for each year; (ii) the publication of statistics regarding the balances of payment and the national accounts of the Argentine Republic; and (iii) the requirement that the entity's financial statements reflect the amount and composition of the reserves and of the monetary base have been removed from the Charter.
- Functions and powers of the Central Bank. New powers have been vested in the Central Bank, including: (i) to regulate the amount of money and the interest rates, and direct credit policies; (ii) to regulate payment systems, liquidating and clearing houses, fund remittance entities, and transportation of value companies; and (iii) to protect the rights of consumers of financial services and fair competition within the financial system.
- Powers of the Central Bank's President. The amendments strengthen the powers of the President of the Central Bank's board of directors. In this respect: (i) the Superintendency (which will no longer be a deconcentrated entity) is now under the President's supervision; (ii) the President is empowered to operate directly in the currency and foreign exchange markets (formerly, these powers were vested in the Central Bank's board of directors), and (iii) the President's powers in emergency situations are increased.
- Powers of the Central Bank's board of directors. New regulatory powers are expressly conferred to the board, such as: (i) to establish the information and accounting regime for the entities subject to the Central Bank's supervision; (ii) to regulate credit conditions and policies; (iii) to enact rules that preserve competition in the financial market, and (iv) to regulate the obtention (through negotiable instruments or otherwise) by financial institutions of foreign currency funds.

▪ Financing of the Federal Government:

- “Temporary Advances”. The amendment of the Charter significantly increases the Central Bank's ability to grant “temporary advances” to the Federal Government.

Pursuant to the Charter, the Central Bank may grant temporary advances to the Federal Government for a term of up to twelve months, with no specific allocation, for an amount equivalent to 12% of the monetary base (which includes, outstanding currency and demand deposits of financial institutions with the Central Bank, in checking or special accounts).

In addition, advances may be granted (also for a twelve-month term) for an amount equal to up to 10% of the resources in cash that the Federal Government has obtained in the last twelve months; but these “additional” advances have to be specifically allocated to the payment of obligations with international financial institutions and to the payment of obligations in foreign currency.

The amended Charter maintains the possibility of granting temporary advances within the limits described above, but the amendment also provides that, “exceptionally”, “additional” advances may be granted for up to another 10% of the resources in cash that the Federal Government has obtained in the last twelve months, for an eighteen-month term. In addition, the requirement of specific allocation mentioned before has been abrogated. As a result, all of the “temporary advances” that the Central Bank may grant may be allocated to the purpose that the Federal Government decides at its sole discretion.

- Determination and application of the “freely available” reserves. The amendments to the Convertibility Law abrogated the requirement that the Central Bank's reserves must underpin up to 100% of the monetary base.

Now the Central Bank's board of directors shall determine the amount of reserves necessary to carry out the foreign exchange policy, taking into consideration the evolution of the external accounts.

Consequently, the “freely available” reserves will no longer be constituted by those that exceed the amount necessary to underpin up to 100% of the monetary base. The “freely available” reserves will now be those which exceed the amount determined by the board of directors in the manner contemplated above.

The amendments to the Convertibility Law also broaden the scope of application of “freely available” reserves. In addition to the payment of obligations with international financial institutions, pursuant to the reform approved by Congress the “freely available” reserves may also be applied to the payment of “official bilateral external debt”. This last concept includes the debt that the Argentine Republic has with creditors grouped together in the “Paris Club”.

- Argentine Fund for Indebtedness Reduction. This Fund was created through Decree Nr. 298/10 in order to apply “freely available” reserves of the Central Bank to the payment of sovereign debt held by private creditors. This Fund is composed by the “freely available” reserves allocated for each fiscal year (for 2012, it amounts to almost US\$5.7 billion). Law Nr. 26,739 provides that this Fund will continue to operate until the purpose for which it was created has been fulfilled.

Supervision on a Consolidated Basis

The Argentine financial entities are subject to supervision in consolidated form by the Central Bank (irrespective of the observance on an individual basis of the regulations applicable thereto). In other words, the financial statements and other information regarding them must reflect the transactions of their head office as well as those of their branches in the country and abroad, and those of any local and foreign “significant subsidiaries”. Consequently, the requirements as to liquidity, solvency, minimum capital, risk concentration, and provisions for loan losses, among others, must be calculated on a consolidated basis.

From the above-mentioned communication it is clear that the financial institutions must submit certain information to the Central Bank, including the following:

- financial statements and other quarterly and annual reports reflecting in consolidated form the transactions of the financial entity, its local and foreign branches and its local and foreign “significant subsidiaries” (as defined below); and
- financial statements and other quarterly and annual reports reflecting in consolidated form the transactions of the financial entity, its local and foreign branches, its local and foreign “significant subsidiaries” (as defined below) or entities or companies in the country and abroad where the financial entity has possession or control over more than 12.5% of the shares entitled to vote, in those cases determined by the Superintendency, and those companies not subject to consolidated supervision which the financial entity may have chosen to include with the prior approval of the Superintendency.

For the purposes of these regulations:

- A “subsidiary” of a local financial entity is any local or foreign financial entity or company in any of the following positions:
 - (1) the local financial entity has direct or indirect control of more than 50% of the total votes of any instrument with voting rights in such entity or company,
 - (2) the local financial entity has direct or indirect control as to determining by itself the composition of most of the management bodies of such entity or company, or
 - (3) a majority of the directors of the local financial entity is also a majority of the directors of such entity or company.

The possession or control by the financial entity is considered indirect if exercised through another legal person, its controlling shareholders or directors appointed by such controlling shareholders or persons linked to them, in control of more than 50% –measured as a whole– of the total votes of any instrument with voting rights in another entity or company. Also considered indirect is any other form of control or interest where, in the opinion of the Superintendency, and even if the shareholders’ interest does not exceed 50%, a situation of control, and therefore the subsidiary character of an entity or company is configured or can be inferred from the evidence collected.

- A “significant subsidiary” is any subsidiary:
 - (1) whose assets, possible commitments and other transactions recorded in memorandum accounts represent 10% or more of the RPC of the local financial entity and its subsidiaries abroad; or
 - (2) whose results of operations corresponding to the current fiscal year represent 10% or more of the results of operations for the current fiscal year of the local financial entity and its subsidiaries abroad.

Legal Reserve

The Central Bank requires that on an annual basis banks allocate a certain percentage of their net income, set by the Central Bank, to a legal reserve which is currently set at 20%. This reserve can only be used during periods in which a bank has incurred losses and has exhausted all unappropriated retained earnings and other reserves on profit. Banks may not pay dividends if the legal

reserve has been impaired. However when the Legal Reserve is used to absorb losses, profits may be distributed if the balance prior to absorption were greater than 20% of the corporate capital plus capital adjustment, once this last amount is achieved.

Reserve Requirements and Liquidity Requirements

The minimum cash system determines what portion of their deposits or obligations the entities must keep available, that is to say, not as part of their lending capacity. The minimum cash requirement is calculated on the monthly average of daily balances for comprised obligations as recorded at the close of each calendar month, and must be observed separately for each currency of denomination and/or Government securities and instruments issued by the BCRA of the comprised obligations. Compliance must take place in the same currency of the requirement, except in the event of sight obligations for transfers from abroad in foreign currencies other than the U.S. dollar which must be accounted for in this currency, making use of one of the following:

- (i) current accounts in Pesos of the financial entities with the Central Bank;
- (ii) minimum cash accounts of the financial entities with the Central Bank, denominated in U.S. dollars or other foreign currencies;
- (iii) special guarantee accounts in favor of electronic clearing houses;
- (iv) current accounts of non-banking financial institutions;
- (v) special current accounts (opened in the Central Bank) in connection with the attention of pension benefits; and
- (vi) minimum cash account of public securities and instruments issued by the Central Bank, at market value and of the same type.

As of April 1, 2012, cash and cash equivalents in pesos and foreign currencies are not considered as minimum cash payments.

Cash and cash equivalents in pesos as of March 31, 2012 net of excess payments in that currency will be considered as a special deduction from the requirement according to the following schedule:

Period	admitted %
September 2012	100
October and November 2012	75
From December 2012 to February 2013	25
As of March 2013	0

Cash and cash equivalents in foreign currencies will be considered as a lesser shortfall in the application of resources in foreign currencies, without exceeding such shortfall.

The requirement will be reduced according to the participation of the financing in pesos granted to MiPyMEs in the total financing in pesos for the non-financial private sector, as indicated in the table below:

Participation of the financing to MiPyMEs in the total financing granted by the entity to the non-financial private sector. In %	Deduction (on the total of items included in pesos). In %
Less than 4	0.00
Between 4 and less than 6	0.25
Between 6 and less than 8	0.50
Between 8 and less than 10	0.75
Between 10 and less than 12	1.00
Between 12 and less than 14	1.25
Between 14 and less than 16	1.50
Between 16 and less than 18	1.75
Between 18 and less than 20	2.00
Between 20 and less than 22	2.25
Between 22 and less than 24	2.50

Participation of the financing to MiPyMEs in the total financing granted by the entity to the non-financial private sector. In %	Deduction (on the total of items included in pesos). In %
Between 24 and less than 26	2.65
Between 26 and less than 28	2.80
Between 28 and less than 30	2.90
30 or more	3.00

The requirement in pesos will be reduced depending on cash withdrawals made through ATMs of the Bank applying a formula which will be considered if they are in operating branches of the entity or outside them and that they are of use to the public, considering three categories depending on geographic location and that have been accessible to the public for at least ten hours a day.

The requirement in pesos will be reduced from March 1, 2014 by an amount equivalent to 16% of the monthly average of the financing granted to MiPyMEs from January 1, 2014, as provided in the rules on the "Line of credit for productive investment" and verifying that the time period for such loans at the time of its execution exceeding 5 years without its average maturity is less than 30 months.

Likewise, in case of an excessive concentration of liabilities (in holders and/or terms), which implies a significant risk on the financial entity's liquidity and/or an important negative effect on the system's liquidity, additional minimum cash requirements may be imposed on the affected liabilities of the financial entity and/or any other measures considered relevant.

The balances of cash accounts opened with the Central Bank as eligible for cash integrations were only compensated up to the amounts corresponding to the legal requirements for forward transactions with no remuneration for any reserve in excess of those requirements.

The Central Bank set forth the application of different requirements for deposits in pesos as opposed to foreign currencies.

The following schedule indicates the minimum cash requirements for each type of account. In the case of transactions in pesos, the minimum cash requirements will depend on the category assigned to the location of the operating office where the deposit was made:

Type of Account	Jan /14	
	I	II to VI
Current accounts and sight accounts open in Credit Unions	17%	15%
Other demand deposits, basic account and universal free account		
In pesos	17%	15%
In foreign currency	30%	30%
Savings accounts		
In pesos	17%	15%
In foreign currency	30%	30%
Unused balances from current account advances effected	17%	15%
Current accounts of financial institutions	100%	100%
Fixed-term deposits, bonds for acceptances (including liabilities for the sale or assignment of credits to subjects other than financial institutions), reverse repurchases, bonds and stock-exchange reverse swaps, investments at constant term, with advanced cancellation or renewal option:		
In pesos		
Up to 29 days	13%	12%
From 30 to 59 days	10%	9%
From 60 to 89 days	6%	5%
From 90 to 179 days	1%	0%
From 180 to 365 days	0%	0%
In foreign currency		
Up to 29 days	30%	30%
From 30 to 59 days	23%	23%
From 60 to 89 days	15%	15%
From 90 to 179 days	8%	8%
From 180 to 365 days	3%	3%
More than 365 days	0%	0%
Bonds for foreign financial lines	0%	0%

Type of Account	Jan /14	
	I	II to VI
Debt securities (including corporate bonds)		
a) Debt issued as of January 1, 2002, including those from restructured bonds, as per their residual term:		
In pesos		
Up to 29 days	14%	14%
From 30 to 59	11%	11%
From 60 to 89 days	7%	7%
From 90 to 179 days	2%	2%
From 180 to 365 days	0%	0%
In foreign currency		
Up to 29 days	30%	30%
From 30 to 59	23%	23%
From 60 to 89 days	15%	15%
From 90 to 179 days	8%	8%
From 180 to 365 days	3%	3%
More than 365 days	0%	0%
b) Others	0%	0%
Bonds with the Trust Fund for Assistance to Financial and Insurance Institutions	0%	0%
Sight and term deposits made by judicial order with funds originated in legal actions currently under course and their immobilized balances		
In pesos	10%	10%
In foreign currency	15%	15%
Mutual Funds deposits (except mutual funds sight deposits made according to CNV rules)		
In pesos	19%	19%
In foreign currency	30%	30%
Special deposits related to funds revenues from abroad – Decree Nr. 616/05	100%	100%
Deposits and other demand obligations in pesos, whose return exceeds 15% BADLAR rate of private financial institutions' average	—	—
Term investments instrumented by nominative non-transferable certificates in pesos corresponding to public sector security holders, entitled to exercise the prepayment option within a term not greater than 30 days after constitution thereof	15%	14%

In addition to the above mentioned requirements, the following requirement must be observed:

- 100% reserve for any defect in the application of resources in foreign currency for the month in respect to which the calculation of the minimum cash requirement is made. See *“Item 4. Information on the Company—The Argentine Banking System and its Regulatory Framework—Lending Capacity Provided by Deposits in Foreign Currency”*.

Lending Capacity Provided by Deposits in Foreign Currency

The lending capacity provided by deposits denominated in foreign currency must be applied in the denomination of the currency of the deposits. This includes those deposits denominated in dollars and payable in pesos and applies to the following purposes:

- (1) Prefinancing and financing of exports, carried out directly or through agents, consignees or other proxies acting for the account and order of the owner of the goods. It also comprises operations to finance suppliers of services to be directly exported. This comprises those operations for the purpose of financing working capital and/or the acquisition of objects related to the production of goods to be exported, provided the flow of income in foreign currency deriving from such exports is sufficient to settle such transactions.
- (2) Financing transactions granted to goods, producers or processors, provided they have firm sale contracts for the goods to be produced for an exporter, with prices fixed or to be fixed in a foreign currency (regardless of the currency in which the transaction is settled) and involving fungible goods with a regular and customary quotation in foreign currency which is widely known and easily accessed by the public in local or international markets. In all cases of term purchase and sale agreements for a price to be fixed, such price must be in direct relation with the price of such products in local markets. It also comprises transactions to finance suppliers of services directly used in the process of exporting goods.
- (3) Financing transactions for producers of goods to be exported, either in the same condition or as part of other goods, by third-party purchasers, provided they have total pledges or guarantees in foreign currency from such third parties.

- (4) Financing of investment projects, working capital and/or the acquisition of any kind of goods, including temporary importation of commodities, which may increase or be related to the production of goods for exportation. Even though income from exporter companies does not totally derive from sales abroad, financing may only be allocated if the income flow deriving from exportation is sufficient.

It comprises those transactions where financing is granted via the Bank's participation in "syndicated loans", be they with local or foreign entities.

- (5) Financing to clients from the commercial portfolio and of a commercial nature who receive treatment for their consumption or housing credits – under the provisions of the "Debtors' Classification" regulations–destined for the importation of capital goods ("BK" according to the Common Nomenclature for the MERCOSUR attached as Annex I to Decree Nr. 690/02 and other complementary provisions) which will result in an increase in the production of goods destined for domestic consumption.
- (6) Debt securities or certificates of participation in financial trusts -including other collection rights specifically acknowledged in the trust agreement to be constituted within the within the framework of loans established by multilateral credit institutions of which Argentina is a party whose assets under management are loans originated by financial entities under the terms described in points (1) through (3) above and the first paragraph of point (4).
- (7) Debt securities or certificates of participation in financial trusts, issued in foreign currency and with public offer authorized by the CNV, whose assets under management are documents guaranteed by mutual guarantee companies or by provincial funds created for the same purpose, and admitted by the Central Bank, acquired by the trustee for the purpose of financing transactions under the terms and conditions described in points (1) through (3) above and the first paragraph of point (4).
- (8) Financing transactions for purposes other than mentioned in points (1) to (3) above and the first paragraph of point (4), included in the credit program "IDB Loan Nr. 1192/OC-AR", without exceeding 10% of the lending capacity.
- (9) Interfinancing loans (any interfinancing loans granted with such resources must be identified).
- (10) Internal bills issued by the Central Bank denominated in US dollars.

The lending capacity will result from the sum of all deposits in foreign currency plus all inter-financial loans received originated in the lending capacity for this type of deposit, after deduction of the minimum reserve requirements applicable to deposits.

Any deficiencies in the application of foreign currency lending capacity, net of a portion of: (i) cash balances, (ii) cash under custody in other financial entities, (iii) cash in transit and (iv) cash with armored car transport companies (not computed as integration of the minimum cash exigency for application of the existing limit), requires an equivalent increase in the minimum cash requirement.

Limitations on Types of Business

Argentine commercial banks may conduct all activities and operations that are not specifically prohibited by law or by regulations of the Central Bank. Banks are permitted, among other things, to:

- make loans in pesos and foreign currency,
- receive deposits in pesos and foreign currency,
- issue guarantees,
- underwrite, place and broker equity and debt securities in the over-the-counter market, subject to the prior approval of the CNV,
- conduct transactions in foreign currency,
- act as fiduciary, and
- issue credit cards.

According to the Financial Institutions Law, banks in Argentina are prohibited from investing in commercial, industrial or agricultural entities, or other entities without the express authorization of the Central Bank. The Central Bank may then impose conditions and limits to guarantee the safety and soundness of the financial institutions.

These limitations include:

- the prohibition of a bank from pledging its shares,
- restriction on incurring any liens upon its properties without prior approval from the Central Bank, and
- limitations on transactions with directors or officers, including any company or person related to such directors or officers, on terms more favorable than those normally provided to clients. See “*Item 4. Information on the Company—The Argentine Banking System and its Regulatory Framework—Lending and Investment Limits—Related Persons*” below in this section.

Notwithstanding the foregoing, banks may own shares in other financial institutions with prior approval of the Central Bank and in public service companies if necessary to obtain those services.

Capital Adequacy Requirements

Basel Accord

In July 1988, the Basel Committee on Banking Regulations and Supervisory Practices (the “Basel Committee” or “BCBS”), which includes the supervisory authorities of twelve major industrial countries, adopted an international framework (the “Basel Accord”) for capital measurement and capital standards of banking institutions.

In 2007 the Central Bank published its road map for the implementation of the capital adequacy requirements contained in the document “International Convergence of Capital Measurement and Capital Standards”, issued by the Basel Committee and known as Basel II. The first stages were carried out as planned: publication of best practices for risk management, seminars, review of supervision processes on the basis of the best practices being encouraged by the BCBS, analysis of the areas subject to “national discretion” in the calculation of regulatory capital, and publication of the text “Guidelines for Operational Risk Management in Financial Institutions”.

Following the sub-prime lending crisis that spread in 2008 and 2009, the BCBS published in December 2010 a set of measures known as Basel III, designed to increase the capacity of the system to absorb shocks from stress situations and improve risk management and the transparency of bank disclosures.

Basel III incorporates the terms of Basel II, contained in three “pillars”:

- Pillar 1 provides supervisors with a number of options to quantify capital requirements for credit, operational and market risk, and define which components of an institution’s net worth are eligible to satisfy those requirements.
- Pillar 2 describes the process to be followed by institutions to evaluate the sufficiency of their capital in relation to their risk profile.
- Pillar 3 establishes minimum information requirements that financial institutions must provide on the adequacy of their capital.
- Minimum Capital

Since the introduction of Basel I, financial institutions must keep an amount of total capital not less than 8% of their risk weighted assets. Items going towards compliance with this capital requirement are classified in two groups:

- Core capital (Tier 1), and
- Supplementary capital (Tier 2).

According to Basel II, at least half of the capital requirement should be composed of core capital, preferably common equity, a category that includes both common shares and retained earnings.

Had the Basel Accord been applied to us at December 31, 2012, our Total Capital would have been approximately 1.42 times the minimum required.

Basel III establishes more demanding requirements, as banks must comply with three minimum ratios in relation to their risk-weighted assets:

- 4.5% for common equity (for which the qualifying criteria are more restrictive than for Basel II),
- 6% for Tier 1 capital, and
- 8% for total capital.

These new capital composition requirements ensure that there will be greater capacity to absorb losses in stress situations. It should be noted that although international standards foresee a gradual implementation of these three requirements as from 2013, in Argentina the average current composition of financial institutions' net worth ensures that the total capital could be met out of common shares and reserves.

- Capital Conservation Buffer

The so-called capital conservation buffer imposes an additional capital requirement equivalent to 2.5% of risk-weighted assets that must be satisfied by common equity. Its purpose is to be able to count on sufficient reserves to absorb additional losses generated at times of economic and financial stress. In fiscal years in which the common equity is less than 7% of risk-weighted assets (the 4.5% base requirement plus the new conservation buffer), rising constraints are established for financial institutions, that will not be able to pay dividends, award discretionary bonuses or perform share buybacks.

In Argentina the financial system operates with a considerable capital excess. Furthermore, the current system for the retention of earnings leads to a capital integration excess.

- Countercyclical Capital Buffer

The goal of the countercyclical capital buffer is to offset the procyclical nature of the financial system. In times of exceptional credit growth at aggregate level, financial institutions will be required to boost the level of their common equity by up to 2.5% of risk-weighted assets.

- Leverage Ratio

Basel III complements risk weighted asset capital requirements with a limit on total leverage. This limit, known as the leverage ratio, is the ratio between core capital (Tier 1) and total assets without risk weighting, both on and off balance sheet, plus derivatives. At international level, this ratio has initially been set at 3%. In Argentina, financial institutions record a leverage lower than the proposed maximum. Although Basel II establishes a capital requirement for the market risk generated by foreign currency positions, no cap is placed on them. On the other hand, Basel III introduces a limit through the leverage ratio, set in relation to total exposure regardless of the currency in which the assets are stated. Argentine regulations limit direct exposure to currency risk. Furthermore, with the aim of preventing the indirect exposure generated by the granting of loans denominated in foreign currency to agents whose income is in pesos, regulations in Argentina only allow funds obtained from deposits in foreign currency to be lent to customers who generate income in the same currency.

- Macroprudential Supervision

The reforms introduced by Basel III have two main objectives. One is; to ensure that individual banks can show resilience in periods of stress, known as “microprudential”; and the other one, complementary and broader, to discourage the building up of risks across the banking sector, as well as their procyclical amplification, known as “macroprudential”.

As part of its “macroprudential” policy, Argentina has introduced a mandatory 30% reserve requirement on short-term funds from abroad that are not intended for direct investment.

- Liquidity Coverage Ratio

The LCR is based on the methodologies used by international banks. It will be calibrated so that financial institutions can tolerate stress scenarios over a thirty-day period. Once again, requirements in force for our own financial system are stricter than those established by the international standard.

- Net Stable Funding Ratio

The NSFR will be calibrated on the basis of long-term liquidity and structural mismatching in the composition of sources of funding. The design of the NSFR is based on net liquid assets and liquid capital methodologies used by internationally active banks. Banks should hold sufficient stable sources of funding (net worth and long-term liabilities) to fund the proportion of their assets that they cannot monetize within a term of one year.

- Intensive Supervision of Systemically Important Institutions

The Financial Stability Board (“FSB”) and the BCBS are working on the design of an appropriate regulatory framework for global systemically important financial institutions (G-SIFIs). Alternatives being evaluated include setting more demanding capital requirements than those foreseen by Basel III.

In line with the commitments assumed, the BCRA has been working on the implementation of the terms of Basel III, adapting them to take into account the particular conditions in emerging countries, experience gained from the financial and banking crises suffered by Argentina, the characteristics of our financial system and current legislation.

In May 2011 the BCRA resumed its preparatory work for the implementation of Basel II. The stages already completed were supplemented by Communication “A” 5203 containing the “Guidelines for Risk Management in Financial Institutions” and by systemic impact tests related to the adoption of standardized approaches for the calculation of credit and operational risk capital requirements.

Publication of Internal Adequacy Assessment Process standards and Supervisory Review and Evaluation Process pilot tests will take place as from 2013, the year in which the implementation of the Basel III will start unless the international agenda is modified. These activities will be additional to the observation and supervision of leverage and liquidity that should be carried out during the rest of this year and next year.

Central Bank Rules

Under the Financial Institutions Law, Argentine financial institutions must comply at all times with the minimum capital requirements described by the Central Bank. In July 1991, the Central Bank amended its minimum capital adequacy rules to follow those recommended by the Basel Committee more closely.

As of February 1, 2013, by Communication “A” 5369 of the BCRA, Minimum Capital shall be equal to Basic Net Equity plus Complementary Net Equity.

Basic Net Equity includes:

- Ordinary Capital Level 1:
 - a) Corporate capital (excepting preferred shares);
 - b) Non-capitalized contributions (excepting share premiums);
 - c) Equity adjustments;
 - d) Reserve (excepting the special reserve for debt instruments);
 - e) Retained earnings;
 - f) Other results (either positive or negative);
 - g) Share premiums for instruments included in Ordinary Capital Level 1; and
 - h) Third-party participations for those companies subject to consolidated supervision systems.

- Additional Capital Level 1:
 - a) Instruments issued by the financial entity and not included in Ordinary Capital Level 1;
 - b) Share premiums for instruments included in Additional Capital Level 1;
 - c) Instruments issued by subsidiaries in the hands of third parties not included in Ordinary Capital Level 1 for those companies subject to consolidated supervision systems.

Less: certain deductible items.

“Complementary Net Equity” includes:

- a) Instruments issued by the financial entity and not included in the Basic Net Equity;
- b) Share premiums for instruments included in the Complementary Net Equity;
- c) Allowances for loan losses from the portfolio of debtors classified as in “normal” situation which do not exceed 1.25% of the credit-risk-weighted assets.
- d) Instruments issued by subsidiaries in the hands of third parties not included in the Basic Net Equity for those companies subject to consolidated supervision systems.

Less: certain deductible items.

Minimum limits are also established to be observed by the Ordinary Capital Level 1, the Basic Net Equity and the Minimum Capital. Those limits will be 4.5%, 6% and 8% of the risk-weighted assets, respectively. Noncompliance with these minimum levels will be considered as noncompliance with the minimum capital payment.

Minimum Capital must be, at least, the greater of:

- Minimum basic capital, and
- The sum of minimum capital required for credit risk, market risk and operational risk.

Differential requirements were established for banks and other financial entities, mainly based on the area where their head offices are located, in order to benefit those areas with smaller banking coverage according to Central Bank criteria, which now enjoy less stringent requirements with respect to minimum basic capital. In addition, those banks which act as custodians and/or registration agents of securities representing the investments of the retirement and pension funds and/or as registration agents for registered mortgage letters must certify a minimum capital equal to or above the greater of Ps.400 million or the equivalent of 1% of the securities under custody (in the case of mortgage letters, considering the net value of any amortizations effected).

As of January 1, 2013, by Communication “A” 5369 of the BCRA, the *Minimum Capital Requirement for Credit Risk* will be determined as the summation of:

- (a) 8% of the summation of credit-risk-weighted asset transactions without delivery against payment;

The risk-weighters table is reformulated with new items and weighters, and with a new scheme. A summary of them will include, among others:

- Within the “Cash and cash equivalents” item, the cash on hand, in transit (if the financial entity assumes the transportation risk and liability) and in automated teller machines (weighted at 0%); and the cash items in the process of being received (collectible cheques and drafts), cash in treasury transporting companies and cash in custody of financial entities (20%).
- Exposure to governments and central banks (with weighters from 0% to 100%)
- Exposure to Multilateral Development Banks (with weighters from 0% to 100%)
- Exposure to financial entities in the country (with weighters from 20% to 100%)

- Exposure to financial entities from abroad (100%).
 - Exposure to companies and other legal persons in the country and abroad –including foreign-exchange dealers, insurance companies, stock exchanges and local companies treated as part of the non-financial private sector (100%)
 - Exposures included in the retail portfolio (with weighters from 75% to 100%)
 - Mortgage-guaranteed financing, which, subject to certain conditions, has weighters between 35% and 100%
 - Loans more than 90 days in arrears (with weighters from 50% to 150%)
- (b) failed delivery-against-payment transactions; and
- (c) requirement for counterparty credit risk in transactions with over-the-counter derivatives

The sum of (a), (b) and (c) will be multiplied by a coefficient which varies from 1 to 1.19 based on the rating the entity is granted by the Superintendence.

Whatever excesses incurred by noncompliance with other technical regulations must be added to the credit risk requirement.

Likewise, any increase by expansion of the general limit for global negative net position in foreign currency must be added to the credit risk requirement.

It is resolved, effective until December 2013, that if by application of Communication “A” 5369, there should result a requirement that is lesser than that determined for its payment as at January 1, 2013, then the financial entity must compute the latter and apply the difference to the following month in which this situation is observed for the destinations detailed below, in succession and according to the indicated order of priorities:

- (i) Cancellation of franchises granted for payment of the credit risk requirement
- (ii) Payment of the proportion of operational risk requirement not carried out by application of the schedule established in clause 10.3.2. of Section 10 “Temporary Provisions” of the regulations about “Minimum capitals for financial entities”.
- (iii) Reduction of the credit risk requirement on financing transactions granted by the entity as of the said date whose destination, currency and terms are as foreseen in clauses 3.1. and 3.3. of the regulations on the “Credit line for productive investment” (provided they shall have not been charged as minimum application under such system) and/or mortgage loans for families’ only and permanently inhabited houses, for the term of the financing transactions.

Minimum Capital Requirement for Market Risk: the Central Bank implemented, effective from September 1, 1996, additional minimum capital requirements in relation to market risk associated with positions held by financial institutions in “local assets”, “foreign assets”, “foreign currency” and “gold”, including derivatives bought or sold on such positions.

“Local Assets” include:

- debt securities issued by the Federal Government and instruments of monetary regulation of the BCRA included in the list of volatilities recorded at fair value and quotas in common investment funds that invest in those securities; and
- shares of capital stock of Argentine companies included in the Argentine stock market index (or “Merval Index”) and quotas in common investment funds that invest in those shares.

“Foreign Assets” are defined to include:

- debt securities (including positions held in debt securities issued by foreign companies, sovereign securities issued by foreign governments and quotas in common investment funds; provided that, such securities and/or holdings are usually listed on a national securities exchange); and
- shares (including positions held in shares of capital stock of foreign companies, quotas in common investment funds; provided that, such securities, holdings and/or indexes are usually listed on a national securities exchange). If any of the assets mentioned in this clause are listed in different stock markets in diverse foreign currencies, the listing price and foreign currency of the most representative stock market (in terms of the volume of transactions in the relevant asset) will be taken into consideration for purposes of these new capital requirements.

The positions under consideration must be separated according to the currency of issue of each instrument, regardless of the issuer's residence. In the cases of assets expressed in foreign currency, the entity must consider the risk for two positions: that which corresponds to the assets and the position in foreign currency, the relevant capital requirement being determined on the basis of the latter. The value of all positions will be expressed in pesos by using the reference exchange rate published by the Central Bank for the U.S. dollar, after application of the swap rate corresponding to the other currencies.

"Foreign currency" includes the net positions for each foreign currency, considering the totality of assets and liabilities in such currencies, and the gold position. Those positions in foreign currency which, individually considered at the close of each day of transactions, are below the equivalent of Ps.300,000 may be excluded. This exclusion will not apply if the computable foreign currencies considered as a whole at the close of each day exceeds Ps.1,500,000. Purchase or sale of contracts that give the right to buy or sell local assets and foreign assets are taken into consideration in calculating minimum capital requirements. The swaps and other derivatives on assets not affected by these regulations will be excluded from the portfolios that are subject to risk value calculation, provided such transactions are for the purpose of covering financial intermediation risks.

The market risk-related capital requirements are determined by using specific risk methodologies and are based on the financial institution's daily net positions in any of the above-mentioned assets. These requirements follow, in general, standards established by the Basel Committee and the European Union.

Minimum Capital Requirement for Rate Risk: extends to all assets and liabilities for financial intermediation not included in the computation of market risk. It tries to capture the risk arising when sensitivity of the asset to changes in the interest rate does not match with that related with the liabilities.

The BCRA abrogated effective since January 1, 2013 the regulations on minimum capital for rate risk. Even so, the financial entities must continue to manage such risk, and will be subject to revision by the Superintendence, which may determine the need to pay a higher amount of capital.

Minimum Capital Requirement for Operational Risk: it is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition includes legal risk but excludes strategic and reputational risk. Financial entities must establish a system for the management of Operational Risk that includes policies, processes, procedures and the structure for their adequate management.

Seven operational risks event types are defined, according to internationally accepted criteria:

- internal fraud;
- external fraud;
- employment practices and workplace safety;
- clients, products and business practices;
- damage to physical assets, resulting from acts of terrorism and vandalism, earthquakes, fire or flood;
- business disruption and system failures; and
- execution, delivery and process management.

The Operational Risk management process comprises the following stages:

1. Identification and assessment: the identification process should consider both internal and external factors that could adversely affect the development of the processes and projections done according to the business strategies defined by the bank.
2. Monitoring: an effective monitoring process is required, to quickly detect and correct deficiencies in the policies, processes and procedures for managing Operational Risk. In addition, the development of indicators should be analyzed to detect deficiencies and undertake corrective actions.

3. Control and mitigation: financial entities must have an appropriate control system to ensure compliance with internal policies, and they should re-examine control and operational risk reduction strategies with at least an annual frequency in order to make the necessary adjustments.

Financial institutions should be able to count on contingency plans and business continuity programs that are in accordance with the size and complexity of their operations, to ensure the continuity of their operating capacity and reduction of losses in the event of a business interruption.

The BCRA by Communication “A” 5282 established that the additional capital requirement for operational risk (which is added to the credit risk and market risk requirements) is equivalent to 15% of the average of positive gross income for the last three years.

This calculation will be made on a monthly basis by taking three periods of 12 consecutive months in which gross income was positive, considering the last 36 months preceding the month in which the calculation is made.

Gross Income is defined as the sum of:

- (i) financial and service income less financial and service charges, and
- (ii) other profits less other losses.

The following items, however, must be excluded, as applicable, from the accounting entries mentioned in (i) and (ii) above:

- charges originated in the constitution of allowances, the cancellation of allowances from previous financial years and credits recovered in the financial year which were punished in previous years;
- the result from participations in financial entities and in companies, to the extent that these may be items deductible from the computable equity liability;
- extraordinary or irregular items –namely those originated in atypical and exceptional results occurred during the period, of infrequent occurrence in the past and not expected for the future–, including income from the collection or insurance (loss recoveries); and
- results from the sale of items included in Section 2 of the regulations on “valuation of instruments of non-financial public sector debts and of monetary regulation issued by the BCRA”.

According to the Central Bank regulations on minimum capital requirements, the financial entities must adjust to such regulations on an individual and consolidated basis.

The Bank fully complied on an individual and consolidated basis with the ratios for minimum capital. If a financial institution does not comply with all these minimum capital requirements, it must submit a regulatory and restructuring plan to the Central Bank, which may impose various penalties, including:

- temporary limitation on the amount of deposits a bank may accept;
- institutional restrictions as per expansion capacity and dividends distribution in cash;
- revocation of the license of a bank to conduct foreign exchange transactions; and, in some extreme cases;
- revocation of the license of a bank to operate.

The following table presents, at December 31, 2013, both the calculation of our ratio of capital to risk-weighted assets computed under the Basel Accord and our capital under the minimum capital rules of the Central Bank. In addition, see Note 21.12 to the Consolidated Financial Statements.

	December 31, 2013 (in millions of Pesos, except percentages)
Basel Accord	
Total capital	7,206.2
Risk-weighted assets	70,855.1
Ratio of total capital to risk-weighted assets ⁽¹⁾	10.2%
Required capital	5,668.4
Excess capital	1,537.8
Central Bank's Rules ⁽²⁾	
Total capital	7,080.2
Risk and Fixed weighted assets	36,577.7
Ratio of total capital to risk-weighted assets ⁽³⁾	19.4%
Required capital ⁽⁴⁾	3,964.9
Excess capital	3,115.3

(1) Under the risk-based capital requirements of the Basel Accord, the Bank would be required to maintain a minimum ratio of total capital to risk-weighted assets of 8%.

(2) Calculated on a consolidated basis in accordance with Central Bank requirements.

(3) Under the risk-based capital requirements of the Central Bank, we are required to maintain a minimum ratio of total capital to risk-weighted assets of 8%.

(4) The Bank must maintain a surplus of minimum paid-in capital amounting to at least Ps.305.1 million, equivalent to 0.25% of the amount of values under custody for securities representing investments from pension funds, as well as in connection with its function as register of mortgage-backed bonds, invested in national public securities and other destinations authorized by the BCRA and guaranteed in favor of the given entity.

Rule on valuation of public sector debt instruments and BCRA's monetary regulation instruments

The holdings of Government securities and instruments issued by the Central Bank may be valued: (i) at fair value or (ii) at cost value increased according to their internal rate of return.

- Fair value: includes government securities and monetary regulation instruments contemplated in the monthly list of volatilities or present value published by the BCRA, as well as debt instruments of trusts whose underlying assets are constituted by these assets.

They will be recorded at their market value or present value.

They will be used for trading unless the entities expressly choose to value at cost value increased according to their internal rate of return.

- Cost value increased according to their internal rate of return: comprising (i) government bonds received under the provisions of Articles 28 and 29 of Decree Nr. 905/02 and in Chapter II of Law Nr. 25,796, unless at February 28, 2011 and subsequently the entity decides to value them at market value; (ii) federal governmental loans issued by the Government under Decree Nr. 1387/01 and notes with similar conditions to the issuance of government securities; (iii) debt instruments (which have not been acquired in the secondary market) signed by the entities as of January 1, 2009 through an exchange, or payment in exchange for other debt instruments expressly admitted, unless at February 28, 2011 and subsequently the entity decides to value them at market value; (iv) monetary regulation instruments of the BCRA which are not covered in the list of volatilities published by that institution; (v) securities which are not covered in the list of volatilities published by the BCRA, not included in point (iii) above; (vi) public sector financing existing at March 31, 2003 (except securities and guarantees loans); (vii) other public sector financing after March 31, 2003; (viii) debt instruments of trusts whose underlying assets are constituted by one of the instruments listed in the preceding points; and (ix) securities that can be valued at fair value and the entity decides to value at cost increased according to their internal rate of return.

They will be recorded at their incorporation value increased monthly by the internal rate of return.

CAMEL Quality Rating System

Under Law Nr. 24,144, the Central Bank established the “CAMEL” quality rating system which is based on weighting consistent and comparable criteria, creditworthiness, compliance with the Financial Institutions Law, its administrative order and the general operating solvency of the entity. Each letter of the CAMEL system corresponds to the following areas of the operations of each bank that is being rated: “C” represents capital, “A” represents assets, “M” represents management, “E” represents earnings and “L” represents liquidity. Each factor is evaluated and rated on a scale from 1 to 5, 1 being the highest rating an institution can receive. By combining the individual factors that are under evaluation, a combined index can be obtained which represents the final rating for the entity. The rating a bank receives from the CAMEL system can be used by the Central Bank in making decisions such as determining the levels of minimum capital or the amount of contributions a bank is required to contribute to the insurance guarantee system.

BASIC System

The Central Bank established a control system known as “BASIC” which requires that all financial institutions comply with a set of procedures affecting their transactions. The system allows public access to a higher level of information and security as regards its placements in the Argentine banking system. Each letter in the name of the BASIC system identifies one of the following procedures:

B (“Bonds”). By decision of the Central Bank’s board, banks were expected to issue bonds and other securities or obtain placements from international top-rated banks for an equivalent of 2% of their deposits in pesos and foreign currency. The placement of such bonds would make it possible for depositors to know the perception of the market on the equity situation of each financial entity. The requirement was abrogated by Communication “A” 3498 of the Central Bank, dated March 1, 2002.

A (“Audit”). The Central Bank requires a number of auditing procedures which include:

- the creation of a registry of auditors;
- the implementation of strict accounting procedures to be observed by auditors;
- the payment of a guarantee of compliance by such auditors so as to induce them to fully comply with the procedures; and
- the creation of a Central Bank division in charge of verifying the observance of the established regulations by the external auditors.

The purpose of this requirement is to ensure accurate representations by the financial institutions to both the Superintendency and to the public. It involves verifying the figures presented by the entity as well as an in-depth investigation into whether such figures appropriately reflect the activities of the bank in question.

S (“Supervision”). The supervision by the monetary authorities is not replaced but is naturally complemented and reinforced by the information from market sources and continues to be a basic element for controlling the financial system. In Argentina, as in most of the world, what is in use is a combination of remote analysis and inspections in the bank itself. The Argentine supervision system specifically applies an internationally recommended classification system, known as the above-mentioned CAMEL system. In summary, this requirement implies that the Central Bank reserves the right to regularly inspect all financial institutions.

I (“Information”). This is a fundamental element in banking supervision and also as regards the control exercised by the market. It is clear that no effective supervision is possible without relevant, reliable and timely information. No discipline can be imposed by the market on the banks and no control will be effective on the supervision if there is no access to such information. This is why the Central Bank requires that the financial institutions disclose certain statistical information on a daily, weekly, monthly and quarterly basis.

C (“Calificación” (Spanish for Rating)). The rating agencies play a significant role in banking supervision. The ratings serve to bring attention to the available guarantees and informs the less-specialized investors about the risk involved in the different securities. The investor’s information universe is thus expanded and this increases the efficiency of the information process. It would be economically inefficient for the smaller investors to conduct their own collection and analysis of information for each alternative present in the marketplace. This is the reason that justifies the existence of the rating agencies which appear in the marketplace to fulfil such role. The Central Bank established a system that requires that a credit evaluation be regularly performed by internationally recognized rating agencies.

Foreign Currency Position

General Exchange Position

As at the date of this report, the maximum limit for the general foreign exchange position that must be maintained on a daily basis by the financial institutions is the greater of:

- 15% of the equivalent in dollars of their Bank's RPC, as registered at the close of the month that is two months prior to the relevant month plus 5% of the total amount transacted with clients in the purchase and sale of foreign currencies in the month that is two months prior to the relevant month, and 2% of the total deposits at sight and at term locally constituted and payable in foreign bank notes (excluding deposits under custody), as registered at the close of the calendar month that is two months prior to the relevant month; and
- a minimum equivalent to US\$8,000,000, which may be increased according to the number of establishments devoted to foreign exchange transactions and by operations with holdings in foreign currencies other than the dollar or the Euro and other permitted transactions. BBVA Francés maintains the limit indicated in the immediately preceding bullet point.

The maximum limit is reduced by 50% if the financial entity has a debt on record for rediscounts and/or advances with the Central Bank for an amount exceeding 50% of the latest RPC recorded by the entity, excluding from that calculation debts with foreign creditors which the entity chose to refinance in terms of Communication "A" 3941 of the Central Bank.

To this effect, the Central Bank defined the general foreign-exchange position as the sum of the following items:

- gold and foreign currency resources available in the country;
- gold and foreign currency resources available abroad;
- foreign public and private securities;
- cash or future foreign-exchange purchases pending settlement;
- cash or future public and private security purchases pending settlement;
- cash or future foreign-exchange sales pending settlement;
- cash or future public and private security sales pending settlement; and
- foreign-exchange holdings in the form of deposits and investments at any term in banks from abroad and all kinds of liquid investments abroad.

The general foreign exchange position does not include foreign assets of third parties under custody, balances with correspondents of third parties pending settlement, purchases and sales of foreign currencies or securities at a term and direct investments abroad.

In addition to the limit described above, all funds from foreign currency deposits and received financial loans granted with funds from foreign currency deposits must be applied mainly to the financing of foreign trade transactions, any deficiencies in the application of foreign currency lending capacity, net of a portion of: (i) cash balances, (ii) cash under custody in other financial entities, (iii) cash in transit and (iv) cash with armored car transport companies, requires an equivalent increase in the minimum cash requirement. See "*Lending Capacity Provided by Deposits in Foreign Currency*" above.

Global Net Position

Global Net Position could not exceed the following limits:

- Negative global net position (liabilities exceeding assets), may not exceed 15% of the RPC, with the possibility of an additional 15% to the extent that the entity at the same time has recorded: (a) medium and long term financings in pesos to non-financial private sector under certain conditions for an amount equivalent to the increase of such limit and (b) an increase in the minimum capital requirement equivalent to the increase of the general limit of the global negative net position in foreign currency.

- Positive global net position (assets exceeding liabilities), is the lesser of the following:

- (1) 30% of the RPC, and
- (2) Own liquid resources.

Own liquid resources means the excess of RPC with respect to immobilized assets and other concepts computed according to the rules on relationship of fixed assets and other items. See “*Item 4. Information on the Company—The Argentine Banking System and its Regulatory Framework—Fixed Assets and Other Items*” below.

This limit may be extended by an amount equal to the increase between January 2014 and the month that the global net position, of foreign credit lines, entered through the foreign exchange market.

Also a limit to the positive global net position for term transaction is established which may not exceed 10% of the RPC.

The global net position in foreign currency will include all assets and liabilities from financial intermediation in foreign currency and securities in foreign currency (deriving from cash and term transactions) including those contracts for derivatives linked to these concepts, those items which must be included in the General Foreign Exchange Position, all deposits in such currency in accounts opened with the Central Bank, as well as the gold position, any Central Bank bills in U.S. dollars as well as foreign currency debt securities. Term transactions made within a framework agreement in the area of self-regulatory markets of the country based on liquidation by difference will be also computed, without delivery of the negotiated underlying asset. Furthermore, the pass-through certificates or debt securities issued by financial trusts as well as the credit rights regarding ordinary trusts, in the pertinent proportion, when their underlying asset is constituted by assets in foreign currency, will also be considered.

Any excess above the limits will be subject to a charge equivalent to 1.5 times the nominal annual overdue interest rate arising from tenders for BCRA bills (LEBAC) denominated in pesos.

For financial information regarding our net foreign currency exposure, see Note 21.11 to the Consolidated Financial Statements.

Fixed Assets and Other Items

The Central Bank determines that the fixed assets and other items maintained by the financial entities must not exceed 100% of the entity’s RPC. The BCRA has resolved to increase by 50 percentage points the specified limit to the extent that the immobilization of the assets is originated in the holding of national public securities and/or monetary regulation instruments of the BCRA appropriated as guarantee by financial institutions in favor of such entity according to the regulations in force for operations implemented by the ALADI Reciprocal Payments and Credits Agreement.

Such fixed assets and other items include the following:

- Shares of local companies.
- Various credits (including the net balance favorable to the given entity corresponding to the Tax on minimum presumed income or “TOMPI”).
- Property for own use.
- Various property items.
- Organization and development expenses, undeductible of Basic Net Worth.
- Goodwill.
- Asset portfolio consists of any of the above items for which receivables are recorded, computed in their respective proportion.
- Financing transactions for related clients.

Excluded from the above items are those assets deductible for calculating the entity's RPC and assets affected as guarantee for certain operations mainly related to derivatives, as well as the financing transactions with certain related companies, provided the participation in the company exceeds 50% of the corporate capital and 50% of the votes.

The calculation of such assets will be effected according to the balances at the close of each month, net of depreciations, accumulated amortizations and bad debt risk allowances (except for 50% of the allowance on the portfolio in a normal situation). It will also be possible to deduct certain liabilities related to the assets being calculated. In the case of financing transactions with related clients, the calculation will be based on the balance at the close of each month or the largest assistance provided to each client during the period in question.

Any excesses in this relationship generate an equivalent increase of the minimum capitals. Furthermore, any entity incurring noncompliance violations in three consecutive or four non-consecutive months within a period of twelve consecutive months must submit a regularization and normalization program.

Lending and Investment Limits

Private sector

Central Bank rules limit the amount of credit, including guarantees, that a commercial bank may extend to, and the amount of equity that it may invest in, any entity at any time. These limits are based on the Bank's RPC on the last day of the immediately preceding month.

According to Central Bank rules, a commercial bank may not extend credit to a single non-related client and its affiliates, or invest in that client's equity, in an amount in excess of 15% of the bank's RPC. However, we may extend additional credit to that client up to 25% of the Bank's RPC if that additional credit is secured with certain senior preferred liquid assets, including public or private debt securities. Total loans or other extensions of credit that a commercial bank may grant to any particular borrower and its affiliates are also limited based on the borrower's net worth. Total loans or other extensions of credit to any particular borrower and its affiliates may not exceed, in general, 100% of such borrower's net worth, but such limit may be increased to 300% of the borrower's net worth if such amount does not exceed 2.5% of the Bank's RPC.

The Central Bank requires that extensions of credit in any form in excess of 2.5% of a Bank's RPC must be approved by the relevant branch manager, regional manager, relevant first line administrative officer of the credit area, general manager and credit committee, if any, of the bank, as well as by its board of directors, administration council or similar corporate body.

In addition, an equity investment of a commercial bank in another company that does not provide services that are complementary to the services provided by a commercial bank may not exceed 12.5% of the stockholders' equity of such company.

Related Persons

The Central Bank limits the amount a bank can lend to, and the amount of equity it may invest in, a "Related Person". A Related Person is defined to include:

- any individual or entity controlling a bank, controlled by a bank or affiliated with a bank, as defined by the Central Bank;
- any entity that both controls the bank and has common directors to the extent such directors, voting together, will constitute a simple majority of the boards of directors of the bank and such entity; or
- in certain exceptional cases, any individual or entity that the Central Bank has determined to be in a position to adversely affect the financial condition of the bank.

"Control" is defined as:

- holding or controlling, directly or indirectly, 25% of the voting stock of the controlled entity;
- having held 50% or more of the voting stock of the controlled entity at the time of the last election of such entity's board of directors;

- any type of equity holding that creates the ability to vote or direct the vote so as to prevail on any issue considered at the controlled entity's general shareholders' meeting or meeting of the board of directors; or
- when a person is determined by the board of directors of the Central Bank to be exercising any influence, directly or indirectly, on the management or policies of the bank.

The Central Bank established that the total amount of financing to a company or related person may not exceed the following percentages of their computable equity as of the last day of the month prior to that to which they apply:

- By controlling relationship

1. Local financial sector

Lender entity	Borrowing entity	General	Additional		
			Tranche I	Tranche II	Tranche III
CAMEL 1 to 3	CAMEL 1 (*)	100%	25% earmarked by the financial institution acquiring assistance to finance transactions that comply with certain conditions.	25% in the event of financing transactions with guarantee or assignment of credit portfolio where assignor is responsible provided the requirements of Tranche I are met.	—
	CAMEL 2 (*)	20%	25% earmarked by the financial institution acquiring assistance to finance transactions that comply with certain conditions.	25% if the financing transactions involve guarantee or assignment of credit portfolio where assignor is responsible provided the requirements of Tranche I are met.	55% for financing transactions for an agreed initial term of up to 180 days.
	CAMEL 3 (*)	10%	20% earmarked by the financial institution acquiring assistance to finance transactions that comply with certain conditions.	20% if the financing transactions involve guarantee or assignment of credit portfolio where assignor is responsible provided the requirements of Tranche I are met.	—
	Not meet any of the above conditions	10%	—	—	—
CAMEL 4 or 5		0%	—	—	—

(*) Subject to consolidation with the lender.

2. Foreign financial sector

Lender entity	Borrowing entity	Maximum limits
CAMEL 1 to 3	To each foreign related bank:	
	- With "Investment Grade" classification	10%
	- Without "Investment Grade" classification: Financing without computable warranty	5%
	Financing with/without computable warranty	10%
CAMEL 4 or 5	To each foreign related bank subject to consolidation and parent company:	
	- With "Investment Grade" classification	10%
	- Without "Investment Grade" classification: Financing without computable warranty	5%
	Financing with/without computable warranty	10%
	To each foreign related bank not subject to consolidation:	
	- With "Investment Grade" classification	10%
- Without "Investment Grade" classification	5%	
	To each foreign related bank that does not meet any of the above conditions	0%

3. Local complementary services companies

Lender entity	Borrowing entity	General	Additional		
			Tranche I	Tranche II	Tranche III
CAMEL 1	Stock exchange agent or other broker, leasing, factoring or temporary acquisition of participation in companies to sell the holdings afterwards (**)	100%	—	—	—
	Debit/credit card issuers (**)	100%	25% earmarked by the financial institution acquiring assistance to finance transactions that comply with certain conditions.	25% in the event of financing transactions with guarantee or assignment of credit portfolio where assignor is responsible provided the requirements of Tranche I are met.	—
	Not meet any of the above conditions	10%	—	—	—
CAMEL 2	Stock exchange agent or other broker, leasing, factoring or temporary acquisition of participation in companies to sell the holdings afterwards (**)	10%		90%	

Lender entity	Borrowing entity	General	Additional		
			Tranche I	Tranche II	Tranche III
	Debit/credit card issuers (**)	20%	25% earmarked by the financial institution acquiring assistance to finance transactions that comply with certain conditions.	25% if the financing transactions involve guarantee or assignment of credit portfolio where assignor is responsible provided the requirements of Tranche I are met.	55% for financing transactions for an agreed initial term of up to 180 days.
	Not meet any of the above conditions	10%	—	—	—
CAMEL 3	Debit/credit card issuers (**)	10%	20% earmarked by the financial institution acquiring assistance to finance transactions that comply with certain conditions.	20% if the financing transactions involve guarantee or assignment of credit portfolio where assignor is responsible provided the requirements of Tranche I are met.	—
	Not meet any of the above conditions	10%	—	—	—
CAMEL 4 or 5	Complementary services companies (**)	10%	—	—	—
	Not meet any of the above conditions	0%	—	—	—

(**) Subject to consolidation with the lender.

4. Foreign complementary services companies

Lender entity	Borrowing entity	Maximum limits
CAMEL 1 to 3	To each complementary services related companies: - Financing without computable warranty - Financing with/without computable warranty	5% 10%
CAMEL 4 or 5	To each complementary services companies subject to consolidation with the lender: - Financing without computable warranty - Financing with/without computable warranty	5% 10%
	To each complementary services related companies that do not meet any of the above conditions	0%

5. Other clients vinculated by controlling relationship

Lender entity	Borrowing entity	Maximum limits
CAMEL 1 to 3	To each related borrower:	
	- Financing without computable warranty	5%
	- Financing with/without computable warranty	10%
CAMEL 4 or 5	- To each related company (only equity investment) (***)	5%
	- To each related borrower that does not meet any of the above conditions	0%

(***) Admitted activity under Section 3 of the rules on "Complementary services of the financial activity and permitted activities".

- By personal relationship

Lender entity	Borrowing entity	Maximum limits
CAMEL 1 a 3	To each related borrower	5%
CAMEL 4 or 5	-To each related person to use exclusively for personal or family purposes	Ps.50.000
	-To each related borrower that does not meet any of the above conditions	0%

The total financing granted to all related clients may not exceed 20% of the RPC of the entity.

Failure to properly observe these requirements can result in an increase of the minimum capital requirements for credit risk in an amount equal to 100% of the daily excess amounts over the requirements beginning on the month when the excess amounts are not corrected and continuing while the excess amounts remain. In the case of information registered out of term, this increase will be applied beginning on the month when the information is registered and for as long as the default exists. Moreover, once the default has been corrected, the increase will be applied for a number of months equal to the period during which the Central Bank was not informed. For repeated defaults the increase can reach up to 130% of the excess amount.

At December 31, 2013, the aggregate of computable loans, other extensions of credit and equity investments by BBVA Francés on a consolidated basis to Related Persons totaled Ps.176.2 million, or 2.57% of BBVA Francés' RPC.

Non-financial Public Sector

The non-financial public sector includes, *inter alia*:

- the Federal Government;
- provincial governments;
- the city of Buenos Aires;
- municipal governments;
- central administration, ministries, departments and their decentralized and autonomous entities and other official bodies; and
- trusts and trust funds whose final beneficiary or trustee, as determined by the respective contracts or applicable regulations, belongs to the non-financial public sector, including other trusts or trust funds where such sector is the final destination of the financed works.

The Central Bank may apply to public sector companies governed by Law Nr. 20,705 the general treatment foreseen for the non-financial private sector in connection with all effects of the rules applicable on the subject, provided they:

- do not require resources from the state budget whether national, municipal, provincial or belonging to the Autonomous City of Buenos Aires for such items as transfers, capital contributions (excepting those corresponding to their incorporation) or reimbursable financial assistance to be used for covering expenses and/or investments made in the course of their normal and customary businesses, except those which may have been contemplated in the 2001 and 2002 budgets;
- maintain technical and professional independence of their managerial bodies for implementing corporate policies;
- trade their goods and/or services at market prices;
- possess fixed assets; the use of which in the activity is not subject to any condition from their shareholders; and
- do not distribute of dividends among their shareholders.

Compliance with all the above conditions must have been verified continuously during at least the ten years immediately preceding the date of the granting of financial assistance.

The Central Bank may agree on the general treatment for persons of the non-financial private sector, to all effects of the rules applicable on the subject to public sector companies which are not incorporated under Law Nr. 20,705 and which also comply with the following requirements:

- Their creation must have been ordered by a national law or decree by the Federal Executive;
- They must create a stock corporation according to the rules of Chapter II, Sections V and VI of the Law of Corporations Number 19,550 (stock corporations and corporations with majority state participation);
- They must have majority National State participation, be it direct or indirect, according to the provisions of said Law;
- They must be the purpose of developing of activities for oil reservoirs, its transportation, distribution, commercialization and industrialization or the generation and/or sale of electric energy.
- They must be subject to internal and external control by the National Public Sector in terms of the Financial Administration Law and the National Public Sector's Control System Law Nr. 24,156.

Consequently, those corporations receiving the treatment set forth in this resolution will be exempted from the application of the provisions regarding financial assistance to the owners of entities in the non-financial public sector.

All financing granted to the above entities may not exceed the following limits with respect to the entity's RPC as at the last day of the preceding month:

- for transactions in the national public sector: 50%, which includes loans granted to governments from other jurisdictions guaranteed by their participation in the federal tax collection system;
- for all transactions granted to each provincial jurisdiction and the City of Buenos Aires (excluding those comprised in the previous paragraph which must be guaranteed by the collection of local taxes or by pledge or implemented under leasing agreements): 10%. This limit includes financing operations granted to municipal governments in the respective jurisdiction and guaranteed by their participation in the collection of provincial taxes;
- for all transactions with each municipal jurisdiction, which must be guaranteed by the collection of local taxes or by pledge, or implemented under leasing agreements: 3%.
- the limits mentioned above may be increased by 15 percentage points, provided that the increases are applied to a specific purpose; and
- for all transactions referred to in the first three points above: 75%.

On the other hand, the Central Bank determined that any excesses to the above relations and to the limit mentioned in the last paragraph of this point, exclusively originated in the application of the new limits and conditions for computing financing transactions, will not be considered as non-compliances, provided that such excesses result:

- a) From transactions existing prior to March 31, 2003, including bonds issued in terms of Decree Nr. 1735/04 which may be received within the framework of the Argentine debt restructuring;
- b) From increases or by the receipt of:
 - (i) compensation bonds or promissory notes as per Articles 28 and 29 of Decree Nr. 905/02, or of those eventually received by application of other specific provisions after that date, and deriving from Law Nr. 25,561 of Public Emergency and Foreign Exchange Reform;
 - (ii) bonds received within the framework of the Mortgage Refinancing System established by Law Nr. 25,798;
- c) From new transactions if excesses are registered in accordance with points a) and b) above, provided that they originate exclusively in the granting of financing to the non-financial public sector with funds originated in amortization services of the aforementioned debt. These transactions include the amounts that apply to the primary subscription of government securities with an anticipation of up to 180 days to their due date. This deadline was extended by 180 days to operations disposed as of January 1, 2009 under the specific provisions of the competent authority.
- d) In addition a margin has been admitted for those entities exceeding the observance of the limits (due to the above-mentioned preexisting operations) to carry out the purchase and sale of, or financial transactions with, national public securities responsible for applying minimum capital requirements for market risk, that is to say, with such volatility as informed by the Central Bank, provided it does not exceed the equivalent to 25% of the RPC. Such limit will be constituted with the allocation, as from the date referred to above, of any of the following: i) the realization of non-financial public sector assets in the portfolio which are computable for determining such limits, ii) the allocation at market value of national public securities holdings, and iii) funds received for amortization services corresponding to the public sector assets involved.
- e) From participations greater than 50% by the Government as trustee in financial trusts to finance the construction area as provided for in subsection i), paragraph 3.2.4 of the “Financing to Non-Financial Public Sector” rules.

However, no financing will be granted in those cases where the ratio of transactions comprised with respect to the Bank’s RPC determined as of March 31, 2003 is exceeded owing to reductions in this last parameter and until such relationship is reestablished.

Apart from the above-mentioned limits, the guarantee provided by the collection of taxes (either federal or local) and/or by the collection of royalties by provincial or municipal jurisdictions may not exceed 40% of the total of such income at the time of evaluating the granting of new financing, and considering the new financing about to be granted. This requirement does not apply to transactions guaranteed by pledge or leasing agreements.

The amount of non-exempted credit to and equity stakes in a single client, whether related to us or not, of a given bank which individually exceeds 10% of that bank’s RPC may not exceed, in the aggregate, three or five times the bank’s RPC, excluding loans in domestic financial institutions and including equity stakes in domestic financial institutions. This last limit does not consider those guaranteed loans received in exchange for national public debt securities implemented through guaranteed loans (Communication “A” 3366).

Loan Loss Allowance

The Central Bank has established specific loan loss allowance requirements for loans to borrowers classified as “Problem”, “Medium Risk”, “High Risk of Insolvency”, “High Risk”, “Irrecoverable” and “Irrecoverable for Technical Decision”. In addition, the Central Bank established a mandatory general allowance requirement for all performing loans. See “*Item 4. Information on the Company—Selected Statistical Information—Allowance for Loan Losses and Loan Loss Experience*”.

Priority of Deposits

Law Nr. 24,485 as amended sets forth that in case of judicial liquidation or bankruptcy of a bank, all depositors, irrespective of the type, amount or currency of their deposits, would be senior to the other remaining creditors (such as the shareholders of the bank), with exceptions made for certain labor creditors (Article 53 paragraphs “a” and “b”) and for those creditors backed by a pledge or mortgage, in the following order of priority: (a) deposits of up to 120,000 pesos per person (including any amount of said person deposited with a financial entity), or their equivalent in foreign currency; (b) any and all deposits higher than Ps.120,000, or their equivalent in foreign currency; and (c) the liabilities originated in commercial lines granted to the Bank and that directly affect international commerce.

Furthermore, pursuant to article 53 of Law Nr. 21,526, as amended, Central Bank credits will have absolute priority over the other credits, except for pledged or mortgaged credits, certain labor credits, the depositors' credits as per art. 49, paragraph e), points i) and ii), credits granted under Article 17, paragraphs (b), (c) and (f) of the Central Bank's Charter (including discount granted by financial entities due to temporary lack of liquidity, advances in favor of financial entities with security interest, assignment of rights, pledge or special assignment of certain assets) and credits granted by the Banking Liquidity Fund backed by pledge or mortgage.

The amendment introduced to art. 35 bis of Law Nr. 21,526 of Financial Entities by Law Nr. 25,780, sets forth that if a bank is in a situation where the Central Bank may revoke its authorization to operate and become subject to dissolution or liquidation by judicial resolution, among the options that the Central Bank's Board may decide by absolute majority, in case of excluding assets and liabilities for their transfer in favor of financial trusts or other financial entities, the Central Bank may totally or partially exclude the liabilities mentioned in article 49, paragraph e), as well as its credits defined in art. 53, observing the order of priority among its creditors. Regarding the partial exclusion, the order of priority of point e) art. 49 must be followed, without assigning, in any case, a differentiated treatment to liabilities of the same grade.

Capital Markets

Under the Financial Institutions Law, banks may underwrite and place both equity and debt securities. There are currently no statutory limitations on the size of a bank's underwriting commitments. However, a bank's underwriting commitment would be treated as an extension of credit subject to the limitations discussed under *“Item 4. Information on the Company—The Argentine Banking System and its Regulatory Framework—Lending and Investment Limits”*.

Commercial banks are authorized to trade public and private debt securities in the Argentine over-the-counter market if they are members of the Mercado Abierto Electrónico (“MAE”) and authorized to act as over-the-counter brokers (“agentes de mercado abierto”). In our capacity as an over-the-counter broker, we are subject to MAE rules and the supervision of the CNV as our primary regulator, and accordingly, we must comply with certain reporting requirements.

Since 1990, the Buenos Aires Stock Market (Mercado de Valores de Buenos Aires—“Merval”) has authorized brokerage firms or houses organized as sole purpose corporations to operate as securities brokers on the Merval. Commercial banks may freely own a Securities Brokerage Company, as there are no current restrictions on ownership, and most of the principal commercial banks operating in Argentina have already established their own Securities Brokerage Company. An agreement between the Merval and representatives of the MAE dealers provides that trading in shares and other equity securities will be conducted exclusively on the Buenos Aires Stock Exchange and that all debt securities listed on the Merval may also be traded on the MAE. Trading in Argentine Government securities, which are not covered by the agreement, is conducted mainly on the MAE. The agreement does not extend to other Argentine exchanges.

Commercial banks may operate as both managers and custodians of Argentine mutual funds; provided, however, that a bank may not act simultaneously as manager and custodian for the same fund.

We have been registered as an over-the-counter broker since 1989. In 1991, we created Francés Valores Sociedad de Bolsa S.A.

On December 26, 2012 Law Nr.26,831 “Capital Market Law” was enacted, and was further regulated by the CNV by Resolution 622/2013 dated September 5, 2013, According to section 47 of the said law, all agents acting in the different markets, must have the prior approval and registration of the CNV. On December 17, 2013 BBVA Banco Francés and Francés Valores initiated their registration as Settlement and Integral compensation Agents.

Financial Institutions with Economic Difficulties

Under the Financial Institutions Law, if a financial institution

- evidences a cash reserve deficiency,
- has not satisfied certain technical standards,
- has not maintained minimum net worth standards, or
- is deemed by the Central Bank to have impaired solvency or liquidity;

then such financial entity must submit a regularization and normalization plan under such terms and conditions as may be established by the Central Bank within a term that may not exceed thirty days. This notwithstanding, the Central Bank may appoint overseers with veto powers and/or demand the creation of guarantees and restrict or prohibit the distribution of remittances or profits. The lack of submission, the rejection of or any noncompliance with the regularization or normalization plans entitle the Central Bank to revoke the authorization to operate as a financial entity and to apply sanctions. If the plan is accepted, the Central Bank may grant a temporary exemption with respect to the observance of the technical regulations and excuse or postpone the payment of fines (if any).

Likewise, and prior to the revocation of the authorization to operate as a financial entity, the Central Bank may authorize the restructuring of the entity for the protection of its depositors, by applying any of the following decisions or a combination thereof in a sequential, gradual or direct manner: reduction, increase and assignment of the corporate capital, exclusion of assets and liabilities and their transfer to other financial institutions, judicial intervention, responsibility for and transfer of excluded assets or liabilities.

Dissolution and Liquidation of Financial Institutions

As provided in the Financial Institutions Law, the Central Bank must be notified of any decision adopted by a financial institution's legal or corporate authorities concerning its dissolution. The Central Bank, in turn, must then submit such decision to a competent court, which should determine whether the corporate authorities or an appointed independent liquidator will liquidate the entity. The court's decision will be based on whether or not there is sufficient assurance that the corporate authorities are capable of carrying out such liquidation properly.

Pursuant to the Financial Institutions Law, the Central Bank no longer acts as liquidator of financial institutions. However, if a restructuring plan has failed or is not deemed feasible, or violations of local laws and regulations have been incurred, or significant changes have occurred in the institution's condition since the original authorization was granted, then the Central Bank may revoke a bank's license to operate as a financial institution. In this event, the law allows for judicial or extra-judicial liquidation. During the liquidation process and once the license to operate as a financial institution has been revoked, a court of competent jurisdiction may adjudge the former financial institution in bankruptcy or a petition in bankruptcy may be filed by any creditor of the bank after a period of 60 calendar days has elapsed since the license was revoked.

Money Laundering

The concept of money laundering is generally used to denote transactions intended to introduce criminal proceeds into the institutional system and thus to transform profits from illegal activities into assets of a seemingly legitimate origin.

On April 13, 2000, the Argentine Congress enacted Law Nr. 25,246 (as amended by Laws Nr. 26,087, 26,119 and 26,268) which defines money laundering as a type of crime. Also, such law creates the so-called Financial Information Unit ("FIU"), which establishes an administrative criminal system and replaces several articles of the Criminal Code.

Law Nr. 26,087 grants the FIU the power to obtain secret or confidential information at its sole request, requiring no Judicial Power intervention and eliminating any absolute excuses for asset-laundering crimes. Law Nr. 26,119 modifies the integration of the FIU and Law Nr. 26,268 incorporates into the Criminal Code the crimes of illegal terrorist association and financing terrorism.

Money laundering is defined in the Criminal Code as providing for criminal sanctions whenever a person converts, transfers, manages, sells, encumbers or in any other manner uses money or any other asset deriving from illegal activities, in which such person has not participated, with the possible result that the original or substitute assets may appear as deriving from a legitimate origin; provided, however that the value of the assets exceeds the amounts indicated in the regulation, irrespective of whether such amounts are the result of one or more transactions.

The main purpose of Law Nr. 25,246 is to prevent money laundering. In line with internationally accepted practice, it does not attribute responsibility for controlling these criminal transactions only to Government agencies, but also assigns certain duties to diverse private sector entities such as banks, stockbrokers, brokerage houses and insurance companies. These duties consist of information capturing functions. The Central Bank regulation requires banks to take certain minimum precautions to prevent money laundering.

Financial entities must also inform the Superintendence of any transaction that is suspicious or unusual, devoid of any economic or legal justification, or which is unnecessarily complex, whether occurring on isolated occasions or repeatedly.

The Bank believes that it is in compliance with all applicable regulations on money laundering pursuant to the provisions issued by the Ministry of Foreign Affairs, International Commerce and Culture on funds freezing and measures against presumed terrorists, by the Central Bank and by the FIU, in particular Resolution Nr. 31 of the FIU dated February 8, 2011 which regulates Article 21, sections a) and b) of Law Nr. 25,246 providing for the gathering of information in respect of suspicious transactions and their notification to the authorities.

Law Nr. 26,476, published and in force since December 24, 2008 and declared a public policy rule, establishes a system of tax regularization, promotion and protection of registered employment with priority for small and medium-sized entities, and of declaration and repatriation of capital. Subjects who decide to adhere to the declaration and repatriation of capital must comply with the provisions of Law Nr. 25,246 on asset laundering prevention. The term in order to adhere to this repatriation has expired, but the term regarding the registration of employment and tax regularization is still in force. Excluded from its scope of application are the amounts deriving from conducts liable to be included in article 6 of Law Nr. 25,246, with the exception of tax evasion or attempted tax evasion situations. The Argentine Public Revenue Administration – the Argentine Tax Authority (“AFIP”) issued this regulation on February 2, 2009.

Moreover, Decree Nr. 1936/10 issued on December 9, 2010, introduced important changes into the Anti-Money Laundering Legislation. The principal dispositions of this Decree are to: (i) set forth the new role of the FIU, as the representative of the State to the FATF; and (ii) determine that each controlling entities must appoint a member of the board of directors as the maximum authority for Anti-Money Laundering Policies in charge of centralizing any information the Central Bank may require on its own initiative or at the request of any competent authority. In addition, this officer or other person will be responsible for the implementation, tracking, and control of internal procedures to ensure compliance with the regulations.

Finally, the Central Bank issued a resolution widening the concept of Politically Exposed Individuals, including any person which has a material economic relation with the subject. These people must be clearly identified and closely monitored according to the Anti-Money Laundering New Rules. Also, the FIU has recently issued over 20 new resolutions in order to regulate the activities of all private and public entities in charge of controlling Anti-Money Laundering activities, establishing different deadlines in order to implement procedures which require among other things, the filing of (i) sworn statement regarding the legal origin of funds; (ii) certain documentation in order to prove the origin of the funds involved in the execution of operations, in the event those funds are equal or more than Ps.20,000 in the case of credit card limits, or Ps.200,000 in case of regarding transactions involving securities, etc.

Deposit Guarantee Insurance System

Law Nr. 24,485, published on April 18, 1995 and Decree Nr. 540/95 of the same date provided for the organization of a Bank Deposit Guarantee Insurance System. This system is limited, mandatory, and for valuable consideration, designed to provide coverage for risks inherent in bank deposits, as a subsidiary and supplementary protection to that offered by the system of bank deposit privileges and protection created by the Financial Institutions Law.

That Law provided for the organization of the company “Seguros de Depósitos Sociedad Anónima” to manage the Deposit Guarantee Fund, whose shareholders, as amended by Decree Nr. 1292/96, will be the Central Bank, with one share, as a minimum, and the trust made up of the financial institutions in such proportion as may be determined by the Central Bank for each one, based on their contributions to the Deposit Guarantee Fund.

This guarantee system does not include:

- deposits made by other financial institutions, including certificates of deposit acquired by secondary trading;
- deposits made by persons directly or indirectly related to the financial institution;
- deposits acquired by means of offering incentives, including deposits under the El Libretón program;

- certificates of deposit of securities, acceptances or guarantees;
- transferable certificates of deposit whose ownership has been acquired by way of endorsement.
- fixed amounts from deposits and other excluded transactions.

We hold a 9.5232% equity interest in the company “Seguros de Depósitos Sociedad Anónima” as of December 31, 2013.

The amount covered by the deposit guarantee system is Ps.120,000. In the case of transactions in the name of two or more persons, the guarantee will be prorated among the respective holders. The total guarantee amount by persons may not exceed Ps.120,000, regardless of the number of accounts and/or deposits.

The deposits for amounts over Ps.120,000 are also included in the guarantee system up to the Ps.120,000 limit. The Central Bank may decide at any time to amend the guarantee system cover amount based on continued consolidation of the Argentine financial system or any other indicators.

The Argentine insurance system was financed by monthly contributions from all financial institutions operating in Argentina. These contributions are equivalent to 0.015% of average daily balances of demand deposits, time deposits, term investments, salary account of social security and fixed assets of previous concepts.

Furthermore, institutions must make an additional contribution which will depend on the rating assigned by the Central Bank, the excess recorded in the integration of the RPC and the portfolio quality. This additional contribution may not exceed the standard contribution once.

SEDESA may issue nominative non-endorsable securities to be offered to depositors as payment of the deposit guarantee whenever it did not have sufficient funds for such purpose. Such securities, whose conditions would be established for general purposes by the Central Bank, must be accepted by the financial entities in order to constitute deposits.

At December 31, 2013 and the date of the filing of this Form 20-F, the Bank complies with each regulatory requirement discussed in this section.

Credit Cards Law Nr. 25,065

Law Nr. 25,065, enacted in 1999, governs different aspects of the credit, purchase and debit card system. In its main aspects, this law: (i) creates an obligation to sign a contract between the bank and the holder of the credit card before the card is issued, (ii) fixes a maximum limit to financial interest charged on balances, which may not exceed by more than 25% of the rate applied to personal loan transactions, (iii) sets a maximum 3% fee to be charged by the banks to commercial establishments, and is not entitled to charged commercial establishments in the same line of business with different rates and (iv) prohibits providing information to financial background databases regarding particulars of credit card holders in delinquent payment situations.

Law Nr. 26,361, enacted in 2008, amended article 50 of Law Nr. 25,065, thus empowering the Secretariat of the Domestic Commerce, dependent on the Ministry of Economy and Production, in those commercial aspects deriving from its function as authority of application, to issue regulatory provisions and exercise its powers to control, survey and determine compliance. The City of Buenos Aires and the Provinces will act as local authorities of application, with powers which they may delegate, if applicable, to their dependent bodies or to municipalities. Irrespective of the above, the national authority of application may act concurrently, even if the presumed infringements occur only within the scope of the Autonomous City of Buenos Aires or the Provinces.

The Central Bank of the Argentine Republic, with the enforcement of Law Nr. 25,065, is the Authority of Application in matters concerning financial aspects unmodified to this date.

Disclosure of Iranian Activities under Section 13(r) of the Exchange Act

We are disclosing the following information pursuant to Section 13(r) of the Securities Exchange Act of 1934 (Exchange Act), which requires an issuer to disclose whether it or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with natural persons or entities designated by the U.S. government under specified Executive Orders, including activities not prohibited by U.S. law and conducted outside the United States by non-U.S. affiliates in compliance with local law. In order to comply with this new requirement, we have requested relevant information from our affiliates globally.

BBVA Banco Francés S.A. has not knowingly engaged in activities, transactions or dealings relating to Iran or with natural persons or entities designated by the U.S. government under the specified Executive Orders.

Because we are controlled by Banco Bilbao Vizcaya Argentaria, S.A. (BBVA), a Spanish corporation, our disclosure includes activities, transactions or dealings conducted outside the United States by non-U.S. affiliates of BBVA and its consolidated subsidiaries (the BBVA Group) which are not controlled by us. BBVA is subject to the disclosure requirements of Section 13(r) for its Form 20-F for the year ending December 31, 2013. In advance of that filing, we have requested that BBVA provide us a detailed description of reportable activity under Section 13(r) and have received the following information:

Legacy contractual obligations related to counter indemnities. Before 2007, BBVA Group issued certain counter indemnities to its non-Iranian customers in Europe for various business activities relating to Iran in support of guarantees provided by Bank Melli, three of which remained outstanding during 2013. Estimated gross revenue for 2013 from these counter indemnities, which includes fees and/or commissions, did not exceed \$9,000 and was entirely derived from payments made by BBVA Group's non-Iranian customers in Europe. BBVA Group does not allocate direct costs to fees and commissions and therefore has not disclosed a separate profits measure. In addition, in accordance with Council Regulation (EU) Nr. 267/2012 of March 23, payments of any amounts due to Bank Melli under these counter indemnities have been blocked. BBVA Group is committed to terminating these business relationships as soon as contractually possible and does not intend to enter into new business relationships involving Bank Melli.

Letters of credit. During 2013, BBVA Group had credit exposure to Bank Sepah arising from a letter of credit issued by Bank Sepah to a non-Iranian client of BBVA Group in Europe. This letter of credit, which was granted before 2004, was used to secure a loan granted by BBVA Group to a client in order to finance certain Iran-related activities. This loan was supported by the Spanish export credit agency (CESCE). The loan related to the client's exportation of goods to Iran (consisting of goods relating to a pelletizing plant for iron concentration and equipment). Estimated gross revenue for 2013 from this loan, which includes fees and/or commissions, did not exceed US\$12,000. Payments of amounts due by Bank Sepah in 2013 under this letter of credit were initially blocked and thereafter released upon authorization by the relevant Spanish authorities. In addition, during 2013, BBVA Group received an indemnity payment from CESCE (which totaled approximately US\$7 million) in connection with a letter of credit which had been granted by Bank Mellat before 2004 and which matured in 2012. The loan underlying this letter of credit was granted by BBVA Group to a Spanish customer in connection with its provision of engineering services and supply of equipment for the construction of a petrochemical plant in Iran. This loan was supported by CESCE. BBVA Group does not allocate direct costs to fees and commissions and therefore has not disclosed a separate profits measure in connection with the two letters of credit referred to above.

BBVA Group is committed to terminating the outstanding business relationship with Bank Sepah as soon as contractually possible and does not intend to enter into new business relationships involving Bank Sepah or Bank Mellat.

Bank Accounts. In 2013, BBVA Group maintained one account (which was closed in March 2013) for a company that produces farm vehicles and tractors and a number of accounts for certain of its employees (some of whom have Iranian nationality). BBVA Group believes that 51% of the share capital of such company is controlled by an Iranian company in which the Iranian Government might have an interest. Estimated gross revenue for 2013 from these accounts, which includes fees and/or commissions, did not exceed US\$6,100. BBVA Group does not allocate direct costs to fees and commissions and therefore has not disclosed a separate profits measure. BBVA Group is committed to terminating its business relationships with the employees of this company as soon as contractually possible and does not intend to enter into new business relationships involving this company or its employees.

Iranian embassy-related activity. BBVA Group maintains bank accounts in Spain for three employees of the Iranian embassy in Spain. In addition, BBVA Group maintains bank accounts in Venezuela for seven employees of the Iranian embassy in Venezuela. Moreover, prior to 2013, BBVA Group provided one employee of the Iranian embassy in Venezuela with an insurance against theft at ATMs which expired on November 6, 2013. Estimated gross revenue for 2013 from embassy-related activity, which includes fees and/or commissions, did not exceed US\$1,100. BBVA Group does not allocate direct costs to fees and commissions and therefore have not disclosed a separate profits measure. BBVA Group is committed to terminating these business relationships as soon as legally possible.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Considerations on Politics and Economy in Argentina

In 2009, economic activity in Argentina was also affected by the Global Financial Crisis, and, to a lesser extent by the swine flu, all of which led to a strong deceleration in GDP growth after six years of continuous increases. Preliminary data as provided by the EMAE showed that the economy grew by only 0.8% during 2009.

As a consequence of the slowdown and higher uncertainty, the unemployment rate increased from 7.3% in the fourth quarter of 2008 to 8.4% in the last quarter of 2009.

Tax collection increased by 13.2% as a result of social security contributions (up by 48.1%). Primary expenditure was up by 30.2% prompted mainly by capital expenditures and salaries. Primary surplus was Ps.17,286 million.

The CPI-GBA increased by 7.7% in 2009.

In terms of international trade, exports dropped by 20.4% year over year, while imports contracted even further by 32.5% year over year, which resulted in a record trade surplus of US\$16,980 million during the year.

The aftermath of the Global Financial Crisis continued to be felt in Argentina during the first half of 2009 and private capital outflows increased. As a consequence of a higher demand for U.S. dollars, the Argentine Central Bank intervened by selling international reserves, continuing to apply a “managed float” policy from January to June. The nominal foreign currency depreciated by 11% during that period and remained approximately constant for the rest of the year. The U.S. dollar closed at 3.797 to the Argentine Peso.

Economic activity reactivated in 2010, after it was affected by the previous year’s international crisis. GDP grew considerably, prompted mainly by important increases in consumption and investment. In the third quarter of the year the GDP grew by 8.6% in annual terms, while the EMAE (Monthly Estimator of Economic Activity) augmented by 9.1% in 2010.

As a result of increased activity, unemployment rates decreased during the year to 7.3% in fourth quarter of 2010.

Private sector employees’ salaries improved by 28.8% as of November 2010 from November 2009. Salaries of workers in the informal and public sectors also increased but less than those of formal employees.

Tax collections increased by 34.4% in 2010. This increase was mainly due to international trade taxes, which was the result of record crops production and the high prices of exported agricultural products from Argentina.

The CPI-GBA increased by 10.9% in 2010, showing acceleration in connection to the same period of 2009. The main increases were for food and drinks, and clothing.

Argentine terms of trade showed a substantial increase. In accordance with trade balance information export prices were up 8% in 2010 and import prices increased by 5%. An excellent harvest, together with higher prices was positive for exports which increased by 23.0% in yearly terms. However, imports increased even more by 45.5% during the same period, reinforced by the growing economic activity and the actual exchange rate appreciation. This caused deterioration in the trade balance of US\$12,056.8 million in 2010.

Despite the fact that throughout the year the international economic situation continued to be sensitive, mainly due to the financial problems in several peripheral European countries, there were no major capital flights in Argentina as it happened during the first part of 2009. A differentiating factor which favored Argentina was the re-opening of the negotiations related to the default debt exchange that had started in 2005. Over US\$12 billion in default public securities were exchanged, which accounted for 66% of eligible bonds. There was a global adhesion level in both exchanges of 92.4% of defaulted debt in 2002. Public debt /GDP ratio was 48.6% after this exchange.

Economic activity was very dynamic in 2011 and the high growth rates of the previous year continued, in spite of the political cycle and despite the international financial tensions that continued to be on the high side. The economy grew on average by 8.8% year over year according to the Monthly Economic Activity Indicator (EMAE), which is a proxy for GDP.

Strong growth had a positive impact on employment as, similarly to 2010, more jobs were created. Unemployment rates in the fourth quarter were 6.7%. In 2011, formal private sector salaries increased by 35.8% while wages in the informal private sector rose by 32.8% year over year and by 9.7% year over year in the public sector.

In 2011, the primary fiscal surplus contracted due to a 32.1% year over year increase in public spending led by rising transfers to the private sector (up 36.9%) and a 37.4% increase in pensions and social security payments. Tax collections were up by 28% during the year, spurred by Income Tax, VAT and Social Security contributions.

The CPI-GBA increased by 9.5% in 2011, slightly below 10.9% to December 2010. This was mainly due to more moderate increases in the prices of Food and Beverages.

The external trade sector continued to record positive results in 2011 due to an improvement in the terms of trade, as export prices were up 16% during this period, while import prices rose 10% year over year on average. In terms of volumes, however, exports only increased by 6% while imports were up by 19%, driven by a buoyant economy and real peso appreciation. As a result of this, nominal exports grew by 24% during the year, and nominal imports increased by 31% year over year, so the trade surplus fell by 11% compared to 2010.

In the foreign exchange market, the main characteristic of 2011 was strong portfolio dollarization. Net foreign assets of Argentine residents (mostly resulting from purchases of U.S. dollars) increased by US\$21.5 billion during 2011, practically doubling the outflows recorded in 2010.

Impaired by factors such as the draught, a lower growth in Brazil and the impact of increasing restrictions in the foreign exchange market, the Argentine economy underwent a strong deceleration in 2012, following the dynamic trends which had prevailed in 2011. After an 8.9% increase in 2011, the GDP grew only 1.9% in 2012.

This poor economic performance reflected itself on the labor market. Unemployment rate remained at 7.2% for 2012 as compared to the 7.2% average rate for 2011. This less dynamic tendency in the labor market, however, did have an impact on the salaries, which at December 2012 registered an increase in the General Index of 24.5% on a year-over-year basis.

In spite of a less dynamic economic activity, inflation measured as per the CPI-GBA reached 10.8% in terms of year-over-year variation as at December 2012, representing an acceleration as compared with the 9.5% rate at the end of the previous year.

The fiscal policy remained expansive and in 2012 there was a primary fiscal deficit of Ps.4,374 million, compared to a surplus of Ps.4,921 million in 2011. Total income tax increased by 25.9%, mainly due to an increase in the income tax collection (27.5%). VAT collection had a 23.5% increase and the foreign trade taxes grew a bare 13.3%, affected by the fall in exports and imports.

The foreign exchange market and the foreign sector were affected by profound regulatory changes. As a consequence, the foreign trade balance had a US\$12,690 billion surplus in 2012, approximately 26.7% higher than the previous year, but with a decline in trade volumes.

In 2013, economic activity, as measured in terms of GDP, recovered from the low growth of the previous year. After growing 1.9% in 2012, GDP grew by 5.5% year-over-year in the third quarter of 2013, accumulating an increase of 4.5% in the first nine months of the year compared with the same period of the previous year.

No significant changes were observed in the labor market. The average unemployment rate was 7.2% in 2013, the same average of 2012.

Inflation, as measured by the CPI, accumulated 10.9% at December 31, 2013, showing a marginal increase over the previous year. As of January 2014, INDEC begin with the spread of a new index, called IPC-UN, which have national and urban coverage.

Fiscal policy remained expansive and in 2013 a primary fiscal deficit of Ps.22,479 million was recorded mainly due of an increase in public spending.

Effects of Recent Events on BBVA Francés

After 2002, the Argentine economy recovered significantly, maintaining a GDP growth of 8.2% on average until 2008. Then, during the year 2009 the economic activity was affected by the Global Financial Crisis, causing a reduction of the GDP of 2.1%.

However, during 2010, the economy reached again a very good level of growth (8.7% of GDP), prompted by consumption and investment, showing once more its capacity of adapting to the new economic environment. After the 2010 re-opening of the debt swap, 95% of sovereign bonds are now out of default and negotiations with Paris Club are underway, which helped to achieve a credit upgrading in 2010.

In 2012 the economic activity, affected by the draught, a low growth in Brazil and the impact of increasing restrictions on the foreign exchange market, underwent a strong deceleration as compared to its highly dynamic trend in the previous year. Thus, after growing by 8.9% in 2011, the GDP increased a 1.9% in 2012.

During 2013, economic activity, recovered from the low growth of the previous year, growing 5.5% year-over-year in the third quarter of 2013. The main reasons for such a growth in real terms were: private consumption, and investment and public consumption,. The volumes of exports, meanwhile, increased by 2.3%. The rise of the GDP was partially set off by an increase of imports, which increased by 7.8% in the first nine months of 2013.

The BCRA, while managing a free floating regime of the exchange rate, permitted an acceleration of the monthly rate of devaluation of the peso in the second half of the year. The average rate increased to 2.9% monthly compared to 1.5% in the first six months of 2013 and 1.1% in 2012. The exchange rate rose to Ps.6.52/US\$ at the end of 2013 (representing a 33% increase in the year, the average for December being 6.32 pesos per dollar, 29% higher than the average for December 2012).

The international reserves at December 31, 2013 totaled US\$30,599 million, US\$12,691 million net less than as of December 2012. In view of the outflow of foreign currency originated in the tourist trade, the surcharge on account of income tax applied to the use of credit cards and the purchase of tickets and tourist packages abroad was increased to 35%.

The BCRA continued to make use of its authority to orient credit as determined by the institution's new charter, and established new lines in support of productive investment. Thus the largest financial entities and those which act as financial agents for the State must dedicate at least 5% of their private sector deposits in pesos to finance the purchase of capital goods or the building of productive installations. As of December 2013 the quota was restated for the first semester of 2014, also at a regulated rate, and was fixed at 17.5% for this tranche.

The private loan portfolio reached a total of Ps.35,278 billion, showing a 28% expansion over the previous year. As for the different segments, in Middle Market we have consolidated our share on assets by emphasizing the spread management. In the retail segment, the expansion was driven by a 57% increase in credit cards, a 40% increase in car loans and by a 26% growth in personal loans. Loans to small and medium size companies grew mainly due to leasing and commercial loans. It is important to mention that the management of the line of credit for the productive investment for micro, small and medium-sized companies was instrumental in placing loans and leasing, reaching the target established for the year.

We must point out the prudent risk management that characterizes the Group, which made possible to remain as the best in the financial system in terms of asset quality, with a NPL ratio of 0.76% and coverage of 254.16%.

As for the clients' resources, they totaled Ps.43,759 billion, a 28% growth during 2013, sight deposits increased by 17% and term deposits by 42%. The growth of the time deposits smaller than Ps.1 million, was 24% hence exceeding the system growth. This portfolio amounted to over Ps.8,800 million. It is important to mention that after the regulations regarding the purchase of foreign exchange and foreign trade, the financial system suffered a significant loss on dollars deposits. For this reason the Bank recorded a decrease of 34% in such deposits over the full year 2012. However, in December 2013, the Bank's US\$ denominated deposits totaled Ps.4,721 (equivalent to US\$597 million) with a 34% annual increase year over year. These deposits represent 9% of the Bank's total deposits.

It is also important to mention that in 2011 the Bank returned to the capital markets, successfully placing the first issuance of corporate bonds under its US\$500 million global program, aimed at funding business growth. The total amount issued exceeded Ps.185 million. In January 2012, the second issuance took place; also registering high demand, showing the investor support and allowing the Bank to increase the offering amount from Ps.125 million to Ps.150 million; ending in Ps.148.9 million. The market's response demonstrates the confidence that BBVA Francés enjoys, together with the expectations for growth and development anticipated for the Bank.

In April of 2012 BBVA Frances' Board of Directors approved the extension of the amount of the global program up to a maximum amount of US\$750 million or its equivalent in another currency.

During 2013, the Bank issued the Class IV of Negotiable Obligations for an amount of Ps.250 million due in 2015 with a coupon payable every three months at an interest rate equal to BADLAR + 3.69%. In November of 2013, the Bank issued Class VI for an amount of Ps.121.4 million, due in 18 months, with a coupon payable every three months at an interest rate equal to BADLAR + 3.25% and Class VII of the same securities for an amount of Ps.250 million due in 36 months, with a coupon payable every three months at an interest rate equal to BADLAR + 4.24%.

Besides, on February 11, 2014 the Bank issued its Class VIII and IX, which were subscribed for a total amount of Ps.258.9 million, due in 18 months and for Ps.145.1 million due in 36 months, respectively.

In Retail Banking, the Bank significantly strengthened its business position through a branch renovation plan, the development and implementation of the Business Management Space Project, a well-planned as through commercial campaign and profitable strategic alliances.

In Corporate & Investment Banking, the Bank continued leading the market with a very good performance not only in the credit business but also in the transactional banking services. Corporate debt issuances continued to grow, maintaining a position of leadership in the segment with 24 issuances, 41.12% more than in 2012. As a result of such growth, 25 derivatives transactions were generated by restructuring, involving coverage of rate risks for the clients.

In this constantly challenging context, during the year 2013, BBVA Francés achieved a return on equity ("ROE") of 33% and a 4% return on assets ("ROA"). This shows its great capacity and flexibility to adapt to changing scenarios while maintaining a remarkable generation of results.

All this has been carried out with a significant improvement in satisfaction indices as regards to our clients and employees, proving once more BBVA Francés' commitment to people.

Critical Accounting Policies (all amounts herein are expressed in thousands)

Our Consolidated Financial Statements are prepared in accordance with the rules prescribed by the Central Bank, which differ in certain respects from generally accepted accounting principles in Argentina, as described in Notes 3 and 4 to the Consolidated Financial Statements. These rules require us and our subsidiaries to make estimates and assumptions. Some of these estimates require difficult, subjective or complex judgments about matters that are inherently uncertain, and as a result, actual results could differ from those estimates. Due to the estimation process involved, the following summarized accounting policies and their applications are considered to be critical to understanding the business operations, financial condition and results of operations of the Bank and its subsidiaries.

Allowance for Commercial Loan Losses

We provide for estimated possible losses on loans and the related accrued interest generally through the establishment of an allowance for loan losses. The allowance for commercial loan losses charged to expense is determined by management based on a periodic analysis of updated financial information provided by the debtor at our request. The basic assessment criterion is the future debt payment capacity or the collateral granted to us on the basis of the estimated cash flow. We also take into account other circumstances such as timely compliance with obligations, qualified and honest management, whether the company is engaged in economic activities with acceptable prospects and the competitiveness of the debtor within its industry.

On the basis of these conditions, the customer is placed in one of six categories established by the Central Bank that have been assigned minimum fixed allowance requirements. Based on our analysis, we book additional allowances for certain debtors, which does not require recategorizing the debtor under the rules of the Central Bank. The use of different estimates or assumptions could result in different allowances for commercial loan losses.

Contingent Liabilities

We are subject to proceedings, lawsuits and other claims related to labor, commercial, civil and other matters. We make determinations of the amount of reserves required, if any, for these contingencies after a careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in the settlement strategy.

We are a defendant in several actions in which the petitioner claims the Government measures taken with respect to their deposits during the Argentine Crisis was a violation of constitutional law. Several judges in these actions have issued injunctions against us ordering: 1) the reimbursement of deposits in amounts larger than those provided for under current legislation, 2) the release

of rescheduled deposits or 3) inapplicability of the “emergency framework” legislation passed by the National Congress and the measures issued by the Federal Executive or the Central Bank. Pursuant to the decisions handed down by Argentina’s Supreme Court of Justice (“Massa, Juan Agustín v. Argentine Executive Branch – Executive Order 1570/ et al over action for the protection of constitutional rights (amparo) Law Nr. 16,986” and “Kujarchuk v. Argentine Executive Branch”), a calculation method was established for the payment of bank deposits that was different from the one that had been instituted by the Argentine Executive Branch. As of December 31, 2013 and 2012, we estimated this contingency and it has raised allowances for the total amount.

At December 31, 2013, as described in Note 3.4.13 to the Consolidated Financial Statements, the Bank records as an intangible asset the difference in nominal terms between the deposit at the free market exchange rate at the moment of each payment compared to the book value of 1.40 pesos per dollar plus CER to that date. This asset has been amortized in 60 monthly installments from April 2003. As of December 31, 2013 these assets have been fully amortized, with the total accumulated amortization as of December 31, 2013 amounting to Ps.1,418,983. Moreover, we explain in that note to the Consolidated Financial Statements that the amortization described above is charged solely to comply with the regulations of the Central Bank and that it should not be interpreted as an implicit waiver of possible compensation or recovery of the exchange rate differences resulting from the compliance with court orders granted in actions seeking the protection of civil rights or other legal actions derived from the mandatory conversion of bank deposits into pesos.

Fair Value

We prepare our Consolidated Financial Statements in accordance with the rules of the Central Bank related thereto, which differ from U.S. GAAP in valuing financial instruments. U.S. GAAP requires financial instruments to be valued at fair value. We estimate the fair value as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and such value is best evidenced by a quoted market price, if one exists. In cases where quoted market prices are not available, fair value estimation is based on the quoted market price of a financial instrument with similar characteristics, the present value of expected future cash flows, or other valuation techniques, all of which are significantly affected by the assumptions used (see Note 22.13 to Consolidated Financial Statements).

Although we use our best judgment in estimating the fair value of these financial instruments, there are inherent weaknesses in any estimation technique. As a result, the fair value may not be indicative of the net realizable or liquidation value. Moreover, minor changes in the assumptions used could have a significant impact on the resulting estimated fair values.

For a detailed description of the applicable accounting principles, please see Note 3 to the Consolidated Financial Statements.

Differences Between Central Bank Rules and Generally Accepted Accounting Principles Effective in Argentina

The most significant valuation differences between the rules prescribed by the Central Bank and the professional accounting standards effective in Argentina are detailed below (see Note 4 to the Consolidated Financial Statements).

- Valuation Criteria

- (1) Tax effects

- As already indicated herein and in Note 5.1. to the Consolidated Financial Statements, the Bank has received various communications from the BCRA pursuant to which that BCRA indicates that the capitalization of items arising from the application of the deferred tax method is not allowed. In accordance with Argentine professional accounting standards, a deferred tax asset should be recognized to the extent the reversal of temporary differences generates a future decrease in the tax effectively determined. As a result, the allowances set up by the Bank in this respect, for Ps.231,100 and Ps.256,900 as of December 31, 2013 and 2012, respectively, should be recovered.

- (2) Derivative financial instruments

- As explained in Notes 3.4.14. and 12 to the Consolidated Financial Statements, as of December 31, 2013 and 2012, the Bank recorded the effects of interest rate swap agreements as established by the BCRA. Should the Bank had applied the Argentine professional accounting standards, the stockholders’ equity would have decreased in Ps.19,390 and would have increased by in Ps.6,606, respectively. By contrast, the effect of the application of the professional accounting standards on the income statement for the fiscal years ended December 31, 2013, 2012 and 2011 would have been Ps.25,996 (loss), Ps.17,899 (income) and Ps.13,887 (loss), respectively.

In all other material respects, Central Bank rules are consistent with generally accepted accounting principles in Argentina.

Differences Between Other Regulatory Bodies and Accepted Accounting Principles Effective in Argentina

Differences arising from the application of the accounting standards laid down by the BCRA and the professional accounting standards in force in Argentina:

- (i) The commissions paid by PSA Finance Argentina Cía. Financiera S.A. to dealers for granting financing to companies and to the public in general in connection with purchases and sales of automobiles, which in accordance with the rules established by the BCRA are charged to the Income Statement, should be accrued throughout the duration of the loans generated by said dealers in accordance with currently applicable professional accounting standards. Had this criterion been applied, shareholders' equity would have been increased by Ps.11,146 and Ps.10,636 as of December 31, 2013 and 2012, respectively.
- (ii) The Bank has not made disclosures required by professional accounting standards in force in Argentina on discontinued operations or discontinuation in relation to the process of liquidating its subsidiary Consolidar AFJP S.A. (undergoing liquidation proceedings).

A. Operating Results

The Bank presents its Consolidated Financial Statements in equivalent purchasing power, following the restatement method established by FACPCE Technical Resolution Nr. 6 (modified by Technical Resolution Nr. 19), using an adjustment rate derived from the internal inflation rate (WPI) published by the INDEC.

According to the above-mentioned method, the accounting measurements were restated according to the purchasing power changes of August 31, 1995. As of that date, based on the prevailing economic stability conditions and according to CNV General Resolution Nr. 272 and Central Bank Communication "A" 2365, the accounting measures were not restated through December 31, 2001. In light of CNV General Resolution Nr. 415 and Central Bank Communication "A" 3702, the method was reinstated effective as of January 1, 2002, considering the previous accounting measures restated as of December 31, 2001.

By means of Communication "A" 3921 of the Central Bank and CNV General Resolution Nr. 441/03 in compliance with Decree Nr. 664/03 of the Executive Branch, the application of the restatement method on financial statements in equivalent purchasing power was suspended as of March 1, 2003. Accordingly, we applied the restatement method only until February 28, 2003.

The following discussion is based upon information contained in the Consolidated Financial Statements and should be read in conjunction with them. The Consolidated Financial Statements have been prepared in accordance with the rules of the Central Bank related thereto (Argentine Banking GAAP), which differ in certain respects from Argentine GAAP and U.S. GAAP. The principal differences between Argentine Banking GAAP and U.S. GAAP are discussed in Note 22 to the Consolidated Financial Statements as they relate to us, together with a reconciliation to U.S. GAAP of our net income and total stockholders' equity. For a more detailed description of the accounting principles and considerations used in preparing the following discussion, see "*Presentation of Financial Information*".

Results of Operations for the Fiscal Years Ended December 31, 2013, 2012 and 2011.

Overview

Our net income for the fiscal year ended December 31, 2013 was Ps.2,024.2 million (including a loss from discontinued operations of Ps.0.7 million). This income was mainly due to a 36.44% increase in Gross Intermediation Margin; a 36.51% increase in Service Charge Income and a 31.05% decrease in Other Expenses, partially offset by a 27.40% increase in Operating Expenses; a 39.72% increase in Service Charge Expenses; a 29.70% increase in Income Tax; a 76.88% increase in Allowances for Doubtful Loans; a 11.39% decrease in Other Income and a 50.34% increase in Minority Interest in Subsidiaries (loss).

Our net income for the fiscal year ended December 31, 2012 was Ps.1,263.7 million (including a loss from discontinued operations of Ps.2.0 million). This income was mainly due to a 48.10% increase in Gross Intermediation Margin; a 29.25% increase in Service Charge Income and a 24.10% increase in Other Income, partially offset by a 30.66% increase in Operating Expenses; a 56.54% increase in Income Tax; a 121.44% increase in Other Expenses; a 31.58% increase in Service Charge Expenses; a 93.17% increase in Allowances for Doubtful Loans and a 327.74% increase in Minority Interest in Subsidiaries (loss).

Financial Income

Our Financial Income increased by 44.24% to Ps.8,243.4 million in the fiscal year ended December 31, 2013 from Ps.5,714.9 million in the fiscal year ended December 31, 2012 and increased by 49.81% in the fiscal year ended December 31, 2012 from Ps.3,814.7 million in the fiscal year ended December 31, 2011.

The Financial Income includes income from discontinued operations of Ps.8.1 million, Ps.9.7 million and Ps.249.7 million for the fiscal years ended December 31, 2013, 2012 and 2011, respectively.

The components of our Financial Income are reflected in the following table.

	December 31,		
	2013	2012	2011
	(in thousands of pesos)		
Interest on cash and due from banks	54	—	2
Interest on loans to the financial sector	282,006	256,597	136,903
Interest on overdraft	1,263,611	725,890	420,127
Interest on loans with privileged guarantees	765,576	524,182	318,584
Interest on credit card loans	995,086	625,692	361,658
Interest on other loans	2,998,569	2,187,274	1,455,611
Net income from government and private securities	352,223	640,547	493,185
Net income from options	—	255	404
Interest from other receivables from financial transactions	40,771	36,376	31,725
Indexation by benchmark stabilization coefficient (CER)	133,323	129,120	96,873
Other	1,412,190	588,988	499,613
Total	<u>8,243,409</u>	<u>5,714,921</u>	<u>3,814,685</u>

The increase in Financial Income during the fiscal year ended December 31, 2013 was mainly due to an increase in other financial income, interest on other loans, interest on overdraft, interest on credit card loans, interest on loans with privileged guarantees, interest on loans to the financial sector, interest from other receivables from financial transactions, indexation by benchmark stabilization coefficient (CER) and interest in cash and due from banks. These increases were partially offset by a decrease in net income from government and private securities and net income from options. This variation reflected an increase in average volume of assets and increase in nominal interest rate of interest earning assets.

The increase in Financial Income during the fiscal year ended December 31, 2012 was mainly due to an increase in interest on other loans, interest on overdraft, interest on credit card loans, interest on loans with privileged guarantees, interest on loans to the financial sector, net income from government and private securities, other financial income, indexation by benchmark stabilization coefficient (CER) and interest from other receivables from financial transactions. These increases were partially offset by a decrease in net income from options. This variation reflected an increase in nominal interest rate of interest earning assets and an increase in average volume of assets.

The following table sets forth the changes in financial income due to increases or decreases in volume and increases or decreases in nominal rates of average interest-earning assets. Such financial income excludes exchange differences and premiums or forward sales of foreign exchange.

	December 31, 2013	December 31, 2012
	vs. December 31, 2012	vs. December 31, 2011
	Increase (Decrease)	Increase (Decrease)
	(in thousands of pesos)	(in thousands of pesos)
Financial income due to change in:		
the volume of interest-earning assets	1,405,617	713,253
average nominal rates of interest-earning assets	726,606	1,213,343
the volume and average nominal rates of interest-earning assets	945	(370)
Net Change	<u>2,133,168</u>	<u>1,926,226</u>

Financial Expenses

Financial Expenses increased by 58.12% to Ps.3,253.8 million in the fiscal year ended December 31, 2013 from Ps.2,057.9 million in the fiscal year ended December 31, 2012 and increased by 52.96% from Ps.1,345.5 million in the fiscal year ended December 31, 2011.

The Financial Expenses discussed above include income from discontinued operations of Ps.3.0 million, Ps.3.3 million and Ps.10.3 million for the fiscal years ended December 31, 2013, 2012 and 2011, respectively.

The components of our Financial Expenses are reflected in the following table.

	December 31,		
	2013	2012	2011
	(in thousands of pesos)		
Interest on savings deposits	14,772	11,148	9,183
Interest on time deposit ⁽¹⁾	2,373,222	1,526,967	1,045,268
Interest from other liabilities from financial transactions	171,607	123,289	34,054
Indexation by benchmark stabilization coefficient (CER)	104	157	168
Other	694,105	396,310	256,730
Total	<u>3,253,810</u>	<u>2,057,871</u>	<u>1,345,403</u>

(1) Includes interest on "CEDROS".

Taxes on Financial Income and Contributions to the Bank Deposit Guarantee Insurance System, included in Financial Expense—Other, amounted to Ps.577.2 million, Ps.341.4 million and Ps.211.2 million as of December 31, 2013, 2012 and 2011, respectively.

Contributions to the Bank Deposit Guarantee Insurance System increased during fiscal years 2013, 2012 and 2011 due to increases in the volume of time deposit, checking accounts and savings deposits.

The following table sets forth the changes in Financial Expenses due to the increases in volume and increases in nominal rates of average interest-bearing liabilities. Such Financial Expense excludes exchange rate variations and premiums on forward purchases of foreign exchange, contributions to Bank Deposit Guarantee Insurance System, mandatory contributions and taxes on interest income.

	December 31, 2013	December 31, 2012
	vs.	vs.
	December 31, 2012	December 31, 2011
	<u>Increase / (Decrease)</u>	<u>Increase / (Decrease)</u>
	(in thousands of pesos)	(in thousands of pesos)
Financial expense due to changes in:		
the volume of interest-bearing liabilities	465,873	268,771
average nominal rates of interest-bearing liabilities	500,923	311,165
the volume and average nominal rates of interest-bearing liabilities	<u>(1,315)</u>	<u>21</u>
Net Change	<u>965,481</u>	<u>579,957</u>

Our average interest-bearing liabilities increased by 21.02% from Ps.22,363 million in fiscal year 2012 to Ps.27,064 million in the fiscal year ended December 31, 2013. This increase was mainly attributable to increases in time deposits, borrowings from other financial entities, other liabilities, borrowing from the Central Bank, savings accounts and corporate bonds.

Average dollar-denominated time deposits decreased by 22.54% from Ps.1,460.4 million in the fiscal year ended December 31, 2012 to Ps.1,131.3 million in the fiscal year ended December 31, 2013 and average peso-denominated time deposits increased by 34.25% from Ps.11,201.2 million in the fiscal year ended December 31, 2012 to Ps.15,037.1 million in the fiscal year ended December 31, 2013. Average dollar-denominated borrowings from other financial entities decreased by 77.41% from Ps.501.1 million in the fiscal year ended December 31, 2012 to Ps.113.2 million in the fiscal year ended December 31, 2013 and average peso-denominated borrowings from other financial entities increased by 113.73% from Ps.11.0 million in the fiscal year ended December 31, 2012 to Ps.23.6 million in the fiscal year ended December 31, 2013 due to exchange regulations.

Our average interest-bearing liabilities increased by 18.58% from Ps.18.9 billion in fiscal year 2011 to Ps.22.4 billion in the fiscal year ended December 31, 2012. This increase was mainly attributable to increases in savings accounts, time deposits, borrowing from the Central Bank, borrowings from other financial entities, corporate bonds and other liabilities. Average dollar-denominated

savings accounts decreased by 28.37% from Ps.2,671.6 million in the fiscal year ended December 31, 2011 to Ps.1,913 million in the fiscal year ended December 31, 2012 due to the new regulations and average peso-denominated savings accounts increased by 29.31% from Ps.4,784.5 million in the fiscal year ended December 31, 2011 to Ps.6,187.0 million in the fiscal year ended December 31, 2012. Average dollar-denominated time deposits decreased by 23.89% from Ps.1,918.8 million in the fiscal year ended December 31, 2011 to Ps.1,460.4 million in the fiscal year ended December 31, 2012 due to the new regulations and average peso-denominated time deposits increased by 25.00% from Ps.8,951.3 million in the fiscal year ended December 31, 2011 to Ps.11,189.0 million in the fiscal year ended December 31, 2012.

See “Item 4. Information on the Company—Selected Statistical Information—Changes in Interest Income and Interest Expense; Volume and Rate Analysis”.

Gross Intermediation Margin

Our Gross Intermediation Margin (defined as Financial Income minus Financial Expenses) of Ps.4,989.6 million in the fiscal year ended December 31, 2013 represented a 36.44% increase over our Gross Intermediation Margin of Ps.3,657.1 million in the fiscal year ended December 31, 2012 which in turn represented a 48.10% increase over our Gross Intermediation Margin of Ps.2,469.3 million in the fiscal year ended December 31, 2011.

The Gross Intermediation Margin discussed above includes gains from discontinued operations of Ps.11.2 million, Ps.13.0 million and Ps.260.0 million for the fiscal years ended December 31, 2013, 2012 and 2011, respectively.

The following table sets forth the changes in our Gross Intermediation Margin:

	December 31, 2013 vs. December 31, 2012 Increase (Decrease)	December 31, 2012 vs. December 31, 2011 Increase (Decrease)
	(in thousands of pesos)	(in thousands of pesos)
Gross Intermediation Margin due to changes in:		
the volume of interest-earning assets and interest-bearing liabilities	939,744	444,482
average nominal rates of interest-earning assets and interest-bearing liabilities	225,683	902,178
the volume and average nominal rates of interest-earning assets and interest-bearing liabilities	2,260	(391)
Net Change	1,167,687	1,346,269

The increase in the Gross Intermediation Margin in the fiscal year ended December 31, 2013 was principally due to an increase in the volume of interest-bearing liabilities and interest-earning assets and an increase of average nominal rates of interest-bearing liabilities and interest-earning assets. This increase was partially offset by a decrease in the yield spread (nominal basis) from 7.99% in the fiscal year ended December 31, 2012 to 7.82% in the fiscal year ended December 31, 2013.

The increase in the Gross Intermediation Margin in the fiscal year ended December 31, 2012 was principally due to an increase in the yield spread (nominal basis) from 5.69% in the fiscal year ended December 31, 2011 to 7.99% in the fiscal year ended December 31, 2012, an increase in the volume of interest-bearing liabilities and interest-earning assets and an increase of average nominal rates of interest-bearing liabilities and interest-earning assets.

See “Item 4. Information on the Company—Selected Statistical Information—Average Balance Sheets, Interest Earned on Interest-Earning Assets and Interest Paid on Interest-Bearing Liabilities” and “Item 4. Information on the Company—Selected Statistical Information—Interest-Earning Assets: Net Interest Margin and Spread”.

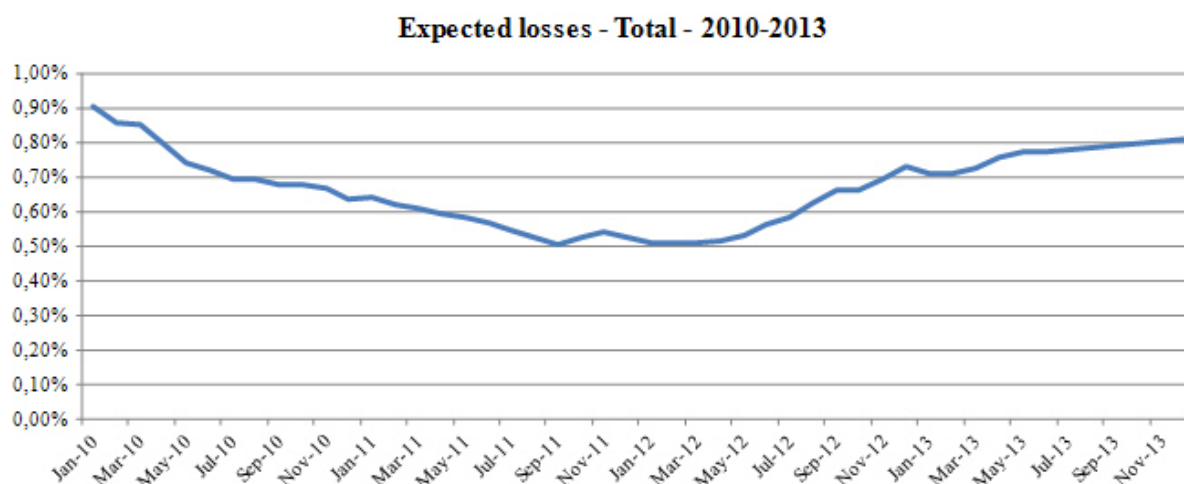
Allowance for Loan Losses

Loan loss provisions totaled Ps.453.3 million in the fiscal year ended December 31, 2013, a 76.88% increase over Ps.256.3 million in the fiscal year ended December 31, 2012, which in turn represents a 93.17% increase over Ps.132.7 million in the fiscal year ended December 31, 2011. During 2013, the system continued to show signs of deterioration as a result of inflation increase and the consequent loss of salaries purchasing power and the increase on investments being unable to mitigate the rise in the ratio of arrears or the increase in expected losses. The increase in fiscal year ended December 31, 2012 was mainly due to an increase in the NPL rate. During 2012 the impact of the inflation rate along with the delay in the resolution of certain collective bargaining agreements caused an increase in the NPL ratio, resulting in an increase of the expected losses within the consumer portfolio.

Our non-performing loan portfolio amounted to Ps.284.3 million at December 31, 2013, representing a 51.28% increase over Ps.187.9 million at December 31, 2012 which in turn represented a 78.26% increase over Ps.105.4 million at December 31, 2011.

The non-performing loan portfolio ratio increased to 0.76% at December 31, 2013 from 0.65% at December 31, 2012, which had increased from 0.45% at December 31, 2011.

The chart below show how during 2013 the probability of default increased within the loan portfolio for the reason discussed above.



Our management believes that our allowance for loan losses is adequate to cover any known losses and any losses inherent in its loan portfolio. For a discussion of our policy with respect to the establishment of our allowance for loan losses see “Item 4. Information on the Company—Selected Statistical Information—Allowance for Loan Losses and Loan Loss Experience”.

Service Charge Income

Service Charge Income was Ps.3,453.8 million for the fiscal year ended December 31, 2013, Ps.2,530.2 million for the fiscal year ended December 31, 2012 and Ps.1,957.6 million for the fiscal year ended December 31, 2011. The fiscal year 2013 amount represented a 36.51% increase from the amount earned in fiscal year 2012. The fiscal year 2012 amount represented a 29.25% increase from the amount earned in fiscal year 2011.

The Service Charge Income discussed above includes a loss from discontinued operations of Ps.0.1 million for the fiscal year ended December 31, 2011.

The following table provides a breakdown of our Service Charge Income by category.

	December 31,		
	2013	2012	2011
	(in thousands of pesos)		
Service charges on deposit accounts	818,194	680,052	554,365
Credit card operations	1,175,530	804,853	578,716
Other fees related to foreign trade	102,108	87,923	87,604
Credit-related fees	458,871	275,209	185,854
Fund management fees	57,617	38,181	32,560
Capital markets and securities activities	46,928	19,539	24,617
Rental of safety deposit boxes	110,934	95,101	75,798
Fees related to guarantees	1,475	1,181	1,394
Insurance agency	345,889	250,370	138,524
Other	336,304	277,788	278,157
Total	3,453,850	2,530,197	1,957,589

Service charges on deposit accounts are comprised principally of maintenance fees on checking and savings accounts and transaction fees on checking accounts. These fees increased by 22.67% from Ps.554.4 million in the fiscal year ended December 31, 2011 to Ps.680.1 million in the fiscal year ended December 31, 2012 and further increased by 20.31% to Ps.818.2 million at December 31, 2013. The increases in the fiscal years 2013 and 2012 were mainly due to increases in the volume and number of transactions of such accounts. At December 31, 2013 we had 2,658,673 deposit accounts compared to 2,452,015 of such accounts at December 31, 2012 and compared to 2,253,532 of such accounts at December 31, 2011.

Income from credit card operations, which consists of customer fees, retailer transaction fees, merchant processing fees and penalty charges, increased by 46.06% to Ps.1,175.5 million in the fiscal year ended December 31, 2013 from Ps.804.9 million in the fiscal year ended December 31, 2012 which in turn increased by 39.08% to Ps.578.7 million in fiscal year ended December 31, 2011. The increases in the fiscal years 2013 and 2012 were mainly due to increases in activity, in the use of credit cards and in the volume of credit cards issued. At December 31, 2013, the total number of credit cards we issued amounted to 2,648,187 compared to 2,368,605 at December 31, 2012 and 2,024,038 at December 31, 2011.

Other fees related to foreign trade increased by 0.36% from Ps.87.6 million in the year ended December 31, 2011 to Ps.87.9 million in the year ended December 31, 2012 and increased by 16.13% to Ps.102.1 million in the year ended December 31, 2013. The slight increase in the fiscal year 2013 was mainly due to increase in fees charged for transfers abroad but it did not registered a significant variation for the fiscal year ended December 31, 2012.

Credit related fees increased by 48.08% from Ps.185.9 million in the fiscal year ended December 31, 2011 to Ps.275.2 million in the year ended December 31, 2012 and further increased by 66.74% to Ps.458.9 million in the fiscal year ended December 31, 2013. These increases were mainly due to the increase of new loans granted by our subsidiary PSA Finance for the purchase of new and second-hand cars.

Fees related to fund management increased by 17.26% from Ps.32.6 million in the fiscal year ended December 31, 2011 to Ps.38.2 million in the fiscal year ended December 31, 2012 and increased by 50.90% to Ps.57.6 million in the fiscal year ended December 31, 2013, owed principally to the increase in volume of securities traded by the Bank and its subsidiary BBVA Francés Asset Management.

Income from capital markets and securities activities principally represents fees from underwriting and placement of corporate bonds, commercial paper and equity securities. It also reflects fees for our corporate advisory business, but excludes gains from trading Government Securities. Trading gains or loss are included in "Financial Income" or "Financial Expenses", respectively, under "Net income / (expense) from Government and Private Securities". Finally, income from capital markets and securities activities also includes brokerage commissions earned by BBVA Francés Valores, BBVA Francés' securities brokerage subsidiary, but does not include similar income earned by BBVA Francés itself, which is recorded as "Financial Income" under "Net income from Government and Private Securities". Income from capital markets and securities activities decreased by 20.63% from Ps.24.6 million in the fiscal year ended December 31, 2011 to Ps.19.5 million in the fiscal year December 31, 2012 and increased by 140.18% to Ps.46.9 million in the fiscal year ended December 31, 2013, mainly due to the increase in securities trading.

Rental of safety deposit boxes increased by 25.47% from Ps.75.8 million in the fiscal year December 31, 2011 to Ps.95.1 million in the fiscal year ended December 31, 2012 and increased by 16.65% to Ps.110.9 million in the fiscal year ended December 31, 2013. These increases were mainly due to the increase in prices of the service.

Fees related to guarantees decreased by 15.28% from Ps.1.4 million in the fiscal year ended December 31, 2011 to Ps.1.2 million in the fiscal year ended December 31, 2012 and increased by 24.89% to Ps.1.5 million in the fiscal year ended December 31, 2013. The variations of this item reflect the activity in this line of products.

Fees related to insurance agency increased by 80.74% from Ps.138.5 million in the fiscal year ended December 31, 2011 to Ps.250.4 million in the fiscal year ended December 31, 2012 and increased by 38.15% to Ps.345.9 million in the fiscal year ended December 31, 2013. The increases of this item reflect more commission generated by the sale of assurance products.

Other service charge income decreased by 0.13% from Ps.278.2 million in the fiscal year ended December 31, 2011 to Ps.277.8 million in the fiscal year ended December 31, 2012 and increased by 21.06% to Ps.336.3 million in the fiscal year ended December 31, 2013, mainly due to an increase in fees for use and transactions in ATMs.

Service Charge Expenses

Service charge expenses, which consist of fees related to credit and debit cards and taxes on service charge income, increased by 39.72% to Ps.955.3 million at December 31, 2013 from Ps.683.7 million at December 31, 2012, which increased by 31.58% from Ps.519.6 million in the fiscal year ended December 31, 2011, mainly as result of the increase in commissions paid for promotion with credit cards.

Operating Expenses

Our operating expenses increased by 27.40% to Ps.3,900.5 million in the fiscal year ended December 31, 2013 from Ps.3,061.7 million in the fiscal year ended December 31, 2012, which increased by 30.66% from Ps.2,343.2 million in the fiscal year ended December 31, 2011.

The Operating Expenses discussed above include a loss from discontinued operations of Ps.18.5 million, Ps.22.0 million and Ps.63.7 million for the fiscal years ended December 31, 2013, 2012 and 2011, respectively.

Operating expenses increased in fiscal year 2013 mainly because of increases in: (i) personnel expenses, (ii) taxes, (iii) other operating expenses, (iv) credit card advertising and issuance expenses, (v) maintenance and repairs, (vi) rentals, (vii) fees and external administrative service, (viii) staff welfare expenses, (ix) depreciation of Bank premises and equipment, (x) advertising and promotion, (xi) amortization of organization and development expenses, (xii) utilities, (xiii) business travel and development expenses and (xiv) courier transportation.

The components of our Operating Expenses are reflected in the following table:

	December 31,		
	2013	2012	2011
	(in thousands of pesos)		
Personnel expenses	1,896,881	1,532,772	1,195,631
Fees and external administrative services	152,213	127,367	83,213
Taxes	332,441	229,227	176,353
Utilities	66,023	58,458	41,221
Depreciation of Bank property and equipment	100,766	86,813	65,070
Credit card advertising and issuance expense	268,221	175,959	130,349
Courier transportation	61,254	60,930	42,076
Advertising and promotion (excluding credit card advertising)	146,868	133,642	108,965
Maintenance and repairs	183,157	130,202	97,602
Business travel and development	26,359	22,098	14,447
Staff welfare	62,707	48,619	33,328
Amortization of organization and development expenses	48,997	40,744	28,937
Rentals	159,786	118,726	101,441
Other	394,796	296,151	224,567
Total	<u>3,900,469</u>	<u>3,061,708</u>	<u>2,343,200</u>

The largest component of Operating Expenses in each of these years was personnel expenses, which increased by 23.75% to Ps.1,896.9 million in the fiscal year ended December 31, 2013 from Ps.1,532.8 million in the fiscal year ended December 31, 2012, which in turn increased by 28.20% from Ps.1,195.6 in the fiscal year ended December 31, 2011, principally as result of increases in salaries (which include payroll, termination payments and bonuses).

The number of our full-time employees increased from 5,011 in the fiscal year ended December 31, 2011 to 5,146 in the fiscal year ended December 31, 2012 which in turn increased to 5,222 in the fiscal year ended December 31, 2013 (not including 11 employees, 12 employees and 12 employees from non-banking subsidiaries at December 31, 2013, 2012 and 2011, respectively).

Taxes, other than income tax, increased by 45.03% to Ps.332.4 million in the fiscal year ended December 31, 2013 from Ps.229.2 million in the fiscal year ended December 31, 2012 which in turn increased by 29.98% from Ps.176.4 million in the fiscal year ended December 31, 2011. The increase in fiscal year 2013 was mainly due to tax liability associated with the down payment for the acquisition of the new headquarters, also the increase in fiscal year 2012 was mainly due to an increase in activity.

Other operating expenses increased by 33.31% to Ps.394.8 million in the fiscal year ended December 31, 2013 from Ps.296.2 million at December 31, 2012 which in turn increased by 31.88% from Ps.224.6 million in the fiscal year ended December 31, 2011. The increase in fiscal years 2013 and 2012 was mainly due to the increases in costs related with value carriers.

Credit card advertising and issuance expenses increased by 52.43% to Ps.268.2 million in the fiscal year ended December 31, 2013 from Ps.176.0 million in the fiscal year ended December 31, 2012 which in turn increased by 34.99% from Ps.130.3 million in the fiscal year ended December 31, 2011. The increases in both fiscal years were mainly due to campaigns related to credit cards.

Maintenance and repairs expenses increased by 40.67% to Ps.183.2 million in the fiscal year ended December 31, 2013 from Ps.130.2 million in the fiscal year ended December 31, 2012 and increased by 33.40% from Ps.97.6 million in the fiscal year ended December 31, 2011. The increases in fiscal years 2013 and 2012 were mainly due to the higher maintenance and repairs costs.

Rentals expenses increased by 34.58% to Ps.159.8 million in the fiscal year ended December 31, 2013 from Ps.118.7 million in the fiscal year ended December 31, 2012 which in turn increased by 17.04% from Ps.101.4 million in the fiscal year ended December 31, 2011. The increases in fiscal years 2013 and 2012 were mainly due to the higher rental costs. As of December 31, 2013 our branch network consisted of 245 branches, of which 111 were located in properties we own and 134 were located in properties we lease.

Fees and external administrative services increased by 19.51% to Ps.152.2 million in the fiscal year ended December 31, 2013 from Ps.127.4 million at December 31, 2012 which in turn increased by 53.06% from Ps.83.2 million in the fiscal year ended December 31, 2011. The variations in this item during fiscal years 2013 and 2012 were related with the cost of services and fluctuations in the cost of hiring external resources.

Staff welfare expenses increased by 28.98% to Ps.62.7 million in the fiscal year ended December 31, 2013 from Ps.48.6 million in the fiscal year ended December 31, 2012 which in turn increased by 45.88% from Ps.33.3 million in the fiscal year ended December 31, 2011. The variations in this item reflect the grant in other personnel benefits.

Depreciation of Bank property and equipment increased by 16.07% to Ps.100.8 million in the fiscal year ended December 31, 2013 from Ps.86.8 million in the fiscal year ended December 31, 2012 which in turn increased by 33.41% from Ps.65.1 million in the fiscal year ended December 31, 2011. The increases in fiscal years 2013 and 2012 were the result of additions to the Bank's properties and equipment.

Advertising and promotion fees increased by 9.90% to Ps.146.9 million in the fiscal year ended December 31, 2013 from Ps.133.6 million at December 31, 2012 and increased by 22.65% from Ps.109.0 million in the fiscal year ended December 31, 2011. The variations in this item were mainly due to an increase of advertising expenses of credit products together with the sponsoring expenses of football during the fiscal years ended December 31, 2013 and 2012.

Amortization of organization and development expenses increased by 20.26% to Ps.49.0 million in the fiscal year ended December 31, 2013 from Ps.40.7 million in the fiscal year ended December 31, 2012 which in turn increased by 40.80% from Ps.28.9 million in the fiscal year ended December 31, 2011. The increases in fiscal years 2013 and 2012 were caused by additions of this type of assets in both fiscal years.

Utilities costs increased by 12.94% to Ps.66.0 million in the fiscal year ended December 31, 2013 from Ps.58.5 million at December 31, 2012 which in turn increased by 41.82% from Ps.41.2 million in the fiscal year ended December 31, 2011. The increases in fiscal years 2013 and 2012 were mainly due to an increase in the general level of activity of the Bank.

Business travel and development increased by 19.28% to Ps.26.3 million in the fiscal year ended December 31, 2013 from to Ps.22.1 million at December 31, 2012 which in turn increased by 52.96% from Ps.14.4 million in the fiscal year ended December 31, 2011. The increases in 2013 and 2012 were due to an increase in travel and numbers of delegations sent abroad.

Courier transportation increased by 0.53% to Ps.61.2 million at December 31, 2013 from Ps.60.9 million in the fiscal year ended December 31, 2012 which in turn increased by 44.81% from Ps.42.1 million in the fiscal year ended December 31, 2011. The increases in fiscal years 2013 and 2012 were mainly due to increases in the cost of the service.

Other Income

Other Income decreased by 11.39% to Ps.361.5 million at December 31, 2013 from Ps.408.0 million at December 31, 2012 which in turn increased by 24.10% from Ps.328.8 million at December 31, 2011.

The Other Income discussed above includes an income from discontinued operations of Ps.7.1 million, Ps.5.4 million and Ps.78.7 million for the fiscal years ended December 31, 2013, 2012 and 2011, respectively.

The decrease in the fiscal year 2013 was mainly due to a decrease in deferred income tax and a 98.91% decrease in gain from the sale of premises and equipment and other assets because of the sale of the building of Consolidar AFJP and Consolidar Retiro during 2012. This was partially offset by a 110.70% increase in loans recovered and reversals of allowances; a 118.70% increase in other income; a 34.70% increase in long-term investments; a 23.40% increase in adjustment and interest for other receivables and a 59.71% increase in punitive interest.

The increase in the fiscal year 2012 was mainly due to a 211.42% increase in deferred income tax; a 1,926.88% increase in gain from the sale of premises and equipment and other assets because of the sale of the building of Consolidar AFJP and Consolidar Retiro on Independencia 169 and a 331.13% increase in adjustment and interest for other receivables. These increases were partially offset by a 63.83% decrease in others income; a 35.60% decrease in long-term investments and a 17.63% decrease in loans recovered and reversals of allowances.

Other Expenses

Other Expenses decreased by 31.05% to Ps.295.8 million at December 31, 2013 from Ps.429.0 million at December 31, 2012 and increased by 121.44% from Ps.193.7 million in the fiscal year ended December 31, 2011.

The Other Expenses include a loss from discontinued operations of Ps.0.1 million and Ps.198.5 million for the fiscal years ended December 31, 2013 and 2011, respectively.

The decrease in the fiscal year ended December 31, 2013 was mainly due to a 58.69% decrease in charge for uncollectibility of other receivables and other allowances (from Ps.351.5 million in fiscal year ended December 31, 2012 to Ps.166.3 million in fiscal year ended December 31, 2013), mainly because the Bank recorded a loss for deferred tax in the fiscal year ended December 31, 2013. This was partially offset by a 65.00% increase in other expenses (from Ps.40.0 million in the fiscal year ended December 31, 2012 to Ps.65.9 million in the fiscal year ended December 31, 2013), mainly due to the accounting for a deferred tax loss offset by the same amount recorded in Loans recovered and reversals of allowances in Other Income; a 110.23% increase in depreciation on differences paid on constitutional protection action (from Ps.19.3 million in the fiscal year ended December 31, 2012 to Ps.40.5 million in the fiscal year ended December 31, 2013); a 44.54% increase in incidences (from Ps.6.2 million in the fiscal year ended December 31, 2012 to Ps.9.0 million in the fiscal year ended December 31, 2013) and a 17.17% increase in donations (from Ps.11.6 million in the fiscal year ended December 31, 2012 to Ps.13.6 million in the fiscal year ended December 31, 2013).

The increase in the fiscal year ended December 31, 2012 was mainly due to a 174.37% increase in provisions for other receivables and other allowances (from Ps.128.1 million in fiscal year ended December 31, 2011 to Ps.351.5 million in fiscal year ended December 31, 2012); a 92.36% increase in other expenses (from Ps.20.8 million in the fiscal year ended December 31, 2011 to Ps.40.0 million in the fiscal year ended December 31, 2012); a 36.00% increase in incidences (from Ps.4.6 million in the fiscal year ended December 31, 2011 to Ps.6.2 million in the fiscal year ended December 31, 2012) and a 13.77% increase in donations (from Ps.10.2 million in the fiscal year ended December 31, 2011 to Ps.11.6 million in the fiscal year ended December 31, 2012), partially offset by a 32.26% decrease in depreciation on differences paid on constitutional protection action (from Ps.28.4 million in the fiscal year ended December 31, 2011 to Ps.19.3 million in the fiscal year ended December 31, 2012).

Income Tax

Income Tax expenses were Ps.1,121.5 million in the fiscal year ended December 31, 2013, representing a 29.70% increase from Ps.864.7 million in the fiscal year ended December 31, 2012 which in turn represented a 56.54% increase from Ps.552.4 million in the fiscal year ended December 31, 2011. The increase in fiscal year 2013 was mainly due to sales of the portfolio of BONAR XIV and a higher profit before tax. The increase in fiscal year 2012 was mainly due to an increase in the fiscal valuation of certain government securities and the fiscal impact for the sale of the building of Consolidar AFJP and Consolidar Retiro and the sale of Consolidar ART.

The following table illustrates, for each of the last three fiscal years, our income before tax, the income tax expense that would have been payable at the statutory rate, various adjustments and our actual income tax expense.

	December 31,		
	2013	2012	2011
	(in thousands of pesos, except percentages)		
Net Income before income tax and minority interest	3,200,118	2,164,550	1,566,397
Statutory tax rate	35%	35%	35%
Income tax (at statutory rate)	1,120,041	757,593	548,239
Deferred tax	9,030	(51,555)	(16,555)
Tax-exempt income	(94,999)	(62,503)	(66,222)
Allowances on deferred tax assets	(9,030)	51,555	16,555
Other	96,418	169,586	70,341
Income tax loss	1,121,460	864,676	552,358
Income tax loss, net	1,121,460	864,676	552,358
Actual income tax	(1,121,460)	(864,676)	(552,358)
Deferred income tax ⁽¹⁾	—	—	—

(1) Included in Other Income and Income Tax.

Our effective income tax rates differ from the statutory income tax rate applicable to us. The difference between the statutory rate and the effective rate is principally due to the following factors. First, the income from local subsidiaries is tax exempt and depreciation of goodwill is not tax deductible. Second, the effective tax rate is affected by the different treatment of loan loss provisions for financial and tax reporting purposes. Additionally, the allowance made on public loans is not tax deductible. Finally, Government Securities are generally marked-to-market for tax reporting purposes, with unrealized gains and losses included in taxable income, even if such securities are carried on a cost-plus-yield basis for financial reporting purposes. See Note 22.1 to the Consolidated Financial Statements.

Minority interest in subsidiaries

Losses on minority interest were Ps.54.4 million, Ps.36.2 million and Ps.8.5 million for the fiscal years ended December 31, 2013, 2012 and 2011, respectively. These variations were mainly due to the changes in net income of Consolidar Group, for which we held, for the fiscal years ended December 31, 2013, 2012 and 2011, a 53.89% interest in Consolidar AFJP (undergoing liquidation proceedings) and a 50% interest in PSA Compañía Financiera.

Financial Condition

Total Assets

At December 31, 2013 we had total assets of Ps.58,523.6 million, which represented a 30.68% increase from Ps.44,784.6 million as of December 31, 2012.

The increase was mainly due to a 27.99% increase in loans net of allowances (from Ps.28,493.4 million at December 31, 2012 to Ps.36,468.2 million at December 31, 2013); a 49.53% increase in cash and due from banks (from Ps.8,614.9 million at December 31, 2012 to Ps.12,881.8 million at December 31, 2013); a 60.13% increase in receivables from financial leases (from Ps.1,110.2 at December 31, 2012 to Ps.1,777.8 million at December 31, 2013); a 1,837.76% increase in other assets (from Ps.34.1 million at December 31, 2012 to Ps.660.0 million at December 31, 2013); a 66.71% increase in other receivables from financial transactions (from Ps.700.9 million at December 31, 2012 to Ps.1,168.5 million at December 31, 2013); a 27.64% increase in other receivables (from Ps.834.6 million at December 31, 2012 to Ps.1,065.3 million at December 31, 2013); a 13.71% increase in bank premises and equipment (from Ps.620.0 million at December 31, 2012 to Ps.705.0 million at December 31, 2013); a 44.28% increase in investments in other companies (from Ps.146.0 million at December 31, 2012 to Ps.210.6 million at December 31, 2013) and a 2.92% increase in intangible assets (from Ps.117.3 million at December 31, 2012 to Ps.120.7 million at December 31, 2013) partially offset by a 15.65% decrease in government and private securities (from Ps.4,101.8 at December 31, 2012 to Ps.3,459.9 million at December 31, 2013) and a 51.03% decrease in suspense items (from Ps.10.8 million at December 31, 2012 to Ps.5.3 million at December 31, 2013).

Total Liabilities and Stockholders' Equity

At December 31, 2013, we had total liabilities and minority interests in subsidiaries of Ps.51,367.4 million representing a 29.54% increase from the Ps.39,652.6 million at December 31, 2012.

The increase was mainly due to a 28.08% increase in deposits (from Ps.34,165.1 million at December 31, 2012 to Ps.43,759.5 million at December 31, 2013); a 50.47% increase in other liabilities from financial transactions (from Ps.3,285.1 million at December 31, 2012 to Ps.4,943.3 million at December 31, 2013); a 23.52% increase in other liabilities (from Ps.1,419.2 million at December 31,

2012 to Ps.1,753.0 million at December 31, 2013); a 9.98% increase in allowances (from Ps.645.0 million at December 31, 2012 to Ps.709.3 million at December 31, 2013); a 46.12% increase in minority interests in subsidiaries (from Ps.118.0 million at December 31, 2012 to Ps.172.4 million at December 31, 2013) and a 48.33% increase in suspense items (from Ps.20.0 million at December 31, 2012 to Ps.29.7 million at December 31, 2013).

Stockholders' equity increased from Ps.5,131.9 million at December 31, 2012 to Ps.7,156.2 million at December 31, 2013. The 39.44% increase reflected net income for the year (Ps.2,024.3 million) and the increases in legal and facultative reserves by Ps.252.8 million and Ps.1,010.9 million, respectively, both of them with counterpart in retained earnings.

Significant changes in financial condition

The application of the new regulations issued by the BCRA, relating to minimum cash requirements as of the end of year 2013, which eliminated the possibility of integrating reserves with cash balances, we recorded an increase in cash and due from bank – BCRA. This increase was partially offset by a reduction in reserves depending on where the entities have located their branches and mandatory grant loans to the MiPyMEs sector. The increase in the Bank account at the Central Bank was partially offset by a decrease in the amount of public and private securities, specifically with regard to instruments issued by the BCRA.

The loans portfolio to the private sector totaled Ps.35,278.6 million at December 31, 2013, representing an increase of 28.3% compared to the previous twelve months. Both consumer loans and for small and medium businesses grew by 41.2% and by 34%, respectively. The corporate banking loans increased by 8.5% mainly due to increases in financial loans and advances partially offset by the decline in funding for foreign trade operations. The “Line of credit for productive investment” of the Central Bank provides that certain financial institutions must allocate 50% of an amount at least equal to 5% of their deposits to fund certain investment projects to MiPyMEs at an annual rate of 15.25% for a minimum period of 36 months. This segment was crucial not only for placement of loans but also for leasing activities.

Other assets also increased strongly as result of the agreement signed by the Bank in July 2013 for the purchase of a building to be built where the “Torre BBVA” will operate with the aim of unifying the central areas of the Bank.

Our deposits increased during 2013 in line with the growth shown by the Argentine financial system. Both time deposits as savings and current account registered a significant growth during 2013, of 41.54%, 21.41% and 13.14%, respectively. Peso deposits increased by 27.37% in the last twelve months and those in foreign currency were up 34.33% over the same period.

Meanwhile the item Other liabilities from financial transaction also recorded an increase in the last year mainly due to the issuance of new series of bonds, both by the Bank and its subsidiary PSA Finance. At December 31, 2013, the outstanding of principal and accrued interest amounts to Ps.1,235,287, while at December 31, 2012 was Ps.663,961.

B. Liquidity and Capital Resources

Asset and Liability Management

The purpose of asset and liability management is to structure our consolidated balance sheet in light of interest rate, liquidity and foreign exchange risks, as well as market risk, public sector risk and capital structure. Our Asset and Liability Committee establishes specific limits with respect to risk exposure, sets policy with respect to pricing and approves commercial policies which may have a financial impact on our balance sheet. It is also responsible for the follow-up of monetary aggregates and financial variables, our liquidity position, regulations from the Central Bank and the competitive environment in assets, liabilities and interest rates.

Liquidity

Our asset and liability management policy attempts to ensure that sufficient liquidity is available to meet our funding requirements. As a measure of our liquidity, we had a ratio of liquidity assets to total deposits of 37.34%, 30.82% and 40.86% at December 31, 2013, 2012 and 2011, respectively. Liquid assets include cash, amounts due from banks and government and corporate securities.

Our primary source of funds is our deposit base, which primarily consists of peso- and dollar-denominated deposits in checking accounts, savings accounts and time deposits from individuals and corporations, which deposits at December 31, 2013 totaled Ps.43,759.5 million.

On July 15, 2003, an Extraordinary Stockholders' Meeting approved the implementation of a Program for the issuance and re-issuance of ordinary non-convertible Corporate Bonds with ordinary guarantee, or such guarantees as may be decided by the Bank, and unsecured Subordinated Corporate Bonds, convertible or not into shares. During the life of the Program, which was 5 (five) years, it was possible to issue and re-issue any number of series and/or classes of Corporate Bonds as long as at all times the maximum amount in circulation after adding together all series and/or classes outstanding under the Program pending redemption does not exceed at any time US\$300,000,000 (or the equivalent thereof in other currencies). The Program was approved by CNV Resolution Nr. 14,967 dated November 29, 2004.

The Global Program was amended according to the resolutions adopted by the Ordinary and Extraordinary Stockholders' Meeting held on April 26, 2007; extended for another five years by resolutions adopted by the Ordinary and Extraordinary Stockholders' Meetings held on March 28, 2008 and on April 9, 2013 (approved by the CNV by Resolutions Nr. 16,010 and Nr. 17,127 dated November 6, 2008 and July 11, 2013, respectively); and the maximum amount of the issuance was successively increased from US\$300,000,000 to US\$500,000,000 and from US\$500,000,000 to US\$750,000,000 by resolution adopted by the Ordinary and Extraordinary Stockholders' Meetings held on March 30, 2011 and March 26, 2012, respectively.

On June 23, 2011, the Bank approved the issuance of Class 1 of its Corporate Bonds under the Program for a principal amount of up to Ps.250,000,000. On September 13, 2011, the Bank issued its Corporate Bonds, which were fully subscribed and paid in for 185,193 for a term of 18 months, to be fully amortized at maturity and subject to a variable interest rate equivalent to the private BADLAR rate plus a spread of a nominal 2.8% per annum, with quarterly interest payments. As provided for in the Corporate Bonds Law and the BCRA regulations, the proceeds obtained from the issuance of the above-mentioned Class were applied to the grant of personal loans.

On November 9, 2011, the Bank approved the issuance of Class 2 of its Corporate Bonds under the Program for a principal amount of up to Ps.200,000,000. On January 16, 2012, the Bank issued its Corporate Bonds, which were fully subscribed and paid in for 148,900 for a term of 18 months, to be fully amortized at maturity and subject to a variable interest rate equivalent to the private BADLAR rate plus a spread of a nominal 2.44% per annum, with quarterly interest payments. As provided for in the Corporate Bonds Law and the BCRA regulations, the proceeds obtained from the issuance of the above-mentioned Class were applied to the reimbursement of time deposits.

On April 18, 2012, the Bank approved the issuance of Class 3 of its Corporate Bonds under the Program for a principal amount not in excess of Ps.300,000,000. On September 7, 2012, placement of such Class 3 Corporate Bonds was declared vacant.

On December 11, 2012, the Bank approved the issuance of Class 4 of its Corporate Bonds under the Program for a principal amount of up to Ps.200,000,000. On May 9, 2013 the Bank decided to increase the maximum amount of the issuance up to Ps.300,000,000. On July 31, 2013, the Bank issued additional Corporate Bonds, which were fully subscribed in for Ps.250,000,000 for a term of 18 months, to be fully amortized at maturity and subject to a variable interest rate equivalent to the private BADLAR rate plus a spread of a nominal 3.69% per annum, with quarterly interest payments. As provided for in the Corporate Bonds Law and the BCRA regulations, the proceeds obtained from the issuance of the above-mentioned Classes were applied to reimburse time deposits.

On August 8, 2013, the Bank approved the issuance of Classes 6 and 7 of its Corporate Bonds under the Program for a joint principal amount of up to Ps.500,000,000. On November 8, 2013, the Bank issued Classes 6 and 7 of its Corporate Bonds, which were fully subscribed and paid in for Ps.121,357,000 for a term of 18 months, to be fully amortized at maturity and subject to a variable interest rate equivalent to the private BADLAR rate plus a spread of a nominal 3.25% per annum, with quarterly interest payments and for Ps.250,000,000 for a term of 36 months, to be fully amortized at maturity and subject to a variable interest rate equivalent to the private BADLAR rate plus a spread of a nominal 4.24% per annum, with quarterly interest payments, respectively. As provided for in the Corporate Bonds Law and the BCRA regulations, the proceeds obtained from the issuance of the above-mentioned Classes were applied to the reimbursement of time deposits.

As of December 31, 2013 and 2012, the outstanding principal and accrued interest amounted to Ps.644,164 (in connection with Classes 4, 6 and 7 of the Corporate Bonds) and Ps.341,395 (in connection with Classes 1 and 2 of the Corporate Bonds), respectively.

Besides, on November 26, 2013, the Bank approved the issuance of Classes 8 and 9 of its Corporate Bonds under the Program for a joint principal amount of up to Ps.500,000,000. On February 11, 2014, the Bank issued Classes 8 and 9 of its Corporate Bonds, which were fully subscribed and paid in for Ps.258,880,000 for a term of 18 months, to be fully amortized at maturity and subject to a variable interest rate equivalent to the private BADLAR rate plus a spread of a nominal 3.8% per annum, with quarterly interest payments and for Ps.145,116 for a term of 36 months, to be fully amortized at maturity and subject to a variable interest rate equivalent to the private BADLAR rate plus a spread of a nominal 4.7% per annum, with quarterly interest payments, respectively.

Dividends and other payments from our Argentine non-banking subsidiaries also provide an additional potential source of liquidity, even though relatively insignificant in amount. Each Argentine non-banking subsidiary is required to allocate 5% of its annual net income to a legal reserve until such reserve equals 20% of the subsidiary's capital stock. This reserve cannot be used to pay us dividends.

In addition, our subsidiary PSA Finance, has a program to issue Corporate Bonds. At December 31, 2013 the outstanding principal and accrued interest amounted to Ps.597,435.

Capital Resources

The capital stock of the Bank as of December 31, 2009 consisted of 536,361,306 Ordinary Shares, par value Ps.1.00 each, all of which were issued and available to stockholders.

On March 30, 2011, the Ordinary and Extraordinary Shareholders' Meeting of BBVA Francés and the Extraordinary Shareholders' Meeting of Consolidar Comercializadora S.A., approved a preliminary merger agreement, as well as the consolidated merging balance sheet as of December 31, 2010 and the shares' exchange ratio.

In addition, the Shareholders' Meeting of BBVA Francés above mentioned, approved the increase in capital stock of BBVA Francés by issuing 516,544 book-entry, ordinary shares with a par value of Ps.1.00 each and 1 vote per share, that were listed for public offering at the Buenos Aires Stock Exchange and delivered to the shareholders of Consolidar Comercializadora S.A.

On July 5, 2011, the CNV approved the merger and the listing of the shares pertaining to the capital increase. On September 14, 2011, the merger was registered with the Public Registry of Commerce. As a result, the Bank's capital stock increased by Ps.516,544.

On March 26, 2012, the Ordinary and Extraordinary General Shareholders' Meetings of BBVA Francés and Otara approved a preliminary merger agreement, the consolidated financial statements for purposes of the merger as of December 31, 2011 and the shares' exchange ratio

The Shareholders' Meeting of BBVA Francés above mentioned, approved the increase in capital stock of BBVA Francés by issuing 50,410,182 book-entry, ordinary shares with a par value of Ps.1 each and 1 vote per share, to be listed for public offering at the Buenos Aires Stock Exchange in order to be delivered to the shareholders of Inversora Otara.

In addition, immediately after the above-mentioned capital increase, BBVA Francés cancelled the 50,410,182 book-entry, ordinary shares, with a par value of Ps.1 each and right to 1 vote each that it owns subject to the previous capital stock reduction derived from the merger.

As at December 31, 2013 the Bank's stock capital consisted of 536,877,850 ordinary shares.

Interest Rate Sensitivity

A key component of our asset and liability policy is the management of interest rate sensitivity. Interest rate sensitivity is the exposure and the measure of sensitivity to interest rate variations. The interest rate sensitivity measures the impact on the gross intermediation margin in response to a change in market interest rates. For any given period, the pricing structure is matched when an equal amount of assets and liabilities reprice. Any mismatch of interest-earning assets and interest-bearing liabilities is known as a gap position and is shown in the following tables. A negative gap denotes liability sensitivity and normally means that a decline in interest rates would have a positive effect on net interest income while an increase in interest rates would have a negative effect on interest income.

Our interest rate sensitivity strategy takes into account not only the rates of return and their underlying degree of risk, but also liquidity requirements, including minimum regulatory cash reserves, mandatory liquidity ratios, withdrawal and maturity of deposits and additional demands for funds. Our gap limits are established and subsequently monitored by the Asset and Liability Management Committee.

The following table shows the interest rate sensitivity of our interest-earning assets and interest-bearing liabilities. Variations in interest rate sensitivity may also arise within the repricing periods presented.

During 2013, the gap generated by the mismatch form assets accrued by CER and Liabilities accrued at a fixed rate in pesos declined considerable. Bank's risk assets, mainly Public sector loans and bonds, accrue CER adjustment plus an annual interest rate, while most liabilities accrue interest at a fixed rate. Fixed rate assets and liabilities with a maturity of no more than three months and total adjusted assets and liabilities, are included in the following chart, in the 0-3 months interval, given that CER adjustment changes on a monthly basis. The chart shows our exposure to a positive interest rate gap, but it is important to bear in mind that CER behavior may differ from interest rate behavior.

	Remaining Maturity or Earliest Repricing Intervals at December 31, 2013					Total
	0-3 months	3 Months- One Year	1-5 Years	5-10 Years	Over 10 Years	
(in thousands of pesos, except percentages)						
Interest-earning assets						
Interest earning deposits in banks	11,395,626	—	—	—	—	11,395,626
Government securities	1,026,421	530,156	1,440,501	327,613	70,526	3,395,217
Corporate bonds	3,077	324	—	—	—	3,401
Loans ⁽¹⁾	18,659,017	8,265,185	10,087,882	111,735	66,838	37,190,657
Total	31,084,141	8,795,665	11,528,383	439,348	137,364	51,984,901
Interest-bearing liabilities						
Deposits	28,555,388	639,733	3,248	—	—	29,198,369
Corporate bonds	1,126,677	64,084	—	—	—	1,190,761
Due to other banks	2,159,353	688,037	421,709	—	—	3,269,099
Total	31,841,418	1,391,854	424,957	—	—	33,658,229
Asset/liability gap	(757,277)	7,403,811	11,103,426	439,348	137,364	18,326,672
Cumulative sensitivity gap	(757,277)	6,646,534	17,749,960	18,189,308	18,326,672	
Cumulative sensitivity gap as a percentage of total interest-earning assets	(1.46)%	12.79%	34.14%	34.99%	35.25%	

(1) Loan amounts are stated before deducting the allowance for loan losses. Non-accrual loans are included with loans as interest-earning assets.

The following table shows the interest rate sensitivity of our peso-denominated interest-earning assets and interest-bearing liabilities.

	Remaining Maturity or Earliest Repricing Intervals at December 31, 2013					Total
	0-3 months	3 Months- One Year	1-5 Years	5-10 Years	Over 10 Years	
(in thousands of pesos, except percentages)						
Interest-earning assets:						
Interest earning deposits in banks	6,180,483	—	—	—	—	6,180,483
Government securities	1,026,421	530,156	610,818	327,613	28,226	2,523,234
Corporate bonds	3,077	324	—	—	—	3,401
Loans ⁽¹⁾	17,834,447	7,973,030	10,070,212	111,735	66,838	36,056,262
Total	25,044,428	8,503,510	10,681,030	439,348	95,064	44,763,380
Interest-bearing liabilities:						
Deposits	25,727,133	503,219	3,248	—	—	26,233,600
Corporate bonds	1,126,677	64,084	—	—	—	1,190,761
Due to other banks	1,536,086	688,037	421,709	—	—	2,645,832
Total	28,389,896	1,255,340	424,957	—	—	30,070,193
Asset/liability gap	(3,345,468)	7,248,170	10,256,073	439,348	95,064	14,693,187
Cumulative sensitivity gap	(3,345,468)	39,002,702	14,158,775	14,598,123	14,693,187	
Cumulative sensitivity gap as a percentage of total interest-earning assets	(7.47)%	8.72%	31.63%	32.61%	32.82%	

(1) Loan amounts are stated before deducting the allowance for loan losses. Non-accrual loans are included with loans as interest-earning assets.

The following table shows the interest rate sensitivity of our foreign currency denominated interest-earning assets and interest-bearing liabilities. Variations in interest rate sensitivity may also arise within the repricing periods presented.

	Remaining Maturity or Earliest Reprising Intervals at December 31, 2013					Total
	0-3 months	3 Months- One Year	1-5 Years	5-10 Years	Over 10 Years	
	(in thousands of pesos, except percentages)					
Interest-earning assets:						
Interest earning deposits in banks	5,215,143	—	—	—	—	5,215,143
Government securities	—	—	829,683	—	42,300	871,983
Loans ⁽¹⁾	824,570	292,155	17,670	—	—	1,134,395
Total	6,039,713	292,155	847,353	—	42,300	7,221,521
Interest-bearing liabilities:						
Deposits	2,828,255	136,514	—	—	—	2,964,769
Due to other banks	623,267	—	—	—	—	623,267
Total	3,451,522	136,514	—	—	—	3,588,036
Asset/liability gap	2,588,191	155,641	847,353	—	42,300	3,633,485
Cumulative sensitivity gap	2,588,191	2,743,832	3,591,185	3,591,185	3,633,485	
Cumulative sensitivity gap as a percentage of total interest-earning assets	35.84%	38.00%	49.73%	49.73%	50.31%	

(1) Loan amounts are stated before deducting the allowance for loan losses. Non-accrual loans are included with loans as interest-earning assets.

Exchange Rate Sensitivity

At December 31, 2013, our total foreign exchange-denominated asset position was Ps.8,152.2 million and our total foreign exchange-denominated liability position was Ps.5,661.7 million, resulting in a net asset currency position of Ps.2,490.5 million.

For a description of the changes in the exchange rates since December 2008, see “Item 4. Information on the Company—Recent Political and Economic Developments in Argentina” and Note 21.11 to the Consolidated Financial Statements. For a description of foreign exchange risk, see “Item 11. Quantitative and Qualitative Disclosures About Market Risk—Foreign Exchange Risk”.

Capital Requirements

As of December 31, 2013, we had consolidated excess capital of Ps.3,115.3 million pursuant to the Central Bank’s rules. At such date, “Basic Net Worth” and “Complementary Net Worth”, subject to applicable deductions, amounted to Ps.7,080.2 million under the Argentine risk-based capital guidelines, which are based on the Basel Committee.

As of December 31, 2012, we had consolidated excess capital of Ps.1,698.6 million pursuant to the Central Bank’s rules. At such date, “Basic Net Worth” and “Complementary Net Worth”, subject to applicable deductions, amounted to Ps.5,289.9 million under the Argentine risk-based capital guidelines, which are based on the Basel Committee.

As of December 31, 2013, we complied with the Central Bank’s capital requirements on a consolidated basis and our capital resources were sufficient for our capital requirements. See a description of the minimum capital requirements currently in effect in “Item 4. Information on the Company—The Argentine Banking System and its Regulatory Framework”.

As of December 31, 2013, 2012 and 2011, our stockholders’ equity was Ps.7,156.2 million, Ps.5,131.9 million and Ps.3,868.3 million, respectively. At such dates, our ratio of average stockholders’ equity/average total assets was 11.89%, 10.74% and 10.64%, respectively. See “Item 4. Information on the Company—Selected Statistical Information—Return on Equity and Assets”.

In our opinion, our capital resources are sufficient for the Bank’s present requirements on an individual and a consolidated basis.

We are not aware of any legal or economic restrictions on the ability of our subsidiaries to transfer funds to us in the form of dividends, loans, advances — subject to the regulations of each industry — or by other means. However, there can be no assurance that in the future such restrictions will not be adopted and that, if adopted, they will not negatively affect our liquidity.

As of December 31, 2013, the Bank had no material commitments for capital expenditures.

The following table sets forth, for the dates indicated, the calculation of our excess capital under the Central Bank's rules and certain capital and liquidity ratios.

	December 31,		
	2013 ⁽⁴⁾	2012 ⁽⁴⁾	2011 ⁽⁴⁾
(in thousands of pesos, except ratios and percentages)			
Calculation of excess capital ⁽¹⁾			
Allocated to assets at risk	3,021,381	2,197,281	1,768,090
Allocated to Bank premises and equipment, intangible assets and equity investment assets	—	187,326	144,648
Interest rate risk	—	430,744	373,642
Public sector and securities in investment account	—	73,005	73,534
A- Minimal exigency by adds up risks	<u>3,021,381</u>	<u>2,888,356</u>	<u>2,359,914</u>
B- Basic exigency for custody of titles of the AFJP and / or agent of record of mortgage notes	1,220,271	423,923	400,000
Maximum between A and B	3,021,381	2,888,356	2,359,914
Market risk	84,243	37,238	72,925
Operational risk	859,279	665,751	—
Required minimum capital under Central Bank rules	<u>3,964,903</u>	<u>3,591,345</u>	<u>2,432,839</u>
Basic net worth	6,595,750	3,868,256	2,862,679
Complementary net worth	421,825	1,288,507	880,599
Deductions	—	(130,741)	(141,290)
Minority interest	62,578	263,884	82,111
Total capital under Central Bank rules	<u>7,080,153</u>	<u>5,289,906</u>	<u>3,684,099</u>
Excess capital	3,115,250	1,698,561	1,251,260
Selected capital and liquidity ratios			
Average stockholders' equity as a percentage of average total assets ⁽¹⁾⁽²⁾	11.89%	10.74%	10.64%
Total liabilities as a multiple of total stockholders' equity	7.18x	7.70x	9.08x
Cash and due from banks as a percentage of total deposits	29.44%	25.22%	21.78%
Liquid assets as a percentage of total deposits ⁽¹⁾⁽³⁾	37.34%	37.22%	40.86%
Loans as a percentage of total assets	62.31%	63.62%	58.65%

(1) See "Item 4. Information on the Company—The Argentine Banking System and Its Regulatory Framework—Capital Adequacy Requirements" for a discussion of the Central Bank's capital requirements.

(2) Average stockholders' equity and average total assets computed as the average of period-beginning and period-ending balances.

(3) At December 31, 2013, 2012 and 2011, "Liquid Assets" includes cash and due from banks and government and private securities.

(4) The Bank had to maintain a surplus of minimum paid-in capital amounting to at least 305,068, 105,981 and 90,689 as at December 31, 2013, 2012 and 2011, respectively, equivalent to 0.25% of the amount of values under custody for securities representing investments from pension funds, as well as in connection with its function as registrar of mortgage-backed bonds, invested in national public securities and other destinations authorized by the BCRA and guaranteed in favor of the said entity.

Market discipline

The BCRA established by Communication "A" 5394 the mandatory publication on the website of the financial entities certain information in order to allow market participants to assess the information related to capital, risk exposures, assessment processes risk and capital adequacy of each of them. Institutions shall provide appropriate information to ensure transparency in the management and measurement of risks and the adequacy of its capital.

This standard applies to the highest level of consolidation of each entity.

Information concerning BBVA Francés is available at:

<https://www.bancofrances.com.ar/tlal/jsp/ar/esp/institu/disciplina/index.jsp>

U.S. and Argentine Banking GAAP Reconciliation

We prepare our Consolidated Financial Statements in accordance with the rules of the Central Bank related thereto, which differ from U.S. GAAP in certain respects, as discussed in Note 22 to the Consolidated Financial Statements. The differences and the most significant effects on our net income and Stockholders' Equity over the fiscal years ended December 31, 2013, 2012 and 2011 are described below.

Under accounting rule ASC 740-10, Income Taxes: Overall, deferred tax assets or liabilities are recorded for temporary differences between the financial reporting basis and the tax basis of assets and liabilities at statutory tax rates expected to be in effect when such amounts will be realized. Deferred tax assets are recognized if it is more likely than not that such assets will be realized. As explained in Note 5.1 to the Consolidated Financial Statements, we applied this method during 2013 to determine the charge for income tax. The adjustments required in order to reconcile assets and liabilities with U.S. GAAP, as detailed in the following paragraph, are shown without considering their effect on income tax. The effect over continued operations of reflecting such adjustments on the Bank's net assets is increase by Ps.265.7 million, Ps.271.4 million and Ps.128.9 million as of December 31, 2013, 2012 and 2011, respectively. In addition, income over continued operations would have decreased by Ps.59.0 million and Ps.61.1 million at December 31, 2013 and 2011, respectively and would had increased by Ps.137.7 million as of December 31, 2012. The effect over discontinued operations of reflecting such adjustments on the Bank's net assets causes them to increase by Ps.17.1 million, Ps.17.4 million and Ps.19.7 million as of December 31, 2013, 2012 and 2011, respectively. On the other hand, income over discontinued operations would have decreased by Ps.0.3 million and Ps.2.3 million as of December 31, 2013 and 2012, respectively and would had increased by Ps.61.8 million as of December 31, 2011.

Under Argentine Banking GAAP, loan origination and credit card issuance fees are recognized when collected. Under accounting rule ASC 310-20, Receivables: Nonrefundable Fees and Other Costs, these fees are recognized over the life of the related loan as an adjustment to yield. The effect of applying U.S. GAAP to continued operations would be to decrease our net income by Ps.90.7 million, Ps.36.1 million and Ps.30.5 million for the fiscal years ended December 31, 2013, 2012 and 2011, respectively. The effect of U.S. GAAP treatment would have been to decrease the principal balance of outstanding loans to our Consolidated Financial Statements over continued operations by Ps.235.4 million, Ps.144.6 million and Ps.108.5 million for the fiscal years ended December 31, 2013, 2012 and 2011, respectively. These adjustments do not have effects over discontinued operations.

According to U.S. GAAP, the Bank decided to classify Government Securities as available for sale and carried at fair value (market value if available) with unrealized gains and losses reported as a net amount, net of income tax within the stockholder's equity accounts. However, ASC 320-10, Investments-Debt and Equity Securities: Overall, requires that if the decline in fair value is judged to be other than temporary, the cost of the security shall be written down to fair value, and the amount of the write-down shall be included in earnings. Had U.S. GAAP been applied, our assets over continued operations would have decreased by Ps.7.5 million, Ps.3.4 million and Ps.5.8 million as of December 31, 2013, 2012 and 2011, respectively. Our net income over continued operations would have increased by Ps.147.9 million, Ps.16.1 million and Ps.213.0 million for the fiscal years ended December 31, 2013, 2012 and 2011, respectively. On the other hand, the income over discontinued operation at December 31, 2011 would had increased by Ps.101.6 million.

Under Argentine Banking GAAP, the allowance for loans has been calculated based on the Bank's estimated loan loss risk in light of debtor compliance and the collateral supporting the respective transactions, as provided by Communication "A" 2950 and supplemented by the Central Bank. ASC 310-10, Receivables: Overall, requires a creditor to measure impairment of a loan based on the present value of expected future cash flows discounted at the loan's effective interest rate, or at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. This statement is applicable to all loans (including those restructured in a troubled debt restructuring involving a modification of terms), except large groups of smaller-balance homogenous loans that are collectively evaluated for impairment. Had U.S. GAAP been applied over continued operations the Bank's assets would have increased by Ps.307.4 million, Ps.198.0 million and Ps.180.9 million at December 31, 2013, 2012 and 2011, respectively. On the other hand, our income would have increased by Ps.109.4 million and Ps.17.0 million at December 31, 2013 and 2012, respectively and would had decreased by Ps.34.6 million for the years ended December 31, 2011. These adjustments do not have effects over discontinued operations.

During the fiscal year ended December 31, 2001, under Argentine Banking GAAP, BBVA Francés and its subsidiaries swapped Federal State Securities, bonds, treasury bills and unsecured loans at face value for Federal Government secured loans. The initial value of the certificates matched that of the prior book value as of the date of the swap. According to U.S. GAAP, non-temporary impairment affects the swapped obligations and therefore requires that, in the event that such obligations have been classified as "held to maturity", a loss be recorded for the difference between the book value of the obligation swapped and its quotation at the date of the swap, as such quotation is considered the best measure for recognizing the above mentioned impairment. The effects over discontinued operations would had increased income Ps.78.0 million for the fiscal year ended December 31, 2011.

On January 28, 2009 and February 25, 2009, the board of directors of Consolidar Cía. de Seguros de Retiro S.A. exercised the exchange option to exchange certain bonds for Argentine Government notes in pesos. The debt swap was subject to the provisions of ASC 310-30 Restructured or Refinanced Loans. According to ASC 310-30, if an investor subsequently refinances or restructures the loan, other than through a troubled debt restructuring, the refinanced or restructured loan shall not be accounted for as a new loan. According to ASC 310-20, Receivables: Nonrefundable Fees and Other Costs, the Bank recognizes income for each fiscal year using the accretion interest method. Under U.S. GAAP the effects of adjustments over discontinued operations would had increased income for the fiscal year ended December 31, 2011 by Ps.21.6 million.

Pursuant to Argentine Banking GAAP, at December 31, 2003 the Bank recorded as assets the difference between the paid amounts for constitutional protection actions and the deposit amounts registered in accordance with the existing regulations. The Government has not indicated that it will compensate the Bank for the difference between the amounts paid for constitutional protection actions and the deposit amounts registered in accordance with the existing regulations. ASC 450-30, Contingencies: Gain Contingencies, requires that contingencies that might result in gains should not be reflected in the accounts since to do so might be to recognize revenue prior to its realization. Had U.S. GAAP been applied, our assets over continued operations would have decreased by Ps.31.0 million, Ps.29.8 million and Ps.23.7 million at December 31, 2013, 2012 and 2011, respectively. On the other hand net income over continued operations would have decreased by Ps.1.3 million, Ps.6.1 million and Ps.0.2 million at December 31, 2013, 2012 and 2011, respectively. These adjustments do not have effects over discontinued operations.

Under Argentine Banking GAAP the Bank accounted for its investment in the Buenos Aires Stock Exchange at market value. Under U.S. GAAP, such investments would have been valued at cost or at a lesser amount where there is a non-temporary impairment in value. Additionally, the companies that are under 20% were valued by the equity method in accordance with Central Bank rules. Under U.S. GAAP, those investments that are non-marketable securities would have been valued at cost. Had U.S. GAAP been applied, the Bank's assets over continued operations would have decreased by Ps.49.7 million, Ps.38.2 million and Ps.51.9 million at December 31, 2013, 2012 and 2011, respectively. On the other hand, the income over continued operations would have decreased by Ps.11.5 million and Ps.8.1 million at December 31, 2013 and 2011, respectively and would had increased by Ps.13.7 million at December 31, 2012. These adjustments do not have effects over discontinued operations.

Pursuant to Argentine Banking GAAP, we generally record the cost of vacation payments earned by employees when paid, U.S. GAAP requires that this expense be recorded on an accrual basis as the vacations are earned. If U.S. GAAP had been applied, our liabilities over continued operations would have increased by Ps.0.4 million, Ps.0.4 million and Ps.36.7 million for the fiscal years ended December 31, 2013, 2012 and 2011, respectively. Net income over continued operations would have decreased by Ps.0.04 million and Ps.36.4 million at December 31, 2013 and 2011, respectively and would had increased by Ps.36.3 million at December 31, 2012. These adjustments do not have effects over discontinued operations.

Pursuant to Argentine Banking GAAP, we do not give accounting recognition to checks drawn against the Bank or other banks or other items to be collected, until such time as the related item clears or is accepted. Such items are recorded by the Bank in memorandum accounts. U.S. banks, however, account for such items through balance sheet clearing accounts at the time the items are presented. Had U.S. GAAP been applied, the Bank's assets and liabilities would have increased by approximately Ps.2,475.5 million and Ps.2,415.0 million at December 31, 2013 and 2012, respectively.

Under Argentine Banking GAAP, the Bank recognizes forward and unsettled spot transactions as receivable and payable at the time of the agreement, which reflect the amount of cash, currency or securities to be exchanged at the closing date. The receivable or payable representing the receipt or delivery of securities or currency is stated at the quoted market value of such securities or currency. Under U.S. GAAP, in general entities would not recognize a receivable or payable but would recognize the differences arising from changes in the market price of securities or currency to be received or delivered if the transaction did not qualify as a hedge. Had U.S. GAAP been applied, the Bank's assets and liabilities would have decreased by approximately Ps.156.4 million and Ps.0.9 million at December 31, 2013 and 2012, respectively.

Under Argentine Banking GAAP, foreign trade acceptances are not recorded on the balance sheet by the Bank. In accordance with Regulation S-X, acceptances and related customer liabilities should be recorded on the balance sheet. The effect of the adjustment required to state balance sheets in accordance with Regulation S-X would be to increase assets (due from customers on acceptances) and increase liabilities (bank acceptances outstanding) by Ps.199.2 million and Ps.76.5 million at December 31, 2013 and 2012, respectively.

For the fiscal years ended December 31, 2010 and 2009, Consolidar Cía. de Seguros de Retiro S.A. maintain reserves accounted in Other Liabilities from Subsidiaries valued in accordance with accounting standards established by the Superintendence of Pension Fund Administrators and the National Superintendence of Insurance. Had U.S. GAAP been applied over discontinued operations income for the fiscal year ended at December 31, 2011 would had decreased by Ps.267.9 million.

On May 4, 1998, our shareholders approved the reversal of the shares issuance premium related to the capital increase paid on December 19, 1997 and relating to the business goodwill from the acquisition of 71.754% of the capital stock of Banco de Crédito Argentino. Under Argentine Banking GAAP, we recognize the issuance premium under "Issuance premiums" and capitalize the related amount under Intangible assets. The effect of adjustments required to state such amounts in accordance with U.S. GAAP would have been to increase assets over continued operations by Ps.254.9 million for the fiscal years ended December 31, 2013, 2012 and 2011. On May 13, 1999, BBVA acquired Corp Banca S.A. and Atuel Fideicomisos S.A. and on September 13, 1999, BBVA sold its interests in both companies to BBVA Francés. For the difference between the definitive price of the transaction and the incorporation value of both companies, the Bank recognized a goodwill and amortized it in proportion to the months of estimated useful life (120-month period). Under U.S. GAAP, we would be required to account for the acquisition of the mentioned companies at BBVA's book balance. Had U.S. GAAP been applied over continued operations, the Bank's assets would have increased by Ps.54.7 at December 31, 2013, 2012 and 2011. ASC 350-20, Intangibles-Goodwill and Other: Goodwill requires, effective January 1, 2002, that goodwill no longer be amortized, but now be subject to an impairment test annually or more frequently if events or changes in circumstances indicate that the asset may be impaired. Accordingly, we have recognized an impairment loss. Had U.S. GAAP been applied over continued operations our assets would have decreased by Ps.309.6 million as of December 31, 2013, 2012 and 2011. These adjustments do not have effects over discontinued operations.

ASC 815, Derivatives and Hedging, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. Had U.S. GAAP been applied, the assets and liabilities over continued operations would have increased by Ps.8.2 million and Ps.25.8 million, respectively, at December 31, 2013. At December 31, 2012 the assets and liabilities over continued operations would have increased by Ps.7.8 million and Ps.1.8 million, respectively. On the other hand, income over continued operations would have decreased by Ps.23.6 million and Ps.13.9 million for the fiscal years December 31, 2013 and 2011, respectively and would have increased by Ps.17.3 million for the fiscal years ended December 31, 2012. These adjustments do not have effects over discontinued operations.

The bank maintains reserves accounted in Allowance for other contingencies valued in accordance with the accounting standards established by BCRA (see Note 3.4.17 to our Consolidated Financial Statements). Had U.S. GAAP been applied over continued operations, income would have decreased by Ps.34.8 million at December 31, 2011. These adjustments do not have effects over discontinued operations.

The Bank acquired Consolidar AFJP S.A. and Consolidar Cía. de Seguros de Retiro S.A.'s undivided interest in a piece of real estate. Accounting rule ASC 810-10, Consolidation: Overall, established that any intercompany profit or loss on assets remaining within the Group should be eliminated. Had U.S. GAAP been applied over continued operations, the Bank's assets would have decreased by Ps.48.6 million at December 31, 2011. On the other hand income over continued operations would have increased by Ps.48.6 million at December 31, 2012 and would have decreased by Ps.10.7 million at December 31, 2011. These adjustments do not have effects over discontinued operations.

The Bank discloses its non-controlling interests in consolidated subsidiaries like a caption outside its equity. In accordance with accounting rule ASC 810-10, Consolidation: Overall, non-controlling interests in consolidated subsidiaries shall be reported in the consolidated balance sheets within equity and separately from the parent's equity. Had U.S. GAAP been applied over continued operations, the Bank's stockholders' equity would have increased by Ps.203.4 million, Ps.119.5 million and Ps.82.7 million at December 31, 2013, 2012 and 2011, respectively. In addition, income over continued operations for the fiscal years ended at December 31, 2013, 2012 and 2011 would have increased by Ps.83.9 million, Ps.36.8 million and Ps.8.1 million, respectively. Had U.S. GAAP been applied over discontinued operations, the Bank's stockholders' equity would have increased by Ps.7.1 million, Ps.7.7 million and Ps.9.4 million at December 31, 2013, 2012 and 2011, respectively. In addition, income over discontinued operations for the fiscal years ended at December 31, 2013, 2012 and 2011 would have decreased by Ps.0.6 million, Ps.1.7 million and Ps.292.7 million, respectively.

Calculated in accordance with U.S. GAAP, our net income over continued operations for the fiscal years ended December 31, 2013, 2012 and 2011 would have been Ps.2,180.2 million, Ps.1,547.1 million and Ps.937.7 million, respectively. Under Argentine Banking GAAP, our net income over continued operations was Ps.2,024.9 million, Ps.1,265.6 million and Ps.946.9 million for the same respective periods. In addition our net income over discontinued operations applying U.S. GAAP for the fiscal years ended December 31, 2013, 2012 and 2011 would have been Ps.(1.6) million, Ps.(6.0) million and Ps.(238.9) million, respectively. Under Argentine Banking GAAP, our net income over discontinued operations was Ps.(0.7) million, Ps.(2.0) million and Ps.58.7 million for the same respective periods.

Credit Ratings

As a consequence of the Argentine Crisis and the downgrade of the sovereign ceiling, the international rating agencies downgraded our ratings in 2001 and 2002. Standard & Poor's rated our counterparty credit risk rating "SD" (selective default) and our senior debt rating "CC", while Moody's Investors Service rated our financial strength credit rating "E" and our senior debt rating "Ca".

In light of the deep crisis in Argentina and in the financial system, on June 15, 2002, we asked the international rating agencies to temporarily suspend the ratings of BBVA Francés. The decision was made as a measure to reduce costs, and because we believed that our ratings would not improve in the medium term.

On August 11, 2008, the foreign and local currency long-term credit ratings on the Republic of Argentina was downgraded by Standard & Poor's from "B+" to "B", and maintained the stable outlook. The sovereign's weaker financial profile, combined with a deteriorating political environment, makes Argentina's creditworthiness more consistent with a "B" rating. Additionally, Standard & Poor's lowered its national scale rating of Argentina to "AA-" from "AA". Therefore, it rated our local counterparty credit risk "AA-" and our senior debt, with stable outlook.

On October 31, 2008, Standard & Poor's lowered again its foreign and local currency long-term credit ratings on Argentina to "B-". The downgrade reflects heightened concerns about the deteriorating economic, political environment in Argentina and the resulting increased fiscal stress. A weaker global economy could hurt the prices of agricultural commodities, the exports of which greatly support the sovereign's fiscal and external accounts. Besides, Standard & Poor's lowered its national scale rating on Argentina to "A+". Accordingly, it rated our local counterparty credit risk and senior debt "A+", with stable outlook.

During 2010, after the completion of the second defaulted debt swap with a 67% participation rate, Fitch Ratings and Standard & Poor's raised its foreign and local currency long-term credit ratings on the Republic of Argentina. The ratings are supportive by comparatively high per capita income levels, high economic growth in recent years, a relatively favorable public debt composition and eight consecutive years of current account surpluses. In line with this, Standard & Poor's improved BBVA Francés' ratings to "raAA", with stable outlook. The rating has been maintained during the year 2011.

On November 2, 2012, Standard & Poor's downgraded the ratings of 15 financial institutions that operate in Argentina after downgrading the sovereign rating of the State, which, in a global scale was modified to "B-" from "B" and in a local scale to "raA" from "raAA". As a consequence, the Bank's rating was changed to "raA" with negative outlook, being the highest rate that an Argentine bank currently has. In addition, on November 30, Fitch Ratings downgraded the rating of the Bank's shares from 1 with stable outlook to 1 with negative outlook and its senior long term debt from AA+ (arg) to AA (arg) with negative outlook.

On September 19, 2013, Standard & Poor's downgraded the Bank rating following the sovereign debt downgrade. The negotiable obligations global program (US\$750,000,000), as well as the negotiable obligations issued within the framework of this program, were downgraded to "raBB+" with negative outlook from "raA" with negative outlook.

On November 2013, Fitch Ratings sold 70% of its capital stock to a local investor group and changed its name to "Fix SCR". This new group will be responsible for the Bank's local rating. As of December 31, 2013, Fix SCR made no changes to the Bank's local ratings.

C. Research and Development, Patents and Licenses

We incur research and development expenses in connection with technology information systems. We hold no material patents and do not license to others any of our intellectual property. We plan infrastructure development (processing, telecommunications, Internet, information security) based upon present and projected future demand of such services. We acquire the necessary technology, and equipment from third parties.

D. Trend Information

During 2014, the financial system will continue to be focused on further expanding the private sector lending activity, with emphasis in the middle-market and retail segment. However, no assurance can be given that credit demand will remain strong. For a description of recent changes in our business strategy and a summary of the main consequences of the current economic scenario on our business and future prospects see *"Item 4. Information on the Company—Business Overview"*.

E. Off-Balance Sheet Arrangements

We enter into various transactions involving off-balance sheet financial instruments (see Note 21.17 to the Consolidated Financial Statements). We use these instruments to meet the risk management, trading and financing needs of clients or for our

proprietary trading and asset and liability management purposes. These instruments are subject to varying degrees of credit and market risk. We monitor credit risk and market risk associated with on- and off-balance sheet financial instruments on an aggregate basis.

We use the same credit policies in determining whether to enter or extend call and put option contracts, commitments, conditional obligations and guarantees as we do for granting loans. Our management believes that the outstanding off-balance sheet items do not represent an unusual credit risk.

Derivatives

The market risk of derivatives arises from the potential for changes in value due to fluctuations in market prices. We reduce our exposure to market risk, if necessary, by entering into offsetting transactions in accordance with the hedging global policy defined by BBVA Group for its subsidiaries. The credit risk of derivatives arises from the potential of a counterparty to default on its contractual obligations. The effect of such a default varies as the market value of derivative contracts changes. Credit exposure exists at a particular point in time when a derivative has a positive market value. We attempt to limit our credit risk by dealing with creditworthy counterparties and obtaining collateral where appropriate. Our activities related to hedging and derivatives transactions in 2013 are explained in Notes 12 and 21.17 to the Consolidated Financial Statements.

Credit Commitments

Commitments to extend credit are agreements to lend to a customer at a future date, subject to compliance with contractual terms. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent actual future cash requirements for the Bank. The Bank evaluates each customer's creditworthiness on a case-by-case basis. Foreign trade acceptances represent Bank customers' liabilities on outstanding drafts or bills of exchange that have been accepted by the Bank and the Bank's liability to remit payment upon the presentation of the accepted drafts or bills of exchange. The credit risk involved in foreign trade acceptances and guarantees granted is essentially the same as that involved in extending loan facilities to customers.

Financial Trusts

We act as trustee in several financial trusts established for various purposes. We are in no case personally liable for the liabilities assumed in the performance of the trust obligations. Any liabilities resulting from the trust are satisfied with and up to the full amount of the trust assets or their proceeds. See Note 10.1. to the Consolidated Financial Statements.

Non-Financial Trusts

In addition, we act as trustee in 17 non-financial trusts. We are in no case personally liable for the liabilities assumed in the performance of the contract obligations. Any liabilities are satisfied with and up to the full amount of the trust assets and their proceeds. The non-financial trusts at issue were set up to secure the receivables of several creditors (beneficiaries) and the trustee was entrusted with the management, care, preservation and custody of the trust assets. The trust assets represent about Ps.99.4 million and consist mainly of cash, creditors' rights, real estate and shares. See Note 10.2. to the Consolidated Financial Statements.

F. Tabular Disclosure of Contractual Obligations

The following table represents our contractual obligations and commercial commitments as of December 31, 2013:

	Payments due by Period (in thousands of pesos)				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Contractual obligations					
Long-term debt	4,943,260	4,081,854	860,821	585	—
Operating leases	128,014	59,221	52,708	11,751	4,334
Total	5,071,274	4,141,075	913,529	12,336	4,334
Commercial commitments					
Lines of credit	453,478	453,478	—	—	—
Foreign trade acceptances	199,231	199,231	—	—	—
Guarantees	446,358	204,899	156,667	44,188	40,604
Standby repurchase obligations	180,532	180,532	—	—	—
Total	1,279,599	1,038,140	156,667	44,188	40,604

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Directors

The corporate by-laws of BBVA Francés state that the Bank’s management is led by a board of directors consisting of a minimum of three and a maximum of nine directors, who are elected by the shareholders to hold such office for a period of three years and may be re-elected (the “Board”). The by-laws also provide the appointment of alternate directors. According to the by-laws, the Board meets at least once per month.

The table below indicates the names of the members of our Board, their present position in the company, their business background and the date of expiration of the period for which they were elected.

Name	Current Term Ends	Position as of December 31, 2013	Date of Birth	Present principal occupations outside BBVA Francés and business experience
Jorge Carlos Bledel	December 2014	Chairman	04/19/1954	<p><u>Present principal occupations:</u> Director, Rombo Compañía Financiera S.A. (“Rombo Compañía Financiera”);</p> <p><u>Business experience:</u> Vice Chairman, BBVA Francés Valores S.A. (formerly known as BBVA Francés Valores Sociedad de Bolsa S.A. “Francés Valores”); Director, Credilogros Compañía Financiera S.A. (“Credilogros”); Credit Manager, Banco del Interior y Buenos Aires; Business Manager, Corporación Metropolitana de Finanzas; Financial Manager, BBVA Francés; Wholesale Banking Director, BBVA Banco Francés and Retail Banking Director, BBVA Francés.</p> <p>Mr. Bledel joined the staff of BBVA Francés in 1986 and was first elected to the Board in March 2003.</p>
José Manuel Tamayo Pérez	December 2013	Vice Chairman	05/22/1950	<p><u>Present principal occupation:</u> Director, BBVA Francés.</p> <p><u>Business experience:</u> Retail Banking Director, BBVA Francés; Marketing Director España and Portugal, BBVA S.A.</p> <p>Mr. Tamayo Pérez was elected Director in April 2007.</p>
Marcelo Gustavo Canestri	December 2013	Director	04/23/1953	<p><u>Present principal occupations:</u> Director, Francés Valores; Director, PSA Finance; Alternate Director, Rombo Compañía Financiera.</p> <p><u>Business experience:</u> Corporate Assistant Manager, BBVA Francés; Wholesale Banking Assistant Manager, BBVA Francés; Asset Management Director, BBVA Francés and Financial Director, BBVA Francés; Director.</p> <p>Mr. Canestri joined the Bank in 1973 and was first elected to the Board in September 2001.</p>

Name	Current Term Ends	Position as of December 31, 2013	Date of Birth	Present principal occupations outside BBVA Francés and business experience
Mario Luis Vicens	December 2014	Director	07/14/1951	<p><u>Present principal occupation:</u> Director, BBVA Banco Francés S.A.</p> <p><u>Business experience:</u> Executive President CEO, Asociación de Bancos de la Argentina (ABA); Director, Seguros de Depósitos S.A (SEDESA); Director, Federación Latinoamericana de Bancos Felaban; Director, Banco Sudameris; Director, Argentine Central Bank; Assistant Manager of the Planning and Financial Area and Assistant General Manager, Banco Crédito Argentino S.A; Chief Economist; Argentine Central Bank.</p> <p>Mr. Vicens was elected Director in 2012.</p>
Oscar Miguel Castro	December 2014	Director	12/04/1945	<p><u>Present principal occupations:</u> Independent Director, BBVA Francés, Zurich Argentina Cia. de Seguros S.A., Zurich Argentina Cia. de Seguros de Retiro S.A. and Zurich Argentina Cia. de Reaseguros S.A.</p> <p>Independent Consultant.</p> <p><u>Business experience:</u> Executive member of the Committee of Financial Services member, Arthur Andersen Worldwide; Partner in charge of Financial Services Division, Arthur Andersen Latin America and Argentina; International Partner, Arthur Andersen.</p> <p>Mr. Castro was elected Director in 2003.</p>
Luis Bernardo Daniel Juango Fitero	December 2013	Director	08/24/1949	<p><u>Present principal occupation:</u> Director, BBVA Francés S.A.</p> <p><u>Business experience:</u> President, BBVA Colombia S.A.; Regional Director, BBVA S.A.</p> <p>Mr. Juango Fitero was elected in 2008.</p>

At the present date, all the members of the Board qualify as independent directors according to the independence criteria set forth by General Resolution Nr. 622 of the CNV.

The Ordinary and Extraordinary Shareholders Meeting dated April 10, 2014 re-elected (i) Mr. José Manuel Tamayo Pérez, Mr. Marcelo Gustavo Canestri and Mr. Luis Bernardo Juango Fitero, as director, for a three year period.

Executive Officers

The table below shows the names of the members of the management committee who have been our executive officers during 2013, and the year of their appointment to such position, as well as their business background. The chief executives are appointed for an indefinite period.

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Name	First Appointed	Current Position	Date of Birth	Background and Work Experience
Ricardo Enrique Moreno	2009	Executive Director	07/15/1963	Consultant, specialized in financial branch and capital markets, Andersen Consulting; Systems Manager, Banco de Crédito; Director of Media, CEO of Unofirst Latin America, COO Global, BBVA; Director of Transformation and Productivity BBVA. Mr. Moreno joined the Bank in 1994.
Ignacio Sanz y Arcelus	2012	Director, Planning and Financial Area	01/13/1966	Financial Technology and Operations Director, BBVA; Asset and Liability for Latin America Director, BBVA; Management Control and Investment Banking (Treasury, Capital Markets, Brokerage, Corporate, Structured Finance) Director, BBVA; Corporate Director, BBVA; Treasury, Capital Markets and International Network, Director, BEX Argentaria BBVA; Market Risk Audit, Director, BEX Argentaria BBVA; Audit Director Central Services, BEX; Planning Director, Intervention and Control SERFINBEX; Director, BEX Argentaria BBVA; Team Leader, Arthur Andersen Auditors S.A. Mr. Sanz y Arcelus joined the Bank in 2012.
Juan Alberto Estrada	2008	Director, Corporate and Investment Banking	07/12/1972	Asset Management Area; Head of the Trading Area. Mr. Estrada joined the Bank in 1992.
Martín Ezequiel Zarich	2010	Director, Innovation and Development	04/09/1964	<u>Other positions currently held:</u> Director, Francés Valores, Alternate Director BBVA Francés <u>Work Experience:</u> Director BBVA Seguros; Economist, Banco de Crédito Argentino; Management Control and Budget Manager, Banco de Crédito Argentino; Planning Director, Banco de Crédito Argentino; Merger Director, BBVA Banco Francés; Planning Director, BBVA Francés; Financial Director, BBVA Francés; Retail Banking Director, BBVA Francés; Director, Credilogros; Director, BBVA Banco Francés Uruguay; Director, BBVA Banco Francés Cayman Ltd.; Deputy General Director, Business Development BBVA Group. Mr. Zarich joined the Bank in 1987.
Gabriel Milstein	2002	Director, Human Resources, Procurement, Real Estate, General Services and Safety	08/14/1958	Organization Manager, BBVA Francés. Mr. Milstein joined the Bank in 1995.
Jorge Gustavo Allen	2007	Director, Companies Banking	12/07/1956	Goods and Services Manager, Banco Francés del Río de la Plata; Logistics Director, BBVA Francés; President, BBVA Seguros; Territorial Director, BBVA Francés. Mr. Allen joined the Bank in 1994.

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Name	First Appointed	Current Position	Date of Birth	Background and Work Experience
Jorge Delfín Luna	2010	Director, Retail Banking	11/17/1958	Regional Manager, Sucursal Citibank, Citicorp; Regional Manager of Local Branches, Banco de Crédito Argentino; General Manager, Easy-Bank (BBVA Francés); General Manager and Vicepresident, BBVA Banco Uruguay; Companies Banking Manager, BBVA Francés. Mr. Luna joined the Bank in 1996.
Gustavo Osvaldo Fernández	2010	Director, Technology and Operations	01/22/1964	Coordinator, Systems and Organizations, Banca Nazionale del Lavoro; Systems Coordinator, Banco Galicia; Manager of Organization and Systems Development, Banco de Crédito Argentino; Design and Development Manager, Banco Francés; Media Director, Banco Francés; Director of Design and Development América, BBVA; Business Partner America, BBVA. Mr. Fernandez joined the Bank in 1995.
Adriana Fernández de Melero	2010	Director, Corporate Development and Transformation	04/02/1961	Credits Recovery Analyst, Banco Español; Financial Analyst, Banco Español; Financial Profitability and Planning Analyst, Banco Español; Planning and Management Control Analyst, Banco de Crédito Argentino; Head of Budget, Planning and Management Control, Banco de Crédito Argentino; Leader of Reengineering Project, Banco de Crédito Argentino; Human Resources Development and Planning Manager, Banco de Crédito Argentino; Manager of Human Resources Management, BBVA Banco Francés; Manager of Structures and Projects, BBVA Francés; Organization Manager, BBVA Francés; Commercial Development and Channels Manager, BBVA Francés. Mrs. Fernandez de Melero joined the Bank in 1987.
Juan Eugenio Rogero González	2010	Director, Risks	06/20/1956	Mr. Rogero González joined BBVA in 1973. His background includes: Branch Director Corporate Banking, Bilbao BBVA; Risks and Corporate Director, BBVA Puerto Rico; Insurances Development Director, BBVA America and Global Director of Corporate Risks Control, BBVA; Risks Director, BBVA Francés; Corporate Policies and Wholesale Portfolios Director, BBVA. Mr. Rogero González first joined the Bank in 2005.

The service contracts of the directors and the executive officers do not provide for benefits upon termination of employment, except as described in “*Directors, Senior Management and Employees—B. Compensation*”.

Supervisory Committee

At the General Ordinary and Extraordinary Shareholders Meeting of BBVA Francés held on April 9, 2013, the following members of the Supervisory Committee were appointed:

		Expiration of term
Regular	Mario Rafael Biscardi	December 31, 2013
	Marcelino Agustín Cornejo	December 31, 2013
	Alejandro Mosquera	December 31, 2013
Alternate	Julieta Paula Pariso	December 31, 2013
	Agustín Isola	December 31, 2013
	Daniel Oscar Celentano	December 31, 2013

As of December 31, 2013, both the regular and alternate members of the Bank's Supervisory Committee, in their capacity as lawyers, have represented to the Bank that: (a) they perform or are prepared to perform the function of legal advisors with the professional independence required by Technical Resolution Nr. 15 of the Argentine Federation of Professional Councils in Economic Sciences; (b) they are members of Biscardi & Asociados S.R.L. and qualify as "independent" according to General Resolution Nr. 622 (New Text 2013), and (c) they have filed all the information required by the mentioned dispositions of the CNV, regarding their professional relations with the Bank.

At the General Ordinary and Extraordinary Shareholders Meeting of BBVA Francés held on April 10, 2014 the above mentioned members of the Supervisory Committee were appointed for a new period, which expires on December 31, 2014.

Background information

- Mario Rafael Biscardi: Lawyer, member of Biscardi & Asociados S.R.L., member of the Supervisory Committee of BBVA Banco Francés S.A., Consultatio Asset Management Gerente De Fondos Comunes De Inversión S.A.; PSA Finance Compañía Financiera S.A.; Rombo Compañía Financiera S.A.; Sociedad Comercial Del Plata S.A.; BBVA Consolidar Seguros S.A.; Bridgestone Argentina S.A.I.C.; Centro Automotores S.A.; Centro del Norte S.A.; Compañía General De Combustibles S.A.; Consolidar AFJP S.A. (undergoing liquidation proceedings); Cormasa S.A.; Courtage S.A.; Duke Energy Cerros Colorados S.A.; Duke Energy Generating S.A.; Duke Energy International Southern Cone S.R.L.; BBVA Francés Valores S.A.; Industrial Valores S.A.; Laboratorios Essex S.A.; Metalúrgica Tandil S.A.; Plan Rombo S.A. De Ahorro Para Fines Determinados; Renault Argentina S.A.; Rombo Ahorro S.A. De Ahorro Para Fines Determinados; MSD Argentina SRL (antes Schering Plough S.A.); Tavex Argentina S.A.; V.T.V. Norte S.A., Banco de Servicios Financieros S.A.; Contigo Microfinanzas S.A.; Valentín Bianchi S.A.C.I.F.; Banco Finansur S.A.; Industrial Asset Management Sociedad Gerente de Fondos Comunes de Inversión S.A, Consultatio Investments S.A.. He serves as an alternate member of the supervisory committee in: Compañía de Alimentos Fargo S.A., Procter & Gamble Argentina S.R.L.; Fresh Food S.A., Panificación Argentina S.A.I. y C.; Petrouuguay S.A.; Capital Foods S.A. y Establecimiento Elaborador de Alimentos SACAAAN de Argentina S.A. He serves as regular manager in: Roha Argentina S.R.L. and Praj Sur América S.R.L. He serves as regular Director in: GMS Management Solutions S.A., SDMO Argentina S.A. and Tubos Argentinos S.A., Waterous International (Latin America) S.A. He serves as alternate Director in: Carl Zeiss Argentina S.A., Bimar de Argentina S.A. and as regular liquidator of Plas Alco Argentina S.A. (undergoing liquidation proceedings)
- Alejandro Mosquera: Lawyer, member of Biscardi & Asociados S.R.L., member of the Supervisory Committee of BBVA Banco Francés S.A., Consultatio Asset Management Gerente De Fondos Comunes De Inversión S.A.; PSA Finance Argentina Compañía Financiera S.A.; Rombo Compañía Financiera S.A.; BBVA Consolidar Seguros S.A.; Centro Automotores S.A.; Centro del Norte S.A.; Compañía General De Combustibles S.A.; Consolidar AFJP S.A. (undergoing liquidation proceedings); Cormasa S.A.; Compañía de Alimentos Fargo S.A. Courtage S.A.; Duke Energy Cerros Colorados S.A.; Duke Energy Generating S.A.; Duke Energy International Southern Cone S.R.L.; BBVA Francés Valores S.A.; Fresh Food S.A.; Industrial Valores S.A.; Metalúrgica Tandil S.A.; Plan Rombo S.A. De Ahorro Para Fines Determinados; Procter & Gamble Argentina S.R.L.; Renault Argentina S.A.; Rombo Ahorro S.A. De Ahorro Para Fines Determinados; Tavex Argentina S.A.; Panificación Argentina S.A.I. y C.; Capital Foods S.A.; Banco de Servicios Financieros S.A.; Banco Finansur S.A.; Establecimiento Elaborador de Alimentos SACAAAN de Argentina S.A. e Industrial Asset Management Sociedad Gerente de Fondos Comunes de Inversión S.A. He serves as an alternate member of the supervisory committee in: Sociedad Comercial del Plata S.A.; Laboratorios Essex S.A.; MSD Argentina S.A. (antes Schering Plough S.A.); Petrouuguay S.A., Contigo Microfinanzas S.A. and Consultatio Investments S.A. He serves as alternate manager in: Roha Argentina S.R.L. and Praj Sur América S.R.L. He serves as regular Director in: Eagle Ottawa Fonseca S.A., VTV Norte S.A. and Bimar de Argentina S.A. He serves as alternate director in: GDC Argentina S.A., GMS Management Solutions S.A., Waterous International (Latin America) S.A., Tramp Oil & Marine Argentina S.A. and World Fuel Services Argentina S.A. He serves as alternate liquidator of Plas Alco Argentina S.A. (undergoing liquidation proceedings)
- Marcelino Agustín Cornejo: Lawyer, member of Biscardi & Asociados S.R.L., member of the Supervisory Committee of BBVA Banco Francés S.A., Rombo Compañía Financiera S.A.; BBVA Consolidar Seguros S.A.; Bimbo de Argentina S.A.; Centro Automotores S.A.; Centro del Norte S.A.; Consolidar AFJP S.A. (undergoing liquidation proceedings); Cormasa S.A.; Courtage S.A.; Duke Energy Generating S.A.; Duke Energy International Southern Cone S.R.L.; BBVA Francés Valores S.A.; Industrial Valores S.A.; Metalúrgica Tandil S.A.; Plan Rombo S.A. De Ahorro Para Fines Determinados; Renault Argentina S.A.; Rombo Ahorro S.A. De Ahorro Para Fines Determinados; Tavex Argentina S.A.; Tubos Argentinos S.A.; V.T.V. Norte S.A.; Banco Finansur S.A.; Alimentos Valente Argentina AVA – S.A. He serves as an alternate member of the supervisory committee in: Consultatio Asset Management Gerente De Fondos Comunes De Inversión S.A.; Compañía General de Combustibles S.A.; Duke Energy Cerros Colorados S.A.; Petrouuguay S.A.; Banco de Servicios Financieros S.A., Industrial Asset Management Sociedad Gerente de Fondos Comunes de Inversión S.A. and PSA Finance Argentina Compañía Financiera S.A.

- Julieta Paula Pariso: Lawyer, member of Biscardi & Asociados S.R.L., alternate member of the Supervisory Committee of BBVA Banco Francés S.A., Consultatio Asset Management Gerente De Fondos Comunes De Inversión S.A.; Rombo Compañía Financiera S.A.; PSA Finance Argentina Compañía Financiera S.A.; BBVA Consolidar Seguros S.A.; Centro Automotores S.A.; Centro del Norte S.A.; Compañía General De Combustibles S.A.; Consolidar AFJP S.A. (undergoing liquidation proceedings); Cormasa S.A.; Courtage S.A.; Duke Energy Cerros Colorados S.A.; Duke Energy Generating S.A.; Duke Energy International Southern Cone S.R.L.; BBVA Francés Valores S.A.; Industrial Valores S.A.; Metalúrgica Tandil S.A.; Plan Rombo S.A. De Ahorro Para Fines Determinados; Renault Argentina S.A.; Rombo Ahorro S.A. De Ahorro Para Fines Determinados; Tavex Argentina S.A.; V.T.V. Norte S.A.; Banco de Servicios Financieros S.A.; Banco Finansur S.A. and Industrial Asset Management Sociedad Gerente de Fondos Comunes de Inversión S.A.
- Agustín Isola: Lawyer, member of Biscardi & Asociados S.R.L., alternate member of the Supervisory Committee of BBVA Banco Francés S.A., Rombo Compañía Financiera S.A.; BBVA Consolidar Seguros S.A.; Bimbo de Argentina S.A.; Courtage S.A.; Centro Automotores S.A.; Centro del Norte S.A.; Consolidar AFJP S.A. (undergoing liquidation proceedings); Cormasa S.A.; Duke Energy Generating S.A.; Duke Energy International Southern Cone S.R.L.; BBVA Francés Valores S.A.; Industrial Valores S.A.; Metalúrgica Tandil S.A.; Plan Rombo S.A. De Ahorro Para Fines Determinados; Renault Argentina S.A.; Tavex Argentina S.A.; Tubos Argentinos S.A.; V.T.V. Norte S.A.; Banco de Servicios Financieros S.A., Alimentos Valente Argentina S.R.L. and Banco Finansur S.A.
- Daniel Oscar Celentano: Lawyer, member of Biscardi & Asociados S.R.L., alternate member of the Supervisory Committee of BBVA Banco Francés S.A., Rombo Compañía Financiera S.A.; BBVA Francés Valores S.A.; Industrial Valores S.A.; Consolidar AFJP S.A. (undergoing liquidation proceedings); BBVA Consolidar Seguros S.A.; Metalúrgica Tandil S.A.; Courtage S.A.; Centro del Norte S.A.; Centro Automotores S.A.; Renault Argentina S.A.; Cormasa S.A.; Plan Rombo S.A. de Ahorro para Fines Determinados; Tavex Argentina S.A. y Banco Finansur S.A.

There are no agreements between the Bank and its directors, members of the Supervisory Committee or main executives, as a consequence of which the directors, members of the Supervisory Committee or main executives might have interests in opposition to those of the Bank, according to the provisions of Article 272 of the Business Companies Law (“LC”).

Advisors

All legal advice is provided to the Bank by its own Legal Services Department.

The Bank has no financial advisors.

External Auditors

Since October 1, 2002, Deloitte & Co. S.R.L. (currently, Deloitte & Co. S.A.) acts as the Bank’s external auditor. The last appointment was approved by the Ordinary and Extraordinary Shareholders Meetings held on April 10, 2014.

According to the provisions of General Resolution Nr. 368 of the CNV (New Text 2001): the auditor of the financial statements for the fiscal year closing on December 31, 2013 was Roxana Mabel Fiasche, National Public Accountant (Buenos Aires University) who is registered with the Professional Council of Economic Sciences of the City of Buenos Aires, Volume 274, Page 40, and the appointed Alternate Auditor was Alberto Adolfo Allemand, who is registered with the Professional Council of Economic Sciences of the City of Buenos Aires, Volume 103, Page 223. The Shareholders Meeting held on April 10, 2014 appointed Marcelo Alberto Bastante who is registered with the Professional Council of Economic Sciences of the City of Buenos Aires, Volume 235, Page 46 for the fiscal year closing on December 31, 2014, and re-elected Mr. Allemand as alternate auditor for the same period.

The firm Deloitte & Co. S.A. has its domicile at Florida 234, 5th floor (C1005AAF), City of Buenos Aires, Argentina and is registered with the Professional Council in Economic Sciences of the City of Buenos Aires, under Volume 1, Page 3.

Audit Committee (I)

BBVA Francés established the Audit Committee (I) as described in the minutes of the Board of Directors Nr. 4989 to comply with the provisions set out by the Central Bank in its Communication “A” 2525, as supplemented, dated April 1997.

As of this date, the Audit Committee (I) is comprised of:

- a) Oscar Miguel Castro
- b) Mario Luis Vicens
- c) Esther Dafaue

Permanent Assistants to the Committee: Jorge Luna; Jorge Allen; Ignacio Sanz y Arcelus; Adrián Bressani .

The Audit Committee (I) meets once a month. In each of these meetings, the Internal Audit Director presents the projects undertaken by the Internal Audit Department. The minutes of the meeting are then drawn up detailing the issues discussed as well as those items requiring further discussion. The minutes are transcribed into an internal control book which is sent to the Board of directors for their information.

The Audit Committee (I)'s duties are to:

- supervise the appropriate implementation of the internal control systems defined in the Bank through a regular evaluation;
- provide assistance to improve the effectiveness of the internal controls;
- inquire about external audit planning and comment as necessary on the nature, scope and time for the performance of the audit proceedings;
- revise and approve the annual work program of the Bank's internal audit area ("Internal Audit Planning Memorandum" or "Annual Planning") to be carried out under said Annual Planning, as well as the level of compliance with such program;
- revise the reports issued by the internal auditors pursuant to the provisions set forth in these rules;
- consider the observations made by the external and the internal auditors regarding the internal control weaknesses found during the performance of their duties, as well as the corrective measures implemented by the general management to minimize or cure such weaknesses;
- review the results obtained by the Supervisory Committee of the Bank during the performance of its duties, as informed in the applicable reports;
- maintain a permanent communication with the officers of the Superintendency of Financial and Exchange Institutions in charge of the control of the Bank, so as to learn about their concerns, and the problems identified during the inspections conducted in the Bank, and control the actions adopted to solve such problems;
- keep informed of the annual financial statements and the financial statements for the respective three-month periods as well as the external auditors' report issued with respect to the former, and any other applicable accounting information; and
- regularly control compliance with the independence rules applicable to external auditors.

Audit Committee (II) (as per Law Nr.26,831 which complies with NYSE Listing Standards)

BBVA Francés has an Audit Committee (II) with the following current composition, according to Board's resolution dated May 18, 2010:

Members: José Manuel Tamayo Pérez
Oscar Miguel Castro
Marcelo Gustavo Canestri

According to Section 303A.07(b) of the NYSE Listed Company Manual, all of the members of this Audit Committee must be "independent". Moreover, according to Decree Law Nr. 26,831 the Audit Committee (II) must consist of at least three members of the Board, the majority of whom should be independent directors. All the members of the Audit Committee (II) qualify as an independent director according to the independence criteria set forth by General Resolution Nr. 622 of the CNV, The powers and duties of the Audit Committee (II) are as follows:

- to render an opinion on the Board's proposal to appoint the external auditors to be retained by the company, and ensure their independence.
- to supervise the operation of internal control and administrative accounting systems, as well as ensure the reliability of the latter and of all financial information or other significant facts submitted to the CNV and the self-regulated bodies in compliance with the applicable information regulations.

- to supervise the application of policies regarding the information about the company's risk management.
- to furnish the market with comprehensive information in respect of operations which may involve conflicts of interest with members of the corporate bodies or controlling shareholders.
- to render an opinion on the reasonableness of proposals concerning fees and share option plans for the company's directors and managers as submitted by the administration body.
- to render an opinion on the observance of legal requirements and the reasonableness of the conditions for the issuance of shares or securities convertible into shares in the event of a capital increase, with exclusion or limitation of preference rights.
- to verify the observance of the applicable standards of behavior.
- to issue a duly grounded opinion with regard to operations with related parties in those cases contemplated by Law Nr. 26,831.
- to issue a duly grounded opinion and forward it to the self-regulated entities as determined by the CNV whenever there is a conflict of interests or the possibility of such a conflict in the company.
- to prepare annually an action plan to be submitted to the Board and the Supervisory Committee.
- to examine the plans prepared by the external and internal auditors, evaluate their performance and issue an opinion on the matter on occasions of the presentation and publication of the annual financial statements.

All directors, members of the Supervisory Committee, managers and external auditors must, at the request of the Audit Committee, attend its sessions and cooperate with it, facilitating its access to such information as may be available to them. In order to ensure a more appropriate exercise of the powers and duties contemplated herein, the committee may request the advice of lawyers and other independent professionals and retain their services for the account of the company within the budget allocated for such purposes by the shareholders meeting. The Audit Committee shall have access to such information and documentation as it may deem necessary in order to comply with its obligations.

Nomination and Compensations Committee

Members: José Manuel Tamayo Pérez
Oscar Miguel Castro
Marcelo Gustavo Canestri

The Nominations and Compensation Committee was created on December 17, 2008. Its main purpose is to provide information and advice regarding the nomination and compensations of Directors and Executive Officers. Its main functions are to:

- establish the requirements for their appointments;
- approve their training programs;
- approve policies and criteria for the evaluation of their performances;
- annually inform the Board of Directors of the criteria enforced to determine their compensation; and
- state the policies for their promotion, layoff, suspension and retirement.

B. Compensation

The Bank has a Nominations and Compensation Committee which was created on March 30, 2009. Its members must be Directors with no executive functions, and the majority of its members must be “independent”. Its main functions are to provide assistance to the Board of directors in all issues regarding compensation policies and other benefits. Moreover, it is also in charge of stating the terms and conditions for the selection and hiring of the key principal executives of the company. As of December 31, 2013 it consisted of: (i) Oscar Miguel Castro; (ii) Marcelo Gustavo Canestri; (iii) José Manuel Tamayo Pérez; (iv) Gabriel Milstein and (v) Adrián Bressani.

The aggregate amount of compensation paid by the Bank and its subsidiaries during the fiscal year ended December 31, 2013, to all directors and officers for services in all capacities, including salaries and bonuses, was Ps.58.3 million. This amount also includes compensation accrued during 2012 and paid in 2013. Compensation in the amount of Ps.20.9 million accrued during 2013 and was fully paid in 2014. We hereby confirm that disclosure of the Directors individual compensations is not required under the Argentine law. Moreover, Argentine legislation requires approval of a total amount of Director’s compensation in the Annual Ordinary Shareholders’ Meeting.

During the fiscal year ended December 31, 2013, the Bank was required to set aside Ps.2.3 million to provide defined contribution pension plans (see Note 21.14 to our Consolidated Financial Statements).

Special Committees

The Bank has the following special committees (i) Management, (ii) Computer Technology (iii) Disclosure; (iv) Asset Laundering and Terrorism Financing Prevention Committee; (iv) Internal Control Evaluation Committee, among others.

▪ Management Committee

As of December 31, 2013 the Management Committee consisted of: (i) Ricardo Enrique Moreno, (ii) Martín Ezequiel Zarich, (iii) Jorge Luna, (iv) Gabriel Milstein, (v) Gustavo Fernández, (vi) Ignacio Sanz y Arcelus (vii) Juan Eugenio Rogero González, (viii) Jorge Allen, (ix) Adriana Meleró and (x) Juan Alberto Estrada.

The obligations of the Management Committee are to: (i) fix the business and investment strategies, the general risks policies, the human resources policies and cooperate with the General Manager; (ii) delegate powers to other officers; (iii) analyze and approve the general annual budget; (iv) monitor its evolution and determine corrective measures according to internal and market variables and (v) create business synergies with other companies of the group.

The Management Committee meets monthly.

▪ Computer Technology Committee

The Computer Technology Committee is responsible for the institutional treatment of the policies, goals and planning of the information systems area, and currently and as of December 31, 2013, consists of: (i) Gustavo Fernández, (ii) Rubén Stempellato, (iii) Marcelo Gustavo Canestri, (iv) Daniel Neme, (v) Guillermo de la Plaza and (vi) Gustavo Siciliano.

The Computer Technology Committee meets quarterly.

▪ Disclosure Committee

As of December 31, 2013, the Disclosure Committee consists of: (i) the Financial Planning Director Ignacio Sanz y Arcelus; (ii) Independent Director, Oscar Miguel Castro; (iii) the Legal Services Director, Adrián Bressani; (iv) the Audit Director, Esther Dafaue; (v) the Accounting Manager, Mónica Etcheverry; (vi) the Planning and Efficiency Manager, Jaquelina Kuschich; and (vii) the Secretary for Investors Relations, Vanesa Bories;

The general functions of the Disclosure Committee are to make sure that all information supplied to the Bank’s shareholders, the markets where its shares are listed and the regulatory bodies of such markets is true and complete, adequately represents its financial situation and the results of its operations and is communicated in compliance with the terms and other requirements of the applicable regulations and with general market operation and good corporate governance principles. It must therefore ensure the existence and maintenance by the Bank of procedures and controls regarding the preparation and content of all information included in the financial

statements as well as of any accounting or financial information which must be registered with the CNV and other regulatory bodies and agents of the stock exchanges where the shares of BBVA Francés are listed.

The Disclosure Committee meets quarterly.

▪ Asset Laundering and Terrorism Financing Prevention Committee

As of December 31, 2013, the Asset Laundering and Terrorism Financing Prevention Committee consisted of: Two Directors, Mario Luis Vicens, who is Compliance Officer on Money Laundering Prevention before the Anti-Money Laundering Organism (“*Unidad de Información Financiera*”), and Marcelo Gustavo Canestri, the Director in charge of the Regulatory Compliance Area, Walter Vallini; Manager in Regulatory Compliance, Christian Mozetic; and the Official in charge of Money Laundering Prevention Area, Adriana Scorza.

In order to comply with its control and prevention purposes, the Terrorism Assets and Money Laundering Prevention Committee assumes the following responsibilities:

- to deal with all matters related to the prevention of terrorism assets laundering and financing.
- to define operational policies and continuously monitor their degree of advancement.
- to assign duties to the different areas involved.

Each member assumes the following functions:

- to render his or her area of activity more sensitive as to the importance of preventing terrorism assets laundering and financing.
- to detect any relevant situation which may occur in his or her area in this connection.
- to analyze any new product or service and evaluate potential asset laundering risks.
- to assume the necessary commitments in his or her area in order to implement prevention systems in coordination with the officer responsible for Asset Laundering Prevention.

The Terrorism Asset Laundering and Financing Committee meets every three months, or extraordinarily whenever the coordinator should deem it convenient due to the existence of relevant matters to be discussed.

Not fewer than five business days in advance of the meeting shall the Regulatory Compliance Director discuss with the secretary the subjects to be treated at the quarterly meeting, and the Secretary will submit the agenda to the members of the Committee

▪ Internal Control Evaluation Committee

As of December 31, 2013 the Internal Control Evaluation Committee consists of: the Regulations Compliance Manager (who acts as coordinator), the Internal Control Supervisor (who acts as vice-coordinator and secretary), the Chief of Internal Control and New Products, the Human Resources Director, the Internal Audit Director, the Accounting Manager, the Legal Services Director and the Financial Information Internal Control Manager.

The Internal Control Evaluation Committee is the last step in the “Pyramidal Certification” process established in compliance with section 404 of the SOX Act.

In order to fulfill its goals, the Committee assumes the following responsibilities:

- to discuss the issues related to the internal control model.
- to evaluate control weaknesses evidenced in the work performed in compliance with section 404 of the SOX Act and the group’s internal control model.
- to decide on possible discrepancies occurred in the internal certification procedures.

- to analyze, if applicable, the internal control report proposal in compliance with the requirements of section 404 of the SOX Act and the group's internal control model.
- to approve the internal control report that will support the internal control certification to be included in the 20-F documentation to be filed with the SEC.

The Internal Control Evaluation Committee meets once per year, or at the request of the Committee's coordinator or vice-coordinator, or when the person responsible for their coordination deems appropriate due to the existence of some relevant issue.

▪ Corporate Integrity Committee.

As of December 31, 2013, the Corporate Integrity Committee consists of: the Planning and Financial Areas Director, the Corporate Development and Transformation Director, the Legal Services Director, the Audit Director, the CIS and Security and Human Resources Director, the Corporate & Investment Banking Director, the Retail Banking Director, the Technology and Operations Director, and the Compliance Manager.

The main functions of this committee are:

- to authorize specific exemptions regarding the compliance of the rules set forth in the Code of Conduct.
- to implement the necessary measures to deal with any ethically questionable matter known by any of its members as a result of their activity or as a consequence of the reception of communications referred to in Section 6.28 of the Code of Conduct.
- regarding those circumstances which may give rise to significant risks for the BBVA Group in Argentina, the Corporate Integrity Committee shall promptly inform the Board of directors, the Audit Committee, the Planning and Financial Direction, in order to ensure that such financial statements accurately reflect appropriate results.

▪ Risks Management Committee.

The Risks Management Committee is the highest committee for the management of risks in BBVA Francés and as December 31, 2013, its member are the Executive President CEO, the Risks Director, Validation and Internal Control Manager, Retail Risk Manager, Risks Company and Wholesale Manager, Risk Financial and Reporting Manager, Recuperation Manager and the Person in charge of the issue being addresses in the meeting.

Its main function is making decisions regarding risks in Argentina, for financial groups or clients regarding amounts beyond the credit powers granted to Risks Units. It also approves policies and recovery and monitoring actions, refinancing operations, etc.

▪ Human Resources Committee

As of December 31, 2013, the Human Resources Committee consists of: the Executive President or CEO, and Human Resources Director, Security and CIS,.

The main functions of this committee are:

- to define the organization chart.
- to approve promotions at management level.
- to establish the guidelines for the Human Resources Policies
- to establish salaries and incentives criteria.
- to validate skills assessments and positions.
- to evaluate staff benefits.
- to set career and training plans.

▪ Corporate Assurance Committee

As of December 31, 2013, the Corporate Assurance Committee consists of the Executive Director as Chairman, Members of the Management Committee as Permanent Participants and the Secretary of the Committee, which is the Audit Director.

The main functions of this committee are:

- Promote and ensure the effectiveness of the control model and the necessary culture of transparency and self-criticism.
- Ensure the implementation and maintenance of the Corporate Assurance model within the BBVA Group entities.
- Prioritize control weaknesses identified by the expert areas and the Internal Audit Bureau regarding adequacy, appropriateness and timeliness of the proposed remedial actions.
- Ensure that experts activities are carried out with self-criticism and transparently.
- Understand, evaluate, and assign responsibilities for managing risks that are submitted for consideration.
- Give timely follow up on agreed action plans to mitigate risks.
- Communicate to specialists and Business Units all decisions.
- Promote awareness of the Operational Risk Model , as well as the dissemination of Corporate Policies governing the matter.
- Solve and take decisions regarding the operational risk, required by its materiality or importance.
- Ensure the implementation of the Operational Risk Model and facilitate proper management for operational risks related to the BBVA Francés business.
- Supervise the proper implementation of tools and model methodology.
- Deal with any matter that enhances the quality and reliability of BBVA Francés internal controls and its affiliated companies.

Meetings of the Corporate Assurance Committee shall be ordinary and extraordinary. The former , will be held on a quarterly basis, summoned in advance by the Secretary. The latter, will be held when summoned by the Secretary or upon the request of one or more members of the Committee, whenever special circumstances are so require it.

Also in compliance with resolutions of the Central Bank or other controlling bodies, the Bank has appointed different offices responsible for specific subjects, as detailed below:

- Responsible for Foreign Exchange Positions (Communication “A” 4246 BCRA)
Main Officer Responsible: Mr. Manuel Mansilla
Alternate Officer Responsible: Mr. Gustavo Viturro
- Responsible for Foreign Exchange Control (Communication “A” 4246 BCRA)
Main Officer Responsible: Mr. Roberto Araujo
Alternate Officer Responsible: Mr. José Luis Frete
- Responsible for costumer services in compliance with Communication “A” 5388 of BCRA.
Main Responsible: Viviana Bertolami
Alternate Responsible: María Alejandra García de la Paz
- Responsible for the Liquidity Policy (Communication “A” 2879 BCRA):
Mr. Diego Cesarini

- Responsible for Information Systems (Communication “A” 2593 BCRA)
Main Officer Responsible: Mr. Ignacio Sanz y Arcelus
Alternate Officer Responsible: Mr. Martín Ezequiel Zarich
- Responsible for Market Relations (Decree Nr. 677/01)
Main Officer Responsible: Ignacio Sanz y Arcelus
Alternate Officers Responsible: Mr. Martín Ezequiel Zarich, Mr. Adrián Bressani
- Compliance Officer on Money Laundering Prevention (Communication “A” 5004 BCRA):
Mr. Mario Luis Vicens

C. Employees

The following table shows the breakdown of our full-time payroll employees as of December 31, 2013, 2012 and 2011:

	December 31,		
	2013 ⁽¹⁾	2012 ⁽¹⁾	2011 ⁽¹⁾
Main office	2,426	2,393	2,324
Branches	2,796	2,753	2,687
Total	5,222	5,146	5,011

(1) Excludes 11, 12 and 137 employees from non-banking subsidiaries as of December 31, 2013, 2012 and 2011, respectively.

Our employees are represented by a national bank union with optional membership. As of December 31, 2013, 1,579 employees were unionized. The union negotiates a collective bargaining agreement to establish minimum salaries for all of its members. We have not experienced any conflicts with the union for over 20 years and we consider relations with our employees to be satisfactory.

We have a personnel Training and Development Department, which is in charge of the training of all of the Bank’s employees. This includes in-house training courses and seminars in all the areas: Operations, Technology and Business (Branches, Corporate Banking). We provide bonuses to individual employees throughout the bank on a discretionary basis, taking into consideration individual merit and overall profit levels. We do not have a formal profit-sharing plan.

D. Share Ownership

At February 28, 2014, Marcelo Gustavo Canestri (Director), Gabriel Milstein (Human Resources, Procurement, Real Estate, General Services and Safety Director) and Gustavo Osvaldo Fernández (Technology and Operations Director) own shares in BBVA Francés. The ownership of each of them represented less than 1% of the capital stock of the Bank. The shares owned by these persons do not have different voting rights.

None of our directors or our remaining senior executives own shares or options on shares of BBVA Francés.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth certain information regarding the beneficial ownership of our ordinary shares as of December 31, 2013, by each person who, to our knowledge, beneficially own more than 5% of our ordinary shares. These persons do not have different voting rights.

Beneficial Owner	Ordinary Shares Beneficially Owned At December 31, 2013	
	Number of Shares	Percentage of Shares Outstanding
Banco Bilbao Vizcaya Argentaria S.A.	244,870,968	45.61%
BBV América SL ⁽¹⁾	160,061,858	29.81%
The Bank of New York Mellon ⁽²⁾	47,584,374	8.86%
Administración Nacional de Seguridad Social	42,439,494	7.90%

(1) BBV América SL is controlled by BBVA. It has an effective 20.90% ownership interest in the capital stock of BBVA Francés and has an indirect 8.91% ownership interest in Inversora Otar S.A. following its merger by absorption.

(2) As holder agent of ADSs.

As of October 2009 the total number of authorized and issued ordinary shares, par value Ps.1.00 per share, increased by 65,000,000 as a result of the distribution of share dividends approved by the Stockholders' Meeting on March 27, 2009. On July 1, 2011 as result by the merger by absorption of Consolidar Comercializadora into BBVA Francés, the capital stock increased by 516,544 ordinary shares, par value Ps.1.00 per share. On September 14, 2011, the merger was registered with the Public Registry of Commerce.

On February 9, 2012 the Board of Directors of BBVA Francés and Inversora Otar S.A. approved the merger between both companies. On March 26, 2012, the Shareholders Meetings of both companies approved the merger. As a result of the merger, as from April 1, 2012, BBVA Francés acquired all the shares of Inversora Otar S.A. The Shareholders' Meeting of BBVA Francés above mentioned, approved the increase in capital stock of BBVA Francés by issuing 50,410,182 book-entry, ordinary shares with a par value of Ps.1 each and the right to 1 vote per share, to be listed for public offering at the Buenos Aires Stock Exchange in order to be delivered to the shareholders of Otar. In addition, immediately after the above-mentioned capital increase, BBVA Francés cancelled the 50,410,182 book-entry, ordinary shares, with a par value of Ps.1 each and the right to 1 vote per share, that it owns subject to the previous capital stock reduction stemming from the merger. Because of this simultaneous increase and cancelation of the shares, the total amount of the corporate capital of the Bank will remained the same, as result of the merger.

Accordingly, our capital stock at December 31, 2013 was 536,877,850 shares and BBVA maintained its equity interest in the Bank at approximately 76.00%.

On January 4, 2012 BBVA Francés was notified of the registration in the Public Registry of Commerce of Madrid of the merger between Bilbao Vizcaya América B.V. and BBV América SL, in its capacity as successor company. The merger has been carried out as part of a corporate reorganization plan of the Group. Also for a description of the merger between BBVA Francés and Inversora Otar S.A. see "*Item 4. Information on the Company –History and Development of the Company*".

We are a corporation registered under Argentine law whose shareholders restrict their liability to the shares they have subscribed and paid-in under the Business Companies Law. Therefore, and in terms of Law Nr. 25,738, no shareholder of the Bank, whether foreign or local, is liable beyond such paid-in shares for obligations deriving from transactions made by the Bank.

Except as described above, we are unaware of any arrangements the operation of which may, at a subsequent date, result in a change of control of BBVA Francés.

As of December 31, 2013, according to our records 14 holders of ordinary shares and 34 registered holders of ADSs (in accordance with the records of BoNY, as depository for the ADSs) have an address in the United States representing 8.92% of our issued and outstanding ordinary shares.

B. Related Parties Transactions

The following table presents the loans granted, guarantees given and extensions of credit granted (unused portions) to related parties for the fiscal years ended December 31, 2013 and 2012. Related parties include controlled companies, controlling shareholders and entities under common control, key management and directors and associated entities.

The loans described below (a) were made in the ordinary course of business, (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and (c) did not involve more than the normal risk of collectibility or present other unfavorable features.

Related Party	December 31, 2013					December 31, 2012				
	Largest Outstanding Amount ⁽¹⁾⁽²⁾	Interest Rates	Amount Outstanding ⁽²⁾	Interest Rates	Nature	Largest Outstanding Amount ⁽¹⁾⁽²⁾	Interest Rates	Amount Outstanding ⁽²⁾	Interest Rates	Nature
Controlled, Controlling and Under Common Control Entities										
BBVA and subsidiaries	160,561	—	120,184	—	Guarantees given and correspondents	162,448	—	151,921	—	Guarantees given and correspondents
BBVA Francés Valores S.A.	21,896	—	21,244	—	Other loans and equity investment	19,554	—	16,395	—	Other loans and equity investment
BBVA Francés Asset Management S.A.	69,219	32.73%	69,219	32.73%	Other loans, credit card loans and equity investment	58,854	—	58,854	—	Other loans and equity investment
Consolidar AFJP S.A. (undergoing liquidation proceedings)	11,534	45.00%	11,507	—	Advances, other loans, guarantees given and equity investment	12,271	45.00%	11,507	—	Advances, other loans, guarantees given and equity investment
Consolidar ART S.A.	—	—	—	—	—	4,744	32.73%	—	—	Advances, credit cards loans and equity investment
PSA Finance	1,252,472	29.92%	1,252,472	29.92%	Advances, call money, other loans, guarantees given and equity investment	1,121,598	24.41%	1,040,737	24.39%	Advances, call money, other loans, guarantees given and equity investment
BBVA Consolidar Seguros S.A.	47,531	30.90%	47,531	30.90%	Credit cards loans, other loans and equity investment	38,434	85.80%	34,363	32.73%	Advances, credit cards loans, other loans and equity investment
Associated Entities										
Rombo Cia Financiera S.A.	1,259,290	31.32%	1,259,290	31.32%	Call money, other loans, guarantees given and equity investment	861,703	27.01%	861,703	27.01%	Call money, other loans, guarantees given and equity investment
Key Management Personnel ⁽³⁾	11,060	22.90%	11,060	22.90%	Advances, credit card loans, personal loans, other loans and real estate mortgage	5,330	17.90%	5,330	17.90%	Advances, credit card loans, personal loans, other loans and real estate mortgage

(1) Largest amount during the period indicated.

(2) In thousands of pesos.

(3) Includes directors, senior managers, members of the audit committee and managers with relevant authority.

The transactions included in this section (a) were made in the ordinary course of business, (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and (c) did not involve more than the normal risk of collectibility or present other unfavorable features.

As of December 31, 2013, the Bank did not have outstanding any financial assistance from BBVA.

C. Interest of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Financial Statements and Other Financial Information

See “*Item 3. Key information—A. Selected Financial Data*” and “*Item 18. Financial Statements*” and other financial information filed with this annual report.

Dividends

The Bank has in place an earnings distribution policy in line with the Bank’s vocation for sustained stockholder value, that at the same time allows the Bank’s financial condition to perform favorably so as to strive for business growth and the maintenance of consistently high liquidity and solvency standards in compliance with currently applicable rules and regulations. According to Communication “A” 5072 dated May 6, 2010 of the Central Bank, such distribution must have the prior authorization of the Central Bank and any of the following situations may not have occurred during the month immediately preceding the request for authorization made to the Superintendence:

1. The Bank falls under the provisions of Articles 34 “Regularization and restructuring” and 35 bis “Restructuring of the entity for the protection of credit and bank deposits” of the Financial Entities Law;
2. The Bank has received financial assistance from the Central Bank, other than assistance received for lack of liquidity in terms of Decree Nr. 739/03 and its regulatory provisions (Communication “A” 3941 and complementary provisions), within the framework of article 17 of this Bank’s Charter, and in terms of the transactions foreseen by Communication “A” 4268;
3. The Bank incurs delays or noncompliance with respect to the information system set forth by the BCRA; or
4. The Bank shows deficiencies as to the payment of its minimum capital, either individually or on a consolidated basis (without computing for such purpose the effects of individual franchises granted by the Superintendent of Financial and Foreign Exchange Entities) or as regards its average minimum cash requirements in pesos or foreign currencies.

Communications “A” 5272 and “A” 5273 of the Central Bank dated February 1, 2012, increased the capital requirements for financial institutions that carry out activities in Argentina. These Communications require certain capital levels in order to support operational risks, and require for the distribution of dividends an additional conservation buffer equivalent to 75% of the total capital requirements. Because of these new requirements, the Bank is not able to distribute dividends for the 2012 fiscal year.

In accordance with the above mentioned Communications, a dividend distribution for Ps.28,800 was approved by the Shareholders Meeting held on April 10, 2014 subject to the prior authorization by the BCRA for the fiscal year 2013.

For a description of the declared dividends that we have paid on our ordinary shares and ADSs for the years 2008 to 2013, see “*Item 3. Key Information—Declared Dividends*”.

B. Significant Changes

None.

ITEM 9. THE OFFER AND LISTING

We were one of the first companies listed on the Buenos Aires Stock Exchange (“BCBA”). Since 1993 our shares have also been listed on the New York Stock Exchange (“NYSE”) in the form of American Depositary Shares (“ADSs”) and, since December 1999, our shares have also been listed on the Madrid Stock Exchange. Before 1993, there was no public market for our shares outside of Argentina. The ordinary shares are currently traded on the BCBA under the symbol “FRAN” and the ADSs are currently traded on the NYSE under the symbol “BFR”. We cannot give assurance that a public market in the United States for the ADSs will continue to exist.

The table below shows the quarterly high and low closing prices of the ordinary shares in pesos on BCBA for the periods indicated. The following prices have not been adjusted for any stock dividends.

	Pesos Per Ordinary Share ⁽¹⁾	
	High	Low
March 2014	27.30	23.40
February 2014	25.25	21.10
January 2014	24.30	19.40
Fiscal year ended December 31, 2013	27.90	9.65
Fourth quarter	27.90	19.40
December, 2013	24.50	20.25
November, 2013	25.80	21.40
October, 2013	27.90	19.40
Third quarter	20.10	9.80
Second quarter	13.90	9.65
First quarter	12.55	10.50
Fiscal year ended December 31, 2012	11.50	7.00
Fourth quarter	11.50	8.00
Third quarter	9.20	7.28
Second quarter	10.55	7.00
First quarter	10.65	8.25
Fiscal year ended December 31, 2011	16.60	7.60
Fiscal year ended December 31, 2010	17.80	7.28
Fiscal year ended December 31, 2009	8.73	2.50

(1) Pesos per ordinary share data reflect nominal prices at trading date.

Source: BCBA.

The ordinary shares trade on the NYSE in the form of ADSs issued by The Bank of New York Mellon, as depository. Each ADS represents three ordinary shares. The table below shows the quarterly high and low closing prices of the ADSs in dollars on the NYSE for the periods indicated.

	US\$ Per ADS ⁽¹⁾	
	High	Low
March 2014	8 ²⁷ / ₇₀	6 ²³ / ₂₅
February 2014	7 ¹⁹ / ₅₀	5 ¹⁴ / ₂₅
January 2014	6 ¹⁷ / ₂₀	5 ⁴¹ / ₅₀
Fiscal year ended December 31, 2013	9 ³ / ₂₀	3 ³³ / ₅₀
Fourth quarter	9 ³ / ₂₀	6 ²¹ / ₅₀
December, 2013	8 ²² / ₂₅	6 ⁸¹ / ₈₉
November, 2013	9 ³ / ₂₀	6 ⁹ / ₁₀
October, 2013	9	6 ²¹ / ₅₀
Third quarter	6 ¹⁷ / ₂₇	3 ¹⁹ / ₂₅
Second quarter	4 ²⁵ / ₅₁	3 ³³ / ₅₀
First quarter	5 ⁶ / ₂₅	4 ¹ / ₂₅
Fiscal year ended December 31, 2012	6 ⁴⁴ / ₈₃	3 ⁸ / ₈₉
Fourth quarter	5 ¹³ / ₅₀	3 ¹⁷ / ₂₇
Third quarter	4 ¹⁹ / ₂₅	3 ³ / ₂₀
Second quarter	6 ¹ / ₉	3 ⁸ / ₈₉
First quarter	6 ⁴⁴ / ₈₃	5 ⁴ / ₂₁
Fiscal year ended December 31, 2011	12 ¹⁹ / ₅₀	4 ¹⁰ / ₁₃
Fiscal year ended December 31, 2010	13 ³³ / ₅₀	5 ⁹ / ₂₀
Fiscal year ended December 31, 2009	7 ¹⁶ / ₃₉	1 ⁴ / ₅

(1) Source: BNY Mellon Depository.

Trading on the BCBA

There are nine exchanges in Argentina, of which five have affiliated stock markets and, accordingly, are authorized to quote publicly offered securities: Buenos Aires, Rosario, Córdoba, Mendoza and Santa Fe. The oldest and largest of these exchanges is the BCBA, which was founded in 1854. Usually, the overwhelming majority of all Argentine equity trades take place on the BCBA. As of December 31, 2013, the shares of 105 Argentine companies, excluding mutual funds, were listed on the BCBA. During the year 2013, the total volume traded on the exchange raised 52% in comparison with the volume of previous year. All publicly offered securities may be traded on authorized securities exchanges and, except for equity securities, in the Argentine over-the-counter market or MAE. See “Item 4. Information on the Company—The Argentine Banking System and its Regulatory Framework—Capital Markets”.

The Merval, which is affiliated with the BCBA, is the largest stock market in Argentina. The Merval is a corporation which regulates its members (all of whom are stockholders of the corporation) and transactions conducted on that market. Only stockholders of the Merval are allowed to effect transactions either as principal or as agent in that stock market. In 1990, brokerage houses, including bank subsidiaries, were allowed to enter as full members of the market. Trading in the Merval is conducted through three different trading systems:

- the “Floor”;
- the “SINAC”; and
- the “Continuous”.

The operations at the traditional auction system (“the Floor”) start from 11:00 A.M. and end at 5:00 P.M. each business day. Also available is an electronic auction system called “SINAC” where each broker inputs both its buys and sells while the system matches the operations. Since July 1998, both auction systems (the Floor and SINAC) have been considered to be a single market. Both systems allow for the trade of securities, public bonds, private bonds, futures and derivatives. Additionally, the Buenos Aires Stock Market’s trades are made through an electronic Continuous Market System (the “Continuous”) that operates from 11:00 A.M. to 5:00 P.M. each business day. The Continuous is a system that registers and makes public trades that were privately arranged by registered brokers and brokerage companies on behalf of their clients. In this system only public and private bonds may be traded. Such trades are reported on the “Mercado Abierto”, an electronic reporting system similar to, but different from, the Continuous Market System. To control price volatility, the BCBA operates a system which suspends dealing in shares and bonds of a particular issuer for 30 minutes or less when changes in the price of such shares exceed or fall more than 10% of the preceding day’s closing share price. From then on, the BCBA suspends trading for a few minutes when prices rise or fall an additional 5% or more in the same day. In both markets, the operations can be executed in pesos or dollars from local accounts or foreign accounts.

As of December 31, 2013, the market capitalization of the 105 companies listed on the BCBA was approximately US\$514.5 billion. At the same time, the market capitalization of the domestic companies totaled US\$53.1 billion.

The following table summarizes certain historical information about the BCBA.

	December 31,		
	2013	2012	2011
Market capitalization (US\$ billion)	514.5	472.1	375.2
Number of companies listed	105	107	105
Rate of return in dollars ⁽¹⁾	42.30%	1.60%	(35.40)%
Market/book ratio ⁽²⁾	1.73	1.03	1.48

(1) Based on the Merval Index

(2) Estimated

Source: BCBA and Instituto Argentino de Mercados de Capitales (IAMC).

Market Regulation

Both the CNV and BCBA oversee the regulation of the Argentine capital markets. The CNV is responsible for authorizing public offerings of securities and supervising stockbrokers, including those which are subsidiaries of banking institutions. Generally, Argentine securities markets are regulated by Law Nr. 17,811, which created the CNV and which regulates securities exchanges, stockbrokers, market operations and the public offering of securities.

Under Law Nr. 17,811, public trading of securities on exchanges must be made with stock markets organized as stock corporations, which must be affiliated with a stock exchange.

Each stock market has the operating responsibility for all transactions performed by stockbrokers and has disciplinary power over them. Each stock market guarantees the proper settlement or clearance of transactions entered into by stockbrokers. The effect of such a guarantee is to provide brokers assurances that transactions will be consummated in a timely manner.

The CNV has passed a set of resolutions establishing a system of self-regulatory entities, under which each self-regulatory entity (which currently includes each exchange and the MAE) is responsible for developing and implementing regulations governing its respective securities market, subject to the approval and oversight of the CNV. Internal rules of each exchange for its affiliated stock market establish conditions for listing securities, admitting brokers, conducting trades and controlling the truthfulness of any information which is required to be reported.

In recent years, changes to the legal framework have been introduced permitting the issuance and trading of new financial products in the Argentine capital markets, including commercial paper, new types of corporate bonds, trust bonds, other credit instruments and futures and options over shares, bonds, indexes and the U.S. dollar. In 1991, brokerage fees were deregulated and transfer taxes and stamp taxes on publicly offered securities were eliminated.

In compliance with the provisions of Law Nr. 20,643, most debt and equity securities traded on the exchanges and on the MAE must, unless otherwise instructed by the stockholders, be deposited by the stockbrokers or over-the-counter dealers in the Caja de Valores, which is a corporation owned by the BCBA, the MERVAL and certain provincial exchanges. The Caja de Valores provides central depository facilities for securities and acts as a transfer and paying agent. In September 2000, the Caja de Valores started Argenclear S.A. (“Argenclear”), a clearing house owned by the most important private and public banks of Argentina, MERVAL and BCBA. Argenclear provides services to the brokers for the settlement of public bond trades registered in the MAE. It also handles settlement of securities transactions carried out by the BCBA and operates the computerized “Exchange Information System”.

On May 17, 2001, by means of General Resolution Nr. 368 the CNV approved a new restated text for a number of regulations in force in order to unify, harmonize and simplify the different requirements established by them. The new text incorporates the changes implemented by all general resolutions issued after General Resolution Nr. 290. On May 28, 2001, the Official Bulletin published the text of Decree Nr. 677/01 which created a regulatory framework to ensure Public Offer Transparency.

In order to offer securities to the public in Argentina, an issuer must meet certain requirements of the CNV regarding assets, operating history, management and other matters, and only securities for which an application for a public offering has been approved by the CNV may be listed on the BCBA. This approval does not imply any kind of certification or assurance related to the merits or the quality of the securities, or the solvency of the issuer. Issuers of listed securities are required to file with the CNV and the BCBA quarterly financial statements and audited annual financial statements, as well as various other periodic reports.

Although participation by foreign investors in BCBA has historically been low, it has increased since 1991 as a consequence of the economic reform programs implemented by the Argentine Government and the liberalization of restrictions to the access by foreign investors to securities in the Argentine securities market. Currently, an important amount of floating capital and public bonds is held by foreign investors, but since 2002 a decrease in the flow of foreign capital has been evident due to the economic crisis and the BCRA regulations.

In 2002, through Decree Nr. 216/02, the Mercado Único y Libre de Cambios (“MULC”) was created and a series of other BCRA regulations that fixed limits to capitals flows were adopted. In 2005, the BCRA regulated the currency for the transactions in the regulated markets. Since 2005, all transactions can be converted in Pesos or U.S. dollars in local accounts and foreign accounts.

On December 26, 2012 Law Nr. 26,831 “Capital Market Law” was enacted, and was further developed by the CNV by Resolution Nr. 622/2013 dated September 5, 2013. According to section 47 of the Capital Market Law, all agents acting in the different markets, must have the prior approval and registration of the CNV. On December 17, 2013 BBVA Banco Francés and Francés Valores initiated their registration as settlement and integral compensation agents. The Capital Market Law has clear and specific goals, such as (i) promoting the involvement in the capital markets of small investors, trade unions, associations and chambers of commerce, professional organizations and all public savings institutions; (ii) strengthening protection mechanisms and prevention of abuses against small investors; (iii) to promote access to capital markets of medium-sized companies; and (iv) promoting the creation of a federally integrated capital market and simplifying trading settlement for users.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable

B. Memorandum and Articles of Association

The following summarizes certain material provisions of our by-laws and Argentine law, the main regulatory bodies governing BBVA Francés. This summary is qualified in its entirety by reference to the Business Companies Law, the Financial Institution Law and our by-laws. Copies of our by-laws have been filed as exhibits to our 2010 annual report on Form 20-F.

At our Ordinary and Extraordinary Stockholders' Meeting held on April 28, 2005, our stockholders voted to amend section 11 of the by-laws in order to comply with Resolution Nr. 20/04 of the Office of Corporations – Public Registry of Commerce (“Inspección General de Justicia”), and its amendments. This amendment will require each of our Directors to (i) pledge an amount of at least Ps.10,000 as a guarantee of the Director's performance and (ii) maintain a special domicile within the Argentine Republic. This amendment has been filed with the Public Registry of Commerce, which was approved as of the filing of this annual report, on December 12, 2005, under Number 16,335, Book 30.

At the Ordinary and Extraordinary Stockholders' Meeting held on March 27, 2009, our shareholders agreed and authorized to amend sections 10 and 13 of the corporate by-laws that will make it possible for the company to replace its Board of directors either partially or in stages through the appointment or re-election of its members, as well as to hold its meetings with the attendance of non-resident directors by video-teleconference. This amendment was registered with the Public Registry of Commerce on April 21, 2010, under Number 7.192, Book 49.

At the Ordinary and Extraordinary Stockholders' Meeting held on April 30, 2010, our shareholders agreed and authorized to: (i) the amendment of section 10 of the corporate by-law regarding the different denominations that could be used by the company's CEO, and (ii) to the amendment of section 21 and to eliminate section 17, regarding the Executive Committee which was no longer in use. These amendments were registered with the Public Registry of Commerce on August 2, 2010, under Number 13.784, Book 50.

At the Ordinary an Extraordinary Stockholders' Meeting held on March 26, 2012, our shareholders agreed and authorized to amend section 10 of the corporate by-laws and included a transitional provision to allow the appointment of Directors for a less-than-three-year period, so that the appointment or renewal of their mandates is always carried out at least by three candidates, therefore ensuring the rights of minority shareholders to exercise their cumulative votes. The amendments were registered with the Public Registry of Commerce on October 19, 2012, under Number 15.848, Book 61.

At the Ordinary an Extraordinary Shareholders' Meeting held on April 10, 2014, our shareholders agreed and authorized to amend section 1 and 3 of the corporate by-laws in order to comply with the Capital Market Law. The registration of this amendment is pending.

Registry and Company's Objects and Purposes

BBVA Francés is registered with the Public Registry of Commerce of the Argentina (Registro Público de Comercio) under company number 1,065, Page 359, Book 5, Volume “A” of Local Corporate By-laws. Section 3 of our by-laws provides that the object of BBVA Francés is to engage in the commercial banking business, including financial brokerage, whether in Argentina or abroad. Under our by-laws, BBVA Francés is authorized to perform the following activities:

- accept term and demand deposits;
- grant short-term bullet and other amortizable loans;
- discount, purchase and sell bills of exchange, promissory notes, pledges, checks, drafts and other negotiable instruments;
- grant guarantees, bonds or other forms of collateral; accept bills of exchange, drafts and other orders of payment, transfer funds and issue and accept letters of credit;
- grant advances on credits from property sales, acquire the same and undertake the risks resulting therefrom, take steps to collect them and offer technical and administrative assistance;

- invest in government securities;
- make temporary investments in liquid assets;
- invest in new stock or securities issues, in pursuance of such regulations as may be set forth to that purpose;
- accept securities in custody and provide other services related to the banking business;
- manage, on account of third parties, the purchase and sale of securities, and act as paying agents in relation to dividends, redemption and interest;
- engage in brokerage activities in the over-the-counter securities market;
- perform foreign exchange transactions;
- comply with agencies related to its operations;
- receive deposits of participation in mortgage loans and in special accounts;
- issue mortgage obligations;
- grant loans for the acquisition, construction, enlargement, repair, improvement and maintenance of urban or rural real estate, and for the substitution of mortgages taken out for that same purpose;
- receive loans from abroad and act as intermediary in local or foreign currency-denominated loans;
- issue private bonds, and
- carry out such lending, borrowing and service-related operations as are not forbidden under the Financial Institutions Law.

Directors

Under Section 18 of our by-laws, the Board of Directors receives an annual fee established by the shareholders. This fee is subject to the restrictions of Section 261 of the Business Companies Law, which provides that the aggregate compensation of the directors may not exceed 25% of the income of the company, or 5% of the income if no dividends were distributed to the shareholders.

The compensation of the members of the Board is previously approved by the Nominations and Compensation Committee and the Audit Committee (II) of the Bank, taking into consideration the reasonability and legality of the amount proposed. The decision of these two Committees regarding the compensation amount will then be submitted to the approval of the Board of directors and the Annual Shareholders Meeting.

Under Section 272 of the Business Companies Law, a director may not vote in respect of any proposal in which he, or any person connected to him, has an interest contrary to the interests of BBVA Francés. Moreover, Directors are not entitled to carry out personal transactions with the company or its affiliates, other than the banking common operations, unless they are approved by a special procedure that guarantees the transparency of proposed transaction.

Directors need not hold shares in BBVA Francés or any of our subsidiaries to qualify and be appointed as directors of BBVA Francés.

The bank has no policies regarding age limits or retirement age.

Rights Attaching to Shares

As of the date of the filing of this annual report, our capital is formed by a single class of shares, all of which are ordinary shares and have the same voting and economic rights. Shareholders participate in the distribution of dividends pro rata of the paid-in capital. Furthermore, shareholders are entitled to participate in the distribution resulting from the liquidation of BBVA Francés in proportion to the paid-in capital.

Shareholders are entitled to vote cumulatively one-third of the vacancies of the Board of directors. The board may not be partially reelected if it impairs or prevents the exercise by shareholders of their cumulative voting rights.

Shareholders may no longer claim the payment of dividends from BBVA Francés once three years have elapsed from the date on which the relevant dividend was made available to such shareholder.

Our by-laws do not contain any provisions related to sinking funds or potential liability of shareholders of BBVA Francés to make additional contributions.

Communication “A” 5072, from May 6, 2010, provides that financial entities can distribute retained profits, with the corresponding authorization from the Central Bank, which must verify the following regarding such financial entity:

- the Bank falls under the provisions of articles 34 “Regularization and restructuring” and 35 bis “Restructuring of the entity for the protection of credit and bank deposits” of the Financial Entities Law;
- the Bank has received financial assistance from the Central Bank, other than assistance received for lack of liquidity in terms of Decree Nr. 739/03 and its regulatory provisions (Communication “A” 3941 and complementary ones), within the framework of article 17 of this Bank’s Charter, and in terms of the transactions foreseen by Communication A 4268;
- the Bank incurs delays or noncompliance with respect to the information system set forth by the BCRA; or
- the Bank shows deficiencies as to the payment of its minimum capital, either individually or on a consolidated basis (without computing for such purpose the effects of individual franchises granted by the Superintendence of Financial and Foreign Exchange Entities) or as regards its average minimum cash requirements in pesos or foreign currencies.

Communications “A” 5272 and “A” 5273 of the Central Bank dated February 1, 2012, increased the capital requirements for financial institutions that carry out activities in Argentina. These Communications require certain capital levels in order to support operational risks, and require for the distribution of dividends an additional conservation buffer equivalent to 75% of the total capital requirements.

Shareholders Meetings

All general meetings apart from annual regular meetings are called regular or special meetings. Ordinary and Extraordinary shareholders’ meetings are to be convened by the Board of Directors of the Bank or by the Supervisory Committee in such instances as set forth by law, or whenever they may deem it necessary, or upon requisition of shareholders representing at least 5% of our stock capital, as provided by Section 236 of the Business Companies Law.

Shareholders’ meetings are called by publication for five days, at least 20 and not more than 45 days before the date of the meeting, in the Official Gazette and in one of the most widely circulated newspapers in Argentina. The notice must include the nature, the date, time and place of the meeting, the agenda, and any special requirements in our by-laws for the shareholders to attend.

In case of adjournment of a regular shareholders meeting, the meeting on second call may be held on the same date, at least one hour after the time set for the meeting on first call, in compliance with Section 237 of the Business Companies Law. In case of adjournment of a special shareholders’ meeting, the meeting on second call must be held within the following thirty days, and the publication must appear for three days at least eight days before the date set for that meeting.

In order to attend and vote at any shareholders’ meeting, shareholders must deposit with us their shares or a share certificate or a statement of account representing book-entry shares, as the case may be, issued by us, a securities depository or any other authorized institution, to be recorded in the record book of attendance, at least three business days before the date of the meeting.

Holders of registered or book-entry shares, the record of which we keep, are only required to notify us to register their names in the record book of attendance, at least three business days before the date of the meeting. We must provide such shareholders with certificates authorizing them to attend the meeting.

Shareholders may be present at meetings by power-of-attorney or proxy. In the latter case, the principal’s signature shall be certified by a court, notary public or bank. Directors, statutory auditors, managers or any other of our employees may not act as agents for these purposes.

A quorum must be present at any regular shareholders' meetings on first call upon the attendance of shareholders representing the majority of voting stock. On second call, there is a quorum with the attendance of any number of shares present. A quorum is present at any special shareholders' meeting on first call upon the attendance of shareholders representing 60% of the voting stock. Shareholders representing 30% of our voting stock shall constitute a quorum at a special shareholders' meeting on second call. In any case, resolutions require the absolute majority of the voting stock present.

Restrictions on Voting and Shareholding

There are no restrictions imposed by Argentine law or our by-laws or other organizational documents regarding the rights of non-residents or foreign persons to hold or vote our ordinary shares or ADSs of the Bank.

Change of Control

There are no provisions in our articles of incorporation or by-laws that would have the effect of delaying, deferring or preventing a change of control of BBVA Francés and that would operate only with respect to a merger, acquisition, corporate restructuring involving BBVA Francés or any of its subsidiaries.

Ownership Disclosure

There are no provisions in our by-laws governing the ownership threshold above which shareholder ownership must be disclosed.

Change in the Capital

Our by-laws do not establish conditions for the changes in the capital of BBVA Francés more stringent than those conditions imposed by the Business Companies Law.

C. Material Contracts

No material contracts outside the ordinary course of business have been entered into during the last two years.

D. Exchange Controls

On January 7, 2002, Congress approved the Public Emergency Law that introduced dramatic changes to the country's economic model and amended the currency board that pegged the peso at parity with the dollar which had been in effect since April 1, 1991 pursuant to the Convertibility Law. The law empowers the Executive Branch to implement, among other things, additional monetary, financial and exchange measures to overcome the economic crisis in the medium term, including the power to establish a system to determine the exchange rate applicable to the peso. The Central Bank, among other restrictive measures, restricted the transfer of U.S. dollars abroad without its prior approval. In 2003 and 2004, the Government substantially eased these restrictions. However, on June 26, 2003, the Government set restrictions on capital flows into Argentina, which mainly consisted of a prohibition against the transfer abroad of any funds until 180 days after their entry into the country. Furthermore, on June 10, 2005 the Government issued Decree Nr. 616/05 establishing further restrictions on capital flows into Argentina, with the following provisions:

- (i) all incoming and outgoing funds from the Argentine Exchange market, and any debt operation with non-residents which could demand future payments in foreign currency to non-residents, are subject to registration with the Central Bank for informative purposes;
- (ii) any debt entered into between non-governmental persons or entities and non-residents must be agreed for a term of at least 365 days, except for the financing of import and export operations and the primary placements of public debt listed in an authorized stock exchange; and
- (iii) all incoming funds relating to foreign private debt, and all incoming funds of non-residents, excluding foreign direct investments and certain types of portfolio investments (purchases in the primary market of debt instruments and equity, listed in authorized stock exchanges, etc) regardless of the agreed payment procedure, must be agreed for at least 365 days, and 30% of incoming funds must be deposited with a bank in Argentina in a non-interest bearing account, known as "encaje" (legal reserve)

Decree Nr. 616/05 also states certain exceptions for the "encaje" such as settlements in foreign currency of resident loans granted by a local financial entity, certain capital contributions in local corporations, etc.

As a general rule, transfer of funds abroad required prior Central Bank approval. However, this general principle was eased by numerous exceptions introduced since December 2002. Currently, in order to purchase and/or transfer foreign currency abroad, the transaction should be specifically admitted among the list of “items” (authorizing the purchase and/or transfer of foreign currency) that is published by the Central Bank. Certain items are, however, still subject to restrictions.

Cross Border Transfers of Funds, Foreign Debts

Under the Central Bank’s exchange regulations, proceeds of new financing must be transferred into Argentina and converted into pesos in the local exchange market within 30 days as from the relevant disbursement.

Repayment of principal of, and interest on, foreign indebtedness, was initially subject to the Central Bank’s prior authorization. Currently, due to the changes introduced by the Central Bank, local companies (with the exception of financial institutions), must follow certain requirements,:

- Pay abroad interest on foreign debt on its due date or up to 5 business days in advance. Access to the local foreign exchange market in connection with the servicing of foreign indebtedness is available only if and after the date the original proceeds from the financing have been transferred into Argentina and the foreign currencies liquidated as explained before. In case interests are due, access to foreign exchange may be available at any time. If the principal amount has been paid off access to the local market to pay interests shall be denied. The AFIP Regulation 3417 published on December 20, 2012 set forth that the payment of interests requires a prior sworn statement.
- Repay principal of foreign debt at maturity (or 10 days in advance, to the extent that the amounts so prepaid were brought into the local market and exchanged for pesos, and repayment takes place at least 365 days thereof) without prior Central Bank authorization. Communication “A” 5265 (as amended) also allows prepayment of principal with an anticipation of more than 10 days, but subject to the following conditions:
 - (1) The prepayment of principal is entirely financed by external funds through capital contributions.
 - (2) The prepayment is financed entirely from the market entry of new financing with international organizations and agencies, official lending agencies of foreign and foreign banks and, the new terms and conditions of the debt after the restructuring, including the amount prepaid, shall not result in an increase of the present value of the whole debt (according to the formula of the Central Bank).

Regulations Regarding Exports, Imports, and Services.

The Central Bank established under Communication “A” 3473, as amended, an obligation to transfer from abroad to Argentina the foreign currency obtained from the collection of exports and to settle the foreign currency in the single free exchange market. This is a general obligation applicable to all export transactions. By virtue of a Disposition of the Ministry of Economy, enacted in 2012, all collections by exporters must be collected within 90 calendar days from the date of the export, depending on the product being exported, for the exporter to negotiate the foreign currency in the domestic exchange market; for exports carried out by affiliated companies payments derived thereof must be collected within 30 calendar days.

In respect to imports, advanced or at sight payments of any goods are allowed, upon condition that the clearance of the imported goods (nationalization) is credited within 365 and 90 days, respectively. Deferred import of goods may be paid up to 5 days in advance without the Bank’s prior authorization. The AFIP Regulation 3252 published on January 5, 2012 set forth that importers must file an import prior sworn statement.

Regarding the payment of services, when the service rendered has no direct connection with the activity of the person paying for such service, a legalized copy of the underlying contracts and an external auditor’s report must be filed with the entity performing the foreign exchange transaction. Communication “A” 5295 (and amendments) prescribed that the Central Bank’s prior authorization to purchase foreign currency will be required to pay for services if (a) the payee is “related” (directly or indirectly) with the local debtor; or when the payee resides or is domiciled in “tax haven” countries, or when the payment is made to an account of a “tax haven” jurisdiction; and (b) the service agreements generate payments or debts higher than US\$100.000 during a calendar year. Foreign currency which is received by residents in connection to the collection of services must be introduced into the foreign exchange market in order to be exchanged into pesos within 15 days from the date of collection

Purchase of Foreign Currency

A. Local individuals and companies

Communication “A” 5318 prohibits the purchase of foreign currency for local individuals and companies, except for the case of purchase of foreign currency for tourism purposes.

Moreover, Resolution Nr. 3,583 of the National Tax Bureau, once again allowed individuals to purchase foreign currency for purposes other than tourism (basically savings), subject to certain procedures and principally to a 20% monthly limit of the net income of workers in the formal sector.

B. Non-residents

Notwithstanding the above, Communications “A” 4662, “A” 4692, “A” 4940 and “A” 5237 (as amended) state that no authorization from the Central Bank will be required with regard to the repatriation of direct and portfolio investments of non-residents (except in case of non-residents domiciled at “tax haven” countries). There are still mandatory requirements though a minimum term of permanence of the funds of one year and the inflows of foreign currency in the local foreign exchange market.

For the scenarios listed below, no authorization will be required except for transfers arising from “tax haven” countries.

- Transfers abroad arising out of:
 - (1) Residents foreign indebtedness of residents related to Argentine imports of goods and services;
 - (2) Domestic collections of:
 - Services, rents and other current transfers abroad of financial debts originated in non-residents foreign loans;
 - Inheritances according to the Declaration of a Decedent’s Heirs;
 - Federal Government Bonds and Guaranteed Loans Income issued in local currency;
 - Benefits or services or sale of values received, granted by the Federal Government as per Laws Nr. 24,043, 24,411 and 25.914.
 - Recoveries under local bankruptcy proceedings as long as the foreign creditor has been admitted as such by the Bankruptcy Court;
 - (3) Sales proceeds from direct investments in local non-financial companies; and
 - (4) The proceeds from final liquidation of direct investments in local non-financial companies;
 - (5) Capital reduction; and
 - (6) Restitution of irrevocable contributions made by the local company.
- Transfers abroad of an aggregate equivalent of up to US\$500,000 per month arising out of:
 - (1) Proceeds of sales of other portfolio investments and their revenues, such as investments in shares of local companies, investment funds and local trusts;

Also excepted from the approval of the Central Bank are the transactions effected by:

- International bodies or entities that operate as official export credit agencies.
- Diplomatic and consular representations as well as diplomatic staff accredited in the country for transfers made in exercise of their duties.

Legal representations in the country of Courts, Authorities or Offices, Special Missions, Commissions or Bilateral Bodies established by International Treaties or Agreements, to which the Argentine Republic is a party, for as long as the transfers are made in exercise of their duties.

Transfer of Corporate Bonds

According to Communications “A” 3859 and “A” 5264 (as amended), Argentine companies in general, may transfer corporate profits and dividends corresponding to audited financial statements certified by external public accountants. Under the AFIP Regulation 3417, published on December 20, 2012, a sworn prior statement to pay dividends shall be required. For information regarding the payment of dividends for Financial Entities please “*Item 8 – Financial Information*”.

Direct Investments

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

- Direct investments in Argentina of non-Argentine residents

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

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

- Direct investments made abroad by Argentine residents

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

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

Future and Forward Operations

Communication “A” 4049 dated November 11, 2003, as amended, and Communication “A” 4805 (and additional ones) dated May 15, 2008, eased restrictions on foreign currency transactions by revoking the requirement of prior approval by the Central Bank so as to effect certain Future and Forward operations and have access to the exchange market for their cancellation. These transactions include agreements on foreign currency hedging interest rates and product prices, as well as foreign exchange REPO transactions.

E. Taxation

The following is a summary of certain Argentine and United States federal income tax consequences of the ownership and disposition of our ADSs or ordinary shares by a U.S. Holder (as defined below). 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. Holders of our ADSs or ordinary shares should consult their own tax advisers as to the United States, Argentine and other tax consequences of the ownership and disposition of ADSs or ordinary shares.

1. Argentine Taxes

General

The following is a summary of certain Argentine tax matters that may be relevant with respect to the ownership and disposition of ADSs or ordinary shares by U.S. Holders. 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. Investors in ADSs or ordinary shares should consult their own tax advisers as to the United States, Argentine and other tax consequences of the ownership and disposition of ADSs or ordinary shares.

Taxation of Dividends

Pursuant to Law Nr. 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 a rate of 35% to the extent the aggregate amount distributed exceeds the sum, for the previous year, of: (i) our accumulated taxable earnings and (ii) certain tax-exempt income (such as dividend payments from other corporations) (known as the “equalization tax”).

Cash and stock dividends distributed in 2011 were not subject to income tax withholding.

On September 23, 2013, Law Nr. 26,893 was published, which imposes a 10% withholding tax on dividends, in cash or in kind, that Argentine companies distribute to Argentine individuals as well as foreign individuals and entities. The law describes the 10% withholding tax as a “sole and definitive” payment; however, regulations clarifying this provision have not yet been issued. Law Nr. 26,893 contains several unclear provisions and there is currently no administrative or judicial interpretation of this law.

For purposes of Law Nr. 26,893, distributions are considered made when paid, made available to the shareholder, credited to the account of the shareholder, or, with the authorization or express or implied agreement of the shareholder, reinvested, accumulated, capitalized, placed in reserve or in a sinking fund or insurance, or disposed of in another form.

The 10% withholding tax will apply in addition to any equalization tax payable. Specifically, the 10% rate is imposed on the excess of the amount of the distribution over the amount of any equalization tax withheld, and will be withheld in conjunction with any such equalization tax.

Law Nr. 26,893 became effective as of September 23, 2013 and applies to taxable events on or after that date.

Taxation of Capital Gains

Prior to the enactment of Law Nr. 26,893, capital gains derived by non-Argentine residents from the sale, exchange or other disposition of ADSs or ordinary shares of Argentine issuers listed on a local or foreign stock exchange were not subject to Argentine income tax. Law No. 26,893 now imposes a 15% tax on capital gains derived by both Argentine residents and non-resident individuals and entities from the sale, exchange or other disposition of shares, quotas, bonds or “other securities” of Argentine issuers. The relevant regulations define “other securities” as those securities issued or grouped in a series that can be traded on stock exchanges.

For foreign holders, the gain upon which this new tax applies is presumed to be 90% of the gross sales price, which amounts to an effective tax rate of 13.5% of the gross sale price. The law provides for an alternative option to have the tax imposed on the foreign holder’s actual gain realized (as determined under Argentine regulations); however, procedures for exercising this alternative option have not yet been determined.

If both the purchaser and seller of the shares are foreign parties, the law provides that the tax shall be paid by the purchaser. There are currently no regulations providing for procedures with respect to the payment of the capital gains tax under these circumstances.

The new law provides an exemption from the 15% tax for gain realized by Argentine individuals and undivided estates from the sale of publicly traded shares, quotas, bonds and other securities. Applicable regulations (Decree Nr. 2334/13) limit the application of this exemption to securities that are traded on exchanges or markets authorized by the CNV.

As noted above, several aspects of Law Nr. 26,839 are unclear and there is currently no administrative or judicial interpretation of the law. Investors in ADSs or ordinary shares should consult their own tax advisers regarding the application of this new law.

Value Added Tax (“VAT”)

Neither the sale, exchange or other disposition of ADSs or ordinary shares nor the payment of dividends thereunder is subject to VAT.

Transfer Taxes

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

Personal Property Tax

According to Law Nr. 23,966, as amended, and Decrees Nr. 127/96 and 812/96, all individuals and undivided estates are subject in Argentina to a personal property tax on all assets held at December 31 of each fiscal year (the “Personal Property Tax”). This tax applies to our ADSs and ordinary shares held by U.S. Holders. In the case of individuals and undivided estates domiciled or located in Argentina, an exemption is available to taxpayers whose assets included in the tax base for purposes of the Personal Property Tax do not exceed Ps.305,000. Corporations and other legal entities domiciled or located in Argentina are not subject to the Personal Property Tax. Individuals and undivided estates domiciled or located in a foreign country are subject to the Personal Property Tax only with respect to assets located in Argentina.

Pursuant to Law Nr. 25,585, it is presumed — without the right to rebut such presumption — that shares of stock corporations, such as ADSs (held in book-entry form or evidenced by ADRs), shares of common stock and equity interests in entities governed by

the Business Companies Law Nr. 19,550, as amended, whose holders are corporations or any other entities, companies, permanent establishments or trusts, domiciled, settled or located in a foreign country, belong indirectly to individuals or undivided estates domiciled in a foreign country.

Pursuant to Law Nr. 25,585, published in the Official Gazette on May 15, 2002, BBVA Francés is responsible for paying the Personal Property Tax on our ADSs or ordinary shares held by individuals or undivided estates domiciled in Argentina or a foreign country, or corporations or any other entities located in a foreign country. The tax rate to be applied is 0.50% and the taxable base is the value of the shareholders' equity arising from the last balance sheet of the company at December 31. The minimum exempted amount of Ps.305,000 is not applicable. The tax so paid is considered a definitive payment.

Companies responsible for the tax payment, such as BBVA Francés, are entitled to obtain refunds of the amounts paid from holders of ADSs or ordinary shares and may retain or foreclose on the property included in the tax base for purposes of the Personal Property Tax that originated the payment.

In May 2013, BBVA Francés paid Ps3,400,812.67 to the Argentine authorities on account of its shareholders in connection with Personal Property Tax due with respect to assets held as of December 31, 2012.

In 2014 the Bank expects to make payments on account of its shareholders in connection of personal property tax due with respect to assets held as of December 31, 2013. The tax may be withheld from future dividends.

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.

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.

Income Tax Treaty

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

2. U.S. Federal Income Tax Considerations

The following summary describes the material U.S. federal income tax consequences to U.S. Holders of owning and disposing of ADSs or ordinary shares, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person's decision to hold such securities. The discussion applies only to U.S. Holders (as described below) that hold ADSs or ordinary shares as capital assets for U.S. federal income tax purposes and it does not describe all of the tax consequences that may be relevant in light of the U.S. Holder's particular circumstances, including alternative minimum tax consequences, the potential application of the provisions of the Code known as the Medicare contribution tax and tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- dealers and traders in securities who use a mark-to-market method of tax accounting;
- persons holding ADSs or ordinary shares as part of a hedging transaction, straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to ADSs or the ordinary shares;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities classified as partnerships for U.S. federal income tax purposes;
- tax-exempt entities, including "individual retirement accounts" or "Roth IRAs";
- persons that own or are deemed to own ten percent or more of our voting stock; or
- persons who acquired ADSs or ordinary shares pursuant to the exercise of an employee stock option or otherwise as compensation.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds ADSs or ordinary shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Partnerships holding ADSs or ordinary shares and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of holding and disposing of the ADSs or ordinary shares.

This discussion is based on the Internal Revenue Code of 1986, as amended (the “Code”), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date hereof. These laws are subject to change, possibly on a retroactive basis, which may affect the tax consequences described herein. It is also based in part on representations by the depositary and assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with its terms. Holders of the ADSs or ordinary shares are urged to consult their own tax advisers as to the United States, Argentine and other tax consequences of the ownership and disposition of ADSs or ordinary shares in their particular circumstances, including the effect of any U.S. state or local tax laws.

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

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

In general, a U.S. Holder who owns ADSs will be treated as the owner of the underlying shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying shares represented by those ADSs.

The U.S. Treasury has expressed concerns that parties to whom American depositary shares are released before shares are delivered to the depositary (“pre-release”), or intermediaries in the chain of ownership between U.S. Holders and the issuer of the security underlying the American depositary shares, may be taking actions that are inconsistent with the claiming of foreign tax credits for U.S. Holders of American depositary shares. Such actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends received by certain non-corporate holders. Accordingly, the creditability of Argentine taxes, and the availability of the reduced tax rate for dividends received by certain non-corporate holders, each described below, could be affected by actions taken by such parties or intermediaries.

U.S. Holders should consult their tax advisers concerning the U.S. federal, state, local and foreign tax consequences of owning and disposing of ADSs or ordinary shares in their own particular circumstances.

This discussion assumes that the Company is not, and will not become, a passive foreign investment company (“PFIC”), as described below.

Taxation of Distributions

Distributions paid on ADSs or ordinary shares, other than certain pro rata distributions of ordinary shares, will generally be treated as dividends to the extent paid out of current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because the Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that distributions will be reported to U.S. Holders as dividends. Subject to applicable limitations, dividends paid by qualified foreign corporations to certain non-corporate U.S. Holders are taxable at rates applicable to long-term capital gains. A foreign corporation is treated as a qualified foreign corporation with respect to dividends paid on stock that is readily tradable on a securities market in the United States, such as the New York Stock Exchange where our ADSs are traded. U.S. Holders should consult their tax advisers to determine whether the favorable rate will apply to dividends they receive and whether they are subject to any special rules that limit their ability to be taxed at this favorable rate. The amount of a dividend will include any amounts withheld in respect of Argentine taxes. The amount of the dividend generally will be treated as foreign-source dividend income to U.S. Holders and will not be eligible for the dividends-received deduction generally allowed to U.S. corporations under the Code. Dividends generally will be included in a U.S. Holder’s income on the date of such U.S. Holder’s (or in the case of ADSs, the depositary’s) receipt of the dividend. The amount of any dividend income paid in Argentine Pesos will be the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of such receipt regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, U.S. Holders should not be required to recognize foreign currency gain or loss in respect of the dividend income. U.S. Holders may have foreign currency gain or loss if they do not convert the amount of such dividend into U.S. dollars on the date of its receipt.

Subject to applicable limitations, some of which vary depending upon the U.S. Holder's circumstances, Argentine income taxes, if any, withheld from payments of dividends on ADSs or ordinary shares generally will be creditable against a U.S. Holder's U.S. federal income tax liability. Amounts paid on account of the Argentine Personal Property Tax, if any, will not be eligible for credit against the U.S. Holder's U.S. federal income tax liability. U.S. Holders should consult their tax advisers to determine the tax consequences applicable to them as result of amounts paid on account of the Argentine Personal Property Tax, including whether such amounts are includible in income or deductible for U.S. federal income tax purposes. The rules governing foreign tax credits are complex and, therefore, U.S. Holders should consult their tax advisers regarding the availability of foreign tax credits in their particular circumstances. Instead of claiming a foreign tax credit, a U.S. Holder may, at its election, deduct such otherwise creditable Argentine taxes in computing its taxable income, subject to generally applicable limitations under U.S. law.

Sale or Other Disposition of ADSs or Ordinary Shares

For U.S. federal income tax purposes, gain or loss a U.S. Holder realizes on the sale or other disposition of ADSs or ordinary shares will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder held the ADSs or ordinary shares for more than one year. The amount of a U.S. Holder's gain or loss will equal the difference between its tax basis in the ADSs or ordinary shares disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. If an Argentine tax is withheld on the sale or disposition of ADSs or ordinary shares, a U.S. Holder's amount realized will include the gross amount of the proceeds of the sale or disposition before deduction of the Argentine tax. See "*Argentine Taxes—Taxation of Capital Gains*" for a description of when a disposition may be subject to taxation by Argentina. Such gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes.

Passive Foreign Investment Company Rules

We believe that we were not a PFIC for U.S. federal income tax purposes for the taxable year 2013. However, because 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 because our analysis of our PFIC status is 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. If we are treated as a PFIC for any taxable year during which a U.S. Holder held ADSs or ordinary shares, gain recognized by such U.S. Holder on a sale or other disposition (including certain pledges) of ADSs or ordinary shares would be allocated ratably over the U.S. Holder's holding period for the ADSs or ordinary shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for such taxable year and an interest charge would be imposed on the resulting tax liability for each such taxable year. Further, any distribution in respect of ADSs or ordinary shares in excess of 125 percent of the average of the annual distributions on ADSs or ordinary shares received by the U.S. Holder during the preceding three years or the U.S. Holder's holding period, whichever is shorter, would be subject to taxation in the same manner. Certain elections (including a mark-to-market election) may be available to U.S. Holders that may mitigate the adverse consequences resulting from PFIC status. U.S. Holders should consult their tax advisers to determine whether any of these elections would be available and, if so, what the consequences of the alternative treatments would be in their particular circumstances.

In addition, if we were a PFIC or, with respect to a particular U.S. Holder, were treated as a PFIC for a taxable year in which we pay a dividend or the prior taxable year, the favorable tax rates discussed above with respect to dividends paid to certain non-corporate holders would not apply.

If we are a PFIC for any taxable year during which a U.S. Holder owned our ADSs or ordinary shares, such U.S. Holder will generally be required to file IRS Form 8621 with their annual U.S. federal income tax return, subject to certain exceptions.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is an exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to 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 timely furnished to the Internal Revenue Service.

F. Dividends and paying agents

Not applicable.

G. Statement by experts

Not applicable.

H. 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 100F Street, N.E., 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 www.sec.gov. The documents concerning BBVA Francés which are referred to in this annual report may also be inspected at our office at Reconquista 199, C1003ABB Buenos Aires, Republic of Argentina.

I. Subsidiary information

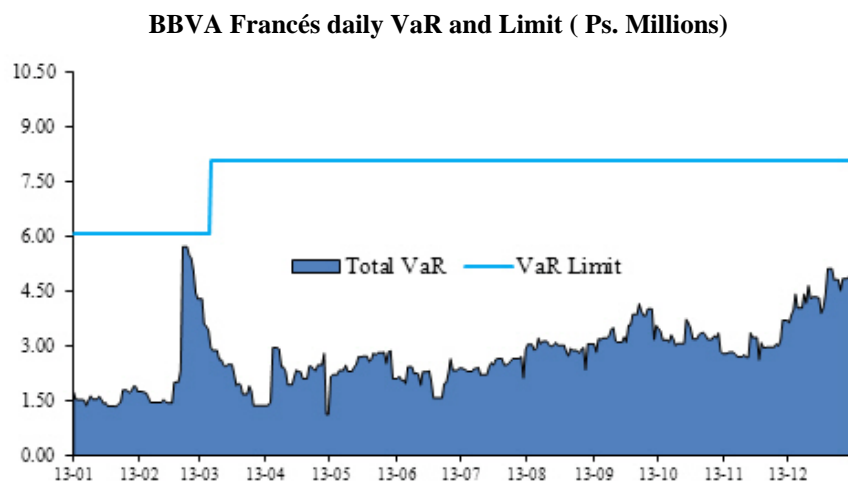
Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

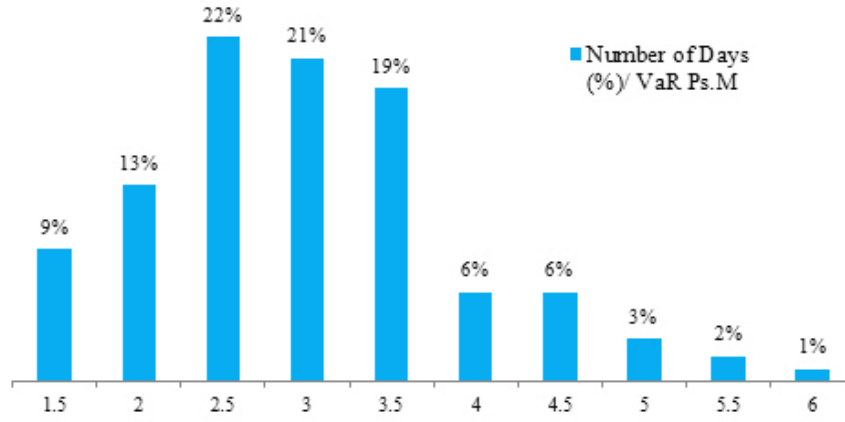
Our business model is focused on the customer and the exposition to own activities is reduced reflecting BBVA Francés risk appetite.

In order to manage the market risk involved in every position of BBVA Francés, we use the VaR (Value at Risk) tool. This is the basic measure to control risks as it estimates the maximum loss, within a given confidence interval, in the fair or market value of a certain instrument or portfolio during a determined horizon. At BBVA Francés, the VaR is calculated within a confidence interval of 99% and one day horizon. It uses a historical period of two years (504 observations).The graph below shows the evolution of market risk measured by VaR during 2013:



During 2013, VaR has fluctuated from Ps.1.13 million to Ps.5.72 million. The average was Ps.2.77 million. The interest risk measured by VaR reduced by 17% in 2013 compared to the 2012 average. However, exchange risk increased from Ps.0.60 million to Ps.2.24 million on average. In general, we observe that the VaR ranges between Ps.1.50 million and Ps.4.00 million according to the frequency of days in 2013.

VaR Histogram (2013)



Daily Trading VaR at BBVA Francés (in millions of pesos)

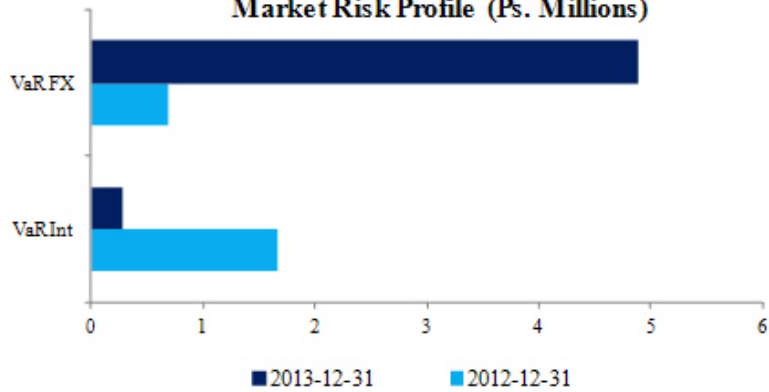
	2013	2012
Average	2.77	1.73
Minimum	1.13	0.95
Maximum	5.72	2.90
Dec. 31	4.90	1.76

Daily Trading VaR – Categories (in millions of pesos)

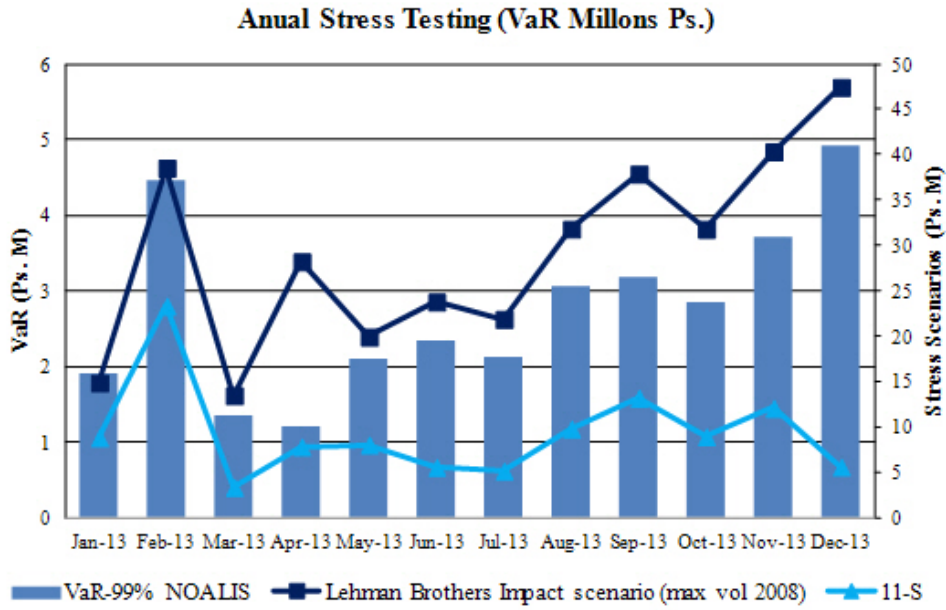
Interest Risk VaR	2013	2012
Average	1.36	1.64
Minimum	0.28	0.85
Maximum	5.68	2.78
Dec. 31	0.28	1.66

Currency Risk VaR	2013	2012
Average	2.24	0.60
Minimum	0.28	0.16
Maximum	5.08	1.33
Dec. 31	4.89	0.68

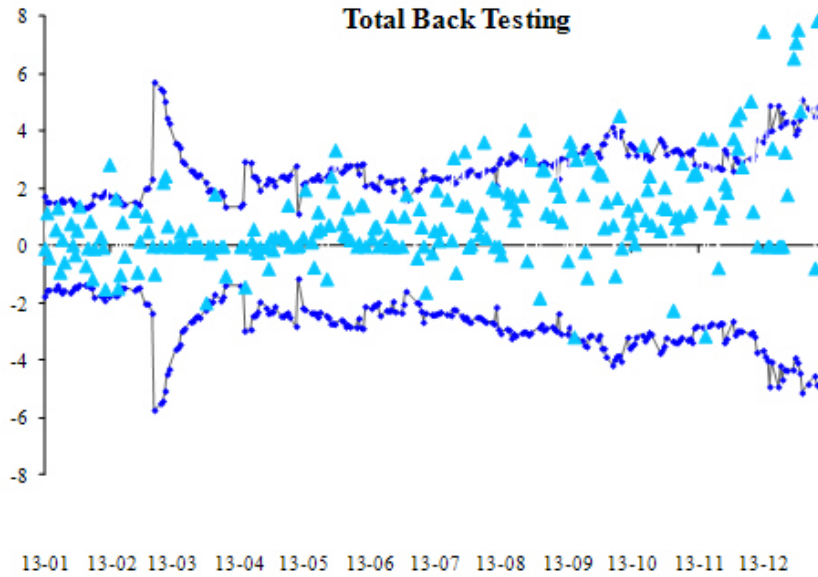
Market Risk Profile (Ps. Millions)



Additionally, the market risk unit develops daily stress tests. This allows us estimating the maximum expected loss when the market portfolio is subject to the volatility of historical crisis scenarios or economic stress. In the economic stress tests, apart from measuring the maximum expected loss, the unit also controls limits in order to anticipate and mitigate any excess.



Also, risk market unit performs tests to validate models. The area elaborates a monthly backtesting analysis to control that daily result during the month is inside the bands determined by VaR identifying the exceptions produced in that period.



Apart from this, the risk market unit is responsible for prices. This means that it assumes the daily capturing and diffusion of every price that have an impact not only in trading portfolio but also in ALCO portfolio as well as the rest of BBVA Francés areas through automatic tools and process. Also, the area generates the valuation of all the financial assets in custody.

Finally, Market risks carry on the control and monitoring of credit risk involved in every operation of the trading desk. Using different tools, the risk assumed with each counterpart is verified and analyze in order to avoid concentration and promote diversification of potential risk factors.

Non-Trading Risk

None.

Interest Rate Risk

The discussion that follows relates to interest risk in 2013 and bears no relation to our current or future interest rate risk.

Interest rate sensitivity is the relationship between market interest rates and net portfolio value, on the one hand, and net interest income on the other, due to the repricing of assets and liabilities. Our interest rate sensitivity analysis measures the sensitivity of the net portfolio value and net interest income to parallel changes in interest rates and to changes in the yield curve.

For the purpose of calculating net present value, when the rate of interest is fixed, future cash flows of financial assets and liabilities are calculated on a contractual basis. When the interest rate is variable, cash flows are included that have a maturity during the repricing interval. Such amounts are added to the remaining balance of the asset or the liability at the end of the interval.

Net interest income is calculated as the difference between interest income earned on interest-earning assets and interest expense from interest-bearing liabilities for each month of the fiscal year immediately following the fiscal year ended December 31, 2013.

In general, the usefulness of this calculation is limited to its assumption of a permanent increase or decrease in interest rates and that all of such rates change at the same rate. Accordingly, actual results could differ materially from those projected.

For any given period, the pricing structure is matched when an equal amount of assets and liabilities reprice. Any mismatch of interest-earning assets and interest-bearing liabilities is known as a gap. A positive gap denotes asset sensitivity and normally means that an increase in interest rates would have a negative effect on net portfolio value and a positive effect on interest income, while a decline in interest rates would have a positive effect on net portfolio value and a negative effect on net interest income.

Changes in interest rates affect our profitability as a result of timing differences on the repricing of the assets and liabilities. One measure of the effect of a change in interest rates is to measure the change in net portfolio value (defined as the net present value of interest-earning assets and interest-bearing liabilities) and the effect on net interest income from a given change in interest rates. In the table below, interest rates are assumed to change immediately, while the consistency and levels of interest-earning assets and interest-bearing liabilities, including the effects of derivative financial instruments, remain constant. The table measures the net portfolio value and net interest income under various interest rate scenarios and the percentage changes from amounts generated under a stable interest rate environment.

The following chart includes adjusted assets and liabilities in the 0-3 months interval assuming 17.3% annual adjustment. In order to measure the effect of a change in interest rates in net portfolio value and net interest income, we are assuming the same change in interest rate as in the adjustment rate. However, as this may not be the case, we are including another column showing the impact of a variation in the adjustment rate with no variation in interest rate.

December 31, 2013						
Change in base interest rates (basis points)	Net portfolio value	Percentage change	Net interest and adjust income	Percentage change	Net income of adjustable portfolio	Percentage change
(in millions of pesos, except percentages)						
100	14,314.7	(1.60)%	5,913.1	0.74%	(73.9)	14.65%
50	14,425.5	(0.83)%	5,891.3	0.37%	(69.1)	7.34%
0	14,546.9	0.00%	5,869.5	0.00%	(64.4)	0.00%
(50)	14,681.6	0.93%	5,847.8	(0.37)%	(59.7)	(7.37)%
(100)	14,833.1	1.97%	5,826.0	(0.74)%	(54.9)	(14.77)%

Based on our position at December 31, 2013, and assuming a hypothetical, immediate 50 basis points increase in interests rates affecting all interest rate sensitive assets and liabilities as of January 1, 2013, net portfolio value would be reduced by Ps.121.4 million and net interest income over 2014 would be increased by approximately Ps.21.8 million.

Foreign Exchange Risk

As of December 31, 2013, as part of our asset and liability management, we aimed to minimize the impact on results of foreign exchange rate fluctuations by maintaining excess balances of assets over liabilities denominated in dollars.

<u>Peso against all other currencies</u>	<u>Effect on net income based on our position as of December 31, 2013</u>	<u>Effect on net income based on our position as of December 31, 2012</u>
	(in millions of pesos, except percentages)	
5%	(125)	(25)
(5)%	125	25

For a description of the changes in the exchange rates, see “*Item 3. Key Information—Exchange Rates*”.

Equity and Commodity Price Risk

Equity and commodity risk are the risks associated with adverse movements in the value of equity securities and commodities or related indexes. We do not have any material exposure to either of them.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt securities

Not applicable.

B. Warrants and rights

Not applicable.

C. Other securities

Not applicable.

D. American Depositary Shares

Fees and charges for holders of American Depositary Receipts

The depositary for our American Depositary Receipts (“ADRs”) is the Bank of New York Mellon (“BoNY”).

Holders of our ADRs are generally expected to pay fees to BoNY according to the schedule below:

Persons depositing or withdrawing shares must pay:	For:
US\$5.00 (or less) per 100 ADRs (or portion of 100 ADRs)	<ul style="list-style-type: none"> ▪ Issuance of ADRs, including issuances resulting from a distribution, sale or exercise of shares or rights or other property ▪ Cancellation of ADRs for the purpose of withdrawal including if the deposit agreement terminates
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADRs	<ul style="list-style-type: none"> ▪ Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADR registered holders
Registration or transfer fees	<ul style="list-style-type: none"> ▪ Transfer and registration of shares on the Company’s share register to or from the name of the depositary or its agent when you deposit or withdraw shares

Expenses of the depositary	<ul style="list-style-type: none">▪ Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)▪ Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian have to pay on any ADR or share underlying an ADR, for example, stock transfer taxes, stamp duty or withholding taxes	<ul style="list-style-type: none">▪ As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	<ul style="list-style-type: none">▪ As necessary

BoNY collects its fees for delivery and surrender of ADRs directly from investors depositing shares or surrendering ADRs for the purpose of withdrawal or from intermediaries acting for them. BoNY also collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. BoNY may collect its annual fee for depositary services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. BoNY may generally refuse to provide fee-attracting services until its fees for those services are paid.

The Bank is currently negotiating with BoNY an amendment to the deposit agreement, by which additional fees may be charged to the ADRs holders, such as a fee not in excess of US\$5.00 or less per 100 ADS (or portion thereof) for any cash distribution made pursuant to the deposit agreement, and an additional fee of US\$5.00 or less per 100 ADS (or portion thereof) per annum for depositary services.

This amendment will be executed in the context of a re-load of our ADRs Program, extending it up to an amount of US\$50 million of ADRs. Accordingly, Form F-6 will be filed with the SEC once the agreement has been executed by the parties.

Fees Paid by Depositary to the Company

There are no fees or other direct and indirect payments made by BoNY to the foreign issuer of the deposited securities.

- PART II -

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of December 31, 2013, the Bank, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(f) under the Exchange Act). There are, as described below, inherent limitations to the effectiveness of any control system, including disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can provide only reasonable assurance of achieving their control objectives.

Based on such evaluation, the Bank's Chief Executive Officer and Chief Financial Officer concluded that the Bank's disclosure controls and procedures were effective for gathering, analyzing and disclosing the information the Bank is required to disclose in the reports it files under the Exchange Act, within the time periods specified in the SEC's rules and forms.

Management's Annual Report on Internal Control Over Financial Reporting

The management of the Bank is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15 (f) under the Exchange Act. The Bank's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of the Bank's management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of the Bank's management, including our Chief Executive Officer, and the Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, our management concluded that, as of December 31, 2013, our internal control over financial reporting was effective based on those criteria.

Our internal control over financial reporting as of December 31, 2013 has been audited by Deloitte & Co. S.A., an independent registered public accounting firm, as stated in their report which follows below.

Report of Independent Registered Public Accounting Firm

To the President and Board of Directors of
BBVA BANCO FRANCÉS S.A.
Reconquista 199
Buenos Aires, Argentina

We have audited the internal control over financial reporting of BBVA BANCO FRANCÉS S.A. and subsidiaries composing the BBVA BANCO FRANCÉS Group (the “Bank” – Note 2.1. to the Consolidated Financial Statements) as of December 31, 2013, based on the criteria established in the *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Bank’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management’s Annual Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Bank’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the Company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the Company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in the *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States of America), the consolidated financial statements as of and for the fiscal year ended December 31, 2013 of the Bank, and our report dated April 21, 2014 expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph regarding the accounting rules established by the Argentine Central Bank (“BCRA”, for its Spanish acronym) as they vary in certain significant respects from accounting principles generally accepted in the United States of America (“U.S. GAAP”) and that the information relating to the nature and effect of such differences is presented in Note 22 to the consolidated financial statements of the Bank.

/s/ DELOITTE & Co. S.A.
Buenos Aires – Argentina
April 21, 2014

Changes in Internal Control Over Financial Reporting

There has been no change in the Bank’s internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The Bank’s Board of directors has appointed Mr. Mario Luis Vicens to serve on its Audit Committees (I and II) and Disclosure Committees. The Bank’s Board of directors has concluded that Mr. Vicens is an audit committee financial expert as defined by the SEC based on his extensive audit experience. Mr. Vicens qualifies as an independent director according to the independence criteria established by General Resolution Nr. 622 (New Text 2013).

ITEM 16B. CODE OF ETHICS

The standards of ethical conduct that BBVA Francés expects from its employees are found within the “Code of Conduct of BBVA Francés and its group of companies in Argentina”, or the Code of Conduct, approved by the Board of directors on December 18, 2003.

The Code of Conduct is applicable to all our management and employees, including the Executive Chairman, the Financial Director and other senior financial officers of the Bank. All officers and employees are accountable for adhering to the Code of Conduct. Suspected violations of the Code of Conduct may be reported in accordance with procedures designed to address the reported situation and to protect the reporting employee. The failure to comply with criteria and rules of the Code of Conduct may result in disciplinary action in accordance with applicable Argentine employment laws.

The Code of Conduct is accessible via BBVA Francés’ corporate website at

https://www.bancofrances.com.ar/fbin/Codigo_Conducta_BBVA_Frances_tcm235-341959.pdf
(the information found at this website is not incorporated by reference into this report).

A copy of our Code of Conduct is also available on request, free of charge, by writing or telephoning us at:

BBVA Banco Francés S.A.
Attention: Investor Relations Department
Reconquista 40
C1003ABB Buenos Aires
Republic of Argentina
Telephone number: (54 11) 4341 5036
e-mail address: v.bories@bbva.com
cecilia.acuna@bbva.com

During fiscal year 2013, there have been no amendments to any provisions of the Code of Conduct .

No waivers from any provisions of the Code of Conduct were expressly or implicitly granted to the Executive Chairman, the Financial Director and any other senior financial officer of the Bank in the fiscal year 2013.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Following is a summary of the fees to our independent external auditors for the years ended December 31, 2013 and 2012:

	2013	2012
	(in millions of pesos)	
Audit fees	10.22	8.06
Audit-related fees	—	—
Tax fees	0.75	0.49
All other fees	—	—
Total fees	10.97	8.55

Audit fees are fees for professional services performed by Deloitte & Co. S.A. for the audit and limited review of the Bank's annual and quarterly financial statements and services that are normally provided in connection with statutory and regulatory filings.

Audit-related fees consist of fees for assurance and related services performed by Deloitte & Co. S.A. that are reasonably related to the performance of the audit or review of the Bank's financial statements and are not reported as Audit fees.

Tax fees consist of tax compliance, tax advice and tax planning services and assistance and advice related to tax audits and appeals.

The Audit Committee has approved policies and procedures for pre-approving all non-audit work that would be performed by Deloitte & Co. S.A. Specifically, the policies and procedures prohibit Deloitte & Co. S.A. from performing any services for the Bank or its subsidiaries without the prior approval of the Audit Committee. All of the services provided by Deloitte & Co. S.A. in 2013 were approved by the Audit Committee pursuant to these approval policies. None of the hours expended on the principal accountant's engagement to audit our financial statements for 2013 were attributed to work performed by persons other than the principal accountant's full-time, permanent employees. The Audit Committee meets once a month. In each of these meetings, the Internal Audit Director presents the projects undertaken by the Internal Audit Department. The minutes of the meeting are then drawn up detailing the issues discussed as well as those items requiring further discussion. The minutes are transcribed into an internal control book which is sent to the Board of directors for their information. See "*Item 6. Directors, Senior Management and Employees—Directors and Senior Management—Audit Committee (I)*".

ITEM 16D. EXEMPTIONS FROM LISTING REQUIREMENTS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY ONE ISSUER AND AFFILIATED PERSONS

None.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

BBVA Francés' corporate governance practices are governed by the applicable Argentine law (particularly, the Business Companies Law, Law Nr. 26,831 and the Standards of the CNV), as well as by its by-laws. BBVA Francés has securities that are registered with the SEC and are listed on the NYSE, and is therefore subject to corporate governance requirements applicable to NYSE-listed non-U.S. companies.

NYSE-listed non-U.S. companies may, in general, follow their home country corporate governance practices in lieu of most of the new NYSE corporate governance requirements codified in Section 303A of the NYSE's Listed Company Manual. However, NYSE-listed non-U.S. companies must comply with NYSE Sections 303A.06, 303A.11 and 303A.12(b) and (c).

NYSE Section 303A.11 requires that non-U.S. companies disclose any significant ways in which their corporate governance practices differ from U.S. companies under NYSE listing standards. In accordance with NYSE Section 303A.11, we describe below the relevant differences between BBVA Francés' corporate governance practices and NYSE standards for listed companies.

On the other hand, the CNV passed in May 2012 General Resolution Nr. 606/12 ("GR 606/12") providing for the corporate governance requirements which companies that publicly offer shares representing their capital stock in Argentina must adopt. Moreover, since December 2012, the Bank has a new corporate governance code ("Código de Gobierno Societario", hereinafter the "CGS") in accordance with Communication "A" 5106 of the Central Bank and GR 606/12 from CNV.

Director Independence

Under NYSE Section 303A.01, a NYSE-listed company must have a majority of independent directors on its Board of directors.

Under Argentine law, the board is not required to consist of a majority of independent directors. Notwithstanding, when directors are appointed, each shareholder that nominates a director is required to report at the meeting whether or not such director is independent. As of May 28, 2014, Argentine companies are required to have at least two independent directors to appoint the Audit Committee (I and II). Since December 31, 2012 BBVA Francés has five independent directors among the six members of its current Board of directors.

Standards for Evaluating Director Independence

NYSE Section 303A.02 establishes general standards to evaluate directors' independence (no director qualifies as "independent" unless the Board of directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company)), and emphasizes that the concern is independence from management. The board is also required, on a case by case basis, to express an opinion with regard to the independence or lack of independence, of each individual director.

To qualify as an "independent" or "non-independent" director, CNV standards (General Resolution Nr. 400) are substantially similar to NYSE standards. CNV standards provide that independence is required with respect to the Bank, and to its controlling shareholders or to shareholders with material holdings (35% or more), and that, for any person to be appointed as an independent director, such person must not perform executive functions within the Bank. Close relatives of any persons who would not qualify as "independent directors" would also not be considered "independent".

Non-management Directors Meetings

Under NYSE Section 303A.03, non-management directors must meet at regularly scheduled executive meetings not attended by management. Neither Argentine law nor BBVA Francés' by-laws require that any such meetings be held.

Nominations Corporate Governance Committee

Under NYSE Section 303A.04, listed companies shall have a "nominations/corporate governance committee" comprised entirely of independent directors. GR 606/12 requires for companies which publicly offer their securities to have a Nomination Committee. Moreover, pursuant to CNV Standards, the person who nominates a director shall report at the shareholders' meeting whether or not the nominee is an "independent person", based on criteria established by CNV (which are substantially similar to NYSE standards).

Compensation Committee

Under NYSE Section 303A.05(a), listed companies had to have a "Compensations Committee" comprised entirely of independent directors. Under NYSE Section 303A.05(b), the "Compensations Committee" shall have a written charter establishing certain minimum responsibilities as set forth in NYSE Section 303A.05(b)(i). In addition, amendments approved by the NYSE in January 2013 require the charter to specify the rights and responsibilities of the compensation committee regarding the authority to retain advisers and to provide funding for such advisers. Certain specified factors must be considered regarding such advisers' independence from management. GR 606/12 also requires for companies which publicly offer their securities to have a Compensation Committee.

The CGS sets forth the creation of a Nominations and Compensations Committee, composed of three non-executive directors, most of them independent, whose duties, among others, are to fix the rules and procedures for the selection of key executives and senior staff, to determine the level of remuneration for directors and key executives, to fix policies and practices regarding remunerations and benefits and to approve any relevant changes.

Audit Committee (II)

Under NYSE Section 303A.06, listed companies must have an "audit committee" that complies with SEC requirements. Foreign private issuers shall have this audit committee in place prior to July 31, 2005. Law Nr. 26,831 and CNV's standards require BBVA Francés to have its audit committee in place on or prior to May 28, 2004. The Audit Committee (II) of BBVA Francés currently complies with the standards of Law Nr. 26,831.

Under NYSE Section 303A.07(a), the audit committee shall consist of at least three members. All of its members shall be financially literate or must acquire such financial knowledge within a reasonable period and at least one of its members shall have experience in accounting or financial administration. Argentine law also requires the Audit Committee to be comprised of at least three members. Pursuant to CNV's standards, audit committee members are required to be conversant in business, financial, or accounting issues. CNV's rules provide for the training of its members to carry out their duties and BBVA Francés engages in this training.

Under NYSE Section 303A.07(a), if a member of the audit committee is simultaneously a member of the audit committee of more than three public companies, and the listed company does not limit the number of audit committees on which its members may serve, then, in each case the board shall determine whether the simultaneous service would prevent such member from effectively serving on the listed company's audit committee, and shall report its decision in the annual proxy statement of the company or in the company's annual report filed with the SEC. No such provision regarding an audit committee member's simultaneous membership on public companies exists under Argentine law or BBVA Banco Francés' by-laws.

Under NYSE Section 303A.07(a), all members of the audit committee are required to be "independent". In accordance with Law Nr. 26,831, a majority of the members of Audit Committee (II) are "independent".

Under NYSE Section 303A.07(b), the audit committee shall have a charter establishing the duties and responsibilities of its members, including, at a minimum, some of the duties and responsibilities required by Rule 10A-3 of the Securities Exchange Act of 1934 (the "Exchange Act") and as set forth in NYSE Section 303A.7(b) of the NYSE Manual. The functions and responsibilities of the audit committee in Argentina, established by Law Nr. 26,831 and CNV's standards, are essentially the same as provided for under Rule 10A-3 of the Exchange Act.

NYSE Sections 303A.07(b)(iii) A), (B) and (C) establish the duties and responsibilities of the audit committee, among others: (i) to discuss the annual audited financial statements and the quarterly financial statements of the company with management and the independent auditor, including the information disclosed under the heading "Management's Discussion and Analysis of Financial Conditions and Results of Operations" and (ii) to discuss the company's press releases relating to its earnings, as well as the financial information and guidelines relating to its earnings that are supplied to equity researchers and rating agencies. No such provision is contained in the Argentine law or BBVA Banco Francés' by-laws. However, CNV standards establish similar functions for the audit committee, namely, "to verify the reliability of the administrative-accounting system, and of all financial data, or of any significant data submitted to CNV and to self-regulated exchanges, in compliance with the applicable reporting regime".

NYSE Section 303A.07(b)(iii)(G) provides that the audit committee shall establish clear policies for hiring external auditors' employees. No such provision regarding hiring external auditors' employees is contained in Argentine law or BBVA Banco Francés' by-laws.

NYSE Section 303A.07(c) provides that each company must have an internal audit function in order to provide to the management and to the audit committee permanent assessments on the company's risk management processes and internal control system. No such provision regarding an internal audit function is required by Argentine law or BBVA Francés' by-laws. However, BBVA Francés has an Audit Committee according to Central Bank's rules, which provides to the management permanent assessments about management and operating processes, and risks of the company.

Disclosure of Corporate Governance Guidelines

NYSE Section 303A.09 provides that companies must adopt and disclose corporate governance guidelines, including several issues for which such reporting is mandatory, and include such information on the company's website, which should also include the charters of the Audit Committee, the Nominations Committee and the Compensation Committee.

Law Nr. 26,831 required additional information that companies must include in their annual reports, including information relating to the decision-making organization (corporate governance), the company's internal controls system, norms for director and manager compensation, stock-options, and any other compensation system applicable to Board members and managers. Law Nr. 26,831 does not address the remaining issues included in NYSE Section 303A.09. However, all relevant information sent by the Bank to the CNV is forwarded to the CNV through the CNV's Financial Reporting Highway and may be viewed on the CNV's website.

Evaluation of Board Performance

Under NYSE Section 303A.09, the Board of directors must make a self-assessment of its performance at least once a year to determine if it or its committees function effectively and report thereon. Under Argentine law, the board's performance is evaluated at the annual shareholders' meeting.

Code of Ethics

NYSE Section 303A.10 provides for the adoption of a Code of Business Conduct and Ethics and sets out the topics that such code must contain. BBVA Francés' Board approved in December 18, 2003 a "Code of Conduct of BBVA Francés and its group of companies in Argentina", which applies to all management and employees, with no exceptions, the English translation of which is

available to the public on BBVA Francés' website. See "Item 16B. Code of Ethics". BBVA Francés believes that its Code of Conduct complies with the NYSE requirements.

Certifications by the CEO

NYSE Section 303A.12(a) provides that the CEO shall on a yearly basis certify to NYSE that he/she knows of no violation by the company of NYSE Sections relating to corporate governance. No such certification is required by Argentine law or by BBVA Francés' by-laws.

Notification of Non-fulfillment

Under NYSE Section 303A.12(b), the CEO shall notify the NYSE in writing whenever any executive officer of the company becomes aware of any substantial non-fulfilment of any applicable provision under NYSE Section 303A.

No such provision regarding notification of non-fulfilment of NYSE Section 303A is contained in Argentine law or BBVA Francés' by-laws, but BBVA Francés' CEO will comply with the notice provisions as set forth under NYSE Section 303A.12(b).

- PART III -

ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of this item.

ITEM 18. FINANCIAL STATEMENTS

Reference is made to Item 19 for a list of the financial statements filed as a part of this annual report.

ITEM 19. EXHIBITS

- Index to Consolidated Financial Statements:

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Consolidated Statements of Cash and Cash Equivalents Flows for the fiscal years ended December 31, 2013, 2012 and 2011	F-10
Consolidated Statements of Changes in Stockholders' Equity for the fiscal years ended December 31, 2013, 2012 and 2011	F-13
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- Index to Exhibits:

Exhibit Number	Description
1.1	Amended and Restated By-Laws (Estatutos) of BBVA Francés*
1.2	English translation of the Amended and Restated By-Laws (Estatutos) of BBVA Francés*
8.1	Subsidiaries of the Company
12.1	Section 302 Certification of Chief Executive Officer
12.2	Section 302 Certification of Chief Financial Officer
13.1	Section 906 Certification pursuant to 18 U.S.C. Section 1350

(*) Incorporated by reference in the BBVA Banco Francés Annual Report on Form 20-F for the year ended December 31, 2012 filed with the Securities and Exchange Commission on April 10, 2013.

We will furnish to the SEC, upon request, copies of any unfiled instruments that define the rights of holders of long-term debt of BBVA Francés.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

BBVA BANCO FRANCÉS S.A.

By: /s/ Ignacio Sanz y Arcelus
Name: Ignacio Sanz y Arcelus
Title: Chief Financial Officer

Date: April 21, 2014

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES

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**REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM**

To the President and Board of Directors of
BBVA BANCO FRANCÉS S.A.
Reconquista 199
Buenos Aires, Argentina

We have audited the accompanying consolidated balance sheets of BBVA BANCO FRANCÉS S.A. and subsidiaries composing the BBVA BANCO FRANCÉS Group (the “Bank” – Note 2.1. to the Consolidated Financial Statements) as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in stockholders’ equity, and cash and cash equivalents flows for each of the three fiscal years in the period ended December 31, 2013 (all stated in thousands of Argentine Pesos). These consolidated financial statements are the responsibility of the Bank’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in paragraph 1 present fairly, in all material respects, the financial position of BBVA BANCO FRANCÉS S.A. and subsidiaries as of December 31, 2013 and 2012 and the results of their operations, changes in stockholders’ equity, and cash and cash equivalents flows for each of the three fiscal years in the period ended December 31, 2013, in conformity with the accounting rules established by the Argentine Central Bank (“BCRA”, for its Spanish acronym) applicable to consolidated financial statements.

Accounting rules established by the BCRA vary in certain significant respects from accounting principles generally accepted in the United States of America (“U.S. GAAP”). Information relating to the nature and effect of such differences is presented in Note 22 to the consolidated financial statements.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States of America), the Bank's internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 21, 2014 expressed an unqualified opinion on the Bank's internal control over financial reporting.

/s/ DELOITTE & Co. S.A.

Buenos Aires – Argentina

April 21, 2014

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2013 and 2012
Stated in thousands of Pesos

	December 31,	
	2013	2012
ASSETS		
CASH AND DUE FROM BANKS	12,881,781	8,614,889
Cash	2,063,205	1,879,436
Due from banks and correspondents	10,818,576	6,735,453
Argentine Central Bank (BCRA)	10,576,744	6,597,330
Other local	2,846	746
Foreign	238,986	137,377
GOVERNMENT AND PRIVATE SECURITIES (Note 6.a)	3,459,935	4,101,846
Holdings booked at fair value	1,982,431	1,832,079
Holdings booked at amortized cost	164	164
Instruments issued by the BCRA	1,408,487	2,201,676
Investments in listed private securities	69,049	68,115
Less: Allowances	196	188
LOANS	36,468,194	28,493,431
To governmental sector	40,915	35,067
To financial sector	1,871,093	1,493,493
Inter-financial – (Calls granted)	313,500	162,000
Other financing to local financial institutions	1,328,346	1,127,298
Interest and listed-price differences accrued and pending of collection	229,247	204,195
To non-financial private sector and residents abroad:	35,278,648	27,488,728
Overdraft	6,552,258	5,097,179
Discounted instruments	5,476,961	4,240,993
Real estate mortgage	1,243,900	877,775
Collateral loans	3,479,820	2,479,398
Consumer	5,998,744	4,772,798
Credit cards	7,429,187	4,729,243
Other	4,647,736	4,921,690
Interest and listed-price differences accrued and pending of collection	582,255	443,065
Less: Interest documented together with main obligation	132,213	73,413
Less: Allowances	722,462	523,857
Carried forward	52,809,910	41,210,166

The accompanying Notes 1 to 23 are an integral part of these Consolidated Financial Statements.

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS—(Continued)
As of December 31, 2013 and 2012
Stated in thousands of Pesos

	December 31,	
	2013	2012
Brought forward	52,809,910	41,210,166
OTHER RECEIVABLES FROM FINANCIAL TRANSACTIONS	1,168,491	700,925
Argentine Central Bank (BCRA)	624,368	537,997
Amounts receivable for spot and forward sales to be settled	260,046	931
Instruments to be received for spot and forward purchases to be settled	72,567	18
Unlisted corporate bonds	3,401	15,973
Non-deliverable forward transactions balances to be settled	6,744	8,834
Other receivables not covered by debtor classification regulations	4,135	404
Other receivables covered by debtor classification regulations (Note 6.b)	202,274	140,218
Less: Allowances	5,044	3,450
RECEIVABLES FROM FINANCIAL LEASES	1,777,778	1,110,234
Receivables from financial leases	1,778,235	1,108,152
Interest accrued pending of collection	22,040	15,316
Less: Allowances	22,497	13,234
INVESTMENTS IN OTHER COMPANIES	210,657	146,001
In Financial institutions	152,036	98,506
Other (Note 6.c)	58,621	47,495
OTHER RECEIVABLES	1,065,297	834,585
Other (Note 6.d)	1,359,404	1,135,000
Other interest accrued and pending collection	3,478	6,114
Less: Allowances	297,585	306,529
PREMISES AND EQUIPMENT	704,995	619,981
OTHER ASSETS	659,997	34,095
INTANGIBLE ASSETS	120,755	117,331
Organization and development expenses	120,755	117,331
SUSPENSE ITEMS	5,294	10,811
OTHER SUBSIDIARIES' ASSETS (Note 6.e)	450	450
TOTAL ASSETS	58,523,624	44,784,579

The accompanying Notes 1 to 23 are an integral part of these Consolidated Financial Statements.

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS—(Continued)
As of December 31, 2013 and 2012
Stated in thousands of Pesos

	December 31,	
	2013	2012
LIABILITIES		
DEPOSITS	43,759,465	34,165,053
Governmental sector	2,780,304	2,122,608
Financial sector	45,961	18,787
Non-financial private sector and residents abroad:	40,933,200	32,023,658
Checking accounts	9,947,241	8,791,731
Savings deposits	11,902,472	9,803,777
Time deposits	17,910,820	12,653,990
Investments accounts	4,027	6,929
Other	916,985	639,281
Interest and listed—price differences accrued payable	251,655	127,950
OTHER LIABILITIES FROM FINANCIAL TRANSACTIONS	4,943,260	3,285,123
Argentine Central Bank — Other	93,746	51,936
Banks and International Institutions	106,178	262,770
Non — subordinated corporate bonds	1,190,761	649,993
Amounts payable for spot and forward purchases to be settled	63,298	18
Instruments to be delivered for spot and forward sales to be settled	273,672	926
Financing received from Argentine financial institutions	426,238	344,683
Inter-financial - (Calls received)	—	20,000
Other financing from local financial institutions	426,238	324,655
Interest accrued payable	—	28
Non-deliverable forward transactions balances to be settled	47,245	928
Other (Note 6.f)	2,648,545	1,939,689
Interest and listed—Price differences accrued payable	93,577	34,180
OTHER LIABILITIES	1,752,967	1,419,180
Fees payable	189	103
Other (Note 6.g)	1,752,778	1,419,077
ALLOWANCES	709,343	644,962
SUSPENSE ITEMS	29,677	20,007
OTHER SUBSIDIARIES' LIABILITIES (Note 6.h)	337	337
TOTAL LIABILITIES	51,195,049	39,534,662
MINORITY INTEREST IN SUBSIDIARIES (Note 16)	172,395	117,981
STOCKHOLDERS' EQUITY	7,156,180	5,131,936
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	58,523,624	44,784,579

The accompanying Notes 1 to 23 are an integral part of these Consolidated Financial Statements.

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS—(Continued)
As of December 31, 2013 and 2012
Stated in thousands of Pesos

	December 31,	
	2013	2012
MEMORANDUM ACCOUNTS		
DEBIT ACCOUNTS		
Contingent	13,415,778	8,699,746
Borrowings (unused balances)	—	43,950
Guarantees received	12,125,408	7,759,627
Contra contingent debit accounts	1,290,370	896,169
Control	155,361,065	67,942,089
Receivables classified as non-recoverable	432,256	371,935
Other (Note 6.i)	153,384,808	65,927,867
Contra control debit accounts	1,544,001	1,642,287
Derivatives	8,653,218	7,197,154
“Notional” amount of non-deliverable forward transactions	5,414,377	3,452,819
Interest rate SWAP	1,367,098	878,657
Contra derivatives debit accounts	1,871,743	2,865,678
For trustee activities	6,582	6,585
Funds in trust	6,582	6,585
TOTAL	177,436,643	83,845,574
CREDIT ACCOUNTS		
Contingent	13,415,778	8,699,746
Credit lines granted (unused portion) covered by debtor classification regulations	453,478	322,959
Guarantees provided to the BCRA	191,303	131,094
Other guarantees given covered by debtor classification regulations	287,575	188,521
Other guarantees given non-covered by debtor classification regulations	158,783	177,080
Other covered by debtor classification regulations	199,231	76,515
Contra contingent credit accounts	12,125,408	7,803,577
Control	155,361,065	67,942,089
Items to be credited	1,186,195	1,404,173
Other	357,806	238,114
Contra control credit accounts	153,817,064	66,299,802
Derivatives	8,653,218	7,197,154
“Notional” amount of non-deliverable forward transactions	1,871,743	2,865,678
Contra derivatives credit accounts	6,781,475	4,331,476
For trustee activities	6,582	6,585
Contra credit accounts for trustee activities	6,582	6,585
TOTAL	177,436,643	83,845,574

The accompanying Notes 1 to 23 are an integral part of these Consolidated Financial Statements.

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
As of December 31, 2013, 2012 and 2011
Stated in thousands of Pesos

	Fiscal year ended December 31,		
	2013	2012	2011
FINANCIAL INCOME	8,243,409	5,714,921	3,814,685
Interest cash and due from banks	54	—	2
Interest on loans to the financial sector	282,006	256,597	136,903
Interest on overdraft	1,263,611	725,890	420,127
Interest on discounted instruments	786,773	543,602	318,039
Interest on real estate mortgage	164,783	119,883	126,164
Interest on collateral loans	600,793	404,299	192,420
Interest on credit card loans	995,086	625,692	361,658
Interest on other loans	2,202,956	1,637,284	1,097,407
Interest on other receivables from financial transactions	40,771	36,376	31,725
Interest on financial leases	239,853	161,775	116,659
Income from Federal Government secured loans—Decree Nr. 1387/01	8,840	6,388	40,165
Net income from governmental and private securities	352,223	640,547	493,185
Net income from options	—	255	404
Indexation by Benchmark Stabilization Coefficient (CER)	133,323	129,120	96,873
Gold and foreign currency exchange difference	590,982	190,309	218,622
Other	581,355	236,904	164,332
FINANCIAL EXPENSES	3,253,810	2,057,871	1,345,403
Interest on savings deposits	14,772	11,148	9,183
Interest on time deposits	2,372,658	1,526,725	1,044,929
Interest on inter-financial financing - (Calls received)	8,495	2,191	2,763
Interest on other financing from financial institutions	96,359	44,330	31,969
Interest on other liabilities from financial transactions	171,607	123,289	34,054
Other interest	7,611	5,885	6,552
Indexation by CER	104	157	168
Contribution to the deposit guarantee fund	62,932	52,629	44,205
Other	519,872	291,517	171,580
GROSS INTERMEDIATION MARGIN—GAIN	4,989,599	3,657,050	2,469,282
ALLOWANCES FOR DOUBTFUL LOANS	453,264	256,259	132,663
SERVICE CHARGE INCOME	3,453,850	2,530,197	1,957,589
Related to lending transactions	1,470,082	962,601	690,426
Related to liability transactions	1,132,941	909,719	736,550
Other commissions	125,000	109,874	107,934
Other (Note 6.j)	725,827	548,003	422,679
Carried forward	7,990,185	5,930,988	4,294,208

The accompanying Notes 1 to 23 are an integral part of these Consolidated Financial Statements.

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS—(Continued)
For the fiscal years ended December 31, 2013, 2012 and 2011
Stated in thousands of Pesos

	Fiscal year ended December 31,		
	2013	2012	2011
Brought forward	7,990,185	5,930,988	4,294,208
SERVICE CHARGE EXPENSE	955,329	683,730	519,635
Commissions	616,635	468,422	366,352
Other (Note 6.k)	339,694	215,308	153,283
OPERATING EXPENSES	3,900,469	3,061,708	2,343,200
Payroll expenses	2,209,640	1,767,658	1,350,439
Fees to Bank Directors and Supervisory Committee	3,796	2,856	2,398
Other professional fees	63,618	48,463	41,209
Advertising and publicity	172,307	146,287	122,412
Taxes	332,455	229,249	176,381
Fixed assets depreciation	100,766	86,813	65,070
Organizational expenses amortization	48,997	40,744	28,937
Other operating expenses	551,798	420,847	328,371
Other	417,092	318,791	227,983
NET GAIN FROM FINANCIAL TRANSACTIONS	3,134,387	2,185,550	1,431,373
NET LOSS ON MINORITY INTEREST IN SUBSIDIARIES	(54,414)	(36,195)	(8,462)
OTHER INCOME	361,531	408,004	328,759
Income from long-term investments	96,686	71,779	111,461
Punitive interests	15,000	9,392	4,585
Loans recovered and reversals of allowances	136,116	64,603	78,430
Other (Note 6.l)	113,729	262,230	134,283
OTHER EXPENSES	295,800	429,004	193,735
Punitive interests and charges paid to BCRA	32	33	332
Charge for uncollectibility of other receivables and other allowances	166,288	351,450	128,095
Amortization of difference arising from judicial resolutions	40,472	19,251	28,419
Depreciation and losses from miscellaneous assets	395	376	369
Other (Note 6.m)	88,613	57,894	36,520
NET GAIN BEFORE INCOME TAX AND TAX ON MINIMUM PRESUMED INCOME	3,145,704	2,128,355	1,557,935
INCOME TAX AND TAX ON MINIMUM PRESUME INCOME	1,121,460	864,676	552,358
NET INCOME FOR THE FISCAL YEAR	2,024,244	1,263,679	1,005,577
NET INCOME PER ORDINARY SHARE ^{(1) (2)}	3.77	2.35	1.87

(1) See Note 21.13.

(2) Stated in pesos.

The accompanying Notes 1 to 23 are an integral part of these Consolidated Financial Statements.

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH AND CASH EQUIVALENTS FLOWS
For the fiscal years ended December 31, 2013, 2012 and 2011
Stated in thousands of Pesos

	Fiscal year ended December 31,		
	2013	2012	2011 ⁽²⁾
CHANGES IN CASH AND ITS EQUIVALENTS			
Cash and its equivalents at the beginning of fiscal year	9,048,450 ⁽¹⁾	6,618,270 ⁽¹⁾	6,251,784
Cash and its equivalents at the end of the fiscal year	13,603,620 ⁽¹⁾	9,048,450 ⁽¹⁾	6,618,270 ⁽¹⁾
Net increase in cash and its equivalents	4,555,170	2,430,180	366,486
REASONS FOR CHANGES IN CASH AND ITS EQUIVALENTS			
Operating activities			
Net collections/ (payments) from:			
- Governmental and private securities	1,007,557	2,120,841	2,066,402
- Loans	(302,666)	(683,307)	(2,931,804)
to financial sector	(77,548)	(91,157)	(449,005)
to non-financial public sector	186	16,089	620,337
to non-financial private sector and residents abroad	(225,304)	(608,239)	(3,103,136)
- Other receivables from financial transactions	(80,137)	(74,709)	18,171
- Receivables from financial leases	(667,544)	(203,147)	(372,630)
- Deposits	6,571,906	3,076,345	5,409,329
to financial sector	27,174	(25,095)	33,476
to non-financial public sector	654,084	1,013,503	342,097
to non-financial private sector and residents abroad	5,890,648	2,087,937	5,033,756
- Other liabilities from financial transactions	738,160	185,939	545,834
Financing from financial or inter-financial sector (calls received)	(20,000)	(94,200)	109,100
Others (except liabilities included in Financing Activities)	758,160	280,139	436,734
Collections related to service charge income	3,438,856	2,520,560	1,951,823
Payments related to service charge expense	(953,954)	(684,368)	(515,003)
Operating expenses paid	(3,657,538)	(2,870,089)	(2,195,913)
Organizational and development expenses paid	(46,985)	(36,188)	(18,302)
Net collections from punitive interest	13,388	8,290	4,253
Differences from judicial resolutions paid	(40,472)	(19,251)	(28,419)
Collections of dividends from other companies	33,692	37,264	8,494
Other collections related to other income and expenses	208,428	325,554	273,653
Net cash flows provided by operating activities	6,262,691	3,703,734	4,215,888
Investment activities			
Net payments from premises and equipment	(185,537)	(126,673)	(121,583)
Net payments from other assets	(626,540)	(5,774)	(1,313)
Collections from sales of ownership interests in other companies	—	15,174	255,757
Other payments from investment activities	(350,362)	(574,700)	(538,031)
Net cash flows used in investment activities	(1,162,439)	(691,973)	(405,170)

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH AND CASH EQUIVALENTS FLOWS—(Continued)
For the fiscal years ended December 31, 2013, 2012 and 2011
Stated in thousands of Pesos

	Fiscal year ended December 31,		
	2013	2012	2011 ⁽²⁾
Financing activities			
Net collections/ (payments) from:			
- Non-subordinated corporate bonds	540,768	355,600	224,393
- BCRA	41,482	33,463	15,570
Others	41,482	33,463	15,570
- Banks and international agencies	(156,592)	(300,568)	474,802
- Financing received from local financial institutions	101,583	99,312	109,100
Capital contributions	—	—	7,896
Dividends paid in cash	—	—	(818,258)
Other payments from financing activities	(1,072,377)	(769,388)	(3,457,737)
Net cash flows used in financing activities	(545,136)	(581,581)	(3,444,234)
Financial results and results from holdings of cash and its equivalents (including interest)	54	—	2
Net increase in cash and its equivalents	4,555,170	2,430,180	366,486

⁽¹⁾ See Note 3.4.20.

⁽²⁾ See Note 3.3.

The accompanying Notes 1 to 23 are an integral part of these Consolidated Financial Statements.

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH AND CASH EQUIVALENTS FLOWS—(Continued)
For the fiscal years ended December 31, 2013, 2012 and 2011
Stated in thousands of Pesos

SUPPLEMENTAL INFORMATION OF NON-CASH INVESTING AND FINANCING ACTIVITIES

At December 31, 2013, 2012 and 2011 the Bank entered into forward, unsettled spot and repurchase contracts to buy or sell foreign currencies, listed Government and other securities at future dates, exchanging non-cash assets or liabilities for other non-cash assets or liabilities (see Note 21.6).

SUPPLEMENTAL INFORMATION OF CERTAIN CASH MOVEMENTS

At December 31, 2013, 2012 and 2011, taxes paid amounted to 2,118,679, 1,410,798 and 904,079, respectively. At such dates, interest-paid amounted to 2,827,236, 1,896,100 and 1,167,471, respectively.

The accompanying Notes 1 to 23 are an integral part of these Consolidated Financial Statements.

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the fiscal years ended December 31, 2013, 2012 and 2011
Stated in thousands of Pesos

Movements	Capital Stock ⁽¹⁾	Non- capitalized contributions Issuance premiums ⁽¹⁾	Adjustments to stockholders' equity ⁽¹⁾	Retained earnings		Unrealized valuation difference	Unappropriated earnings	Total
				Legal	Other			
Balances at December 31, 2010	<u>536,361</u>	<u>175,132</u>	<u>312,979</u>	<u>802,385</u>	<u>—</u>	<u>88,131</u>	<u>1,831,927</u>	<u>3,746,915</u>
Decisions of Stockholders' Meeting of March 30, 2011:								
- Dividends paid in cash	—	—	—	—	—	—	(804,000)	(804,000)
- Legal Reserve	—	—	—	239,636	—	—	(239,636)	—
Subscription of shares approved by Stockholders' Meeting held on March 30, 2011	517	7,379	—	—	—	—	—	7,896
Unrealized valuation difference	—	—	—	—	—	(88,131)	—	(88,131)
Net income for the fiscal year	—	—	—	—	—	—	1,005,577	1,005,577
Balances at December 31, 2011	<u>536,878</u>	<u>182,511</u>	<u>312,979</u>	<u>1,042,021</u>	<u>—</u>	<u>—</u>	<u>1,793,868</u>	<u>3,868,257</u>
Decisions of Stockholders' Meeting of March 26, 2012:								
- Legal Reserve	—	—	—	201,115	—	—	(201,115)	—
- Voluntary reserve for future distributions of income	—	—	—	—	1,592,753	—	(1,592,753)	—
Net income for the fiscal year	—	—	—	—	—	—	1,263,679	1,263,679
Balances at December 31, 2012	<u>536,878</u>	<u>182,511</u>	<u>312,979</u>	<u>1,243,136</u>	<u>1,592,753</u>	<u>—</u>	<u>1,263,679</u>	<u>5,131,936</u>
Decisions of Stockholders' Meeting of April 9, 2013:								
- Legal Reserve	—	—	—	252,736	—	—	(252,736)	—
- Voluntary reserve for future distributions of income	—	—	—	—	1,010,943	—	(1,010,943)	—
Net income for the fiscal year	—	—	—	—	—	—	2,024,244	2,024,244
Balances at December 31, 2013	<u>536,878</u>	<u>182,511</u>	<u>312,979</u>	<u>1,495,872</u>	<u>2,603,696</u>	<u>—</u>	<u>2,024,244</u>	<u>7,156,180</u>

⁽¹⁾ See Note 1.2.

The accompanying Notes 1 to 23 are an integral part of these Consolidated Financial Statements.

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the fiscal years ended December 31, 2013, 2012 and 2011

NOTE 1—CORPORATE SITUATION AND BANK'S ACTIVITIES**1.1. Corporate situation**

BBVA Banco Francés S.A. (hereinafter indistinctly referred to as either “BBVA Francés” or the “Bank”) has its main place of business in Buenos Aires, Argentina, and operates a 245-branch network.

As from December, 1996, BBVA Francés is part of Banco Bilbao Vizcaya Argentaria S.A. (BBVA) global strategy, which controls the Bank, direct and indirectly, with 75.93% of the corporate stock as of December 31, 2013.

Part of the Bank's corporate stock is publicly traded and has been registered with the Buenos Aires Stock Exchange, New York Stock Exchange and Madrid Stock Exchange.

1.2. Stockholders' Equity**1.2.1. Capital stock**

Changes in the Bank's capital stock during the last 5 fiscal years are as follows:

Stockholders' Meeting deciding on the issuance	Date of		Form of placement	Amount (in thousands)	Total
	Registration with the Public Registry of Commerce				
Capital Stock as of December 31, 2008:					471,361
03-27-2009	10-05-2009	(1)	65,000	536,361	
03-30-2011	09-14-2011	(2)	517	536,878	(3)
03-26-2012	03-27-2014	(4)	50,410		
03-26-2012	03-27-2014	(4)	(50,410)	536,878	

(1) For payment of share dividend.

(2) Due to the merger of Consolidar Comercializadora S.A. into BBVA Francés.

(3) The amount of Capital Stock is fully paid in and authorized for public offering by National Securities Commission (CNV).

(4) Due to the merger of Inversora Otar S.A. into BBVA Francés. (see Note 1.6).

1.2.2. Authorized and issued shares

In October 2009 the total number of authorized and issued ordinary shares, par value 1.00 each, increased by 65,000,000 as a result of the distribution of share dividends approved by the Stockholders' Meeting on March 27, 2009.

In September 2011 the total number of authorized and issued ordinary shares, par value 1.00 each, increased by 516,544 as a result of the merger by absorption of Consolidar Comercializadora S.A. into BBVA Francés.

As of December 31, 2013 the capital stock of the Bank consists of 536,877,850 Ordinary Shares, par value 1.00 each, all of which are issued and available to stockholders.

1.2.3. Adjustments to stockholders' equity

The “Adjustments to stockholders' equity” caption in the Consolidated Statement of Changes in Stockholders' Equity represents:

- a) The balance of the surplus of the technical valuation on the Bank's properties made in year 1981, which is available to absorb losses on the disposal or devaluation of such properties restated by inflation as mentioned in Note 3.2.

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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- b) The inflation adjustment related to capital stock at the beginning of each year, restated as mentioned in Note 3.2.; capital stock maintains its nominal (par) value at each balance sheet date.
- c) The inflation adjustment related to the increase in capital stock restated as mentioned in Note 3.2. This adjustment represents the effect of inflation from the date on which the capital stock was increased to the end of each fiscal year.

The composition of “Adjustments to stockholders’ equity” is as follows:

	December 31, 2013 and 2012
Adjustment to equity fund appraisal revaluation	41,285
Adjustments to capital stock (including Issuance Premiums)	728,619
Cumulative losses absorption	(456,925)
Total	<u>312,979</u>

1.2.4. Issuance Premiums

In August 2002, due to the issuance of 158,496,540 shares subscription (value 1 per share), at 3.59 each, the Bank received 590,996 over the nominal value of the shares that had been recorded under the “Issuance Premiums” account, totalizing 934,211 at December 31, 2003. In April 2004, due to the issuance of 103,232,874 shares subscription (value 1 per share) at 3.53 each, the Bank received 261,179 over the nominal value of the shares that had been recorded under the “Issuance Premiums” account. The Stockholders’ Meeting held on April 28, 2005 resolved the absorption of cumulative losses by 1,020,258, totalizing 175,132 at December 31, 2010. Finally, in September 2011, due to the issuance of 516,544 shares subscription (value 1 per share) according to the merger by absorption of Consolidar Comercializadora S.A. into BBVA Francés, the Bank received 7,379 over the nominal value of the shares that had been recorded under the “Issuance Premiums” account, totalizing 182,511 at December 31, 2013.

1.3. Responsibility of stockholders

BBVA Francés is a corporation established under the laws of the Argentine Republic, and the responsibility of its stockholders is limited to the value of the paid-in shares, in accordance with Law Nr. 19,550. As a result, in compliance with Law Nr. 25,738, it is hereby informed that neither the foreign capital majority stockholders nor the local or foreign stockholders will respond, in excess of the mentioned paid-in stockholding, for the liabilities arising out of the transactions performed by the financial institution.

1.4. Sale of Consolidar Compañía de Seguros de Retiro S.A.

On March 31, 2011, a purchase and sale agreement was executed for the aggregate shares held by Consolidar Compañía de Seguros de Retiro S.A. (Consolidar Retiro) between BBVA Francés, holder of 66.21% of the capital stock, and Banco Bilbao Vizcaya Argentaria S.A., holder of 33.79% of the capital stock, in their capacities as selling shareholders, and Orígenes Compañía de Seguros de Retiro S.A., C.M.S. de Argentina S.A. and Grupo Dolphin Holding S.A., in their capacities as buying shareholders.

Pursuant to said agreement, a price was established for the shares, at 380,000, adjustable on the basis of the proceeds resulting from the sale of the interest held by Consolidar Retiro in the real estate for own use where it has its offices. The price was paid pro rata of the shareholding of each one of the sellers in Consolidar Retiro. In addition, the closing of the transaction was subject to the satisfactory fulfillment of certain conditions precedent, which included the authorization of the National Superintendence of Insurance (S.S.N.).

On May 13, 2011, the transaction was approved by the S.S.N., with the stock purchase agreement having been closed and the transfer of shares consummated on June 10, 2011.

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the fiscal years ended December 31, 2013, 2012 and 2011
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1.5. Sale of Consolidar Aseguradora de Riesgos del Trabajo S.A.

On October 6, 2011, a purchase and sale agreement was executed for the aggregate shares held by Consolidar Aseguradora de Riesgos del Trabajo S.A. (Consolidar ART) between BBVA Francés, holder of 12.50% of the capital stock, and Banco Bilbao Vizcaya Argentaria S.A., holder of 87.50% of the capital stock, in their capacities as selling shareholders, and Galeno Argentina S.A. in its capacity as buyer.

Pursuant to said agreement, a price was established for the shares, at US\$59,443,137, adjustable on the basis of the net proceeds resulting from the sale of the interest held by Consolidar ART in the real estate for own use where it had its offices. On October 6, 2011 BBVA Francés received from the buyer a down payment in the amount of 18,750 equal to 60% of the pro rata price of the transaction. On February 6, 2012, the transaction was approved by the National Superintendence of Insurance (S.S.N.) and on March 6, 2012, the transfer of the stock ownership from Consolidar ART to Galeno Argentina S.A. was perfected, together with the collection of the transaction price balance.

1.6. Inversora Otar S.A. merged by absorption into BBVA Francés

As of the end of the fiscal year ended December 31, 2011, Inversora Otar S.A. (Otar) held in its name 50,410,182 book-entry, ordinary shares, with a par value of Ps.1 each and right to 1 vote each in the capital stock of BBVA Francés.

On February 9, 2012, BBVA Francés and Otar entered into a “Preliminary Merger Agreement” whereby BBVA Francés incorporates Otar on the basis of these companies’ financial statements as of December 31, 2011 and Otar goes through a dissolution without liquidation process.

On March 26, 2012, the Ordinary and Extraordinary General Shareholders’ Meetings of BBVA Francés and Otar approved the above mentioned preliminary merger agreement, the consolidated financial statements for merging purposes as of December 31, 2011 and the shares’ exchange ratio.

The Shareholders’ Meeting of BBVA Francés above mentioned, approved the increase in capital stock of BBVA Francés by issuing 50,410,182 book-entry, ordinary shares with a par value of Ps.1 each and 1 vote per share, to be listed for public offering and market price at the Buenos Aires Stock Exchange in order to be delivered to the shareholders of Otar.

The parties have agreed to fix April 1, 2012 as the effective date for the merger as that was the date when all the assets and liabilities of the merged company were transferred, for 390,971 and 5,668, respectively.

On July 18, 2013, the Argentine Central Bank resolved not to make any observations against the merger by absorption of Otar by BBVA Francés through its Resolution Nr. 473. On August 8, 2013, the CNV approved the merger by absorption in accordance with Section 82 of the Argentine Companies Law pursuant to its Resolution Nr. 17,155. Finally, on March 27, 2014 was registered from the Supervisory Board of Companies (IGJ) through Nr. 5,302 of the Book Nr. 68 of Stock Companies.

The shares resulting for the merger were issued on March 28, 2014 to the former shareholders of Inversora Otar S.A.. As a result of the merger: BBV América S.L. owns 29.81%, Corporación General Financiera S.A. 0.47% and Sucesión Romero 0.0041% of the shares of BBVA Francés.

In addition, immediately after the above-mentioned capital increase, BBVA Francés cancelled the 50,410,182 book-entry, ordinary shares, with a par value of Ps.1 each and right to 1 vote each that it owns subject to the previous capital stock reduction stemming from the merger.

Additionally, and as a result of the above-mentioned merger by absorption, BBVA Francés took over Aplica Soluciones Argentina S.A. Following this company’s liquidation proceedings, on December 21, 2012, BBVA Francés received 2,602 representative of its ownership interest in the referred company. On September 2, 2013, this company was de-registered from the IGJ.

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the fiscal years ended December 31, 2013, 2012 and 2011
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1.7. PSA Finance Argentina Cía. Financiera S.A.

According to the provisions in Section Three of its By-laws and with the authorization granted by Argentine Central Bank (“BCRA”), the Entity is authorized to carry out all the transactions and activities covered by Section 24 of the Law of Financial Institutions and other expressly authorized by BCRA. On April 22, 2009, the Entity started to receive deposits and therefore, it participates in the Deposit Guarantee Fund created by Law Nr. 24,485.

1.8. Registration with CNV as Settlement and Clearing Agent and Broker-Dealer - comprehensive

The new Capital Markets Law Nr. 26,831, signed into law on December 28, 2012 and then regulated by CNV’s General Resolution Nr. 622/13 on September 5, 2013 sets forth, in its Section 47 that agents are under a duty to register with the CNV for interacting with the market in any of the modalities established in CNV’s General Resolution Nr. 622/13. On December 17, 2013, the Bank filed the application for registration as a “Settlement and Clearing Agent and Broker-Dealer – Comprehensive”. This category comprises all the agents involved in settling and clearing trades executed for their own accounts and for the accounts of others and who also choose to offer trade clearing and settlement services to other registered Broker-Dealers.

NOTE 2—EQUITY INVESTMENTS**2.1. In controlled majority-owned subsidiaries**

The following summarizes the investment in, and related information of, controlled majority-owned subsidiaries which are consolidated.

Companies	Principal Activity	Type	Shares		Percentage participation			
			Quantity		Capital		Votes	
			December 31,		December 31,		December 31,	
			2013	2012	2013	2012	2013	2012
BBVA Francés Valores S.A.	Stockbroker	Common	12,396	12,396	96.9953	96.9953	96.9953	96.9953
Consolidar AFJP S.A. (undergoing liquidation proceedings)	Pensions fund manager	Common	35,425,947	35,425,947	53.8892	53.8892	53.8892	53.8892
PSA Finance Argentina Cía. Financiera S.A.	Financial institution	Common	26,089	26,089	50.000	50.000	50.000	50.0000
BBVA Francés Asset Management S.A. Sociedad Gerente de Fondos Comunes de Inversión	Fund Manager	Common	230,398	230,398	95.000	95.000	95.000	95.0000

2.2. Non-controlling equity investments

The following are all positions that the Bank holds in financial and non-financial institutions wherever such a position represented an ownership in excess of 2% of the invested companies’ capital stock as of December 31, 2013.

Investment	Country	% of Shares Owned	Principal Activity	Investment in Other Subsidiaries (in thousands of pesos)
Rombo Compañía Financiera S.A.	Argentina	40.00%	Financial institution	150,395.6
BBVA Consolidar Seguros S.A.	Argentina	12.22%	Insurance company	29,220.3
Interbanking S.A.	Argentina	11.11%	Information services for financial markets Nationwide ATM network & credit card	3,570.7
Banelco S.A.	Argentina	10.91%	administrating	8,654.1
Visa Argentina S.A.	Argentina	10.48%	Credit card issuer	6,427.6
Sedesa S.A.	Argentina	9.52%	Deposit guarantee fund	102.4
Coelsa S.A.	Argentina	8.64%	Clearing house	77.7
Argencontrol S.A.	Argentina	7.77%	Agent mandatory	54.0

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NOTE 3—SIGNIFICANT ACCOUNTING POLICIES

3.1. Basis of presentation

In accordance with the procedures set forth in BCRA's regulations and Technical Pronouncement Nr. 21 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE for its Spanish acronym), the Bank has consolidated - line by line - its balance sheets, statements of operations and cash and cash equivalents flows as of December 31, 2013, 2012 and 2011, as per the following detail:

- a) With the financial statements of BBVA Francés Valores S.A. (formerly, BBVA Francés Valores Sociedad de Bolsa S.A.), PSA Finance Argentina Cía. Financiera S.A. and BBVA Francés Asset Management S.A. Sociedad Gerente de Fondos Comunes de Inversión for the fiscal years ended December 31, 2013, 2012 and 2011.
- b) With the financial statements of Consolidar Administradora de Fondos de Jubilaciones y Pensiones S.A. (undergoing liquidation proceedings) for the six month periods ended December 31, 2013, 2012 and 2011.

The results and cash and cash equivalents flows of Consolidar Administradora de Fondos de Jubilaciones y Pensiones S.A. (undergoing liquidation proceedings) has been adjusted for purposes of comparison of the fiscal years of companies consolidating on the basis of the twelve-month periods ended on December 31, 2013, 2012 and 2011.

Interests in subsidiaries are listed in Note 2.

3.2. Restatement of the Financial Statements in equivalent purchasing power

The Consolidated Financial Statements have been taken from the Bank's books of account in conformity with the standards of the Argentine Central Bank (BCRA).

These financial statements recognize the effects of the changes in the purchasing power of the currency through February 28, 2003, following the restatement method established by FACPCE Technical Pronouncement Nr. 6 (modified by Technical Pronouncement Nr. 19), using adjustment rates derived from the Internal Wholesale Price Index published by the National Institute of Statistics and Census (INDEC).

According to the above mentioned method, the accounting figures were restated due to the purchasing power changes through August 31, 1995. As from that date, based in the prevailing economic stability conditions and according to CNV General Resolution Nr. 272 and BCRA Communication "A" 2365, the accounting figures were not restated through December 31, 2001. In view of CNV General Resolution Nr. 415 and BCRA Communication "A" 3702, the method was reinstated effective as from January 1, 2002, considering the previous accounting figures as restated as of December 31, 2001.

By Communication "A" 3921 of the BCRA and General Resolution Nr. 441/03 of the CNV, in compliance with Decree 664/03 of the Federal Executive, application of the restatement method on financial statements in equivalent purchasing power has been suspended as from March 1, 2003. Accordingly, BBVA Francés applied the mentioned restatement until February 28, 2003.

3.3. Comparative information

The Consolidated Financial Statements as of December 31, 2013 include comparative information with the Consolidated Financial Statements as of December 31, 2012 and 2011.

On January 1, 2012, the Bank reclassified its loans to personnel within the scope of Communication "A" 1250 from the Loans caption to the Other receivables caption.

As a result, for comparative purposes, the Bank adapted the balances of such assets in the Balance Sheet as of December 31, 2011 and in the Statement of Cash and cash equivalents flow as of December 31, 2011 and 2010.

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It must be clarified that these changes do not have a significant impact on the presentation of the financial statements as of such date considered as a whole.

3.4. Valuation methods

The main valuation methods used in the preparation of the Consolidated Financial Statements have been as follows:

3.4.1. Foreign currency assets and liabilities

As of December 31, 2013 and 2012, such amounts were translated into pesos at the benchmark exchange rate of the BCRA as of the closing date of transactions on the last business day of the fiscal year. The exchange differences were charged to income (loss) for each fiscal year.

3.4.2. Governmental and private securities

- Holdings booked at fair value and instruments issued by the BCRA at fair value: they were valued based on current listed prices or the prevailing present value for each security as of December 31, 2013 and 2012. Differences in listed prices were credited/charged to income for each fiscal year.
- Holdings booked at amortized cost and instruments issued by the BCRA at amortized cost: as of December 31, 2013 and 2012, these were valued using the amount of initial recognition, rose on the basis of the interest accrued as per the internal rate of return.
- Investments in listed private securities, equity and debt instruments: they were valued based on current listed prices as of December 31, 2013 and 2012. Differences in listed prices were charged to income for each fiscal year.

3.4.3. Governmental loans

Federal Government secured loans – Decree Nr. 1387/01:

As of December 31, 2013 and 2012, the secured loans were valued at the higher amount between the present value as estimated by BCRA and the book value in accordance with the provisions under BCRA's Communication "A" 5180. In addition, the amount required to take their book values to their fair realization values is recorded in a balancing account.

3.4.4. Benchmark stabilization coefficient (CER)

As of December 31, 2013 and 2012, receivables and payables have been adjusted to the CER as follows:

- Federal government secured loans have been adjusted under Resolution Nr. 50/2002 of the Ministry of Economy, which resolved that the CER business 10 (ten) days prior to the maturity date of the related service will be considered for yield and repayments of the loans.
- Federal Government Secured Bonds due in 2020: have been adjusted under Resolution Nr. 539/2002 of the Ministry of Economy, which resolved that the CER business 5 (five) days prior to the maturity date of the related service will be considered for yield and repayment of the bonds.
- Deposits and other assets and liabilities: have been adjusted considering the CER prevailing as of December 31, 2013 and 2012.

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3.4.5. Allowance for loans losses and contingent commitments

For loans, other receivables from financial transactions, receivables from financial leases, receivables from sale of property assets and contingent commitments: the allowances have been calculated based on the Bank's estimated loan loss risk in light of debtor compliance and the collaterals supporting the respective transactions, as provided by Communication "A" 2950 and supplemented of the BCRA.

3.4.6. Interest income recognition

Interest has been accrued according to a compound interest formula in the periods in which it was generated, except interest on transactions in foreign currency, those whose maturity does not exceed 92 days, and adjustable assets and liabilities which were apportioned on a linear basis.

The Bank suspends the accrual of interest generally when the related loan is non-performing and the collection of interest and principal is in doubt. Accrued interest remains on the Bank's books and is considered a part of the loan balance when determining the allowances for doubtful loans. Interest is then recognized on a cash basis after reducing the balance of accrued interest, if applicable.

3.4.7. Unlisted Corporate Bonds

They were valued at acquisition cost plus income accrued but not collected as of December 31, 2013 and 2012.

3.4.8. Instruments to be received and to be delivered for spot and forward transactions to be settled

The Bank enters into forward contracts to buy or sell foreign currencies, listed Governmental securities and other securities at future dates. Both a receivable and a payable are recognized at the time of the agreement, which reflects the amounts of cash, currency or listed securities to be exchanged at the closing date. The difference between the receivable and payable at the original transaction date (premiums) is deferred and amortized over the contract's life.

The Bank purchases and sells foreign currencies, listed Governmental and other securities on behalf of its customers which settle another day. An asset or liability is reflected for the amount due from or to the customer and a corresponding asset or liability is reflected for the currency or listed securities to be exchanged.

The Bank's receivables or payables representing the future receipt or delivery of currencies or securities are adjusted to reflect the current market price of such currencies or securities. The amount of such market price differences is recorded in income for the fiscal year.

Forward sales and purchases of securities were valued as follows:

- In foreign currency: they were valued according to the benchmark exchange rate of the BCRA for each currency determined on the last business day at the end of each fiscal year.
- Securities: Holdings booked at fair value and Instruments issued by B.C.R.A at fair value: they were valued according to the method described in Note 3.4.2.

3.4.9. Amounts receivable and payable for spot and forward transactions pending settlement

They were valued based on the prices agreed upon for each transaction, plus related premiums accrued as of December 31, 2013 and 2012.

3.4.10. Receivables from financial leases

As of December 31, 2013 and 2012, they were valued at the present value of the sum of the periodical instalments and the agreed-upon residual value, calculated as per the conditions agreed upon in the respective leases, applying the imputed interest rate thereto.

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3.4.11. Investments in other companies

They have been valued according to the following methods:

- Banelco S.A., Visa Argentina S.A., Rombo Cía. Financiera S.A., BBVA Consolidar Seguros S.A. and Interbanking S.A.: as of December 31, 2013 and 2011 were valued by the equity method at the end of each fiscal year.

Although the Entity has a 40% interest ownership in the capital stock and votes of Rombo Cía. Financiera S.A., operational and financial decisions at Rombo Cía. Financiera S.A. are taken together with this company's majority shareholder on a joint basis.

- Bladex S.A.: was valued at acquisition cost in foreign currency plus the nominal value of stock dividends received, converted into pesos based on the method described in Note 3.4.1.
- Other: as of December 31, 2013 and 2012 were valued at acquisition cost, without exceeding their recoverable value.

3.4.12. Premises and equipment and Other assets

They have been valued at acquisition cost plus increases from prior-year appraisal revaluations, restated as explained in Note 3.2, less related accumulated depreciation calculated in proportion to the months of estimated useful life of items concerned.

3.4.13. Intangible assets

They have been valued at acquisition cost less related accumulated amortization calculated in proportion to the months of estimated useful life of the items concerned.

This caption included the differences arising from compliance with court-ordered measures arising from cases challenging the current rules and regulations applicable to deposits with the financial system in the framework of the provisions of Law Nr. 25,561, Decree Nr. 214/02 and supplementary provisions. The mentioned assets (calculated on the basis of the nominal difference between the exchange rate freely determined in the market and applied to the value of the deposit recorded in the books at that date) was amortized within the 60 monthly instalments starting in April 2003 in accordance with Communication "A" 3916 of the BCRA.

As of December 31, 2013 and 2012 these assets have been fully amortized, with the total accumulated amortization as of those dates amounting to 1,418,983 and 1,378,511, respectively.

The Bank, however, notifies that such amortization was solely calculated to comply with the regulations of the BCRA and by no means it does imply a waiver to possible compensation or recovery of the exchange difference resulting from compliance with court orders corresponding to petitions for protection of civil rights or other court action derived from the mandatory conversion of bank deposits into pesos.

Pursuant to the decisions handed down by Argentina's Supreme Court of Justice ("Massa, Juan Agustín v. Argentine Executive Branch – Executive Order 1570/ et al over action for the protection of constitutional rights (amparo) Law Nr. 16,986" and "Kujarchuk v. Argentine Executive Branch"), a calculation method was established for the payment of bank deposits that was different from the one that had been instituted by the Argentine Executive Branch.

As of December 31, 2013 and 2012, the Bank has estimated this contingency and it has raised allowances for the total amount.

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The Bank expects that the Argentine State remedies the significant damage resulting from compliance with court-ordered measures on petitions for protection of civil rights and actions for relief, particularly due to the impact of differences in compensation or recovery as per the rulings in the abovementioned actions and according to the law in relation to the “pesification” of the underlying deposits. In this regard, the Bank has informed of such financial damages to the relevant authorities, with reservation of rights.

3.4.14. Derivative transactionsInterest rate swaps and Forward transactions:

- (i) Interest rate swaps are recorded at the value resulting from the application of rates differences to residual notional amounts at the end of each fiscal year.
- (ii) Forward transactions receivable/payable in pesos without delivery of the underlying asset are recorded for the amount receivable or payable, as appropriate, arising from the difference between the agreed exchange rate and the exchange rate at the end of each fiscal year as applied to stated notional amounts.

Repo and Reverse Repo transactions

As of December 31, 2013, the repos whose underlying assets are not subject to the volatilities published by BCRA were valued as per the cost of each transaction and the repos whose underlying assets are subject to volatility were recorded at their quoted value. Accrued premiums were charged to income (loss) for each fiscal year.

3.4.15. Employee termination pay

The Bank expenses employee termination pay as disbursed.

3.4.16. Other liabilities

They include the debit balances non arising out of transactions relating to the supply and demand of financial resources, plus the adjustments and interest payable accrued as of December 31, 2013 and 2012.

3.4.17. Allowance for other contingencies

It includes the estimated amounts to meet contingencies of probable occurrence that, if occurred, would give rise to a loss for the Bank.

3.4.18. Stockholders' equity accounts

They are restated as explained in Note 3.2., except for the “Capital Stock” and “Non capitalized contributions” accounts which have been kept at the original value. The adjustment resulting from the restatement is included in the “Adjustment to Stockholders' Equity – Adjustment to Capital Stock” account.

3.4.19. Statements of Operations Accounts

- As of December 31, 2013, 2012 and 2011, accounts accruing monetary transactions -(financial income/(expense), service charge income (expense), provision for loan losses, operating expenses, etc.)- were computed on the basis of their monthly accrual at historical rates.
- Accounts reflecting the effect on income resulting from the sale, write-off, or use of non-monetary assets were computed based on the value of such assets, as mentioned in Note 3.2.
- Income from investments in subsidiaries was computed based on such companies' income adjusted as explained in Note 3.2.

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3.4.20. Consolidated Statements of Cash and Cash Equivalents Flows

The Consolidated Statements of Cash and Cash Equivalents Flows as of December 31, 2013, 2012 and 2011 explain the changes in cash and its equivalents. For such purpose, a detail is supplied of the items that the Bank considers to be cash and its equivalents:

	December 31,		
	2013	2012	2011
a) Cash and due from banks	12,880,744	8,613,997	6,353,428
b) Government securities held for trading or financial transactions	115,876	102,453	85,342
c) Loans to financial sector, calls granted maturity date within three months from the end of each fiscal year	607,000	332,000	179,500
CASH AND ITS EQUIVALENTS	13,603,620	9,048,450	6,618,270

Items b) and c) are considered to be cash equivalents because they are held in order to meet short-term commitments, they are easily convertible in known cash amounts, they are subject to negligible changes in value and their maturity is within three months from each fiscal year date.

3.4.21. Use of estimates

The preparation of the Consolidated Financial Statements in accordance with the standards set forth by the BCRA require the Bank's Board of Directors and Management to use assumptions and estimates that affect certain assets such as allowances for doubtful loan and certain liabilities such as provisions for other contingencies as well as the income/(loss) generated during the fiscal years being reported. Final income/(loss) may differ from such estimates.

NOTE 4—DIFFERENCES BETWEEN BCRA ACCOUNTING STANDARDS AND ARGENTINE PROFESSIONAL ACCOUNTING STANDARDS

The Bank has prepared these Consolidated Financial Statements by applying the regulations of the BCRA, which do not contemplate some of the valuation criteria established by the Argentine Professional Accounting Standards.

The main differences between the regulations of the BCRA and the Argentine Professional Accounting Standards are detailed below:

4.1. Valuation criteria

a) Tax effects

As already indicated herein below, in Note 5.1., the Bank has received various communications from the BCRA pursuant to which that BCRA indicates that the capitalization of items arising from the application of the deferred tax method is not allowed. In accordance with Argentine professional accounting standards, a deferred tax asset should be recognized to the extent the reversal of temporary differences generates a future decrease in the tax effectively determined. As a result, the allowances set up by the Bank in this respect, for 231,100 and 256,900 as of December 31, 2013 and 2012, respectively, should be recovered.

b) Derivative financial instruments

As explained in Notes 3.4.14. and 12, as of December 31, 2013 and 2012, the Bank recorded the effects of interest rate swap agreements as established by the BCRA. Should the Bank had applied the Argentine professional accounting standards, the stockholders' equity would have decreased in 19,390 and would have increased in 6,606, respectively. By contrast, the effect of the application of the professional accounting standards on the income statement for the fiscal years ended December 31, 2013, 2012 and 2011 would have been 25,996 (loss), 17,899 (income) and 13,887 (loss), respectively.

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4.2. Other differences with respect to generally accepted accounting principles effective in Argentina, related to subsidiaries

Arising from the application of the accounting standards laid down by BCRA and the Argentine Professional Accounting Standards:

- (i) The commissions paid by PSA Finance Argentina Cía. Financiera S.A. to dealers for granting financing to companies and to the public in general in connection with purchases and sales of automobiles, which in accordance with the rules established by the BCRA are charged to the Income Statement, should be accrued throughout the duration of the loans generated by said dealers in accordance with currently applicable professional accounting standards. Had this criterion been applied, shareholders' equity would have been increased by 11,146 and 10,636 as of December 31, 2013 and 2012, respectively.
- (ii) The Bank has not made disclosures required by professional accounting standards in force in Argentina on discontinued operations or discontinuation in relation to the process of liquidating its subsidiary Consolidar AFJP S.A. (undergoing liquidation proceedings).

NOTE 5—TAX MATTERS

5.1. Income tax

The Bank determined the charge for income tax by applying the effective 35% rate to taxable income estimated for fiscal year considering the effect of temporary differences between valuation of assets and liabilities for accounting purposes and their taxable bases. The Bank considered as temporary differences those that have a definitive reversal date in subsequent years.

As of December 31, 2013, 2012 and 2011, the Bank recorded 1,121,460, 864,676 and 552,358, respectively, in the Income tax caption as the estimate of the income tax charge payable to the tax authorities for the relevant fiscal years

As of December 31, 2013 and 2012, the Bank has booked 481,812 and 439,077, respectively, in the caption Other liabilities – Other – Accrued Taxes as a result of having netted the income tax withholdings and other withholdings applied to the Bank until such dates.

Besides, on June 19, 2003, the Bank received a note from the BCRA indicating that the capitalization of items arising from the application of the deferred tax method is not allowed.

On June 26, 2003, the Bank, based on the opinion of its legal counsel, responded the above mentioned note, indicating that in their opinion the rules of the BCRA do not prohibit the application of the deferred tax method generated by the recognition of temporary differences between the accounting and tax result. Subsequently, Resolution 118/03 of the Superintendent of Financial and Exchange Institutions received on October 7, 2003 confirmed the terms of the note dated June 19, 2003. Consequently, as from that date the Bank set up an allowance for the net balance between the deferred tax assets and liabilities.

As of December 31, 2013 and 2012, the Bank recorded under Other Receivables (in the line Tax Prepayments) a taxable deferred asset amounting 231,100 and 256,900, respectively. Such amounts are made up as follows:

	December 31,	
	2013	2012
Deferred tax assets	412,100	453,500
Deferred tax liabilities	(181,000)	(196,600)
Net deferred assets	231,100	256,900
Allowance	(231,100)	(256,900)

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5.2. Tax on minimum presumed income

Tax on minimum presumed income (TOMPI) was established by Law Nr. 25,063 in the year ended December 31, 1998, for a ten-year term. On December 19, 2008 Law Nr. 26,426 established a one-year extension in TOMPI until December 30, 2009. In turn, Law Nr. 26,545, published in the Official Gazette on December 2, 2009 extended TOMPI for an additional ten-year period. This tax is supplementary to income tax: while the latter is levied on the taxable income for the year, TOMPI is a minimum levy determined by applying the current 1% rate on the potential income of certain productive assets. Therefore, the Bank's tax obligation for each year will coincide with the highest of these taxes. The above Law provides that institutions governed by Financial Institutions Law must consider as a tax base 20% of their taxable assets, after deducting non-computable ones. However, if TOMPI exceeds income tax in a given year, the excess thereof may be computed as a payment on account of any income tax in excess of TOMPI that may occur in any of the following ten years.

In every year that net operating losses are offset, the tax benefit (the benefit of the effective rate on the net operating loss used) will be realized to the extent that income tax (net of the offsetting) equals or exceeds TOMPI, but will be reduced by any excess of the latter over former.

On February 11, 2005, the Argentine Central Bank issued Communication "A" 4295 whereby it enabled, under certain rules, the accounting record of credits on Tax on Minimum Presumed Income.

As of December 31, 2013 and 2012, the Income tax assessed was higher than the TOMPI. Therefore, a provision was raised for Income tax.

5.3. Other tax issues

- a) On October 24, 2007, the Bank was notified by the Tax Bureau of the City of Buenos Aires of the commencement of a sua sponte tax assessment on a certain basis and partial in nature of the taxable income as regards turnover tax for the fiscal years 2002 and 2003. On November 14, 2007, the Bank filed its defenses to the notice mentioned.

Then, on October 6, 2008, the Bank was given notice by Resolution Nr. 3631-DGR 2008 containing the sua sponte tax assessment for the fiscal years 2002 and 2003. On October 28, 2008, the Bank filed an appeal for review against this resolution, which was rejected on November 7, 2008.

In response to said rejection, on November 28, 2008 an appeal was lodged with a higher administrative authority by the Ministry of Economy of the Government of the City of Buenos Aires, which was also dismissed on April 24, 2009.

On April 28, 2009, the Court of Appeals with Federal Jurisdiction over Contentious Administrative Matters, Panel 3 handed down a judgment favourable to a petition filed by the Bank for the judge to suspend the effect of the decision made by administrative authorities until the appeal is decided. The judgment thus ordered that "...subject to a sworn promise to comply ... a) the Tax Bureau of the City of Buenos Aires must suspend the sua sponte assessment that has objected to the treatment afforded by BBVA Francés to the bonds received from the National Government in the terms of Decree Nr. 905-02 and the related foreign exchange gains/(losses) in all matters related to taxation for turnover tax purposes for the fiscal period 2002; b) therefore, the Tax Bureau of the City of Buenos Aires must abstain from demanding the Bank should pay any amount due that may have arisen from the items above detailed".

Also in this respect, on May 13, 2009, an action for a declaratory judgment was commenced by the Bank against the Tax Bureau of the City of Buenos Aires, currently being heard by the court with original Federal Jurisdiction over Contentious Administrative Matters Nr. 1, to procure a judgment ascertaining that a) the bonds received by the Bank from the National Government as a compensation for the asymmetric re-denomination into pesos of assets and liabilities imposed by the Executive Decree Nr. 905/2002 may not be levied with Turnover Tax in the Autonomous City of Buenos Aires; b) the foreign exchange gains/losses are a direct effect of the modification of the monetary system and therefore should not be levied with Turnover Tax in the Autonomous City of Buenos Aires.

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On December 29, 2010, the Judge presiding over the court with original Federal Jurisdiction over Contentious Administrative Matters Nr. 1 handed down a new precautionary measure ordering the Tax Bureau of the City of Buenos Aires to refrain from demanding that BBVA Francés should pay any debt originating in the tax treatment that should be afforded to the bonds received from the National Government as compensation for the asymmetric re-denomination into Pesos under Executive Decree Nr. 905/02 and the foreign exchange gains/losses for purposes of Turnover Tax for the fiscal period 2002 in issue until a final judgment has been rendered on the proceedings whereby the action for a declaratory judgment is still pending.

The Bank as well as its legal and tax advisors estimate that the Bank has made a reasonable interpretation of currently applicable rules and regulations concerning the fiscal periods objected to by the Tax Bureau of the City of Buenos Aires and do not expect an adverse financial impact in these respects.

As regards the balance of the amount claimed, the Entity adhered to a scheme of payment in instalments that was cancelled on October 4, 2010.

- b) On December 23, 2011, the Tax Bureau of the City of Buenos Aires (AGIP) passed its Resolution Nr. 3088-DGR-2011 and notified the Bank of the commencement of a sua sponte tax assessment thereunder alleging presumptive differences owed to the Tax Bureau in the payment of turnover tax for the fiscal years 2004 through 2010. On January 27, 2012, BBVA Francés filed its defense with the Tax Bureau.

Afterwards, on December 28, 2012, the Bank was notified by Resolution Nr. 3253-DRG-2012 whereby the Tax Bureau of the City of Buenos Aires proceeded with a sua sponte assessment based on facts concerning the taxable basis for purposes of turnover tax for the fiscal years 2004 through 2010.

On February 4, 2013, the Bank lodged an appeal for reconsideration against Resolution Nr. 3253-DRG-2012 moving for the annulment of the tax adjustments contained in the sua sponte tax assessment and for an immediate order to archive the case file.

The Bank as well as its legal and tax advisors estimate that the Bank has made a reasonable interpretation of currently applicable rules and regulations concerning the fiscal periods objected to by the Tax Bureau of the City of Buenos Aires and do not expect an adverse financial impact in these respects.

NOTE 6— BREAKDOWN OF MAIN ITEMS AND ACCOUNTS

Detailed below are the balances of those accounts:

	December 31,	
	2013	2012
a) GOVERNMENT AND PRIVATE SECURITIES		
<u>Holdings booked at fair value</u>		
Secured Bonds due in 2020	891,894	932,463
Federal Government Bonds in US dollars 7% 2017	708,180	—
Argentine Bond of Saving towards economic development	121,110	—
Secured Bonds due in 2018	89,114	151,422
Discount Bonds in pesos	80,980	10,560
Par Securities denominated in US Dollars and governed by Argentine Law	42,300	—
Consolidation Bonds – sixth series	31,040	—
Federal Government Bonds in Pesos BADLAR plus 275 bp due in 2014	12,317	731,702
Other	5,496	5,932
Total	1,982,431	1,832,079

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	December 31,	
	2013	2012
<u>Holdings booked at amortized cost</u>		
Other	164	164
Total	164	164
<u>Instruments issued by the BCRA</u>		
BCRA Bills (LEBAC)	1,273,092	2,201,676
BCRA Notes (NOBAC)	135,395	—
Total	1,408,487	2,201,676
<u>Investments in listed private securities</u>		
FBA Ahorro Pesos Investment Fund	64,525	55,329
FBA Acciones Globales Investment Fund	3,849	—
FBA Renta Pesos Investment Fund	—	4,583
HF Pesos Plus - Clase I Investment Fund	—	6,751
Other	675	1,452
Sub-Total	69,049	68,115
Allowances	(196)	(188)
Total	3,459,935	4,101,846
b) OTHER RECEIVABLES FROM FINANCIAL TRANSACTIONS – Other receivables covered by debtor classification regulations		
Fees receivable	177,286	122,346
Other	24,988	17,872
Total	202,274	140,218
c) INVESTMENTS IN OTHER COMPANIES – Other		
In non-controlled companies-supplementary activities	29,319	27,450
In other non-controlled companies- unlisted	29,302	20,045
Total	58,621	47,495
d) OTHER RECEIVABLES – Other		
Prepayments	309,925	163,941
Guarantee deposits	309,390	290,105
Miscellaneous receivables	284,581	211,222
Tax prepayments	258,899	272,860
Loans to personnel	189,700	188,260
Other	6,909	8,612
Total	1,359,404	1,135,000
e) OTHER SUBSIDIARIES' ASSETS		
Others related to pension fund management business	450	450
Total	450	450

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	December 31,	
	2013	2012
f) OTHER LIABILITIES FROM FINANCIAL TRANSACTIONS – Other		
Accounts payable for consumption	1,193,215	757,046
Other withholdings and collections at source	457,246	418,198
Collections and other operations for the account of third parties	342,912	258,616
Money orders payable	327,967	197,243
Pending Banelco debit transactions	120,570	105,288
Fees collected in advance	105,860	47,683
Loans received from Argentine Technological Fund (FONTAR and Banco de Inversión y Comercio Exterior (“BICE”))	46,882	46,520
Social security payment orders pending settlement	6,484	7,547
Loans received from Interamerican Development Bank (IDB)	3,229	8,204
Other	44,180	93,344
Total	<u>2,648,545</u>	<u>1,939,689</u>
g) OTHER LIABILITIES – Other		
Accrued taxes	674,707	562,448
Miscellaneous payables	509,472	476,876
Accrued salaries and payroll taxes	398,013	304,845
Amounts collected in advance	169,278	73,173
Other	1,308	1,735
Total	<u>1,752,778</u>	<u>1,419,077</u>
h) OTHER SUBSIDIARIES’ LIABILITIES		
Others related to pension fund management business	337	337
Total	<u>337</u>	<u>337</u>
i) MEMORANDUM ACCOUNTS – DEBIT – CONTROL – Other		
Securities representative of investment in escrow on behalf of the Guarantee Fund for the Sustainability of the Pay-as-you-go System managed by the Argentine Republic	121,633,179	41,951,890
Items in safekeeping	26,289,843	20,096,342
Checks not yet credited	3,347,400	2,756,890
Collections items	686,371	495,183
Checks drawn on the Bank pending clearing	602,976	515,628
Cash in custody on behalf of the BCRA	52,144	—
Other	772,895	111,934
Total	<u>153,384,808</u>	<u>65,927,867</u>

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	December 31,		
	2013	2012	2011
j) SERVICE CHARGE INCOME - Other			
Commissions for hiring of insurances	344,919	250,370	176,920
Rental of safe-deposit boxes	110,927	95,095	75,798
Commissions for loans and guaranties	99,525	82,044	59,365
Commissions on debit and credit cards	42,413	21,381	—
Commissions for transportations of values	22,338	17,250	14,807
Commissions for escrow	19,764	10,348	10,880
Commissions for capital market transactions	12,224	7,622	16,580
Commissions for salary payment	9,444	9,475	8,759
Commissions for trust management	1,432	1,378	1,527
Other	62,841	53,040	58,043
Total	<u>725,827</u>	<u>548,003</u>	<u>422,679</u>

k) SERVICE CHARGE EXPENSE - Other

Turn-over tax	262,772	158,976	119,349
Insurance paid on lease transactions	59,405	35,614	21,042
Other	17,517	20,718	12,892
Total	<u>339,694</u>	<u>215,308</u>	<u>153,283</u>

l) OTHER INCOME - Other

Interest on loans to personnel	28,692	26,537	—
Income from the Credit Card Guarantee Fund	24,448	16,559	9,996
Related parties expenses recovery	10,036	17,451	13,620
Rent	1,409	1,432	677
Income from the sale of fixed and miscellaneous assets	477	43,578	2,150
Deferred income tax ⁽¹⁾	—	147,300	47,300
Tax recovery	—	—	18,166
Other	48,627	9,373	42,374
Total	<u>113,729</u>	<u>262,230</u>	<u>134,283</u>

⁽¹⁾ Offset by a charge for the same amount in the line Charge for uncollectibility of other receivables and other allowances account, under the caption Other expenses.

m) OTHER EXPENSE - Other

Deferred income tax ⁽²⁾	25,800	—	—
Donations	13,645	11,645	10,236
Insurance losses	9,015	6,237	4,586
Turn-over tax	8,429	6,396	5,025
Private health insurance for former employees	7,953	7,000	4,304
Other	23,771	26,616	12,369
Total	<u>88,613</u>	<u>57,894</u>	<u>36,520</u>

⁽²⁾ Offset by a charge for the same amount in the line Loans recovered and reversals of allowances account, under the caption Other income.

NOTE 7—FINANCIAL INFORMATION UNIT: SUMMARY PROCEEDINGS

In March 2010, the Bank was notified of the commencement of two summary proceedings instituted by the Financial Information Unit (UIF) against BBVA Francés and its Regulatory Compliance Officer arising from two wire transfers received by two customers in their respective sight accounts on November 22, 2007 and respectively amounting to 39,393 and 9,174.

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It has been the UIF's understanding that the profile of the customers, as defined, and the supporting documentation submitted by the Bank do not coincide with the possibility of receiving such wire transfers.

In due time, the Bank filed its defenses, offered evidence and petitioned for an acquittal. In addition, the Bank called for the enforcement in this case of the same guarantees available in court proceedings, argued that the statute of limitations applicable to punishable offenses had run out and further claimed that Law Nr. 25,246 is unconstitutional when it comes to the scale of penalties imposed.

As regards the Regulatory Compliance Officer, the Bank focused on the nature of the penalties that could be imposed on him and petitioned for the enforcement of the general principles of the law in his respect as these prescribe that this officer should not be deemed liable on grounds of occupying the position of regulatory compliance officer at the Bank.

In September and October 2010, the Bank was served with the resolutions adopted by the UIF whereby BBVA Francés and the Regulatory Compliance Officer were each ordered to pay a fine for an amount equivalent to one time the transactions objected.

On the basis of its legal advisors' opinion, on October 28 and November 25, 2010, the Bank lodged with the Court of Appeals with Federal Jurisdiction over Contentious Administrative Matters a direct appeal against the UIF's Resolutions in connection with the wire transfers for 9,174 and 39,393, respectively, in accordance with the provisions under Section 25 of Law Nr. 25,246.

The Bank and its legal advisors have concluded that the analysis of the transactions involved has been made in compliance with applicable legal regulations and that no Suspicious Transaction Report ("ROS", for its Spanish acronym) has proven necessary. For such reason, the Bank does not expect any adverse financial impacts in these respects.

NOTE 8—RESTRICTIONS ON ASSETS

As of December 31, 2013 and 2012, there are Bank's assets, which are restricted as follows:

- a) The Government and Private Securities caption includes 191,290 in bonds issued by the Argentine Government in U.S. dollars maturing in 2017 and 131,081 in bonds issued by the Argentine Government maturing in 2014, respectively, allocated to the guarantee required to act as custodian of investment securities related to Guarantee Fund for the Sustainability of the Pay-as-you-go System managed by the Argentine Republic.
- b) The Bank appropriated 7,754 in peso-denominated fixed rate Argentine Central Bank Bills and 4,053 in Secured Bonds due 2020 as of December 31, 2013 and 37,122 in bonds issued by the Argentine Government maturing in 2014 as of December 31, 2012, to secure loans arranged under the Credit Global Program given by the Interamerican Development Bank (IDB).
- c) The Bank appropriated 146,915 and 139,895, respectively, in Guaranteed Bonds maturing in 2020, to secure loans granted by the so-called "Fondo del Bicentenario".
- d) The Bank has also appropriated accounts, deposits and trusts for 763,876 and 652,822, respectively, as security for activities related to credit card operations, automated clearing houses, non-deliverable forwards and lawsuits.
- e) BBVA Francés Valores S.A. (formerly, BBVA Francés Valores Sociedad de Bolsa S.A.) holds two shares of Mercado de Valores de Buenos Aires S.A, booked in the amount of 10,300 as of December 31, 2013 and 2012. These shares have been pledged in favor of "CHUBB Argentina de Seguros S.A." in security of the contract this insurance company executed with Mercado de Valores de Buenos Aires S.A. to cover the latter's guaranteeing any noncompliance of the company with their obligations.

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NOTE 9—BANK DEPOSIT GUARANTEE INSURANCE SYSTEM

The Bank is included in the Deposit Guarantee System established by Law 24,485, Regulatory Decrees Nr. 540/95, Nr. 1,292/96 and 1,127/98 and Communication “A” 2337 and BCRA's complementary regulations.

Such law provided for the creation of the Company Seguros de Depósitos Sociedad Anónima (SEDESA) for purposes of managing the Deposit Guarantee Fund (DGF), whose shareholders, in accordance with the changes introduced by Decree Nr. 1,292/96, shall be the BCRA with one share as a minimum and the trustees of the trust created by the financial institutions in a proportion to be determined for each by the BCRA according to their contributions to the DGF.

That Company was incorporated in August 1995 and the Bank has a 9.5232% interest in its capital stock.

The Deposit Guarantee System, which is limited, compulsory and onerous, has been created for purposes of covering the bank deposit risks subsidiarily and complementarily to the deposit protection and privilege system established by the Financial Institutions Law.

The guarantee shall cover the repayment of principal disbursed plus interest accrued through the date of revoking the authorization to operate or through the date of suspension of the institution through application of section 49 of the BCRA's Charter provided that the latter had been adopted earlier than the former without exceeding the amount of pesos a hundred and twenty thousand. Regarding operations in the name of two or more people, the guarantee shall be prorated between the holders. In no event shall the total guarantee per person exceed the abovementioned amount, whatever the number of accounts and/or deposits.

NOTE 10—TRUST ACTIVITIES

10.1. Financial Trusts

On January 5, 2001, the BCRA's Board of Directors issued Resolution Nr. 19/01, providing for the exclusion of Mercobank S.A.'s senior liabilities under the terms of section 35 bis of the Financial Institutions Law, the authorization to transfer the excluded assets to the Bank as trustee of the Diagonal Trust, and the authorization to transfer the excluded liabilities to beneficiary banks. Also, on the mentioned date, the agreement to set up the Diagonal Trust was subscribed by Mercobank S.A. as settle and the Bank as trustee in relation to the exclusion of assets as provided in the resolution abovementioned. As of December 31, 2013 and 2012, the assets of Diagonal Trust amount to 2,405 and 2,409, respectively, considering its recoverable value.

The Bank recorded the selected assets on account of the redemptions in kind of the Fideicomiso Corp Banca participation certificates for 4,177 and 4,176 as of December 31, 2013 and 2012, respectively.

Such amounts are recorded in memorandum debit accounts “For trustee activities – Funds in trust”.

10.2. Non-Financial Trusts

The Bank acts as trustee in 17 non-financial trusts, and in no case being personally liable for the liabilities assumed in the performance of the contract obligations; such liabilities will be satisfied with and up to the full amount of the corpus assets and the proceeds therefrom. The non financial trusts concerned were set up to secure the receivables of several creditors (beneficiaries) and the trustee was entrusted the management, care, preservation and custody of the corpus assets until (i) the requirements to show the noncompliance with the obligations by the debtor (settler) vis-à-vis the creditors (beneficiaries) are met, moment at which such assets will be sold and the proceeds therefrom will be distributed (net of expenses) among all beneficiaries, the remainder (if any) being delivered to the settler, or (ii) all contract terms and conditions are complied with, in which case all the corpus assets will be returned to the settler or to whom it may indicate. The trust assets represent about 99,373 and 105,824 as of December 31, 2013 and 2012, respectively, consist of cash, creditors' rights, real estate and shares.

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NOTE 11—CORPORATE BONDS

On July 15, 2003, an Extraordinary Stockholders' Meeting approved the setting up of a Program for the issuance and re-issuance of ordinary non-convertible Corporate Bonds with ordinary guarantee, or such guarantees as may be decided by the Bank, and unsecured Subordinated Corporate Bonds, convertible or not into shares. During the life of the Program, which was 5 (five) years, it will be possible to issue and re-issue any number of series and/or classes of Corporate Bonds as long as at all times the maximum amount in circulation after adding together all series and/or classes outstanding under the Program pending redemption not exceeding at any time US\$300,000,000 (or the equivalent thereof in other currencies). The Program was approved by CNV Resolution Nr. 14,967 dated November 29, 2004.

The Global Program was amended according to the resolutions adopted by the Ordinary and Extraordinary Stockholders' Meeting held on April 26, 2007; extended for 5 (five) years by resolution adopted by the Ordinary and Extraordinary Stockholders' Meetings held on March 28, 2008 and April 9, 2013 (approved by the CNV by Resolutions Nr. 16,010 and Nr. 17,127 dated November 6, 2008 and July 11, 2013, respectively); and the maximum amount of the issuance was successively increased from US\$300,000,000 to US\$500,000,000 and from US\$500,000,000 to US\$750,000,000 by resolution adopted by the Ordinary and Extraordinary Stockholders' Meetings held on March 30, 2011 and March 26, 2012, respectively.

On June 23, 2011, the Bank approved the issuance of Class 1 of its Corporate Bonds under the Program for a principal amount of up to Ps.250,000,000. On September 13, 2011, the Bank issued its Corporate Bonds, which were fully subscribed and paid in for 185,193 for a term of 18 months, to be fully amortized at maturity and subject to a variable interest rate equivalent to the private BADLAR rate plus 2.8% per annum, with quarterly interest payments. As provided for in the Corporate Bonds Law and the BCRA regulations, the proceeds obtained from the issuance of the above-mentioned Class were applied to grant personal loans.

On November 9, 2011, the Bank approved the issuance of Class 2 of its Corporate Bonds under the Program for a principal amount of up to Ps.200,000,000. On January 16, 2012, the Bank issued its Corporate Bonds, which were fully subscribed and paid in for 148,900 for a term of 18 months, to be fully amortized at maturity and subject to a variable interest rate equivalent to the private BADLAR rate plus 2.44% per annum, with quarterly interest payments. As provided for in the Corporate Bonds Law and the BCRA regulations, the proceeds obtained from the issuance of the above-mentioned Class were applied to the reimbursement of time deposits.

On April 18, 2012, the Bank approved the issuance of Class 3 of its Corporate Bonds under the Program for a principal amount not in excess of Ps.300,000,000. On September 7, 2012, placement of such Class 3 Corporate Bonds was declared vacant.

On December 11, 2012, the Bank approved the issuance of Class 4 of its Corporate Bonds under the Program for a principal amount of up to Ps.200,000,000. On May 9, 2013 the Bank decided to increase the maximum amount of the issuance up to Ps.300,000,000. On July 31, 2013, the Bank issued its Corporate Bonds, which were fully subscribed and paid in for 250,000 for a term of 18 months, to be fully amortized at maturity and subject to a variable interest rate equivalent to the private BADLAR rate plus 3.69% per annum, with quarterly interest payments. As provided for in the Corporate Bonds Law and the BCRA regulations, the proceeds obtained from the issuance of the above-mentioned Class were applied to the reimbursement of time deposits.

On August 8, 2013, the Bank approved the issuance of Class 6 and 7 of its Corporate Bonds under the Program for a joint principal amount of up to Ps.500,000,000. On November 8, 2013, the Bank issued Class 6 and 7 of its Corporate Bonds, which were fully subscribed and paid in for 121,357 for a term of 18 months, to be fully amortized at maturity and subject to a variable interest rate equivalent to the private BADLAR rate plus 3.25% per annum, with quarterly interest payments and for 250,000 for a term of 36 months, to be fully amortized at maturity and subject to a variable interest rate equivalent to the private BADLAR rate plus 4.24% per annum, with quarterly interest payments, respectively. As provided for in the Corporate Bonds Law and the BCRA regulations, the proceeds obtained from the issuance of the above-mentioned Class were applied to the reimbursement of time deposits.

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As of December 31, 2013 and 2012, the outstanding principal and accrued interest amounts to Ps.644,164 (in connection with Class 4, 6 and 7 of the Corporate Bonds) and Ps.341,395 (in connection with Class 1 and 2 of the Corporate Bonds), respectively.

Besides, on November 26, 2013, the Bank approved the issuance of Class 8 and 9 of its Corporate Bonds under the Program for a joint principal amount of up to Ps.500,000,000. On February 11, 2014, the Bank issued Class 8 and 9 of its Corporate Bonds, which were fully subscribed and paid in for 258,880 for a term of 18 months, to be fully amortized at maturity and subject to a variable interest rate equivalent to the private BADLAR rate plus 3.8% per annum, with quarterly interest payments and for Ps.145,116 for a term of 36 months, to be fully amortized at maturity and subject to a variable interest rate equivalent to the private BADLAR rate plus 4.7% per annum, with quarterly interest payments, respectively.

NOTE 12—DERIVATIVE FINANCIAL INSTRUMENTS

▪ Transactions as of December 31, 2013:

- Interest rate swaps for 1,039,084 (Fixed Rate versus BADLAR), maturing within a period not exceeding 2 years for which the Bank pays a variable amount in accordance with changes in the BADLAR “Encuesta rate” and receives a fixed amount based on stated notional amounts; and interest rate swaps for 285,239 (BADLAR versus Fixed Rate), maturing within a period not exceeding 1 year for which the Bank pays a fixed amount and receives a variable amount in accordance with changes in the BADLAR rate.

These transactions have been valued in accordance with the mechanism described in Note 3.4.14.(i) generating the amount of 11,881 as income for the fiscal year.

The estimated fair value of said instruments amounts to 18,151 (Liability). For fair value estimation purposes, the variable and fixed as yet not matured future flows are discounted, with the swap value being the difference between the current value of the future flows receivable and the current value of the future flows payable.

As of the end of the fiscal year, the above transactions were recorded under “Memorandum Accounts - Debit Accounts – Derivatives – Interest rate swap” for 1,324,323.

- Interest rate swap for 42,775 (Fixed Rate versus BADLAR), with final maturity in September 2019, for which the Bank pays a variable amount in accordance with changes in the BADLAR “Encuesta rate” and receives a fixed amount based on stated notional amounts.

Said transaction was consummated as hedge for potential volatility in the cash flows arising from certain financing deals attributable to changes in the designated benchmark interest rates and it has proven to be effective hedge for the risk mentioned.

The aim pursued by risk management consists in reducing exposure to changes in cash flows arising from financing deals. Thanks to the hedge established, changes in the cash flows arising from the underlying instrument caused by changes in the benchmark interest rate would decrease as a result of having been offset with the changes in the cash flows arising from the hedge instrument.

As of the end of the fiscal year the above transaction was recorded under “Memorandum Accounts - Debit Accounts –Derivatives – Interest rate SWAP” for 42,775.

- Non-deliverable forward purchase and sale transactions in foreign currency payable in Pesos, maturing within a period not exceeding 1 year, for 5,414,377 and 1,871,743, which are recorded under “Memorandum Accounts - Debit Accounts - Derivatives – “Notional” amount of non-deliverable forward transactions”, and “Memorandum Accounts - Credit Accounts - Derivatives – “Notional” amount of non-deliverable forward transactions”, respectively.

These transactions have been valued in accordance with the mechanism described in Note 3.4.14.(ii), generating the amount of 465,650 as income for the fiscal year.

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- Forward sales due to BCRA Bills and Notes repurchase agreements for 175,277 and due to Government securities for 5,103, which are recorded under “Other liabilities from financial transactions – Instruments to be delivered for spot and forward sales to be settled”.

These transactions have been valued in accordance with the description in Note 3.4.8. generating 45,601 as income for the fiscal year.

- The Bank does not carry any balances associated to reverse repos in force at December 31, 2013. However, the transactions conducted at December 31, 2013 have yielded a 2,133 loss at the end of the fiscal year.

- Transactions as of December 31, 2012:

- Interest rate swaps for 829,652 (Fixed Rate versus BADLAR), maturing within a period not exceeding 2 years for which the Bank pays a variable amount in accordance with changes in the BADLAR “Encuesta rate” and receives a fixed amount based on stated notional amounts.

These transactions have been valued in accordance with the mechanism described in Note 3.4.14.(i) generating the amount of 17,572 as income for the fiscal year.

The estimated market value of said instruments amounts to 8,546 (Asset). For market value estimation purposes, the variable and fixed as yet not matured future flows are discounted, with the swap value being the difference between the current value of the future flows receivable and the current value of the future flows payable.

As of the end of the fiscal year, the above transactions were recorded under “Memorandum Accounts - Debit Accounts – Derivatives – Interest rate swap” for 829,652.

- Interest rate swap for 49,006 (Fixed Rate versus BADLAR), with final maturity in September 2019, for which the Bank pays a variable amount in accordance with changes in the BADLAR “Encuesta rate” and receives a fixed amount based on stated notional amounts.

Said transaction was consummated as hedge for potential volatility in the cash flows arising from certain financing deals attributable to changes in the designated benchmark interest rates and it has proven to be effective hedge for the risk mentioned.

The aim pursued by risk management consists in reducing exposure to changes in cash flows arising from financing deals. Thanks to the hedge established, changes in the cash flows arising from the underlying instrument caused by changes in the benchmark interest rate would decrease as a result of having been offset with the changes in the cash flows arising from the hedge instrument.

As of the end of the fiscal year the above transaction was recorded under “Memorandum Accounts - Debit Accounts – Derivatives – Interest rate SWAP” for 49,006.

- Non-deliverable forward purchase and sale transactions in foreign currency and ratios payable in Pesos, maturing within a period not exceeding 1 year, for 3,452,819 and 2,865,678, which are recorded under “Memorandum Accounts - Debit Accounts - Derivatives – “Notional” amount of non-deliverable forward transactions”, and “Memorandum Accounts - Credit Accounts - Derivatives – “Notional” amount of non-deliverable forward transactions”, respectively.

These transactions have been valued in accordance with the mechanism described in Note 3.4.14.(ii), generating the amount of 58,806 as income for the fiscal year.

- The Bank does not carry balances from transactions involving options outstanding as of December 31, 2012. However, the transactions conducted as of December 31, 2012 generating the amount of 255 as income for the fiscal year.

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- The Bank does not carry any balances associated to repos or reverse repos in force at December 31, 2012. However, the transactions conducted at December 31, 2012 have yielded a 68,782 income and a 1,485 loss, respectively, at the end of the fiscal year.

NOTE 13—COMPLIANCE WITH CNV REQUIREMENTS**13.1. Compliance with the requirements to act as agent in the over-the-counter market**

As of December 31, 2013 and 2012, the Bank's Stockholders' Equity exceeds the minimum requested by the regulator.

13.2. Investment Funds custodian

As of December 31, 2013 and 2012, in its capacity as Investment Funds custodian of "FBA Acciones Globales", "FBA Total", "FBA Renta", "FBA Renta Pesos", "FBA Renta Dólares", "FBA Bonos Latinoamericanos", "FBA Calificado", "FBA Internacional", "FBA Ahorro Dólares", "FBA Renta Fija", "FBA Ahorro Pesos", "FBA Renta Premium", "FBA Europa", "FBA Horizonte", "FBA EEUU", "FBA Renta Corto Plazo", "FBA Acciones Latinoamericanas", "FBA Bonos Argentina", "FBA Brasil", "FBA México", "FBA Commodities", "FBA Acciones Argentinas" and "FBA Bonos Globales" administrated by BBVA Francés Asset Management S.A. Sociedad Gerente de Fondos Comunes de Inversión, the Bank holds certificates of deposits, deferred payment checks, shares, corporate bonds, government securities, indexes, securities issued by the BCRA, Cedears, ADRS and shares in mutual funds in safekeeping in the amount of 1,499,521 and 1,461,374, respectively, all of which making up the Fund's portfolio and booked in "Memorandum Accounts - Debit Accounts -Control - Other".

The Investment Funds' equities are as follows:

Name of Mutual Fund	December 31,	
	2013	2012
FBA Acciones Globales (**)	47,620	53,791
FBA Total	20,817	19,087
FBA Renta (**)	20,537	19,944
FBA Renta Pesos	1,460,275	1,497,666
FBA Renta Dólares (**)	5,971	6,205
FBA Bonos Latinoamericanos	26,211	18,505
FBA Calificado	126,513	83,006
FBA Internacional	4,558	947
FBA Ahorro Dólares (**)	14,092	14,745
FBA Renta Fija (**)	14,373	20,456
FBA Ahorro Pesos	541,736	444,287
FBA Renta Premium (**)	8,866	10,805
FBA Europa (*)	—	6,732
FBA Horizonte	47,322	31,008
FBA EEUU (*)	—	19,801
FBA Renta Corto Plazo (**)	316	471
FBA Acciones Latinoamericanas	41,623	24,116
FBA Bonos Argentina	5,096	7,648
FBA Brasil (*)	—	25,131
FBA México	—	92
FBA Commodities	—	66
FBA Acciones Argentinas	468	265
FBA Bonos Globales	117	88
Total	2,386,511	2,304,862

(*) During March and April of fiscal year 2013, BBVA Francés Asset Management S.A. Sociedad Gerente de Fondos Comunes de Inversión ("the Managing Company") decided to start the process of liquidation of these Investment Funds pursuant to CNV Resolution Nr. 617/13. As of the date of issuance of these Consolidated Financial Statements, the Managing Company had paid off all the amounts due to the holders of shares in these funds

(**) BBVA Francés Asset Management S.A. Sociedad Gerente de Fondos Comunes de Inversión decided to start the process of liquidation of FBA Renta Dólares, FBA Ahorro Dólares, FBA Renta Fija, FBA Renta Premium and FBA Renta Corto Plazo on August 30, 2013 and of FBA Acciones Globales and FBA Renta on September 2, 2013.

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NOTE 14—EARNINGS DISTRIBUTIONS

The Bank has in place an earnings distribution policy in line with the Bank's vocation for sustained stockholder value, which at the same time allows the Bank's financial condition to perform favourably so as to strive for business growth and the maintenance of consistently high liquidity and solvency standards in compliance with currently applicable rules and regulations.

Restriction on earnings distributions:

- a) In accordance with the provisions of BCRA, on April 10, 2014 the Bank's Ordinary and Extraordinary Shareholders' Meeting appropriated the amount of 404,849 currently included under Unappropriated earnings to the Legal Reserve.
- b) In accordance with Communications "A" 5072 and 5273, issued on May 6, 2010 and January 27, 2012, respectively, as amended and supplemented, of "Distribution of Income" of the BCRA, for purposes of calculating the earnings subject to distribution, off-balance sheet deductions must be performed from the sum of the balances recorded in the account Unappropriated retained earnings and in the Voluntary reserve for future distributions of income as set forth in point 2.1 of such Communication. In addition, the authorization of the Superintendent of Financial and Exchange Institutions shall be required in order to verify that the procedure established in said resolution for earnings distribution has been properly applied.

On February 19, 2014 the Board of Directors resolved to propose to the shareholders the distribution of dividends in cash for the total amount of 28,800 to be distributed in proportion to the nominal holding of each shareholder equivalent to Ps.0.05364 per share.

On April 10, 2014 at the Bank's Ordinary and Extraordinary Shareholders' Meeting, it was approved that such distribution is subject to the prior authorization of the BCRA.

NOTE 15— REFORM OF THE INTEGRATED RETIREMENT AND PENSION SYSTEM

Law Nr. 26,425- Dissolution and liquidation of Consolidar AFJP S.A.:

Law Nr. 26,425, which came into force on December 4, 2008, mandated that the capitalization system that used to be an integral part of the Integrated Retirement and Pension System was to be suppressed and replaced by a single pay-as-you-go system that is now known as the Argentine Integrated Social Security System (SIPA). As a consequence, Consolidar AFJP S.A. ceased to manage the funds held in the individual capitalization accounts opened by the members and beneficiaries of the Integrated Retirement and Pension System. Said funds were transferred to the Fund to Guarantee the Sustainability of the State-run Social Security System exactly as they had been invested and it is now the Argentine Social Security Authority (ANSES) the only and sole holder of said assets and funds.

Besides, on October 29, 2009, ANSES issued its Resolution Nr. 290/2009 whereby it granted a term of 30 working days to the pension fund managers that could be interested in re-converting their corporate purpose in order to manage the funds held as voluntary term deposits and as agreed-upon deposits in capitalization accounts for them to express their decision to do so.

Given the above situation and the inability of Consolidar AFJP S.A. to attain the corporate purpose and conduct the business for which it had been formed, on December 28, 2009, its Extraordinary General Unanimous Shareholders' Meeting adopted the resolution to dissolve and subsequently liquidate Consolidar AFJP S.A. effective as of December 31, 2009 on the understanding that such decision will be the best alternative to safeguard the interests of both the creditors and the shareholders of the Company. In addition, as set forth in the Argentine Companies Law, the Shareholders' Meeting decided to appoint Accountant Mr. Gabriel Orden and Mr. Rubén Lamandia to act as liquidators of Consolidar AFJP S.A. As of December 31, 2009 these gentlemen have been designated as the Company's legal representatives. As of the date of issuance of these Consolidated Financial Statements, they are moving forward with all the actions necessary to proceed with the liquidation of Consolidar AFJP S.A.

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On January 28, 2010, the dissolution of Consolidar AFJP S.A. as well as the list of designated liquidators were registered with the Supervisory Board of Companies (IGJ).

In addition, the Extraordinary General Shareholders' Meeting of Consolidar AFJP S.A. approved a voluntary reduction in capital stock for 75,000 on October 19, 2009. In turn, the IGJ conferred its approval to the capital reduction mentioned on January 11, 2010. In this respect, on January 19, 2010 the shareholders were transferred their capital contributions in conformity with the above-mentioned reduction.

BBVA Francés, in its capacity as shareholder requested that Consolidar AFJP S.A. (undergoing liquidation proceedings) should file a note with the Argentine Ministry of Economy and Public Finance and with the Argentine Social Security Authority to begin discussions within the framework of Law Nr. 26,425 in order to identify one or more resolution alternatives in connection with the consequences resulting from the events caused by the enactment of that Law. This note was filed by Consolidar AFJP S.A. (undergoing liquidation proceedings) on June 11, 2010.

On December 7, 2010, Consolidar AFJP S.A. (undergoing liquidation proceedings) filed an action for damages against the National State and the Ministry of Labor, Employment and Social Security with the court of original Federal Jurisdiction over Contentious Administrative Matters Nr. 4, Clerk of Court's Office Nr. 7, case file Nr. 40,437/2010. The complaint was ratified by BBVA Francés in its capacity as majority shareholder in that Company. On July 15, 2011, Consolidar AFJP S.A. (undergoing liquidation proceedings) and BBVA Francés filed with the same court an enhanced complaint for determining the amounts claimed as damages. On March 9, 2012, the Court ordered the service of process on the National State. On November 23, 2012, the Court handed down a resolution demanding the production of evidence within a term of forty days. On May 13, 2013, the Court hearing in the case ordered that evidence be produced. The Company is providing depositions, documentary evidence and expert witnesses' reports. On May 28, 2013, the Company furnished the Court with the briefs and depositions of its witnesses.

NOTE 16—MINORITY INTEREST IN SUBSIDIARIES

The breakdown of balances in the "Minority interest in subsidiaries" account is as follow:

	December 31,	
	2013	2012
Consolidar Administradora de Fondos de Jubilaciones y Pensiones S.A. (undergoing liquidation proceedings)	7,078	7,677
BBVA Francés Valores Sociedad de Bolsa S.A.	557	475
PSA Finance Argentina Cía. Financiera S.A.	164,652	109,736
BBVA Francés Asset Management S.A. Sociedad Gerente de Fondos Comunes de Inversión	108	93
	172,395	117,981

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NOTE 17—ACCOUNTS REFLECTING COMPLIANCE WITH MINIMUM CASH

The following are the items computed for compliance with Minimum Cash Requirements according to the regulations of the BCRA, with their corresponding balances as of December 31, 2013:

COMPUTABLE COMPLIANCE IN PESOS

Special Guarantee Accounts	224,634
BCRA Checking Account	5,357,009
Franchises	81,944
TOTAL	5,663,587

COMPUTABLE COMPLIANCE IN US DOLLARS (Stated in thousands of Pesos)

Special Guarantee Accounts	26,411
BCRA Checking Account	5,147,476
TOTAL	5,173,887

COMPUTABLE COMPLIANCE IN EUROS (Stated in thousands of Pesos)

BCRA Checking Account	40,957
TOTAL	40,957

NOTE 18—RISK MANAGEMENT POLICIES

The Risk Department comprises units specialized in each class of risk (credit, financial and operational risk) that work alongside cross-sectional control units: Global Management and Technical area and Internal Control.

The following is a description of the comprehensive policies and processes for identifying, assessing, controlling and mitigating all risks: credit, financial and operational.

a) Credit Risk

The Risk Department is made up by the following divisions: Retail Banking, Enterprise and Wholesale Banking and Recoveries. Within the purview of the Retail Banking and the Enterprise and Wholesale Banking divisions, there are the areas in charge of Admission, Follow-Up and Policies and Tools. In turn, the Recoveries division includes areas specialized in severity mitigation, further split into Legal actions for debt recovery, Personalized debt recovery efforts and Debt recovery efforts for specific segments.

Approvals are processed by virtue of the loan-granting powers conferred upon the positions responsible for Admission and the Risk Management Committee. In addition, the commercial areas rely on a smaller number of delegated loan-granting powers in order to streamline minor transactions. These powers are also arranged by ratings and amounts.

Any exceptions to the policies currently in force are dealt with by the Risk Management Committee.

The assessment methodology is based on internally designed scoring and rating models applied to the Retail Banking and Enterprise and Wholesale Banking portfolios management, respectively. The application of this methodology leads to the calculation of the likelihood of default and in addition, to a historical control over expected losses and over the degree of severity of such losses in each portfolio. The scoring and rating tools are re-estimated periodically.

In the year 2013, the Rating model used to assess customers in Enterprise and Wholesale Banking portfolios evolved toward higher sensitivity. As concerns Enterprise Banking, a sector-based model was implemented to categorize

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customers into one of the four sectors of activities chosen (agribusiness, industrial, retail and services). Ratios have been allocated different scores depending on the sector. In addition, in the case of Wholesale Banking, there has been a model shift, toward one pursuing a global solution under consistent criteria incorporating the sector axis. This model provides for differential sector treatment, multiple-sector and multiple-geography activities, headquarters/affiliates adjustments and sovereign risk adjustments including sectorial “templates” used by Standard & Poor’s in a technological platform –Risk Analyst- provided by Moody’s.

In 2013, Retail Risks re-estimated the scoring models applied to reactive products. This resulted in more finely tuned discrimination abilities. As concerns proactive offerings, quality is monitored throughout the life of the offering.

The following are some of the aspects taken into account upon subjecting customers to a credit assessment:

- Verify the client sufficient income-generation sources and an adequate financial structure to face the commitments to repay principal and interest of the owned receivables within the terms agreed.
- Adequate and sufficient guarantees must to allow the loans recovery.
- Adequate knowledge of the client so that the decision-making officials are sufficiently confident and secure when they decide to grant the loan.
- Balance and correlation between the use of the proceeds, the amount, the term and the manner to repay the loan based on the client’s generation of resources and the guarantees.
- The activities carried on by the client must be identified so that the client can be assigned to the appropriate classification of sectors of the economy assessing its positioning and growth expectations.
- Permanent consulting for hints of junctures in the policies currently in force in each sector for an adequate response in line with the general investment or divestiture guidelines in a sector or sub-sector of the economy, amongst others.

b) Financial Risk and Reporting

This is the unit in charge of controlling financial risk management (that is, market risk and structural risk). In addition, this area is responsible for measuring and following up on net fund requirements in different scenarios, including stress scenarios.

Market Risk

The Bank’s business model is customer-centric. The Bank’s exposure to activities for its own account has shrunk in line with BBVA Francés’s risk appetite.

During 2013, BBVA Francés reinforced its strategy by focusing its trading activities on customers and sought to maintain hedged positions in futures and forwards as well as in liquid assets when it came to fixed-income.

To manage the market risk inherent in BBVA Francés’s positions, the tool used is VaR (“Value at Risk”) which happens to be the basic measure to control risks: it estimates, subject to a given confidence level, the maximum loss that can be incurred in the market positions of a portfolio in a given time horizon. The confidence level used in VaR calculations at BBVA Francés is 99% and the time horizon is one day. A historical 2-year period is used. The market risk limit structure at BBVA Francés establishes schemes with VaR limits, sub-limits and alerts and the capital-at-risk exposed to market risk for each business unit.

The above is accompanied by daily stress tests. These estimate the maximum loss expected when the volatility intrinsic in historical crisis scenarios or economic stressors is applied to the outstanding portfolio. On the subject of economic stressors, in addition to calculating maximum expected loss, limits are checked to anticipate and mitigate excesses.

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Besides, tests are run to check model validity. Back-testing processes are run every month to verify whether the daily results for the month are within the brackets determined by VaR and to identify the exceptions arising in the period.

The Market Risk area is equally responsible for obtaining and disseminating all the prices with an impact on the trading and structural portfolios and on all of BBVA Francés' areas on a daily basis. This is achieved through the use of tools and automatic processes that are controlled and adjusted every day to ensure that results are adequate. Besides, the area undertakes a valuation of all the securities in which BBVA Francés' portfolios hold positions and of the securities that are held for custody from clients.

Finally, Market Risks checks and monitors credit risk in all the transactions conducted by the Treasury. Using different tools, a verification is performed of each transaction and the risk assumed with each counterparty to stay away from concentration and to diversify potential risk factors.

Liquidity and Funding Risk

The aim of structural liquidity management is that the Group's recurring activities should be funded in optimum conditions of terms and cost and that no undesired liquidity risks are assumed.

At BBVA Francés, liquidity and funding management constitutes an essential part of the business strategy and furnishes it with a competitive advantage.

The main basic metrics used to control liquidity risk include:

- Self-funding ratio: the metrics known as "Loan to Score Credits Deposits (LtSCD)" provides information about balance sheet funding structure for a given period. These ratios are prepared on a consolidated basis as well as in each one of the functional currencies used in the Entity's operations and they provide information as well as adjustment to the risk appetite defined vis-à-vis a desirable funding structure.
- Net short-term funding: this parameter strives toward determining reasonableness in the balance sheet funding structure. And based on that criterion, a detailed follow-up is performed of the funding sources that deviate from those considered stable by corporate criteria. Thus, the deposits that carry higher volatility are grouped and they are specifically monitored and assigned a maximum amount determined by application of the Bank's guidelines.
- Basic Capacity: a liquidity balance sheet is prepared (other than the balance sheet for accounting purposes) with the various captions – assets, liabilities and on- and off-balance sheet items– are classified based on their nature for liquidity purposes. Then, their funding structure is determined. And it must satisfy, at all times, a basic premise, namely, that basic businesses must be funded with stable resources. These guidelines guarantee that the Bank's financial structure remains solid and that business plans remain sustainable.

On the topic of regulatory ratios, it must be underscored that already in the year 2012 the Basle Committee had approved the definitive implementation of the Liquidity Coverage Ratio ("LCR"), both in terms of defining the computable assets comprised by the liquid assets buffer and of fixing the schedule for stepwise introduction. Although it will not be until 2014 that BCRA will require this information (Communication "A" 5494), the Bank had started to monitor this issue already in 2011. As of the date of these financial statements, BBVA Francés is outperforming the requirements of the new LCR ratio in connection with its full application.

Interest-rate risk

Balance sheet interest-rate risk management seeks to maintain BBVA Francés' exposure at levels in harmony with the risk appetite validated by the Bank in the event of changes in market interest rates.

To that end, the Executive Committee, the Management Committee and the Asset and Liability Committee (ALCO) are charged with actively managing the balance sheet abiding by the guidelines approved by the Bank.

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- Economic Capital

Economic Capital or Capital at Risk is a metrics that yields a consistent quantification of the different risks assumed by BBVA Francés. Economic Capital is an estimate of the unexpected losses that the Bank can incur in the different risk businesses that it operates. Thus, it aspires at determining the capital or own resources that BBVA Francés would need to face any such losses and it also identifies the economic capital consumed by each entity or business unit for each type of risk (credit risk, market risk, structural risk, operational risk, etc.) From the standpoint of structural interest rate risk, the calculation of economic capital seeks to quantify the losses that could be incurred in the event of adverse variations in interest rates in highly unlikely extreme scenarios. Specifically calculated is the maximum loss that economic value could sustain, given a 99% interval of confidence, by reason of changes in interest rates in a 12-month time horizon.

- Economic value sensitivity

Economic value sensitivity is a measure that supplements financial margin sensitivity. It measures the interest risk inherent in equity value (an entity's own resources) based on the influence that a variation in interest rates has on the present values of financial assets and liabilities.

- Margin at Risk

In much the same way as with economic capital, the entity calculates Margin at Risk, understood as the maximum unfavorable deviation in the financial margin projected for a pre-determined level of confidence. Margin at Risk is calculated on the basis of a model that simulates curves as it has been used in the economic capital calculations. Each one of the scenarios generated in the simulation is applied to the different monthly terms, up to one year, thus forming a trail of rates that is then used in determining financial margin in that scenario. This calculation procedure, that generates at one year the same scenarios as in the economic value simulations, allows Margin at Risk to be determined as the maximum loss in margin projected at 12 months given a certain confidence interval.

- Financial margin sensitivity

Financial margin sensitivity measures changes in accruals expected for a given period (12 months) in the event of 100 basis point shifts in the curve of interest rates. Financial margin sensitivity is calculated by simulating margins, both in the event of a scenario of movements in the curve of interest rates and in the event of an actual situation, with sensitivity being the difference between the two margins calculated.

c) Operational Risk

The Validation and Internal Control Department has an area called "Country Operational Risk Management" that is charged with enforcing compliance with the Internal Control and Operational Risk Model, managing the IT tools that provide support and enforcing the single methodology adopted for managing operational risk that serves to identify, value, evaluate and control operational risk in its various stages: admission, follow-up and mitigation.

This Model is based on a scheme of Control Specialists for five areas pre-defined as critical and of Operational Risk Managers for the remaining business and support areas. On the subject of Model Governance, the model is overseen by the highest-ranking Entity authorities and there are Operational Risk Committees in each unit.

The Internal Control and Operational Risk Model identifies the organization's operational procedures and all the operational risks to which they are exposed. This methodology appraises each one of these risks, which are then assigned a priority and their criticality is then established for them to be managed for purposes of mitigation, if applicable.

As regards the tools, the Bank has an application that maps all operational risks and evaluates them. This application contains processes, risks and controls. In addition, the Bank has a base that reflects loss incidents by operational risk. These tools are functioning well and the level of implementation is optimum.

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Starting in 2013, a Risk Appetite index has been defined. It reflects the Bank's desirable maximum operational risk tolerance limit and must be followed up every month.

Thanks to the Operational Risk Model, the Bank can:

- Rely on a comprehensive risk management model, that is robust and in line with international standards, modern and fit for adapting to the environment or to any internal requirements needed.
- Undertake a valuation of the degree of mitigation activity attained and corroborate that mitigation measures have been adopted.
- Ensure that the control framework has been implemented and updated, including, if applicable, contingency and service/business continuity plans as defined by the business units or support areas and that high impact risks are buffered.

The Global Risk Management area is geared towards calculating Expected loss and Economic capital (as per the Basel II Accord principles). In addition, it is responsible for the procedures that control credit extension, risk rating and fractioning, provisioning, fixation of risk quotas by industry segment and by type of funding. It is equally responsible for Budgetary Control at the senior management level, which is exercised on the basis of the assumptions laid down in the Bank's budget, for contrasting the budget to actual monthly values and their impact on the cost of arrears. Said management activity is vital to determine whether quality standards in the field of credit risk have been duly satisfied in as much as they constitute the objective unavoidably pursued by all the units comprised by Risk at BBVA Francés. Finally, this involves running the Risk Committees, analyzing rules and regulations and reviewing and coordinating audits. All the activities associated to relevant measurement, follow-up and control are submitted to the Risk Committees for them to analyze and, depending on the issue, they are sent to the Board and to the Steering Committee.

NOTE 19—TRANSACTIONS WITH RELATED PARTIES

The balances as of December 31, 2013 and 2012 for transactions performed with parents and affiliates are as follows:

Company	Balance Sheet				Memorandum Accounts ⁽¹⁾	
	Assets		Liabilities		2013	2012
	2013	2012	2013	2012		
BBVA S.A.	28,062	41,904	53,269	27,174	26,740	103,742
BBVA Consolidar Seguros S.A.	19,183	14,380	23,599	25,996	—	—
Rombo Cía. Financiera S.A.	1,063,677	735,300	9,733	1,623	524,802	330,725

⁽¹⁾ Includes items in safekeeping, Credit lines granted (unused portion) covered by debtor classification regulations, Guaranties given covered by debtor classification regulations and derivatives transactions.

Additionally loans were granted to Key Management Personnel by 11,060 and 5,330 as of December 31, 2013 and 2012, respectively.

The net income as of December 31, 2013, 2012 and 2011, for transactions performed with parents, subsidiaries and affiliates are as follows:

	Net income ⁽¹⁾		
	2013	2012	2011
Income	9,097	262,671	177,134
Expenses	(1,393)	(46,104)	(18,775)
	7,704	216,567	158,359

⁽¹⁾ All the concerted operations have been contracted according with market's conditions.

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NOTE 20—TRANSPARENT CORPORATE GOVERNANCE POLICY

- **THE BOARD OF DIRECTORS**

The By-laws of BBVA Francés prescribe that the Bank shall be managed by a Board of Directors made up by a minimum number of three and a maximum number of nine directors, as established by the Ordinary General Shareholders' Meeting when appropriate. Directors shall serve on the Board for three-year terms and they may be re-elected (the "Board of Directors"). The Bank's Shareholders' Meeting may designate alternate directors in an equal or lower number. The Board of Directors must meet at least once a month.

The proposed board membership shall be subject to a previous evaluation by the Nominations and Remunerations Committee.

The table below indicates the names of the members of our Board of Directors, their present position in the company and their business background.

Name	Current Position	Background and Work Experience
Jorge Carlos Bledel	Chairman	<u>Business experience:</u> Vice Chairman, BBVA Francés Valores S.A. ("formerly, BBVA Fran Valores Sociedad de Bolsa S.A. Director, Credilogros Compañía Financiera S.A.; Credit Mana; Banco del Interior y Buenos Aires; Business Manager, Corporación Metropolitana de Finan; Financial Manager, BBVA Francés; Wholesale Banking Director, BBVA Francés and Re Banking Director, BBVA Francés. Jorge Carlos Bledel is an independent director in the terms of General Resolution Nr. 622/13 (as its new wording dating back to 2013).
José Manuel Tamayo Pérez	Vice Chairman	<u>Business experience:</u> Retail Banking Director, BBVA Francés; Marketing Director for Spain Portugal, BBVA. José Manuel Tamayo Pérez meets the independence criteria to be considered as an independ director within the meaning of General Resolution Nr. 622/13 (as per its new wording dating back to 2013).
Marcelo Gustavo Canestri	Regular Director	<u>Business experience:</u> Corporate Assistant Manager, BBVA Francés; Wholesale Banking Assis Manager, BBVA Francés; Asset Management Director, BBVA Francés and Financial Direc BBVA Francés. Marcelo Gustavo Canestri is an independent director in the terms of General Resolution Nr. 622 (as per its new wording dating back to 2013).
Mario Luis Vicens	Regular Director	<u>Business experience:</u> Executive Chairman, Asociación de Bancos de la Argentina ABA; Regi Director, Seguros de Depósitos S.A. SEDESA; Regular Director, Federación Latinoamericana Bancos Felaban; Regular Director, Banco Sudameris S.A.; Regular Director, Banco Central de República Argentina; Planning Assistant Manager and Deputy General Manager, Banco de Cré Argentino S.A.; Chief Economist – Head of Department, Banco Central de la República Argentina Mario Vicens is an independent director in the terms of General Resolution Nr. 622/13 (as per its new wording dating back to 2013).
Oscar Miguel Castro	Regular Director	<u>Business experience:</u> Executive member of the Committee of Financial Services, Arthur Ander Worldwide; Partner in charge of Financial Services Division, Arthur Andersen Latin America Argentina; International Partner, Arthur Andersen. Oscar Miguel Castro is an independent director in the terms of General Resolution Nr. 622/13 (as its new wording dating back to 2013).

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Name	Current Position	Background and Work Experience
Luis Bernardo Juango Fitero	Regular Director	<u>Business experience:</u> President, BBVA S.A. Colombia; Regional Director, BBVA. Luis Bernardo Juango Fitero is an independent director in the terms of General Resolution 622/13 (as per its new wording dating back to 2013).
Martín Ezequiel Zarich	Alternate Director	<u>Business experience:</u> Regular Director at BBVA Consolidar Seguros S.A.; Innovation Development Director at BBVA Francés; Director of Mergers at BBVA Francés; Planning Director at BBVA Francés; Financial Director at BBVA Francés; Retail Banking Director at BBVA Francés; Director at Credilogros; Director at BBVA Francés Uruguay; Director at BBVA Francés Cayr Ltd.; Assistant General Director for Commercial Development at Grupo BBVA; Economist at Banco de Crédito Argentino; Controller and Budget Area Manager at Banco de Crédito Argentino; Planning Director at Banco de Crédito Argentino. Martín Ezequiel Zarich is not an independent director in the terms of General Resolution Nr. 622 (as per its new wording dating back to 2013).

▪ **SENIOR MANAGEMENT**

Senior Management is made up by the General Manager and by those executive officers who have decision-making powers and who report directly to the General Manager.

The officers in Senior Management positions must have the skills and experience required by the financial industry to run the business with which they are entrusted and to oversee as appropriate the personnel in the various areas.

▪ **MANAGEMENT COMMITTEE - MEMBERSHIP**

The main members of Senior Management make up the Management Committee. The Committee is chaired by the Executive Director or General Manager.

Prospective Management Committee members shall first be evaluated by the Nominations and Remunerations Committee for subsequent consideration by the Board.

Powers

The Management Committee shall have the following powers, and, when appropriate, it shall be required to submit matters to consideration by the Board for final decision.

- Implement the strategies and policies approved by the Board.
- Evaluate and propose business and investment strategies and general risk policies.
- Develop the processes necessary to identify, assess, monitor and mitigate the risks to which the Bank is exposed to.
- Implement appropriate internal control systems and monitor their effectiveness, periodically reporting to the Board on the attainment of objectives. Establish business synergies with the remaining Group companies.
- Propose the delegation of powers to the Entity's officers. Supervise the managers in the various areas to make sure that they comply with the policies and procedures set forth by the Board.
- Evaluate and propose Entity-wide policies, strategies and guidelines and then oversee and follow up on model implementation.

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The following table identifies the members of the Management Committee and provides certain details about their business experience. The highest-ranking officers are designated for unlimited periods.

Name	Current Position	Background and Work Experience
Ricardo Enrique Moreno	Executive Director	Consultant, specialized in financial branch and capital markets, Andersen Consulting; Systems Manager, Banco de Crédito; Director of Media, CEO of Unofirst Latin America, COO Global, BBVA; Director of Transformation and Productivity BBVA.
Ignacio Sanz y Arcelus	Director, Finance and Planning.	Finance Area – Technology and Operations, BBVA; Director of the Department of Assets and Liabilities Management for Latin America, BBVA; Director of the Investment Banking Comptroller’s Office (Treasury, Capital Markets, Intermediation, Corporate, Structured Financing), BBVA; Corporate Director, BBVA; Director of the Treasury, Capital Markets and International Network area, BEX Argentaria BBVA; Director of the Market Risk Audit Unit, BEX Argentaria BBVA; Director of Central Services Audit, BEX; Director of Planning, Intervention and Control, SERFINBEX; Director, BEX Argentaria BBVA; Team Leader at Arthur Andersen Auditores S.A.
Juan Alberto Estrada	Director, Corporate and Investment Banking	Assets Management Area, BBVA Francés; Head of the Trading Area, BBVA Francés; Director of Global Markets, BBVA Francés; Director of Wholesale Banking and Asset Management, BBVA Francés, President of BBVA Francés Valores S.A. (formerly, BBVA Francés Valores Sociedad de Bolsa S.A.).
Martín Ezequiel Zarich	Director, Innovation and Development	Alternate Director, BBVA Francés; Regular Director, BBVA Seguros; Economist, Banco de Crédito Argentino; Management Control and Budget Manager, Banco de Crédito Argentino; Planning Director, Banco de Crédito Argentino; Merger Director, BBVA Banco Francés; Planning Director, BBVA Francés; Financial Director, BBVA Francés; Retail Banking Director, BBVA Francés; Director, Credilogros; Director, BBVA Banco Francés Uruguay; Director, BBVA Banco Francés Cayman Ltd.; Deputy General Director, Business Development BBVA Group.
Gabriel Milstein	Director, Human Resources and Services	Organization Manager, BBVA Francés.
Jorge Gustavo Allen	Director, Enterprise Banking	Goods and Services Manager, BBVA Francés; Logistics Director, BBVA Francés; President, BBVA Consolidar Seguros S.A.; Territorial Director, BBVA Francés.
Jorge Delfín Luna	Director, Retail Banking	Regional Manager, Citibank Branch; Regional Manager of Local Branches, Banco de Crédito Argentino; General Manager, Easy-Bank (BBVA Francés); General Manager and Vicepresident, BBVA Banco Uruguay; Companies Banking Manager, BBVA Francés.
Gustavo Osvaldo Fernández	Director, Technology and Operations	Coordinator, Systems and Organizations, Banca Nazionale del Lavoro; Systems Coordinator, Banco Galicia; Manager of Organization and Systems Development, Banco de Crédito Argentino; Design and Development Manager, BBVA Francés; Media Director, BBVA Francés; Director of Design and Development América, BBVA; Business Partner America, BBVA.
Adriana Fernández de Melero	Director, Corporate Development and Transformation	Credits Recovery Analyst, Banco Español; Financial Analyst, Banco Español; Financial Profitability and Planning Analyst, Banco Español; Planning and Management Control Analyst, Banco de Crédito Argentino; Head of Budget, Planning and Management Control, Banco de Crédito Argentino; Leader of Reengineering Project, Banco de Crédito Argentino; Human Resources Development and Planning Manager, Banco de Crédito Argentino; Manager of Human Resources Management, BBVA Francés; Manager of Structures and Projects, BBVA Francés; Organization Manager, BBVA Francés; Commercial Development and Channels Manager, BBVA Francés.
Juan Eugenio Rogero González	Director, Risks	Branch Director Corporate Banking, BBVA; Risks and Corporate Director, BBVA Puerto Rico; Insurances Development Director, BBVA America and Global Director of Corporate Risks Control, BBVA; Risks Director, BBVA Francés; Corporate Policies and Wholesale Portfolios Director, BBVA.

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▪ **BBVA FRANCÉS's OWNERSHIP STRUCTURE**

Major Shareholders

The following table sets forth certain information regarding the beneficial ownership of our ordinary shares as of December 31, 2013, by each person who, to our knowledge, owns beneficially more than 5% of our ordinary shares. These persons do not have different voting rights.

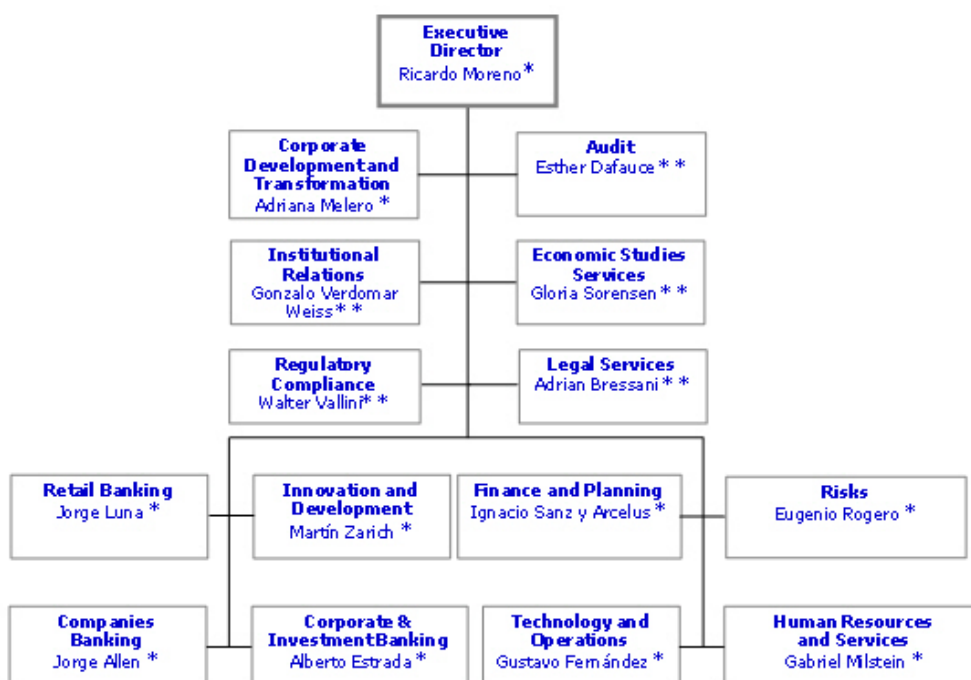
Beneficial Owner	Ordinary Shares Beneficially Owned At December 31, 2013	
	Number of Shares	Percentage of Shares Outstandings
Banco Bilbao Vizcaya Argentaria	244,870,968	45.61
BBV America SL ⁽¹⁾	160,061,858	29.81
The Bank of New York Mellon ⁽²⁾	47,584,374	8.86
Administración Nacional de Seguridad Social (Argentine Social Security Authority)	42,439,494	7.90

(1) BBV América S.L. is under the control of BBVA. It has an effective 20.90% ownership interest in the capital stock of BBVA Francés and has an indirect 8.91% ownership interest in Inversora Otar S.A. following the merger by absorption mentioned in Note 1.6.

(2) As holder agent of ADSs.

▪ **ORGANIZATIONAL STRUCTURE**

General Organizational Structure



* MANAGEMENT COMMITTEE MEMBERS

** EXECUTIVE COMMITTEE MEMBERS

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▪ **COMMITTEES OF THE BOARD OF DIRECTORS**

a) AUDIT COMMITTEE – LAW 26,831 (C.N.V./S.E.C.)

BBVA Francés's Audit Committee (C.N.V./S.E.C.) is a multiple-member body, with a majority of directors who meet the independence criteria of Law 26,831. Its purpose is to assist the Board of Directors in the assessment of the External Auditor's function and independence and to perform the internal control function at the Bank.

b) NOMINATIONS AND REMUNERATIONS COMMITTEE

BBVA Francés' Nominations and Remunerations Committee is a non-executive body whose purpose consists in assisting the Board on matters concerning the Bank's remuneration and benefit policies. Furthermore, the Nominations and Remunerations Committee is the body entrusted with the establishment of the standards and procedures governing the recruitment and training of Board members, Executive and other officers, and top-ranked personnel.

The Nominations and Remunerations Committee is made up by three non-executive directors, the majority of whom are independent, designated by the Board of Directors.

c) INTERNAL AUDIT COMMITTEE (B.C.R.A.)

BBVA Francés's Internal Audit Committee is made up by the officers appointed by the Board of Directors. This committee must have at least two members and at least one member must be an independent director. The operation of this committee shall be governed by the rules of the B.C.R.A. and by internal regulations.

The Board must use the conclusions of the internal audit timely and efficaciously and foster the internal auditor's independence vis-à-vis the areas and processes controlled by said audit.

d) COMMITTEE FOR THE PREVENTION OF ASSET LAUNDERING AND TERRORISM FINANCING

This Committee is made up by two Regular Directors, one of them is the Compliance Officer registered as such with the Financial Information Unit, the highest ranking officer for regulatory compliance and the person designated as an alternate regulatory compliance officer and the officer in charge of the Anti-Money Laundering area.

The functions of the Committee consist mainly in:

- Establishing guidelines and continuously reviewing the degree of progress with each action.
- Filing reports with the competent authorities concerning the so-called "unusual or suspicious" transactions, or, either, deciding to disregard them when appropriate.
- Evaluating the potential risk of asset laundering in the new products and/or services.
- Raising awareness in their areas about the importance of preventing asset laundering and terrorism financing.

e) COMPUTER TECHNOLOGY COMMITTEE

This Committee is made up by a member of the Board, the Director of Technology and Operations and other executives of the Technology and Operations, Innovation and Development area.

The main duties of the IT Committee are:

- To oversee the proper operation of the IT environment and to contribute to an improvement in its efficiency.
- To approve the Information Technology and Systems Plan and to assess it from time to time to review degree of completion

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▪ **OTHER COMMITTEES**

a) **Risk Management Committee**

This Committee is made up by the Executive Director, the Risk Director and various officers from the office of the Risk Director.

This Committee is the highest-ranking executive authority when it comes to decisions about risks in Argentina. The main functions of the Risk Committee are to rate customers or conglomerates when the amounts at stake exceed the loan-granting powers delegated to the Risk Units.

This Committee shall be principally entrusted with making the decisions and/or evaluations that exceed individual lending powers for the amounts established as well as those transactions that are specifically delegated to the Committee by reason of their exposure to risk.

b) **Corporate Assurance Committee**

The Corporate Assurance Committee is made up by the Internal Audit Director and the Management Committee members.

The Corporate Assurance Committee has been entrusted with furthering an attitude of comprehensive risk management vis-à-vis the Group's most relevant risks by structuring and prioritizing any identified weaknesses and allocating responsibility for defining and deploying mitigation plans as necessary. The aim pursued by the Committee is continuous improvement in the Group's control environment.

c) **Disclosure Committee**

This Committee is made up by an Independent Director, the Finance and Planning Director, the Legal Services Director and other officers from the Finance area.

It is basically entrusted with ensuring that the information relayed to the Bank's shareholders, the markets where the Bank's shares are listed and such markets' regulatory authorities should be truthful and complete, reflect fairly the Bank's financial condition and the results of operations and that it should be communicated with the formalities and within the terms mandated by applicable laws, the general principles governing market operation and good corporate governance.

d) **Human Resources Committee**

It is made up by the Executive Director or General Manager and by the Director of Human Resources and Services and the Director of Corporate Development and Transformation.

The main functions of the Human Resources Committee are to:

- establish the structure of the organizational chart.
- approve promotions to managerial positions.
- define the guidelines governing human resources policies.
- establish remuneration and incentive criteria.
- evaluate benefits to personnel.
- establish career and training plans.

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e) Corporate Integrity Committee

This Committee is made up by the following directors: Corporate Development and Transformation, Legal Services, Audit, Human Resources and Services directors, together with the directors of the different business areas and with the Technology and Operations director.

The Corporate Integrity Committee is basically entrusted with:

- Fostering the adoption of the measures necessary to hand down decisions concerning all those ethically objectionable actions of which any of the members of the Corporate Integrity Committee may become aware in the discharge of his duties or by reason of having received notice.
- Settling those situations in which the interests of BBVA Francés and Group companies in Argentina conflict with those of their clients.

▪ **THE SUBSIDIARIES AND AFFILIATES OF BBVA FRANCÉS**

The main subsidiaries and affiliates of BBVA Francés are:

- 1) BBVA Francés Valores S.A. (formerly, BBVA Francés Valores Sociedad de Bolsa S.A.) engaged in securities trading at the Buenos Aires Stock Exchange.
- 2) BBVA Francés Asset Management S.A. Sociedad Gerente de Fondos Comunes de Inversión: the corporate purpose of this mutual fund manager is to run and manage Mutual Funds in accordance with Section 3 of Law Nr. 24,083 as subsequently amended by Law Nr. 26,831.
- 3) PSA Finance Argentina Compañía Financiera S.A. whose corporate purpose consists in financing the acquisition of new and second-hand Peugeot and Citroën vehicles through pledge loans, receivables from financial leases and other financial products and in supplying services associated to the purchase, maintenance and insurance coverage of motor vehicles.
- 4) Consolidar AFJP S.A. (undergoing liquidation proceedings), see Note 15 to the Consolidated Financial Statements of BBVA Francés as of December 31, 2013.
- 5) Rombo Compañía Financiera S.A. whose corporate purpose is to finance the acquisition of new and second-hand Renault and Nissan through pledge loans, receivables from financial leases and other financial products and in supplying services associated to the purchase, maintenance and insurance coverage of motor vehicles.
- 6) BBVA Consolidar Seguros S.A.. This insurance carrier operates in the following lines of business: fire, comprehensive household insurance, civil liability, theft, personal accidents, group life insurance and other coverage.

▪ **NETWORK OF BRANCHES AND RETAIL OFFICES**

BBVA Francés operates a network of 245 branches distributed as follows: Autonomous City of Buenos Aires, 82 branches; Greater Buenos Aires, 52 branches, with the remaining 111 branches being situated in the Argentine provinces.

▪ **INFORMATION ON BUSINESS LINES**

The most relevant business lines are: Retail Banking, whose strategy relies on building a comprehensive relationship with customers and strengthening the credit card segment; Enterprise Banking, which aims at aiding companies through both short- and long-term financing and Corporate & Investment Banking, an area concerned with Foreign Trade transactions as much as with advice in mergers and acquisitions and in capital market transactions.

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▪ **FINANCIAL INCENTIVES FOR PERSONNEL**

As prescribed by Communication “A” 5435 of the B.C.R.A., the following is a detail of the financial incentives to the Bank’s personnel:

BBVA Group has a policy in place, namely, the application of a compensation system capable of attracting and retaining the persons most adequate to each position, according to the following principles:

- Recognize and reward, based on individual performance, the accomplishment of objectives, of team-work and the quality of the results attained, as well as the skills and competencies that each person devotes to his/her work.
- Ensure internal fairness through an analysis of the structure, the descriptions of the positions and the remunerations.
- Ensure external competitiveness by updating information in line with the reference market.
- Reward the contribution of tangible results.

The remuneration system includes all other payments collected by employees as consideration for their contributions to the organization in terms of time, position and results and it is made up by the fixed remuneration system and the variable remuneration system.

The instruments available within the remuneration processes are:

- Salary surveys into the benchmark market: the position adopted within the survey is defined in accordance with the Entity’s needs and strategy for each period. This benchmark market is made up by a number of companies that have similar organizational structures and business sizes.
- Salary categories/brackets: these are designed on the basis of the internal structure of the positions and the information derived from market salary surveys. These brackets represent salary ranges that group positions that rank similarly in terms of responsibility, experience, knowledge, etc.

Performance assessments constitute a key tool to reward each employee’s efforts and results.

At the end of each fiscal year, the employee responsible for the area assesses the objectives of his/her reportees and this is how an individual assessment of annual performance is obtained. The outcome of the assessments must reflect the levels contributed by each team member. The minimum final score that entitles employees to collect incentives is 70 points.

“Cataloguing” is the name ascribed in the Bank to the process whereby the employee in charge makes a global assessment of each one of his/her reportees in the performance of their current functions and whose results are used for the enforcement of certain Human Resources policies.

“Projection”, in turn, is the process whereby the employee in charge makes a global assessment of each one of his/her reportees about their capabilities to discharge higher ranking functions inside the Group. This valuation must be based on the experience, knowledge, skills and commitment of the employees.

Grupo BBVA has an incentives program for directors in place that is based on the delivery of shares that are deposited in the accounts of employees and remained blocked for a total term of 3 years (they vest by thirds).

In addition to the attainment of the objectives established for said incentive, beneficiaries must remain active at the Group at the time the shares vest, they must have generated the right to collect ordinary variable remuneration for that fiscal year and they must be free from sanctions imposed on serious breaches of the code of conduct and other internal rules and regulations with special emphasis on the specific rules concerning risks.

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Each employee has access to variable remuneration associated to his/her position and to the results obtained in the performance assessment. The aim is to incentivize and reward the attainment of results. The models currently in force are:

- Model of incentives to the Branch Network: these are four quarterly payments and a further payment of annual indicators. Payment is subject to the attainment of the targets fixed for each person for each period. Each position has been assigned a grid of objectives and each one of these objectives are assigned a value.
- Model of incentives to the Central Areas, the Channels, and Support to the Branch Network: variable remuneration is assigned annually by the supervisor based on the assessment of performance-evaluation of performance and the position's reference bonus. In addition, variables associated to the attainment of Group objectives and the degree of budget compliance are assessed. These factors may have a positive or negative impact on the defined variable compensation.
- Result-Oriented Management model of incentives: at the end of each fiscal year, each employee in this group is subject to an assessment whose score relates to the degree of objective attainment. These are renewed every year in line with the Group's strategy. The payment is determined on the basis of a benchmark bonus weighed by the individual score and adjusted on the basis of the Bank's objective attainment and the degree of budget compliance.
- Commission-based incentive model: the value of commissions depends on the unit assessment of each product based on the product's contribution to the Bank's results. The criteria to be applied in commission-based compensation are reviewed every year and they are paid every month in arrears.
- Share-based payment incentive model: this is a program of incentives to directors based on the delivery of BBVA shares. The quantity of shares to be assigned is determined based on the level of responsibility of each beneficiary within the Group. The quantity of shares finally delivered depends on the attainment of indicators at the Group level and of their relevant weights.

▪ **CODE OF CONDUCT**

The Bank has a Code of Conduct that binds all of BBVA Francés' employees and officers.

The Code of Conduct defines the ethical behavior that the Board of BBVA Francés considers applicable to the businesses and activities conducted by BBVA Francés and the Group companies in Argentina, builds on their foundations and lays down the guidelines required for corporate integrity to be outwardly expressed in (i) relationships with clients, employees and officers, suppliers and third parties; (ii) acting in the various markets as issuers or operators; (iii) individual actions by employees and officers; and (iv) establishing specific bodies and functions endowed with the responsibility for enforcing the Code and fostering the actions necessary to effectively safeguard corporate integrity as a whole.

▪ **CONFLICTS OF INTEREST**

On December 18, 2012, the Board of Directors approved the most recent version of the Rules for Preventing and Handling Conflicts of Interest at BBVA Francés and other affiliates in Argentina.

The Rule contains the following principal guidelines: (i) it determines the scope of application; (ii) it identifies conflicts of interest; (iii) it establishes the measures for preventing and handling conflicts of interest; and (iv) it provides a procedure for conflict resolution.

In addition, Section 12 "Standards for discharging directorship duties" of the Code of Corporate Governance regulates, among other matters, transactions between Directors and the Entity or other group companies.

Basically, it mandates that any director involved shall not be in attendance when the relevant corporate bodies in which he is a member are in session to discuss the matters in which he or she might have a direct or indirect interest or which might affect persons related to him or her in the terms defined by the laws.

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It also prescribes that the director involved shall be enjoined from entering, either directly or indirectly, into personal, professional or commercial transactions with the Entity or companies in its group, unless these transactions are subject to a procurement process that ensures transparency, with competing bids and in arm's length conditions.

NOTE 21—OTHER REQUIRED DISCLOSURES IN ACCORDANCE WITH THE SEC'S REQUIREMENTS

21.1. Minimum cash balances and restricted deposit

In accordance with BCRA and foreign central banks' regulations, the Bank is required to maintain daily average minimum cash balances for each month in cash, in its account with the BCRA. The required daily averages calculated for the month ending on each balance sheet date are as follows:

	December 31,	
	2013	2012
Peso and Foreign Currency Balances	5,583,762	4,654,479

21.2. Interest-bearing deposits with other banks

- a) Included in "Cash and Due from Banks" there are: (1) interest-bearing deposits with the BCRA totalling 10,576,744 and 6,597,330 as of December 31, 2013 and 2012, respectively; (2) interest-bearing deposits in foreign banks totalling 54 as of December 31, 2012, and (3) interest-bearing deposits in local banks totalling 10 and 34 as of December 31, 2013 and 2012, respectively.
- b) Included in "Loans" there are: overnight foreign bank interest-bearing deposits totalling 59,618 and 113,279 as of December 31, 2013 and 2012, respectively.
- c) Included in "Other Receivables from Financial Transactions" there are other interest-bearing deposits with the BCRA totalling 224,634 and 196,569 as of December 31, 2013 and 2012, respectively.

21.3. Instruments issued by the BCRA at amortized cost

The book value and fair value of instruments issued by the BCRA at amortized cost at December 31, 2013 and 2012 were as follows:

	December 31,							
	2013		2012		2013		2012	
	Book value		Gross unrealized losses		Fair value			
BCRA Bills	1,232,715	2,186,062	6,421	3,443	1,226,294	2,182,619		
Total	1,232,715	2,186,062	6,421	3,443	1,226,294	2,182,619		

The amortized cost and the fair value of instruments issued by the BCRA at amortized cost under BCRA's rules at December 31, 2013, by contractual maturity, were as follows:

	December 31, 2013	
	Amortized cost	Fair value
Due in one year or less	1,232,715	1,226,294
Total	1,232,715	1,226,294

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21.4. Loans

A description of certain categories of loans on the accompanying Consolidated Balance Sheets is as follows:

To governmental sector: loans to public sector, excluding public financial institutions.

To the financial sector: loans to local financial institutions.

To the non-financial private sector and residents abroad: loans given to the private sector (excluding local financial institutions) and residents abroad from Argentina. Include the following types of lending:

- Overdraft: basically short-term loans to companies and overdraft lines of credit.
- Discounted instruments: includes promissory notes, discounted documents and instruments acquired under factoring agreements.
- Real estate mortgage: loans to purchase or improve real estate and collateralized by such real estate or commercial loans secured by real estate
- Collateral loans (real estate mortgage and security agreements): loans secured by privileged guarantees.
- Consumer: loans granted to individuals to acquired consumer goods.
- Credit cards: consists mainly of credit card loans.
- Others: includes mainly short-term placements in foreign banks.

Under BCRA's rules, the Bank must disclose the type of collateral pledged on loans to non-financial private sector and residents abroad. The classification of the loan portfolio in this regard is as follows:

	December 31,	
	2013	2012
Government sector	40,915	35,067
Financial sector	1,871,093	1,493,493
Non-financial private sector and residents abroad	35,278,648	27,488,728
—Commercial portfolio		
With self-liquidating preferred guarantees	393,906	313,541
With other preferred guarantees	579,452	336,113
Without preferred guarantees	14,723,542	12,427,813
—Consumer portfolio		
With self-liquidating preferred guarantees	18,270	15,184
With other preferred guarantees	3,904,886	3,054,375
Without preferred guarantees	15,658,592	11,341,702
Less: Allowances for doubtful loans	(722,462)	(523,857)
Total	36,468,194	28,493,431

Commercial loans: encompasses all financing facilities, other than those not reaching an amount equivalent to 1,500 with or without preferred guarantees.

Consumer loans: encompasses all financing facilities related to consumption (whether personal, professional or family consumption, loans for purchasing of consumer goods and financing credit cards) or housing loans (for buying, building or refurbishing) and financing (credits and guarantees) of a commercial nature up to an amount equivalent to 1,500 with or without preferred guarantees.

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“Self - liquidating preferred guarantees” consist mainly of cash guarantees, gold guarantees, warrants over primary products and other forms of collateral of self-liquidation.

“Other preferred guarantees” consist, in general, of real estate mortgages and other forms of collateral pledged to secure the loan amount. The entire principal amount of loan is included under the heading “preferred guarantees” regardless of the current market value of the collateral.

“Without preferred guarantees” consist, in general, of unsecured third-party guarantees.

The following table analyzes our loan portfolio as of December 31, 2013 by type and by the time remaining to maturity. Loans are stated before deduction of the allowance for loan losses. We expect most loans to be repaid at maturity in cash or through refinancing at market terms.

	Amount at December 31, 2013	Maturing			
		Within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years
(in thousands of pesos, except percentages)					
To the non-financial public sector	40,915	1,422	—	39,493	—
To the financial sector	1,871,093	821,283	498,106	551,704	—
To the non-financial private sector and residents abroad	35,278,648	17,836,311	7,767,079	9,496,685	178,573
Overdrafts	6,686,364	4,507,962	2,106,294	72,108	—
With privileged guarantees	4,793,518	529,730	1,504,496	2,591,642	167,650
Credit cards	7,479,654	7,479,654	—	—	—
Other	16,319,112	5,318,965	4,156,289	6,832,935	10,293
Total	37,190,656	18,659,016	8,265,185	10,087,882	178,573
Percentage of total loan portfolio	100.00%	50.18%	22.22%	27.12%	0.48%

The Bank also tracks its loan portfolio by industry segment. At December 31, 2013, the following industry segments represented the loan concentrations:

Industry Segment	As a percentage of total loans
Consumer	44.40
Other	14.65
Chemicals	6.67
Agricultural and livestock	5.53
Financial sector	5.03
Wholesale trade	4.81
Food stuff	4.36
Retail trade	4.04
Mining products	2.64
Beverage	2.15
Industrial metals	1.74
Transportation material	1.55
Electricity, oil, water and sanitary services	1.38
Rubber products	1.05
Total	100.00%

Substantially most of Bank’s operations, property and customers are located in Argentina. Therefore, the performance of Bank’s loan portfolio, financial condition and the results of its operations depend primarily on the macroeconomic and political conditions prevailing in Argentina.

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During 2013 certain “related-parties” of the Bank were loan customers of the Bank. As defined under BCRA’s rules, related-parties include the associated companies in which the Bank has some sort of important influence (as stated by said rules) and related persons such as any director or member of the Supervisory Committee of the Bank within the previous three years, senior management of the Bank, members of the immediate families of any such persons, and companies with which they are associated. The historical activity in principal amounts of loans to related-parties during the fiscal years ended December 31, 2013 and 2012 are as follows:

	December 31,	
	2013	2012
Balance at the beginning of the fiscal year	596,153	528,260
New Loans	296,139	88,917
Repayments	(875)	(21,024)
Balance at the end of the fiscal year	891,417	596,153

Total loans outstanding to these related parties at December 31, 2013 and 2012 including accrued interest, amounted to 1,090,469 and 753,648, respectively. Such loans are made in the ordinary course of business at normal credit terms, including interest rate and collateral requirements, and, in the opinion of management, do not represent more than normal credit risk.

At December 31, 2013 and 2012, approximately 63,589 and 120,775 or 0.17% and 0.42% of the Bank’s portfolio, respectively, consisted of loans to foreign borrowers.

Certain loan customers of the Bank are under court order or have entered into agreements with the Bank to satisfy their debt on basis different from the original loan terms. The Bank eliminates any differences between the principal and accrued interest due under the original loan and the new loan amount through a charge to the allowance for loan losses at the time of the restructuring.

At December 31, 2013 and 2012, non-performing loans amounted to 284,254 and 187,903, respectively. Past due loans included in the abovementioned amounts reach to 188,871 and 117,595 at December 31, 2013 and 2012, respectively.

21.5. Allowance for loan losses

The activity in the allowance for loan losses for the fiscal years presented is as follows:

	December 31,		
	2013	2012	2011
Balance at the beginning of the fiscal year	523,857	444,973	396,227
Provision for loan losses	456,267	259,181	134,199
Charge-offs	(257,662)	(180,297)	(85,453)
Balance at the end of the fiscal year	722,462	523,857	444,973

21.6. Other receivables from financial transactions

The composition of other banking receivables by type of guarantee is as follows:

Description	December 31,	
	2013	2012
With preferred guarantees	624,368	537,997
Without preferred guarantees	549,167	166,378
Allowances	(5,044)	(3,450)
	1,168,491	700,925

The Bank enters into spot, forward, repurchase agreements and reverse repurchase agreements, to buy or sell foreign currency (principally U.S. dollars) and Government securities. The Bank recognizes the cash, currency or security amount to be exchanged in the future as a receivable and payable, at the initial transaction date.

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The assets and corresponding liabilities related to such transactions are as follows:

<u>Description</u>	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Forward Purchases and Sales		
“Notional” amount of non-deliverable forward purchases	5,414,377	3,452,819
“Notional” amount of non-deliverable forward sales	1,871,743	2,865,678
Interest rate SWAP	1,367,098	878,657
Contra credit derivatives accounts	(6,781,475)	(4,331,476)
Contra debit derivatives accounts	(1,871,743)	(2,865,678)
Non-deliverable forward transactions balances pending settlement-Receivables	6,744	8,834
Non-deliverable forward transactions balances pending settlement-Liability	47,245	928
Debtors under forward sales of foreign exchange	51,914	—
Repurchase agreements with government securities		
Forward sales under repurchase agreements	180,532	—
Debtors under repurchase agreements with the BCRA	176,191	—
Spot transactions with pending settlement		
Unsettled spot securities purchases	9,011	—
Unsettled spot foreign exchange purchases	52,144	18
Creditors under unsettled spot foreign exchange purchases	51,914	18
Unsettled spot securities sales	8,999	—
Debtors under unsettled spot foreign exchange sales	13,864	931
Unsettled spot foreign exchange sales	65,980	926
Unsettled spot Government securities purchases	11,412	—
Creditors under unsettled spot Government securities purchases	11,384	—
Debtors under unsettled spot Government securities sales	18,077	—
Unsettled spot Government securities sales	18,161	—

21.7. Premises and equipment and other assets

21.7.1. Premises and equipment

The major categories of the Bank’s premises and equipment, and accumulated depreciation related thereto are presented in the following table:

<u>Description</u>	<u>Estimated useful life (years)</u>	<u>December 31,</u>	
		<u>2013</u>	<u>2012</u>
Land and buildings	50	602,884	581,726
Furniture and facilities	10	283,072	213,573
Machinery and equipment	5	234,222	187,904
Vehicles	5	9,506	5,723
Accumulated depreciation		(424,689)	(368,945)
Total		704,955	619,981

Depreciation expense was 100,766, 86,813 and 65,070 at December 31, 2013, 2012 and 2011, respectively.

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21.7.2. Other assets

Other assets consisted of the following at December 31, 2013 and 2012:

<u>Description</u>	<u>Estimated useful life (years)</u>	<u>December 31,</u>	
		<u>2013</u>	<u>2012</u>
Advances to suppliers of goods		486,010	4,356
Construction in progress (see Note 21.18)		93,957	7,801
Rent assets	50	2,294	2,342
Works of art	—	992	992
Assets acquired for secure loans	50	2,423	1,912
Stationery and office supplies	—	7,844	8,244
Land and buildings not affected by banking activities	50	66,477	8,448
Total		659,997	34,095

Depreciation expense was 395, 376 and 369 at December 31, 2013, 2012 and 2011, respectively.

21.8. Intangible assets**Organization and development expenses**

The breakdown of organization and development account as of December 31, 2013 and 2012, is as follows:

<u>Description</u>	<u>Estimated useful life (years)</u>	<u>December 31,</u>	
		<u>2013</u>	<u>2012</u>
Computer software acquisition expenses and computer programs development expenses	up to 5	72,678	51,982
Other intangible assets	up to 5	48,077	65,349
Total		120,755	117,331

The 2013 and 2012's variations in intangible asset accounts were as follows:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Balance at the beginning of the fiscal year	117,331	80,978
—Additions	92,893	96,410
—Decreases	—	(62)
—Period amortization	(89,469)	(59,995)
Balance at the end of the fiscal year	120,755	117,331

21.9. Other liabilities from financial transactions – BCRA

The Bank borrows funds under various credit facilities obtained from the BCRA for specific purposes, as follows:

<u>Description</u>	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Short-term liabilities	93,746	51,936
Total	93,746	51,936

At December 31, 2013 and 2012, accrued interests and other differences included on the above liabilities amounted to 697 and 369, respectively.

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21.10. Other liabilities from financial transactions – Banks and international institutions and financing received from financial institutions

The Bank borrows funds under different credit arrangements from local and foreign banks and international lending agencies, as follows:

<u>Description</u>	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Short-term liabilities		
Other lines of credit from local and foreign banks	588,717	585,483
Total short-term liabilities	588,717	585,483
Long-term liabilities		
Other lines of credit from local and foreign banks	—	42,182
Total long-term liabilities	—	42,182
Total	588,717	627,665

Accrued interests included on the above liabilities are 47,839 and 20,240, at December 31, 2013 and 2012, respectively, and are included in the “Interest and listed-price differences accrued payable” account in the accompanying Consolidated Balance Sheets.

21.11. Balances in foreign currency

The balances of assets and liabilities denominated in foreign currency are as follows:

<u>Description</u>	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Assets		
Cash and due from banks	5,918,782	2,020,589
Government and private securities	872,041	2,315
Loans	1,111,428	2,480,545
Other receivables from financial transactions	100,620	22,827
Receivables from financial leases	60	385
Investments in other companies	1,722	1,300
Other receivables	146,985	249,791
Suspense items	562	634
Total	8,152,200	4,778,386
Liabilities		
Deposits	4,720,888	3,514,335
Other liabilities from financial transactions	821,826	690,412
Other liabilities	118,440	67,643
Suspense items	571	869
Total	5,661,725	4,273,259

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21.12. Minimum capital requirements

Under BCRA's regulations, the Bank is required to maintain individual and consolidated minimum levels of equity capital ("minimum capital"). At December 31, 2013 and 2012 the consolidated minimum capital is based upon risk-weighted assets and also considers interest rate risk and market risk. The required consolidated minimum capital and the consolidated Bank's capital calculated under the BCRA's regulations are as follows:

	Required Minimum Capital	Computable Capital	Excess of actual Minimum Capital over Required Minimum Capital (1)
December 31, 2013	3,964,903	7,080,153	3,115,250
December 31, 2012	3,591,345	5,289,906	1,698,561

(1) The Bank must maintain a surplus of minimum paid-in capitals amounting to at least 305,068 and 105,981 as at December 31, 2013 and 2012, respectively, equivalent to 0.25% of the amount of values under custody for securities representing investments from pension funds, as well as in connection with its function as registrar of mortgage-backed bonds, invested in national public securities and other destinations authorized by the BCRA and guaranteed in favour of the said Entity.

21.13. Earnings per share

Earnings per share for the fiscal years ended December 31, 2013, 2012 and 2011, were computed by dividing net income by the weighted-average number of Ordinary Shares outstanding during each fiscal year.

21.14. Employee benefit plans

The Bank does not maintain pension plans for its employees; nevertheless, since 2005 the BBVA Francés gives to certain executives, with a role at corporate level, the possibility to access into defined contribution pension plan that it is subject to ASC 962-10, Plan Accounting-Defined Contribution Pension Plans: Overall. This pension plan consists in a percentage calculated over determinate recompensing concepts. At December 31, 2013, 2012 and 2011 the Bank has been accruing 2,339, 2,245 and 1,416 in "Operating Expenses - Payroll expenses", respectively. This concept has not had impact under U.S. GAAP.

Additionally, following a proposal from the Appointments and Salaries Committee the Board of Directors of BBVA Francés, approved incentive plan which included the delivery of BBVA shares to certain executives. At December 31, 2013 the Bank recognized 16,821 for this concept. It had not impact under U.S. GAAP.

In addition, the Bank is obligated to pay employer contributions to the Argentine Integrated Social Security System, determined on the basis of total monthly payroll. These expenses aggregated 201,306, 168,804 and 121,430 for the fiscal years ended December 31, 2013, 2012 and 2011, respectively, and are included in the "Operating Expenses—Payroll expenses" account in the Consolidated Statements of Operations.

21.15. Business segment consolidated information

ASC 280-10, Segment Reporting: Overall requires that a public business enterprise report financial and descriptive information about its reportable operating segments. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance. Generally, financial information is required to be reported on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments.

The Bank is mainly concentrated on the financial sector, especially through its activities related to banking/financial, pension fund manager and insurance.

During the fiscal year ended December 31, 2011 the Bank decided to sold its interest in Consolidar Compañía de Seguros de Retiro S.A. (see Note 1.4.). As consequence of this, the Bank discontinued this segment of business.

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The following information shows total assets, financial income, service charge income and other income, total income, financial expenses, allowances for doubtful loans, operating expenses, other expenses, total expenses, loss / gain on minority interest in subsidiaries and total net income for each of the business segment identified by the Bank's management.

	As of December 31, 2013				
	Continued operations			Discontinued operations ⁽⁵⁾	
	Banking Financial			Pension Fund Manager	Total
	BBVA Banco Francés S.A. ⁽⁴⁾	PSA Finance S.A.	Total		
Total assets	55,765,494	2,684,358	58,449,852	73,772	58,523,624
Financial income	7,818,945	416,334	8,235,279	8,130	8,243,409
Service charge income and other income	3,463,699	344,558	3,808,257	7,124	3,815,381
Total income ⁽¹⁾	11,282,644	760,892	12,043,536	15,254	12,058,790
Financial expenses	(3,015,193)	(241,659)	(3,256,852)	3,042	(3,253,810)
Allowances for doubtful loans	(431,467)	(21,797)	(453,264)	—	(453,264)
Operating expenses	(3,848,175)	(33,797)	(3,881,972)	(18,497)	(3,900,469)
Other expenses ⁽²⁾	(2,237,062)	(134,428)	(2,371,490)	(1,099)	(2,372,589)
Total expenses ⁽³⁾	(9,531,897)	(431,681)	(9,963,578)	(16,554)	(9,980,132)
(Loss)/Gain on minority interest in subsidiaries	(97)	(54,916)	(55,013)	599	(54,414)
Total net income	1,750,650	274,295	2,024,945	(701)	2,024,244

(1) Includes: financial income, service charge income and other income.

(2) Includes: service charge expense, other expense and income tax.

(3) Includes: financial expenses, allowances for doubtful loans, operating expenses and other expenses.

(4) Includes: BBVA Francés Asset Management S.A. Sociedad Gerente de Fondos Comunes de Inversión and BBVA Francés Valores S.A.

(5) See Note 15.

	As of December 31, 2012				
	Continued operations			Discontinued operations ⁽⁵⁾	
	Banking Financial			Pension Fund Manager	Total
	BBVA Banco Francés S.A. ⁽⁴⁾	PSA Finance S.A.	Total		
Total assets	42,761,978	1,916,525	44,678,503	106,076	44,784,579
Financial income	5,423,751	281,442	5,705,193	9,728	5,714,921
Service charge income and other income	2,735,119	197,682	2,932,801	5,400	2,938,201
Total income ⁽¹⁾	8,158,870	479,124	8,637,994	15,128	8,653,122
Financial expenses	(1,955,017)	(106,114)	(2,061,131)	3,260	(2,057,871)
Allowances for doubtful loans	(242,753)	(13,506)	(256,259)	—	(256,259)
Operating expenses	(3,014,278)	(25,453)	(3,039,731)	(21,977)	(3,061,708)
Other expenses ⁽²⁾	(1,896,026)	(81,333)	(1,977,359)	(51)	(1,977,410)
Total expenses ⁽³⁾	(7,108,074)	(226,406)	(7,334,480)	(18,768)	(7,353,248)
Gain/(Loss) on minority interest in subsidiaries	(84)	(37,790)	(37,874)	1,679	(36,195)
Total net income	1,050,712	214,928	1,265,640	(1,961)	1,263,679

(1) Includes: financial income, service charge income and other income.

(2) Includes: service charge expense, other expense and income tax.

(3) Includes: financial expenses, allowances for doubtful loans, operating expenses and other expenses.

(4) Includes: BBVA Francés Asset Management S.A. Sociedad Gerente de Fondos Comunes de Inversión and BBVA Francés Valores S.A.

(5) See Note 15.

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	As of December 31, 2011				
	Continued operations			Discontinued operations ⁽⁵⁾	
	Banking Financial				
	BBVA Banco Francés S.A. ⁽⁴⁾	PSA Finance S.A.	Total	Pension Fund Manager / Insurance	Total
Total assets	37,640,829	1,329,244	38,970,073	35,572	39,005,645
Financial income	3,412,422	152,608	3,565,030	249,655	3,814,685
Service charge income and other income	2,078,461	129,350	2,207,811	78,537	2,286,348
Total income ⁽¹⁾	5,490,883	281,958	5,772,841	328,192	6,101,033
Financial expenses	(1,300,279)	(55,419)	(1,355,698)	10,295	(1,345,403)
Allowances for doubtful loans	(122,066)	(10,597)	(132,663)	—	(132,663)
Operating expenses	(2,263,288)	(16,212)	(2,279,500)	(63,700)	(2,343,200)
Other expenses ⁽²⁾	(1,006,203)	(58,661)	(1,064,864)	(200,864)	(1,265,728)
Total expenses ⁽³⁾	(4,691,836)	(140,889)	(4,832,725)	(254,269)	(5,086,994)
Gain/(Loss) on minority interest in subsidiaries	24,691	(17,908)	6,783	(15,245)	(8,462)
Total net income	823,738	123,161	946,899	58,678	1,005,577

(1) Includes: financial income, service charge income and other income.

(2) Includes: service charge expense, other expense and income tax.

(3) Includes: financial expenses, allowances for doubtful loans, operating expenses and other expenses.

(4) Includes: BBVA Francés Asset Management S.A. Sociedad Gerente de Fondos Comunes de Inversión and BBVA Francés Valores S.A.

(5) See Notes 1.4. and 15.

The Bank's reportable segments are strategic business units that offer different products and services. They are managed separately because each segment appeals to different markets and, accordingly, requires different technology and marketing strategies.

The Pension Fund Manager segment has been affected by the reform of the integrated retirement and pension system, as mentioned in Notes 1.4. and 15.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Bank evaluates performance based on profit or loss from operations before income taxes not including non-recurring gains or losses.

The Bank does not have a single external private customer from whom it derives 10 percent or more of its revenues and operates in one geographical area. Nevertheless, the Bank has significant exposure to the Argentine Federal Government in form of instruments issued by the BCRA, other debt obligations and Federal Government secured loans. For the fiscal years ended December 31, 2013, 2012 and 2011 the Bank recorded net income from government securities for 357,995, 641,438 and 485,497, respectively. In addition, for the fiscal years ended December 31, 2013, 2012 and 2011, the Bank recorded, under BCRA rules, income from Federal Government secured loans (Decree Nr. 1387/01), including CER accrual for 8,840, 6,388 and 40,508, respectively.

21.16. Consolidated income statements and balance sheets

The presentation of Consolidated Financial Statements according to BCRA's rules differs significantly from the format required by the US Securities and Exchange Commission (US SEC) under Rules 9-03 and 9-04 of Regulation S-X ("Article 9"). These Consolidated Financial Statements were prepared using the measurement methods prescribed by the BCRA, but in accordance with the presentation requirements of the US SEC.

The Consolidated Statements of Operations presented below discloses the categories required by Article 9:

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	December 31,		
	2013	2012	2011
Consolidated Income Statements			
Interest and fees on loans	5,869,353	4,050,719	2,589,599
Trading account interest	485,258	769,498	589,491
Total interest income	<u>6,354,611</u>	<u>4,820,217</u>	<u>3,179,090</u>
Interest on deposits	2,388,993	1,541,589	1,060,235
Interest on short-term borrowings	284,740	173,620	71,340
Interest on long-term debt	3	1	17
Total interest expense	<u>2,673,736</u>	<u>1,715,210</u>	<u>1,131,592</u>
Net interest income	<u>3,680,875</u>	<u>3,105,007</u>	<u>2,047,498</u>
Provision for loan losses	453,264	256,259	132,663
Net interest income after provision for loan losses	<u>3,227,611</u>	<u>2,848,748</u>	<u>1,914,835</u>
Service charges on deposit accounts	305,997	377,430	317,059
Credit card service charges and fees	1,999,788	1,308,886	859,032
Fees on securities activities	16,745	11,067	19,119
Other commissions	1,847,781	1,300,305	1,015,020
Income from investment in equity securities	96,686	71,779	111,461
Foreign currency gains, net	590,982	190,309	218,622
Gains on disposal of fixed and other assets	477	43,578	2,150
Others	845,723	529,551	379,480
Total other income	<u>5,704,179</u>	<u>3,832,905</u>	<u>2,921,943</u>
Consolidated Expenses Statements			
Commissions	615,635	468,422	366,352
Personnel expenses	1,959,587	1,581,391	1,228,959
Fees and external administrative services	291,108	215,488	150,640
Depreciation of bank premises and equipment and other fixed assets	101,161	87,189	65,439
Business travel and development	26,359	22,098	14,447
Utilities	70,095	60,393	42,289
Advertising and promotion	172,307	146,287	122,412
Contributions and taxes	1,172,410	729,595	506,914
Maintenance and repairs	183,157	130,202	97,602
Provision for loss contingencies	166,288	351,450	128,095
Others	1,027,979	760,783	555,694
Total other expenses	<u>5,786,086</u>	<u>4,553,298</u>	<u>3,278,843</u>
Income before income tax and tax on minimum presumed income expenses	<u>3,145,704</u>	<u>2,128,355</u>	<u>1,557,935</u>
Income tax and tax on minimum presumed income expenses	1,121,460	864,676	552,358
Net income	<u>2,024,244</u>	<u>1,263,679</u>	<u>1,005,577</u>
Net loss attributable to the non-controlling interest	(54,414)	(36,195)	(8,462)
Net income attributable to the controlling interest	<u>2,078,658</u>	<u>1,299,874</u>	<u>1,014,039</u>
Net income per Ordinary Share ⁽¹⁾	3.77	2.35	1.87

⁽¹⁾ Stated in pesos.

Certain categories of income and expense maintained by the Bank have been presented in the above Article 9 Consolidated Statement of Operations in a manner which warrants further discussion:

- “Foreign currency gain, net”: this item relates primarily to the differences in exchange rates on the Bank’s investments, loans and deposits denominated in foreign currency. The Bank does not maintain foreign currency gains or losses in separate categories of assets and liabilities, respectively, and, therefore, since such gains or losses cannot be separately identified by type of activity.

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BCRA's rules also required certain classifications of assets and liabilities which are different from those required by Article 9. The following balance sheets depict the Bank's Consolidated Balance Sheets at December 31, 2013 and 2012 as if the Bank followed the balance sheets disclosure requirements under Article 9:

	December 31,	
	2013	2012
Assets		
Cash and due from banks	2,305,037	2,017,559
Interest bearing deposits in other banks	10,801,378	6,793,899
Unsettled spot purchases	72,567	18
Debtors under forward sales and under reverse repurchase agreements	228,105	—
Debtors under unsettled spot sales	31,941	931
Trading account assets	3,459,771	4,101,682
Investments securities	210,657	146,001
Loans	37,190,656	29,017,288
Allowance for loan losses	(722,462)	(523,857)
Premises and equipment	704,995	619,981
Intangible assets	120,755	117,331
Other assets	4,120,224	2,493,746
Total assets	<u>58,523,624</u>	<u>44,784,579</u>
Liabilities and Stockholders' Equity		
Interest bearing deposits	29,198,369	22,351,365
Non interest bearing deposits	14,561,096	11,813,688
Creditors under forward purchases and under reverse repurchase agreements	47,245	928
Creditors under unsettled spot purchases	63,298	18
Forward sales and under repurchase agreements	180,532	—
Unsettled spot sales	93,140	926
Other short-term borrowings	3,697,639	3,131,488
Other liabilities	1,782,981	1,439,524
Long-term debt	861,406	151,763
Commitments and contingent liabilities	709,343	644,962
Common Stock	536,878	536,878
Other stockholders' equity	6,619,302	4,595,058
Non-controlling interests in consolidated subsidiaries	172,395	117,981
Total liabilities and stockholders' equity	<u>58,523,624</u>	<u>44,784,579</u>

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The following balance sheets depict the Bank's Consolidated Balance Sheets at December 31, 2013 and 2012 from discontinued operations as if the Bank followed the balance sheets disclosure requirements under Article 9:

	December 31,	
	2013	2012
Assets		
Cash and due from banks	77	88
Trading account assets	27,064	44,942
Loans	—	26,233
Other assets	46,631	34,813
Total assets	<u>73,772</u>	<u>106,076</u>
Liabilities		
Interest bearing deposits	(22,136)	—
Non interest bearing deposits	(2,099)	(305)
Other liabilities	3,219	3,374
Commitments and contingent liabilities	79,438	86,357
Non-controlling interests in consolidated subsidiaries	7,078	7,677
Total liabilities	<u>65,500</u>	<u>97,103</u>

21.17. Off-Balance sheet financial instrument

The Bank enters into various transactions involving off-balance-sheet financial instruments. These instruments could be used to meet the risk management, trading and financing needs of clients or for the Bank's proprietary trading and asset and liability management purposes, and could be subject to varying degrees of credit and market risk. Credit risk and market risk associated with on- and off-balance-sheet financial instruments are monitored on an aggregate basis.

The Bank uses the same credit policies in determining whether to enter or extend call and put option contracts, commitments, conditional obligations and guarantees as it does for granting loans. In the opinion of management, the Bank's outstanding off-balance-sheet items do not represent unusual credit risk.

a) Derivatives

In the normal course of its business, the Bank enters into a variety transactions principally in the foreign exchange and stock markets. The majority of the counterparties in the derivative transactions are banks and other financial institutions.

These instruments include:

- Options: they confer the right on the buyer, but no obligation, to receive or pay a specific quantity of an asset or financial instrument for specified price at or before a specified date. Options may be exchange traded or Over the Counter (OTC) agreements. The Bank principally buys and sells interest options on an index.
- Futures and Forwards: they are agreements to deliver or take delivery of a specified rate, price or index applied against the underlying asset or financial instrument, at a specific date. Futures are exchange traded at standardized amounts of the underlying asset or financial instrument. Forward contracts are OTC agreements and are principally dealt in by the Bank in securities/foreign exchange as forward agreements.

Forward transactions are effected by the Bank in order to comply with the limits set forth by the BCRA in relation to the technical ratio of the Net Global Position in foreign currency and to reduce fluctuations risks in the rates of exchange. However, such transactions do not qualify as foreign exchange hedge in terms of ASC 815-20, Derivatives and Hedging: Hedging-General.

- Swaps: they are agreements between two parts with the intention to exchange cash flows and risks at a specific date and for a period in the future. Swaps may be exchange traded or OTC agreements. In addition see Note 12.

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Pursuant to BCRA's regulations, future and forward transactions must be recorded under "Other Receivables from Financial Transactions" and "Other Liabilities from Financial Transactions" in the accompanying Consolidated Balance Sheets and they have been valued as mentioned in Notes 3.4.8. and 3.4.9. In addition, future and forward transactions without delivery of underlying asset and the interest rate swaps have been valued as mentioned in Note 3.4.14. and have been registered into Memorandum Accounts' caption.

The notional contractual amount of these instruments represents the volume of outstanding transactions and does not represent the potential gain or loss associated with the market or credit risk of such transactions. The market risk of derivatives arises from the potential for changes in value due to fluctuations in market prices. The Bank reduces its exposure to market risk, if necessary, by entering into offsetting transactions in accordance with the global policy of hedging defined by BBVA for its subsidiaries. The credit risk of derivatives arises from the potential of a counterparty defaulting on its contractual obligations. The effect of such a default varies as the market value of derivative contracts changes. Credit exposure exists at a particular point in time when a derivative has a positive market value. The Bank attempts to limit its credit risk by dealing with creditworthy counterparties and obtaining collateral where appropriate. At December 31, 2013 and 2012 the Bank entered into forward contracts, interest rate swaps and options for trading purposes. The notional amount of outstanding forward contracts as of the mentioned dates, are included in Note 21.6. The following table shows at December 31, 2013 and 2012 the notional value forward transactions, SWAP and options that fall within trading classification:

	December 31,	
	2013	2012
Forward sales and purchases of foreign exchange	7,286,120	6,318,497
Forward sales / purchases under reverse repurchase agreements	180,380	—
Interest rate SWAP	1,367,098	878,657

b) Credit-related financial instruments

The Bank's exposure to credit loss in the event of non-performance by counterparties to commitments to extend credit, guarantees granted and foreign trade acceptances is represented by the contractual notional amount of those investments.

A summary of credit exposure related to these items is shown below (*):

	December 31,	
	2013	2012
Credit lines granted (unused portion) cover by debtor classification regulations	453,478	322,959
Foreign trade acceptances and standby letters of credit	199,231	76,515
Guarantees granted	446,358	365,601

(*) A significant portion of the Bank's guarantees as of December 31, 2013 and 2012 has a remaining maturity of less than one year.

Commitments to extend credit are agreements to lend to a customer at a future date, subject to compliance with contractual terms. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent actual future cash requirements for the Bank. The Bank evaluates each customer's creditworthiness on a case-by-case basis.

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Foreign trade acceptances represent Bank customers' liabilities on outstanding drafts or bills of exchange that have been accepted by the Bank and the Bank's liability to remit payment upon the presentation of the accepted drafts or bills of exchange.

The credit risk involved in foreign trade acceptances and guarantees granted is essentially the same as that involved in extending loan facilities to customers. In order to grant guarantees to its customers, the Bank may require counter guarantees. Such financial instruments are classified, by type of guarantee, as follows:

	December 31,	
	2013	2012
Self-liquidating counter guarantees	105,643	6,533
Preferred counter guarantees	6,232	27,246
Without guarantees	828,409	554,216

The Bank accounts for checks against it and other banks, as well as other items in process of collection, such as notes, bills and miscellaneous items, in memorandum accounts until such time as the related item clears or is accepted. In the opinion of management, no significant risk of loss exists on these clearing transactions. The amounts of clearing items in process are as follows:

	December 31,	
	2013	2012
Checks drawn on the Bank pending clearing	602,976	515,628
Checks drawn against other Banks	1,186,195	1,404,173
Drafts and notes for collection	686,371	495,183

c) Trust activities

See Note 10.

21.18. Contractual commitment

On July 10, 2013, BBVA Francés and Consultatio S.A. undersigned a preliminary bill of sale whereby the Bank agrees to acquire 23 out of the 33 floors in a building to be constructed by Consultatio S.A. to accommodate the new corporate head office of BBVA Francés. This building, designed under environmental and sustainability standards and with care for the environment in mind will be located in Leandro N. Alem Nr. 815, in the City of Buenos Aires.

The investment, approximately of Ps.1.2 billion, contemplates a schedule of payments associated to progress payment certificates. The estimated date of delivery is March 2016.

To secure performance of its obligations, Consultatio S.A. agreed to (i) set up a guarantee trust over the undivided 70% of the property where the building will be erected on behalf of BBVA Francés and (ii) raise a first mortgage over 100% of the property and all its appurtenances on behalf of BBVA Francés.

NOTE 22—SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN THE ARGENTINE CENTRAL BANK RULES AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The following is a description of the significant differences between BCRA's rules followed in the preparation of the Bank's Consolidated Financial Statements and those applicable in the United States under generally accepted accounting principles ("U.S. GAAP"). References below to "ASC" are to Accounting Standards Codification. Pursuant to the BCRA's rules, the Bank's Consolidated Financial Statements recognize the effects of inflation until August 31, 1995 and since January 1, 2002 to February 28, 2003, as mentioned in Note 3.2. As allowed by the U.S. Securities and Exchange Commission under item 18 of Form 20-F, the effect of inflation accounting under BCRA's rules has not been reversed in the reconciliation to U.S. GAAP.

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22.1. Income taxes

As explained in Note 5.1, the Bank determined the charge for income tax applying the effective rate to taxable income estimated for each year considering the effect of temporary differences between book and taxable income. The criterion is in accordance with U.S. GAAP, based on ASC 740-10, Income Taxes: Overall.

Under ASC 740-10, Income Taxes: Overall, deferred tax assets or liabilities are recorded for temporary differences between the financial and tax basis of assets and liabilities. A valuation allowance is provided for the deferred tax assets to the extent that it is more likely than not that they will not be realized.

The following table accounts for the difference between the actual tax provision and the amounts obtained by applying the statutory income tax rate in Argentina to income before income tax in accordance with US. GAAP:

Description	December 31,		
	2013	2012	2011
Income before income tax in accordance with US GAAP	3,359,310	2,270,399	1,047,051
Statutory income tax rate	35.00%	35.00%	35.00%
Income tax provision computed at statutory rate	1,175,759	794,640	366,468
Tax exempt income	(77,282)	(48,412)	(79,862)
Charge of allowances on deferred tax assets	—	—	(16,797)
Other, net	82,289	(16,933)	78,435
Income tax computed in accordance with U.S. GAAP	1,180,766	729,295	348,244
Income tax computed in accordance with BCRA's rules	1,121,460	864,676	505,058
Adjustments to reconcile income tax (benefit) to U.S. GAAP	59,306	(135,381)	(156,814)

The "Tax exempt income" adjustment noted above principally relates to gains generated by equity investments, which were not subject to income tax (39,910, 19,270 and 51,437 for the fiscal years ended December 31, 2013, 2012 and 2011, respectively), to the exemption established during the public debt swap transaction, by which the income generated by the Federal Government secured loans received were exempt in the income tax (370, 1,812, and 330 for the fiscal years ended December 31, 2013, 2012, and 2011, respectively) and gains generated in Tierra del Fuego province, which were not subject to income tax (37,002, 27,330 and 28,095 for the fiscal years ended December 31, 2013, 2012 and 2011, respectively).

"Other, net" includes other net effects, tax exempt income and non-deductible items.

The principal components of "Other, net" are explained in the table below:

Concept	December 31,		
	2013	2012	2011
Federal Government secured loans – Decree Nr. 1387/01	—	—	25,353
Equity method	—	—	2,362
Real property sales result	—	(25,986)	2,691
Non-deductible items	64,432	—	—
Non-deductible charges	368	—	6,741
Non-deductible royalties	6,279	—	—
Donations	2,891	4,076	7,517
Business travel and development non-deductible	289	243	557
Law Nr. 19,640 result	—	—	10,206
Other	8,030	4,734	23,008
Other, net	82,289	(16,933)	78,435

As mentioned in Note 5.2 to the Consolidated Financial Statements, tax on minimum presumed income ("TOMPI") is a complementary tax to the income tax. The Bank's tax obligation for each year will coincide with the highest of two taxes, the BCRA income tax and TOMPI. However, if TOMPI exceeds the income tax in a given year, the excess thereof may be computed as a payment on account of any income tax in excess of TOMPI that may occur in any of the

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following ten years. Since TOMPI is calculated on different basis than income tax (under tax legislation is based on taxable assets and it is not based in income for fiscal years and has no relation with income), it is not included in the line “Income tax computed in accordance with BCRA’s rules”.

As mentioned in Note 5.1 to the Consolidated Financial Statements, “Income tax computed in accordance with BCRA’s rules” corresponds to the Argentine GAAP income tax determined as the estimate of the income tax charge payable to the tax authorities for the relevant fiscal years. Under BCRA’s rules, income / (losses) related to deferred tax method must be classified in the “Other Income / Expenses” line items. Therefore, the deferred income tax amounting to (25,800) and 147,300 for the fiscal years 2013 and 2012, respectively, were classified in the “Other Expense” or “Other Income” line item of the Consolidated Statement of Operations (see Notes 6.l) and 6.m), as appropriate, with the breakdown of Other Income and Other Expense accounts in accordance with BCRA’s rules.

These “BCRA income tax amounts” are not the same as the “income tax and tax on minimum presumed income – TOMPI-” line item in the Argentine GAAP Consolidated Statement of Operations on Page F-9. Under BCRA’s rules, this account should include the current income tax and TOMPI while income (losses) related to deferred tax method must be classified in the “Other Income / Expenses” line item. In the years 2013, 2012 and 2011 and “income tax and TOMPI” account includes income tax 1,121,460, 864,676 and 552,358, respectively.

Through the deferred tax method, assets and liabilities are recognized for deferred taxes calculated on the temporary differences, to the extent that they have a probability of recovery. As of December 31, 2011, there existed a high degree of recoverability of the recognized net assets of 47,991. As a consequence of the analysis and the change in the evaluation of the recoverability of deferred taxes, we have released the entire provision recorded under US GAAP at December 31, 2010.

Detailed below is the accounting evolution of the allowance and its fiscal impact.

The allowances on deferred tax assets in accordance with US GAAP are shown below:

Description	December 31,		
	2013	2012	2011
Accounting evolution			
Initial Balance	—	—	47,991
Increase / (decrease)	—	—	(47,991)
Final Balance	—	—	—
Income Tax			
Income Tax accounting result	—	—	47,991
Allowances on deferred tax assets initial balance	—	—	(47,991)
Allowances on deferred tax assets final balance	—	—	—
Tax Result	—	—	—

The following table accounts for the difference between the actual tax provision under Argentine Central Bank regulations and the income tax computed in accordance with US GAAP:

	December 31,		
	2013	2012	2011
Income tax computed in accordance with BCRA’s rules	1,121,460	864,676	505,058
Net current Tax adjustment U.S. GAAP	59,306	(135,381)	(156,814)
Income tax computed in accordance with US GAAP	1,180,766	729,295	348,244

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Explained below are the calculations made in order to reconcile the tax determined under BCRA regulations and with the tax determined under US GAAP for the fiscal year ended December 31, 2013.

1. Adjustments to reconcile income tax (benefit) to U.S. GAAP: Reconciling items between Local GAAP Income Tax and Income Tax in accordance with US GAAP are included in this adjustment.
2. Adjustment in Deferred tax under BCRA: The adjustment includes 25,800 corresponding to the variation between the initial balance and the final balance of the “Deferred tax asset under BCRA”.
3. Adjustment in Deferred tax asset allowance: Existing BCRA regulations do not allow accounting for deferred tax assets. As such, we credit that valuation allowance for the same amount to offset the effect. The impact of this is therefore null on the income statement. Under US GAAP, however, there is an impact on the results because under US GAAP it is possible to account for deferred tax assets based on the argument that such amount will eventually be recovered in the future.

Detailed below is a numeric reconciliation for a better comprehension of the above:

		December 31, 2013
Income tax computed in accordance with BCRA’s rules		1,121,460
1. Adjustments to reconcile income tax (benefit) to U.S. GAAP		59,306
Income tax computed in accordance with US GAAP		1,180,766
2. Deferred tax under BCRA		
Deferred tax asset under BCRA (initial Balance)	256,900	
Deferred tax asset under BCRA (final Balance)	231,100	
Adjustment to reconcile net deferred tax asset under U.S. GAAP	(25,800)	(25,800)
3. Deferred tax asset allowance		
Deferred tax asset under BCRA (initial Balance)	(256,900)	
Deferred tax asset under BCRA (final Balance)	(231,100)	
Adjustment to reconcile net deferred tax asset allowance under U.S. GAAP	25,800	25,800
Total Income tax expense in accordance with U.S. GAAP		1,180,766

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Explained below are the calculations made in order to reconcile the tax determined under BCRA regulations and with the tax determined under US GAAP for the fiscal year ended December 31, 2012.

1. Adjustments to reconcile income tax (benefit) to U.S. GAAP: Reconciling items between Local GAAP Income Tax and Income Tax in accordance with US GAAP are included in this adjustment.
2. Adjustment in Deferred tax under BCRA: The adjustment includes 147,300 corresponding to the variation between the initial balance and the final balance of the “Deferred tax asset under BCRA”.
3. Adjustment in Deferred tax asset allowance: Existing BCRA regulations do not allow accounting for deferred tax assets. As such, we credit that valuation allowance for the same amount to offset the effect. The impact of this is therefore null on the income statement. Under US GAAP, however, there is an impact on the results because under US GAAP it is possible to account for deferred tax assets based on the argument that such amount will eventually be recovered in the future.

Detailed below is a numeric reconciliation for a better comprehension of the above:

	December 31, 2012
Income tax computed in accordance with BCRA’s rules	864,676
1. Adjustments to reconcile income tax (benefit) to U.S. GAAP	<u>(135,381)</u>
Income tax computed in accordance with US GAAP	729,295
2. Deferred tax under BCRA	
Deferred tax asset under BCRA (initial Balance)	109,600
Deferred tax asset under BCRA (final Balance)	<u>256,900</u>
Adjustment to reconcile net deferred tax asset under U.S. GAAP	<u>147,300</u> 147,300
3. Deferred tax asset allowance	
Deferred tax asset under BCRA (initial Balance)	(109,600)
Deferred tax asset under BCRA (final Balance)	<u>(256,900)</u>
Adjustment to reconcile net deferred tax asset allowance under U.S. GAAP	<u>(147,300)</u> (147,300)
Total Income tax expense in accordance with U.S. GAAP	<u>729,295</u>

ASC 740-10, Income Taxes: Overall requires that an allowance for deferred tax assets is needed when, based on the weight of available evidence, it is more likely than not that some portion of the deferred tax assets will not be realized. The valuation allowance should be sufficient to reduce the deferred tax assets to the amount that is more likely than not to be realized.

Accordingly, the Bank has assessed all available evidence to determine the amount of valuation allowance needed, including financial and tax projections. As a result, based on the weight of that evidence, the Bank reduced the valuation allowance in 231,100, 256,900 and, 109,600 as of December 31, 2013, 2012 and 2011, respectively.

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Deferred tax assets (liabilities) are summarized as follows:

<u>Description</u>	<u>December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Deferred tax assets:			
Carry forward	1,506	—	—
Loans	46,865	58,653	15,546
Loan origination and issuance credit card's fees	82,375	50,620	41,611
Other liabilities	16,508	52,170	39,844
Allowance for loss contingencies	252,949	250,792	191,769
Other	22,607	66,598	31,776
	<u>422,810</u>	<u>478,833</u>	<u>320,546</u>
Deferred tax liabilities:			
Government and private securities valuation	(14,538)	(111,799)	(138,089)
Foreign exchange difference	(14,893)	(13,576)	(22,728)
Intangible assets	(26,876)	(18,086)	(5,073)
Other	(83,741)	(46,538)	(6,013)
	<u>(140,048)</u>	<u>(189,999)</u>	<u>(171,903)</u>
Net deferred tax asset under U.S. GAAP	282,762	288,834	148,643
Net deferred tax asset in accordance with BCRA's rules	231,100	256,900	109,600
Adjustment to reconcile net deferred tax assets to U.S. GAAP	51,662	31,934	39,043
	<u>(231,100)</u>	<u>(256,900)</u>	<u>(109,600)</u>
Allowances on deferred tax assets in accordance with BCRA's rules	(231,100)	(256,900)	(109,600)
Adjustment to reconcile Allowances on deferred tax assets to U.S. GAAP	231,100	256,900	109,600
	<u>282,762</u>	<u>288,834</u>	<u>148,643</u>
Net deferred tax asset under U.S. GAAP	282,762	288,834	148,643

The natures of the most significant components of the deferred tax asset or liability are described as follows:

- Government and private securities valuation: as mentioned in Note 22.4. all unlisted government and private securities and those with non-representative valuation, were adjusted at fair value, thus causing an increase/decrease in their accounting value, which does not comply with the conditions required for them to be taxable in the fiscal years ended December 31, 2013, 2012 and 2011.
- Loans: as regards deduction of uncollectible accounts, effective Argentine tax rules require the existence of certain uncollectibility indicators defined in the Income Tax Law (i.e.: to begin court proceedings or bankruptcy adjudication), whereas under accounting criteria uncollectibility charges are recorded on the basis of assessing the debtor's payment capacity. This difference principally relates to the accounting registration of the impairment that took place in the loans to the provincial governmental sector and to other public sector agencies (see Note 22.3.4.), which, as mentioned above, does not comply with the indicators required to be tax-deductible. In addition, it includes the difference between account and tax recognition of income of Federal Government secured loans.
- Loan origination and issuance credit card's fees: deferred assets result from differences in the U.S. GAAP accounting and tax criteria used to assess expense accruals of them (Note 22.2.).
- Property, equipment and miscellaneous assets: under tax criteria, PP&E depreciation is determined on values equivalent to the acquisition cost of the respective PP&E items and by the full-year-of-addition depreciation method. Under accounting criteria, depreciation is determined on values equivalent to the acquisition cost restated by inflation as explained in Note 3.2. and on the basis of the months of useful life elapsed from addition date through valuation date.
- Other liabilities: deferred assets/liabilities result from differences in the accounting and tax criteria used to assess expense accruals such as accrual for dismissals calculation.

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- Allowance for loss contingencies: as regards deduction of loss contingencies, effective Argentine tax rules require the existence of certain indicators defined in the Income Tax Law (i.e. final judgment), whereas under accounting criteria, loss contingencies charges are recorded on the basis of the estimated amounts necessary to meet contingencies of probable occurrence.

As of December 31, 2013, 2012 and 2011 the Bank (on individual basis) does not carry accumulated tax loss carry-forwards.

The adjustments required in order reconciling assets and liabilities with the U.S. GAAP, as detailed in the following notes, are shown considering their effect on the income tax. The effect over continued operations of reflecting such adjustments on the Bank's net assets causes them to increase by 265,674, 271,401 and 128,900 as of December 31, 2013, 2012 and 2011, respectively. In addition, income would have decreased by 58,961 and 61,123 as of December 31, 2013 and 2011, respectively and would have increased by 137,691 as of December 31, 2012.

The effect over discontinued operations of reflecting such adjustments on the Bank's net assets causes them to increase by 17,088, 17,433 and 19,743 as of December 31, 2013, 2012 and 2011, respectively. On the other hand, income would have decreased by 345 and 2,310 as of December 31, 2013 and 2012, respectively and would have increased by 61,828 as of December 31, 2011.

The Bank understands that there is not significant uncertainty related to income tax benefits.

Tax on minimum presumed income

As of December 31, 2013, 2012 and 2011, the Income tax assessed was higher than the TOMPI. Therefore, a provision was raised for Income tax for such fiscal years.

22.2. Loan origination and issuance credit card's fees

The Bank recognizes fees on credit card products, consumer loans and acceptances when collected and charges direct origination costs when incurred. In accordance with U.S. GAAP, particularly under ASC 310-20, Receivables: Nonrefundable Fees and Other Costs, loan origination fees and certain direct loan origination costs should be recognized over the life of the related loan as an adjustment of yield.

The effects of adjustments over continued operations required to state such amounts in accordance with US. GAAP would be decreased assets by 235,356, 144,628 and 108,509 at December 31, 2013, 2012 and 2011, respectively. On the other hand, income over continued operations for the fiscal years ended December 31, 2013, 2012 and 2011 would have decreased by 90,728, 36,119 and 30,531, respectively.

These adjustments do not have effects over discontinued operations.

22.3. Loan loss reserve

The Bank provides for losses on loans generally through specific allocations on a loan-by-loan basis, once the loan becomes classified in a category which indicates that collectibility may be impaired, and also through mandatory general provisions on performing loans, which serves to cover inherent loan losses for which specific provisions have not been made (see Note 3.4.5.).

ASC 310-10, Receivables: Overall, requires that an allowance for loan losses be maintained to cover estimated losses inherent in the loan portfolio. Under this concept, the specific allowances identified for individual loans or pools of loans are supplemented by an amount provided for inherent loan losses estimated to have been incurred but which are not identified based on individual loan reviews. The amount of inherent loss for loans not specifically provided is estimated based upon evaluation of historical write-off experience, mix of loans and other factors. BBVA Francés writes-off loans when believe that recovery is unlikely and, in any event, no later than seven months after a loan has been classified as "irrecoverable" without preferred guarantees and after 100% allowances have been recognized.

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The Bank's accounting for its loan loss reserve differs in some respects with practices of U.S.-based banks, as discussed below in Notes 22.3.1, 22.3.2, 22.3.3 and 22.3.4.

The following table discloses the amounts required by ASC 310-10, Receivables: Overall, as of December 31, 2013, 2012 and 2011:

	December 31,		
	2013	2012	2011
—Total amount of loans considered as impaired	536,346	373,013	212,653
Amount of loans considered as impaired for which there is a related allowance for credit losses	536,346	373,013	212,653
—Reserves allocated to impaired loans	267,960	172,664	105,457
—Average balance of impaired loans during the fiscal year	474,967	323,276	188,253

Under U.S. GAAP, the activity in the allowance for loan losses for the fiscal years presented is as follows:

	December 31,		
	2013	2012	2011
Balance at the beginning of the fiscal year	325,887	264,041	180,695
Provision for loan losses	346,839	242,143	168,799
Charge-offs	(257,662)	(180,297)	(85,453)
Balance at the end of the fiscal year	415,064	325,887	264,041

22.3.1. Interest recognition—non-accrual loans

The method applied to recognize income on loans is described in Note 3.4.6.

Additionally, the Bank has made use of the option granted by the BCRA authorizing financial entities to interrupt the accrual of interest for clients in the following categories:

- “With problems”; “With high risk of insolvency” and “Irrecoverable” in the commercial portfolio.
- “Medium risk”; “High risk” and “Irrecoverable” in the consumer portfolio.

According to the above, the threshold for suspending the accrual of interest is as from 91 days of arrears. Resumption of interest accrual takes place when the client improves its situation passing to situation:

- “Normal” or “With special tracking – Under observation” in the commercial portfolio.
- “Normal” or “Low risk” in the consumer portfolio.

Accrued interest remains on the Banks books and is considered a part of the loan balance. It allowances in its whole when the Bank determined the reserve for credit losses.

The Bank recognizes interest income on a cash basis for non-accrual loans. ASC 310-10, Receivables: Overall, requires that if the collectibility of the principal of the non-accrual loan is in doubt, cash payments should be applied to reduce the principal to the extent necessary to remove such doubt. Management believes that the effect of this difference in interest recognition is not material to the Bank's Consolidated Statements of Operations taken as a whole.

22.3.2. Impaired loans—Non-Financial Private Sector and residents abroad

ASC 310-10, Receivables: Overall, requires a creditor to measure impairment of a loan based on the present value of expected future cash flows discounted at the loan's effective interest rate, or at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. This Standard is applicable to all loans (including those restructured in a troubled debt restructuring involving a modification of terms), except large groups of smaller-balance homogenous loans that are collectively evaluated for impairment. The Bank considers commercial loans over

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1,500 for individual impairment evaluations. Loans are considered impaired when, based on management's evaluation, a borrower will not be able to fulfill its obligation under the original terms of the loan.

In classifying its clients, the Bank follows the guidelines set forth by the BCRA, which establishes a number of objective guidelines both for determining portfolios and for classification levels within them. Doubtful clients are those classified as "With problem", "High Risk of Insolvency" and "Irrecoverable" for Commercial loans, and "Medium Risk", "High Risk" and "Irrecoverable" for Consumer loans.

- Consumer / Commercial-like consumer portfolio: the main criterion for classifying a client is the number of days past due (more than 90 days is considered as doubtful), and the Bank also considers refinancing transactions, present payment agreements resulting from judicial or extrajudicial proceedings, requests for composition proceedings or preventive extrajudicial agreement not yet homologated and bankruptcy among others. To calculate the allowance required for smaller-balance impaired loans, in accordance with US GAAP, historical loss ratios are determined by analyzing historical losses. Loss estimates are analyzed by loan type for homogeneous groups of clients. Such historical ratios are updated to incorporate the most recent data reflecting current economic conditions, trends and any other pertinent information that may affect the estimation of the allowance for loan losses.
- Commercial portfolio: the objective basis is the repayment capacity according to the client's projected funds flow. The classification of a client may also be influenced by: the existence of refinancing transactions, present payment agreements resulting from judicial or extrajudicial proceedings, requests for composition proceedings or extrajudicial preventive agreement not yet homologated and bankruptcy among others. Such treatment is consistent with US GAAP.

Had U.S. GAAP been applied over continued operations, the Bank's assets would have increased by 307,398, 197,970 and 180,932 at December 31, 2013, 2012 and 2011, respectively. On the other hand, the income would have increased by 109,428 and 17,038 at December 31, 2013 and 2012, respectively, and would have decreased by 34,600 at December 31, 2011.

These adjustments do not have effects over discontinued operations.

The Bank recalculates its allowances for loan losses considering the criteria set forth by the US GAAP and makes the necessary adjustments as indicated in the table below (which shows the impact on the shareholders' equity of BBVA Francés):

	2013			2012			2011		
	BCRA	US GAAP	Diff.	BCRA	US GAAP	Diff.	BCRA	US GAAP	Diff.
Commercial-like consumer	39,285	78,569	(39,284)	30,622	60,772	(30,150)	21,697	61,028	(39,331)
Consumer	449,656	131,790	317,866	315,528	106,859	208,669	238,475	73,507	164,968
Commercial (sit 2-6)	31,588	31,588	—	12,372	12,372	—	5,811	5,811	—
Commercial (sit 1)	201,933	173,117	28,816	165,335	145,884	19,451	178,990	123,695	55,295
Total	722,462	415,064	307,398	523,857	325,887	197,970	444,973	264,041	180,932

- **Refinancing, restructuring and renegotiation programs**

According to BCRA regulations, a refinancing is considered to exist whenever any of the original contractually agreed conditions for a financing transaction (term, capital, interest or rate) are modified. The Central Bank does not define such terms as "restructuring" and "renegotiation", which we understand to be included in the above-mentioned refinancing definition.

The amount of refinanced transactions as of December 31, 2013 and 2012 were 218,786 and 124,661, respectively.

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The total of refinancing transactions granted during 2013 amounted to 197,389, of which 69.81% was in the performing portfolio (which are less than 90 days in arrears) as of December 31, 2013.

The total of refinancing transactions granted during 2012 amounted to 89,413, of which 72.82% was in the performing portfolio (which are less than 90 days in arrears) as of December 31, 2012.

The table below shows the number of restructured loans by portfolio segment, their outstanding amounts and their correspondent allowance for loan losses (i) at the time the restructuring was effected, (ii) one month before the restructuring, (iii) twelve months before the restructuring, and (iv) twelve months after the restructuring. It also includes the variation in the amount of allowances for loan losses between such periods.

Even when the information is at December 31, 2013, the loans which were restructured during the last months of the year have been outstanding less than 12 months and therefore the information shows partial values.

It is possible to observe in the table the variation of the allowances for loan losses during 2013 and 2012, which was similar in both years, and the positive impact of the restructuring. In particular, the table shows how the amount of allowances for loan losses increased as the level of restructurings loans increased.

2013				2012			
-12 months				-12 months			
	Q	Outstanding amount	Allowance		Q	Outstanding amount	Allowance
Restructured loans				Restructured loans			
Consumer	9,239	131,803	4,781	Consumer	5,221	60,783	1,838
Commercial	3	3,635	36	Commercial	2	5,766	72
	9,242	135,438	4,817		5,223	66,549	1,910
-1 month				-1 month			
	Q	Outstanding amount	Allowance		Q	Outstanding amount	Allowance
Restructured loans				Restructured loans			
Consumer	9,239	169,089	58,276	Consumer	5,221	86,448	34,918
Commercial	3	3,393	91	Commercial	2	6,652	592
	9,242	172,482	58,367		5,223	93,100	35,510
Current month				Current month			
	Q	Outstanding amount	Allowance		Q	Outstanding amount	Allowance
Restructured loans				Restructured Loans			
Consumer	9,239	192,715	63,228	Consumer	5,221	85,555	31,294
Commercial	3	4,674	179	Commercial	2	3,848	38
	9,242	197,389	63,407		5,223	89,413	31,332
+12 months				+12 months			
	Q	Outstanding amount	Allowance		Q	Outstanding amount	Allowance
Restructured loans				Restructured loans			
Consumer	9,239	154,264	42,048	Consumer	5,221	72,243	16,606
Commercial	3	4,804	180	Commercial	2	3,471	99
	9,242	159,068	42,228		5,223	75,714	16,705
Variation -12 months vs Current month			1,216.3%	Variation -12 months vs Current month			1,540.1%
Variation -1 months vs Current month			8.6%	Variation -1 months vs Current month			(11.8)%
Variation +12 months vs Current month			(33.4)%	Variation +12 months vs Current month			(46.7)%

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During 2012 there were only two restructuring transactions affecting debtors whose financial situation had deteriorated. In one case additional guarantees of the loan were provided as part of the restructuring; in the other case, the existing guarantees were maintained. As of the date of issuance of these Consolidated Financial Statements, none of these debtors are in default of their payment obligations. In the three cases of commercial loans refinanced in 2013, our refinancing guarantees improved, obtaining mortgage guarantees.

As for the consumer segment, all the restructuring transactions effected during 2013 and 2012 had the following characteristics: (i) the debtor had paid, at a minimum, one installment in advance in order to qualify to the restructuring of its debt; (ii) we made sure before the restructuring that the debtor's monthly payment capacity would be able to absorb the new monthly paying obligation resulting from the restructuring; (iii) the guarantees in force were in all cases maintained or, in the case of loans without guarantees, the execution capacity for the loan was improved; and (iv) all the restructurings currently in force are arranged in consecutive monthly payments, with a minimum of six months and a maximum of 60 months.

- **Troubled debt restructurings loans ("TDR")**

We concluded that all our refinanced loans comply with the conditions for considering them as troubled debt restructuring ("TDR") as defined under US GAAP. In accordance with ASC 310-40 a restructured loan is considered a TDR if the debtor is experiencing financial difficulties and the Bank grants a concession to the debtor that would not otherwise be considered. Concessions granted could include: reduction in interest rate to rates that are considered below market, extension of repayment schedules and maturity dates beyond original contractual terms.

Loans considered TDR for the years ended December 31, 2013 and 2012 were as follows:

	2013	
	Number of contracts	Post-modification outstanding recorded investment
Troubled debt restructuring		
Commercial		
Others	24	17,975
Consumer		
Personal Loans	11,849	182,395
Mortgage	194	6,395
Others	83	12,020
	<u>12,150</u>	<u>218,785</u>
2012		
	Number of contracts	Post-modification outstanding recorded investment
Troubled debt restructuring		
Commercial		
Others	3	16,320
Consumer		
Personal Loans	8,265	94,140
Mortgage	210	6,754
Others	47	7,447
	<u>8,525</u>	<u>124,661</u>

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We consider a TDR that have subsequently defaulted if the borrower has failed to make payments of either principal, interest or both for a period of 90 days or more from contractual due date. Loans considered TDR that have defaulted during the year ended December 31, 2013 and 2012 were as follows:

	2013	
	Number of contracts	Recorded investment
Troubled debt restructuring that subsequently defaulted		
Consumer		
Personal Loans	2,914	43,813
Mortgage	5	463
Others	15	2,682
	2,934	46,958
Troubled debt restructuring that subsequently defaulted		
2012		
	Number of contracts	Recorded investment
Consumer		
Personal Loans	1,378	17,749
Mortgage	1	63
Others	3	198
	1,382	18,010

- **Past due loans**

The tables below disclose an aging analysis of our past due loans for December 31, 2013 and 2012:

	Past due loans			Total December 31, 2013
	30 – 59 days	60 – 89 days	More than 90 days	
Financial sector	—	—	293	293
To non-financial private sector and residents abroad:	9,275	8,900	170,403	188,578
Discounted instruments	455	151	1,223	1,829
Real estate mortgage	249	120	3,874	4,243
Collateral loans	2,539	1,213	49,773	53,525
Consumer	4,576	3,447	41,498	49,521
Credit cards	793	1,072	18,454	20,319
Other	663	2,897	55,581	59,141
Total	9,275	8,900	170,696	188,871

	Past due loans			Total December 31, 2012
	30 – 59 days	60 – 89 days	More than 90 days	
To non-financial private sector and residents abroad:	6,541	4,398	106,656	117,595
Discounted instruments	—	—	1,531	1,531
Real estate mortgage	24	148	2,650	2,822
Collateral loans	1,249	406	37,725	39,380
Consumer	4,344	2,369	32,300	39,013
Credit cards	648	631	11,019	12,298
Other	276	844	21,431	22,551
Total	6,541	4,398	106,656	117,595

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22.3.3. Federal Government Secured Loans

During the fiscal year ended December 31, 2001, and pursuant to Decrees Nr. 1387/01 and 1646/01, the Bank and its subsidiaries swapped a portion of their holdings in federal government securities outstanding as of November 6, 2001, for a face value of US\$3,291,795 thousands, for Federal Government secured loans amounting to US\$3,360,403 thousands.

As provided for in BCRA's Communications "A" 3366 and "A" 3385, the initial value of the certificates matched that of the prior book value as of the date of the swap. BCRA rules determined that these securities had to be recorded at their amortized cost which was significantly higher than the market value. No impairment was recorded as these assets are not subject to impairment under Argentine banking GAAP.

As of December 31, 2001, the above mentioned debt swap was subject to the provisions of ASC 320-10, Investments-Debt and Equity Securities: Overall. According to ASC 320-10 an "other than temporary impairment" affects the swapped obligations and therefore requires that, in the event of such obligations having been classified as "held to maturity", a loss be recorded for the difference between the book value of the obligation so swapped and its quotation at the date of the swap, as such quotation is understood to be the best measure for recognizing the above-mentioned impairment. In this case, the listed value of the securities was much lower than the accounting value under BCRA's standards. Once this impairment was recognized under US GAAP in fiscal year 2001, the new book value of the obligations to be swapped will constitute the initial value of the new loans received. As from such date, the Bank recorded these loans considering the mentioned value plus the related CER adjustment and the interest accretion.

According to ASC 310-20, Receivables: Nonrefundable Fees and Other Costs, the Bank recognizes income for each fiscal year using the accretion interest method.

For subsequent periods, management evaluates the collection of these loans on a regular basis, and considers that such loans are not impaired in accordance with ASC 310-10, Receivables: Overall. In addition, the carrying amount under US GAAP is significantly lower than the principal of such loans and the discounted cash flows expected to be received from these loans. Therefore, the Bank has not recorded an allowance for such loans.

The variation in the guaranteed loan portfolio during the fiscal year ended at December 31, 2011 was mainly due to the sold of our subsidiary Consolidar Retiro and the totally amortization of the guaranteed loan Global 2008 that was registered by BBVA Francés.

The effects of adjustments over discontinued operations required to state such amounts in accordance with U.S. GAAP would had increased income by 78,028 at December 31, 2011.

These adjustments do not have effects over continued operations.

22.3.4. Argentine Government Notes

On January 28, 2009 and February 25, 2009 the Board of Directors of Consolidar Cía. de Seguros de Retiro S.A. exercised the exchange option provided by Resolution Nr. 5 of the Secretariat of Finance in connection with its holdings of Federal Government secured loans ex-Bonte 2006 and Global 2008 and those received from the financial trusts made up by said loans. Their face values were 131,017 and 3,233 respectively, receiving in exchange 413,653 in face value of Argentine Government notes in Pesos, accruing the private BADLAR rate plus 275 basis points and maturing in 2014 ("*Paqaré de la Nación Argentina en Pesos BADLAR Privada plus 275 pbs Vto 2014*").

As provided for National Superintendence of Insurance (SSN), the initial value of the notes matched that of the prior book value as of the date of the swap. SSN rules determined that these loans had to be recorded at their amortized cost. No impairment was recorded as these assets are not subject to impairment under Argentine banking GAAP.

As of December 31, 2010 the above mentioned debt swap was subject to the provisions of ASC 310-30 Restructured or Refinanced Loans. According to ASC 310-30, if an investor subsequently refinances or restructures the loan, other than through a troubled debt restructuring, the refinanced or restructured loan shall not be accounted for as a new loan.

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According to ASC 310-20, Receivables: Nonrefundable Fees and Other Costs, the Bank recognizes income for each fiscal year using the accretion interest method.

Management evaluates the collection of these notes on a regular basis, and considers that such notes are not impaired in accordance with ASC 310-10, Receivables: Overall. In addition, the carrying amount under US GAAP is significantly lower than the principal of such notes and the discounted cash flows expected to be received from these notes. Therefore, the Bank has not recorded an allowance for such notes.

The effects of adjustments over discontinued operations required to state these amounts in accordance with U.S. GAAP would had increased income by 21,644 at December 31, 2011.

These adjustments do not have effects over continued operations.

22.4. Government and other debt securities—Available for sale

During the fiscal year 2005, as a result of the Government's debt restructuring, the Bank received for the defaulted portfolio Dollar-denominated Discount bonds amounted to US\$26,083, and Peso-denominated Discount bonds amounted to 146,818. During the fiscal year 2006, the Bank swapped Provincial Development Trust Fund Corporate Bonds into BOGAR 2020, the face value of the corporate bonds swapped amounted to 551,230,672.

On January 30, 2009 the Bank exchanged Global 2008 secured loans at variable interest rate and maturing in 2011 for a nominal value of 321,340 (whose technical value on the date of the exchange was 1,018,447) for bonds issued by the Argentine Government, denominated in pesos and accruing interest at the private BADLAR rate plus 275 basis points and maturing in 2014.

According to U.S. GAAP, the Bank decided to classify these Government Securities as available for sale and carried at fair value (market value if available), with unrealized gains and losses reported as a net amount, net of income tax, within the stockholder's equity accounts. However, ASC 320-10, Investments-Debt and Equity Securities: Overall, requires that if the decline in fair value is judged to be other than temporary, the cost of the security shall be written down to fair value, and the amount of the write down shall be included in earnings /(losses). This valuation criteria differ from BCRA's rules, as described in Note 3.4.2.

Had U.S. GAAP been applied over continued operations, the Bank's assets would have decreased by 7,524, 3,360 and 5,752 at December 31, 2013, 2012 and 2011, respectively. On the other hand, the income for the fiscal years ended December 31, 2013, 2012 and 2011 would have increased by 147,934, 16,135 and 213,026, respectively.

Had U.S. GAAP been applied over discontinued operations, the Bank's income would had increased by 101,585 at December 31, 2011.

At December 31, 2012 and 2011 and under BCRA regulations, the securities included in this classification are carried at fair values with changes in fair value reflected in net income (see Note 3.4.2). As explained, the losses or (gains) recognized under US GAAP for securities classified as available for sale are mainly related to gains (or losses) for securities at fair values under BCRA regulations (whose results are reflected as losses / gains for the fiscal year).

Under US GAAP, the difference between fair value and amortized cost is reflected in Other Comprehensive Income (OCI). Therefore the results of continued operations under US GAAP mainly correspond to losses recorded under BCRA regulations.

In accordance with net income from discontinued operations, they are due to the reversal of adjustments corresponding to Consolidar Retiro SA under US GAAP, as a consequence of the sale of the company (see Note 1.4). At December 31, 2011 they amounted to 101,585 (207,797 loss and 309,382 gain corresponding to results recorded under OCI).

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To such effects, the following adjustments were made:

	US GAAP stockholder equity			Result (a)			Gross unrealized (Loss) / Gains (b)			Net income (a – b)		
	December 31,			December 31,			December 31,			December 31,		
	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011
Continued operations	(7,524)	(3,360)	(5,752)	(4,164)	2,392	(3,822)	(152,098)	(13,743)	(216,848)	147,934	16,135	213,026
Discontinued operations	—	—	—	—	—	(207,797)	—	—	(309,382)	—	—	101,585
Total	(7,524)	(3,360)	(5,752)	(4,164)	2,392	(211,619)	(152,098)	(13,743)	(526,230)	147,934	16,135	314,611

In accordance with U.S. GAAP, the amortized cost and fair value of Government securities available for sale as of December 31, 2013 and 2012 are as follows:

	Government securities	
	December 31,	
	2013	2012
Amortized cost	3,833,787	4,280,598
Gross Unrealized Loss	(304,596)	(172,017)
Gross Unrealized Gains	28,949	48,468
Fair Value	3,558,140	4,157,049
Number of Positions	41	18

The following table shows the disclosures about investments as of December 31, 2013 in an unrealized loss position that are not other than temporary impaired:

	Less than 12 months		12 months or greater		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
	Government securities	—	—	3,172,228	(304,596)	3,172,228

We have evaluated this decline in fair value to determine whether it is other than temporary and we have not recognized any other than temporary impairment for these securities for the fiscal year ended December 31, 2013 related to the following reasons:

- The decline is attributable solely to adverse interest rate movements, and has not connection with a credit event;
- The principal and interest payments have been made as scheduled, and there is no evidence that the debtor will not continue to do so;
- The future principal payments will be sufficient to recover the current amortized cost of the security;
- We have the intent to hold the security at least until the fair value of the security recovers to a level that exceeds the security's amortized costs; and
- They have mainly arisen in a period shorter than one year.

22.5. Gain contingencies

Constitutional protection actions:

At December 31, 2003 the Bank recorded an asset for the difference in nominal terms between the deposits at the free market exchange rate at the moment of each payment compared to the book value of 1.40 pesos per dollar plus CER to that date. This asset was amortized in 60 monthly instalments as from April 2003 (see Note 3.4.13.). At December 31, 2013 the Bank cancelled this type of operations and the only ones that we had were related with the demand stood in a way by the holders of mutual funds shares.

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ASC 450-30, Contingencies: Gain Contingencies requires that contingencies that might result in gains are not reflected in the accounts since to do so might be to recognize revenue prior to its realization. Had U.S. GAAP been applied over continued operations, the Bank's assets would have decreased by 31,034, 29,771 and 23,670 at December 31, 2013, 2012 and 2011, respectively. On the other hand the income would have decreased by 1,263, 6,101 and 207 at December 31, 2013, 2012 and 2011, respectively.

These adjustments do not have effects over discontinued operations.

22.6. Investment in other companies

At December 31, 2013, 2012 and 2011, the Bank accounted for the investment in the Buenos Aires Stock Exchange at the market value at that date. Under ASC 940-340, Financial Services – Broker and Dealers: Other Assets and Deferred Cost, such investments would have been valued at cost or at a lesser amount where there is an-other-than-temporary impairment in value. Had U.S. GAAP been applied over continued operations, the Bank's assets would have decreased by 7,038, 7,038 and 6,226 at December 31, 2013, 2012 and 2011, respectively.

In addition, there are a number of companies which are under 20% and they were valued by the equity method in accordance with BCRA's rules. Under ASC 323-10, Investments – Equity Method and Joint Venture: Overall and ASC 325-20, Investments – Other: Cost Method Investments, such investments, which are non-marketable securities, would have been valued at cost. Had U.S. GAAP been applied over continued operations, the Bank's assets would have decreased by 42,641, 31,129 and 45,664 at December 31, 2013, 2012 and 2011, respectively.

On the other hand, the income over continued operations would have decreased by 11,512 and 8,091 for the fiscal years ended December 31, 2013 and 2011, respectively and would have increased by 13,723 for the fiscal year ended December 31, 2012 due to the effect of the differences mentioned in the preceding paragraphs.

These adjustments do not have effects over discontinued operations.

22.7. Vacation expense

The cost of vacations earned by employees is generally recorded by the Bank when paid. ASC 710-10, Compensation-General: Overall requires that this expense be recorded on an accrual basis as the vacations are earned.

Had U.S. GAAP been applied over continued operations, the Bank's liabilities would have increased by 424, 389 and 36,682 at December 31, 2013, 2012 and 2011, respectively. In addition, the income for the fiscal years ended at December 31, 2013 and 2011 would have decreased by 35 and 36,350, respectively, and for the fiscal year ended at December 31, 2012 would have increased by 36,293.

These adjustments do not have effects over discontinued operations.

22.8. Items in process of collection

The Bank does not give accounting recognition to checks drawn against the Bank or other Banks or other items to be collected, until such time as the related item clears or is accepted. Such items are recorded by the Bank in Memorandum accounts. U.S. banks, however, account for such items through balance sheet clearing accounts at the time the items are presented.

Had U.S. GAAP been applied, the Bank's assets and liabilities would have increased by approximately 2,475,542 and 2,414,984 at December 31, 2013 and 2012, respectively.

The same effect would be displayed in the Balance Sheet disclosure requirements in accordance with Regulation S-X (see Note 21.16.).

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22.9. Forward and unsettled spot transactions

The Bank enters into forward and unsettled spot contracts with delivery of the underlying asset for trading purposes.

The Bank accounts for such forward and unsettled spot contracts on a basis different from that required by U.S. GAAP.

For such forward and unsettled spot transactions, the Bank recognizes both a receivable and a payable at the time of the agreement, which reflect the amount of cash, currency or securities to be exchanged at the closing date. The receivable or payable representing the receipt or delivery of securities or currency is stated at the quoted market value of such securities or currency (see Note 3.4.8.). In the United States, accounting for forward foreign exchange contracts and futures contracts are governed by ASC 815-10, Derivatives and Hedging: Overall, (see Note 22.15.). Under this standard, in general entities would not recognize a receivable or payable but would recognize the differences arising from changes in the market price of securities or currency to be received or delivered if the transaction did not qualify as a hedge.

Had U.S. GAAP been applied, the Bank's assets and liabilities would have decreased by approximately 156,422 and 944 at December 31, 2013 and 2012, respectively.

The same effect would be displayed in the Balance Sheet disclosure requirements in accordance with Regulation S-X (see Note 21.16.).

22.10. Technical Valuation – Inflation adjustments

A technical revaluation (inflation adjustments) of the Bank's properties was made in 1981 to eliminate relative price distortions generated by the hyper inflation then prevailing in Argentina. This revaluation was recorded in the "Adjustments to stockholders' equity" caption. Under BCRA's rules, when an asset which had been revalued is sold at a loss, the loss is recorded directly to "Adjustments to stockholders' equity" to the extent of the original revaluation. Under ASC 830-30, Foreign Currency Matters: Translation of Financial Statements, the technical valuation (inflation adjustments) is considered to be a permanent addition to equity and, accordingly, any loss on the sale of an asset which was revalued would be reflected in net income. There has been no sale of revalued assets during the fiscal years ended December 31, 2013, 2012 and 2011. Consequently, the balance related to the previously mentioned revaluation included in the "Adjustments to Stockholders' Equity" caption has not been modified.

22.11. Acceptances

Foreign trade acceptances are not recorded on the balance sheet by the Bank. In accordance with Regulation S-X, acceptances and related customer liabilities should be recorded on the balance sheet. The adjustment required to state the Bank's balance sheets in accordance with Regulation S-X would be to increase assets (due from customers on acceptances) and increase liabilities (bank acceptances outstanding) by 199,231 and 76,515 at December 31, 2013 and 2012, respectively.

The same effect would be displayed in the Balance Sheet disclosure requirements in accordance with Regulation S-X (see Note 21.16.).

22.12. Technical commitments related to insurance activities

For the fiscal year ended December 31, 2010 Consolidar Cía. de Seguros de Retiro S.A. maintained reserves accounted in Other subsidiaries' liabilities valued in accordance with the accounting standards established by the National Superintendence of Insurance.

The effects of adjustments over discontinued operations required to state such amounts in accordance with US. GAAP, under ASC 944-40, Financial Services-Insurance: Claim Costs and Liabilities for Future Policy Benefits, would had decreased income by 267,939 at December 31, 2011.

These adjustments do not have effects over continued operations.

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22.13. Fair Value of Financial Instruments

- (i) The ASC 820-10, Fair Value Measurement and Disclosures: Overall, defines that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Such standard also establishes a scheme for determining fair values. In accordance with this pronouncement, BBVA Francés has categorized its financial instruments based on the priority of the inputs to the valuation technique, into same of the three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the Consolidated Financial Statements are categorized based on the inputs to the valuation techniques as follows:

Level 1	Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that BBVA Francés has the ability to access.
Level 2	They are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include the following: <ul style="list-style-type: none"> a) Quoted prices for similar assets or liabilities in active markets; b) Quoted prices for identical or similar assets or liabilities in non-active markets; c) Pricing models whose inputs are observable for substantially the full term of the asset or liability; and d) Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.
Level 3	Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Assets and liabilities valued at their fair recurrent value as of December 31, 2013 and 2012 are as follows:

Description	Fair value measurements on a recurring basis as of December 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets				
Government and private securities	1,335,358	2,124,609	—	3,459,967
-Holding booked at fair value	1,090,537	891,894	—	1,982,431
-Instruments issued by the BCRA	175,772	1,232,715	—	1,408,487
-Investments in listed private securities	69,049	—	—	69,049
Other receivables from financial transactions	79,311	3,401	—	82,712
-Instruments to be received for spot and forward purchases to be settled	72,567	—	—	72,567
-Unlisted corporate bonds	—	3,401	—	3,401
-Non-deliverable forward transactions balances to be settled	6,744	—	—	6,744

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Description	Fair value measurements on a recurring basis as of			
	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Liabilities				
Other liabilities from financial transactions	320,917	1,190,761	—	1,511,678
-Unsubordinated corporate bonds	—	1,190,761	—	1,190,761
-Instruments to be delivered for spot and forward sales to be settled	273,672	—	—	273,672
-Non-deliverable forward transactions balances to be settled	47,245	—	—	47,245
Assets				
Government and private securities	979,565	3,122,305	—	4,101,870
-Holding booked at fair value	895,836	936,243	—	1,832,079
-Instruments issued by the BCRA	15,614	2,186,062	—	2,201,676
-Investments in listed private securities	68,115	—	—	68,115
Other receivables from financial transactions	8,852	15,973	—	24,825
-Instruments to be received for spot and forward purchases to be settled	18	—	—	18
-Unlisted corporate bonds	—	15,973	—	15,973
-Non-deliverable forward transactions balances to be settled	8,834	—	—	8,834
Liabilities				
Other liabilities from financial transactions	1,854	649,993	—	651,847
-Unsubordinated corporate bonds	—	649,993	—	649,993
-Instruments to be delivered for spot and forward sales to be settled	926	—	—	926
-Non-deliverable forward transactions balances to be settled	928	—	—	928

- (ii) ASC 825-10, Financial Instruments: Overall requires disclosure of fair value information about financial instruments, whether or not recognized on the balance sheet, for which it is practicable to estimate fair value.

ASC 825-10, Financial Instruments: Overall, defines a financial instrument as cash, evidence of an ownership in an entity, or a contract that either conveys or imposes on an entity the contractual right or obligation to either receive or deliver cash or another financial instrument.

In cases where quoted market prices are not available, fair value estimation are based on the quoted market price of a financial instrument with similar characteristics, the present value of expected future cash flow, or other valuation techniques, all of which are significantly affected by the assumptions used. Although management uses its best judgment in estimating the fair value of these financial instruments, there are inherent weaknesses in any estimation technique. As a result, the fair value may not be indicative of the net realizable or liquidation value. Furthermore, minor changes in the assumptions used could have a significant impact on the resulting estimated fair values.

In addition, disclosure of fair values is not required for non-financial assets and liabilities such as property and equipment, sundry assets and intangible assets and anticipated future business. As a result, the following fair values do not reflect the underlying value of the Bank.

A significant portion of the Bank's assets and liabilities are in short-term financial instruments, with a remaining maturity of under one year, and/or with variable rates. These short-term and variable-rate financial instruments are considered to have a fair value equivalent to their carrying value at the balance sheet date.

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For financial instruments with remaining maturity over one year and with fixed-rates, and therefore not included above, the following methods and assumptions were used to estimate their fair value:

Government and private securities

Holdings booked at amortized cost: fair value for these securities was taken to be equal to the present value of future cash flows discounted at the average year-end market interest rates for securities of similar interest rate, credit risk and maturity at December 31, 2013 and 2012.

Loans and receivables from financial leases

Fair value is estimated by discounting future cash flows using the current rates at which loans would be made to borrowers with similar credit ratings and for the same remaining maturities, considering the contractual terms in effect as of December 31, 2013 and 2012.

Other receivables from financial transactions

Unlisted corporate bonds: the majority of these operations have a variable interest rate so the Bank considers that the fair value is the same that the carrying value at the balance sheet dates.

Deposits

As a significant portion of the Bank's deposits as of December 31, 2013 and 2012 (more than 99% considering the contractual terms in effect as of such date) have a remaining maturity less than one year, they were considered to have a fair value equivalent to their carrying value at the balance sheet date.

Other liabilities from financial transactions

As of December 31, 2013 and 2012, the majority of these operations have a variable interest rate or a maturity less than a year; in these cases the Bank considers that the fair value is the same that the carrying value at the balance sheet dates.

Off-Balance sheet

Commitments to extend credit, standby letter of credit, guarantees granted and foreign trade acceptances (see Note 21.17.).

It is estimated that the differential, if any, between the fee charged, which is equivalent to the carrying amount, by the Bank for these transactions and the average December 31, 2013 and 2012 market fee would not give rise to a material variance from the carrying amount.

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The following is a summary of carrying amounts and estimated fair values of financial instruments at December 31, 2013 and 2012:

	December 31,			
	2013		2012	
	Carrying Amount ⁽⁴⁾	Estimated Fair Value	Carrying Amount ⁽⁴⁾	Estimated Fair Value
Financial assets				
Cash and due from banks	12,881,781	12,881,781	8,614,889	8,614,889
Government and private securities ⁽¹⁾	3,459,935	3,453,546	4,101,846	4,098,427
Loans ⁽²⁾	36,468,194	33,940,132	28,493,431	26,567,815
Other receivables from financial transactions ⁽³⁾	1,168,491	1,168,278	700,925	708,589
Receivables from financial leases	1,777,778	1,777,778	1,110,234	1,110,234
Investments in other companies	210,657	210,657	146,001	146,001
	<u>56,016,836</u>	<u>53,432,172</u>	<u>43,167,326</u>	<u>41,245,955</u>
Financial liabilities				
Deposits	43,759,465	43,759,465	34,165,053	34,165,053
Other liabilities from financial transactions ⁽³⁾	4,943,260	4,439,319	3,285,123	2,878,455
	<u>48,702,725</u>	<u>48,198,784</u>	<u>37,450,176</u>	<u>37,043,508</u>

(1) Includes the effect described in Note 22.4.

(2) Includes the effects described in Notes 22.3.2., 22.3.3. and 22.3.4.

(3) Includes the effects described in Note 22.15.

(4) Under BCRA's rules.

22.14. Goodwill

- On May 4, 1998 the General and Special Stockholder's Meeting approved (to be effective on April 30, 1998) the reversal of the shares issuance premium in the amount of 428,661 related to the capital increase with face value 25,000 thousand paid in on December 19, 1997, and bearing up to 428,661 of the Business Goodwill from the acquisition of 71.754% of the capital stock of Banco de Crédito Argentino S.A. The mentioned reversal is not allowed in accordance with US GAAP. Under US GAAP, the Bank should recognize the issuance premium under "Issuance premiums" and capitalize the related amount under Intangible Assets.

The effect of adjustments over continued operations required to state such amounts in accordance with U.S. GAAP would have increased assets by 254,882 at December 31, 2013, 2012 and 2011.

- On May 13, 1999, BBVA (majority owner of BBVA Francés) acquired Corp Banca and Atuel Fideicomisos S.A. and on September, 13, 1999, BBVA sold its interests in both companies to BBVA Francés. For the difference between the definitive price of the transaction and the incorporation value of both companies, the Bank recognized goodwill and amortized it in proportion to the months of estimated useful life (120-month period). Under U.S. GAAP, the Bank would be required to account for the acquisition of the mentioned companies at BBVA's book balance. Had U.S. GAAP been applied over continued operations, the Bank's assets would have increased by 54,695 at December 31, 2013, 2012 and 2011.
- ASC 350-20, Intangibles-Goodwill and Other: Goodwill requires that goodwill is no longer amortized, but is subject to impairment test annually or more frequently if events or changes in circumstances indicate that the asset may be impaired. In 2001 the Bank had recognized an impairment loss and wrote off the entire balance of the U.S. GAAP goodwill. Had U.S. GAAP been applied over continued operations, the Bank's assets would have decreased by 309,577 as of December 31, 2013, 2012 and 2011.

These adjustments do not have effects over discontinued operations.

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22.15. Accounting for Derivative Instruments and Hedging Activities

ASC 815, Derivatives and Hedging establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (b) a hedge of the exposure to variable cash flows of a forecasted transaction, or (c) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available for sale security, or a foreign currency denominated forecasted transaction.

Had US GAAP been applied, the assets and liabilities over continued operations would have increased by 8,213 and 25,766 at December 31, 2013. At December 31, 2012 the assets and liabilities over continued operations would have increased by 7,813 and 1,812, respectively. At December 31, 2011 the assets and liabilities over continued operations would have increased by 884 and 12,177, respectively. On the other hand, income over continued operations would have decreased by 23,554 and 13,887 for the fiscal years ended December 31, 2013 and 2011, respectively and income over continued operations would had increased by 17,294 for the fiscal year ended December 31, 2012.

These adjustments do not have effects over discontinued operations.

In Note 21.17.a), it is explained in detail the derivative instruments used by the Bank and the valuation methods of these instruments were explained in Notes 3.4.8. and 3.4.14.

22.16. Allowance for other contingencies

The Bank maintained reserves accounted in Allowance for other contingencies valued in accordance with the accounting standards established by BCRA (see Note 3.4.17.).

The effects of adjustments over continued operations required to state such amounts in accordance with ASC 450-20, Contingencies: Loss Contingencies would had decreased income by 34,772 for the fiscal year ended December 31, 2011.

22.17. Premises and equipment

The Bank acquired from Consolidar AFJP S.A. and Consolidar Retiro S.A, respectively, the latter's undivided in the piece of real estate. ASC 810-10, Consolidation: Overall, established that any intercompany profit or loss on assets remaining within the Group should be eliminated.

Had U.S. GAAP been applied over continued operations, the Bank's assets would have decreased by 48,619 at December 31, 2011. In addition, the income for the fiscal year ended at December 31, 2012 would had increased by 48,619 and would had decreased by 10,704 for the fiscal year ended at December 31, 2011.

This adjustment does not have effects over discontinued operations.

22.18. Non-controlling interests in consolidated subsidiaries

The Bank exhibits its non-controlling interests in consolidated subsidiaries like a caption outside its equity. In accordance with ASC 810-10, Consolidation: Overall, non-controlling interests in consolidated subsidiaries shall be reported in the Consolidated Balance Sheets within equity, separately from the parent's equity.

Had U.S. GAAP been applied over continued operations, the Bank's Stockholders' Equity would have increased by 203,443, 119,508 and 82,667 at December 31, 2013, 2012 and 2011, respectively. In addition, income for the fiscal years ended at December 31, 2013, 2012 and 2011 would have increased by 83,935, 36,841 and 8,067, respectively.

Had U.S. GAAP been applied over discontinued operations, the Bank's Stockholders' Equity would have increased by 7,078, 7,677 and 9,356 at December 31, 2013, 2012 and 2011, respectively. In addition, income for the fiscal year ended at December 31, 2013, 2012 and 2011 would have decreased by 599, 1,679 and 292,744, respectively.

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22.19. Set forth below are the significant adjustments to consolidated net income and consolidated stockholders' equity which would have been required if U.S. GAAP had been applied instead of BCRA's rules:

	Ref	Consolidated Net Income December 31,								
		2013			2012			2011		
		Continued operations	Discontinued operations	Total	Continued operations	Discontinued operations	Total	Continued operations	Discontinued operations	Total
Net income as stated		2,024,945	(701)	2,024,244	1,265,640	(1,961)	1,263,679	946,899	58,678	1,005,577
Deferred taxes	22.1	(33,161)	(345)	(33,506)	(9,609)	(2,310)	(11,919)	94,986	61,828	156,814
Allowances on deferred tax assets	22.1	(25,800)	—	(25,800)	147,300	—	147,300	(156,109)	—	(156,109)
Loan origination and issuance credit card's fees	22.2	(90,728)	—	(90,728)	(36,119)	—	(36,119)	(30,531)	—	(30,531)
Impaired loans-Non Financial Private Sector and residents abroad loans	22.3.2	109,428	—	109,428	17,038	—	17,038	(34,600)	—	(34,600)
Federal Government secured loans	22.3.3	—	—	—	—	—	—	—	78,028	78,028
Argentine Government Notes	22.3.4	—	—	—	—	—	—	—	21,644	21,644
Government and other debt securities valuation	22.4	147,934	—	147,934	16,135	—	16,135	213,026	101,585	314,611
Gain contingencies	22.5	(1,263)	—	(1,263)	(6,101)	—	(6,101)	(207)	—	(207)
Investment in other companies	22.6	(11,512)	—	(11,512)	13,723	—	13,723	(8,091)	—	(8,091)
Vacation expense	22.7	(35)	—	(35)	36,293	—	36,293	(36,350)	—	(36,350)
Technical Commitments related to insurance activities	22.12	—	—	—	—	—	—	—	(267,939)	(267,939)
Accounting for Derivative Instruments and Hedging Activities	22.15	(23,554)	—	(23,554)	17,294	—	17,294	(13,887)	—	(13,887)
Allowance for other contingencies	22.16	—	—	—	—	—	—	(34,772)	—	(34,772)
Premises and equipment	22.17	—	—	—	48,619	—	48,619	(10,704)	—	(10,704)
Non-controlling interests in consolidated subsidiaries	22.18	83,935	(599)	83,336	36,841	(1,679)	35,162	8,067	(292,744)	(284,677)
Net income in accordance with U.S. GAAP		<u>2,180,189</u>	<u>(1,645)</u>	<u>2,178,544</u>	<u>1,547,054</u>	<u>(5,950)</u>	<u>1,541,104</u>	<u>937,727</u>	<u>(238,920)</u>	<u>698,807</u>
Net income per share in accordance with U.S. GAAP attributable to controlling interests		3.90	0.00	3.90	2.81	0.00	2.81	1.73	0.10	1.83
Net income per share in accordance with U.S. GAAP attributable to non-controlling interests		4.06	0.00	4.06	2.88	(0.01)	2.87	1.75	(0.45)	1.30
Weighted average number of shares outstanding (in thousands)		<u>536,878</u>	<u>536,878</u>	<u>536,878</u>	<u>536,878</u>	<u>536,878</u>	<u>536,878</u>	<u>536,620</u>	<u>536,620</u>	<u>536,620</u>

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	Ref	Consolidated Stockholders' Equity December 31,								
		2013			2012			2011		
		Continued operations	Discontinued operations	Total	Continued operations	Discontinued operations	Total	Continued operations	Discontinued operations	Total
Stockholders' equity as stated		7,147,908	8,272	7,156,180	5,122,963	8,973	5,131,936	3,857,323	10,934	3,868,257
Deferred taxes	22.1	34,574	17,088	51,662	14,501	17,433	31,934	19,300	19,743	39,043
Allowances on deferred tax assets	22.1	231,100	—	231,100	256,900	—	256,900	109,600	—	109,600
Loan origination and issuance credit card's fees	22.2	(235,356)	—	(235,356)	(144,628)	—	(144,628)	(108,509)	—	(108,509)
Impaired loans-Non Financial Private Sector and residents abroad loans	22.3.2	307,398	—	307,398	197,970	—	197,970	180,932	—	180,932
Government and other debt securities valuation	22.4	(7,524)	—	(7,524)	(3,360)	—	(3,360)	(5,752)	—	(5,752)
Gain contingencies	22.5	(31,034)	—	(31,034)	(29,771)	—	(29,771)	(23,670)	—	(23,670)
Investment in other companies	22.6	(49,679)	—	(49,679)	(38,167)	—	(38,167)	(51,890)	—	(51,890)
Vacation expense	22.7	(424)	—	(424)	(389)	—	(389)	(36,682)	—	(36,682)
Accounting for Derivative Instruments and Hedging Activities	22.15	(17,553)	—	(17,553)	6,001	—	6,001	(11,293)	—	(11,293)
Premises and equipment	22.17	—	—	—	—	—	—	(48,619)	—	(48,619)
Non-controlling interests in consolidated subsidiaries	22.18	203,443	7,078	210,521	119,508	7,677	127,185	82,667	9,356	92,023
Consolidated Stockholders' equity in accordance with U.S. GAAP		<u>7,582,853</u>	<u>32,438</u>	<u>7,615,291</u>	<u>5,501,528</u>	<u>34,083</u>	<u>5,535,611</u>	<u>3,963,407</u>	<u>40,033</u>	<u>4,003,440</u>

Had U.S. GAAP been applied, the amounts of the assets and liabilities would have been as follows:

	December 31,		
	2013	2012	2011
Assets	61,316,755	47,552,013	40,367,604
Liabilities	53,701,464	42,016,402	36,364,164

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22.20. The following presents the consolidated statement of operations adjusted to reflect the application of U.S. GAAP using the BCRA's format:

	Consolidated Net Income December 31,								
	2013			2012			2011		
	Continued operations	Discontinued operations	Total	Continued operations	Discontinued operations	Total	Continued operations	Discontinued operations	Total
Financial income	8,383,213	8,130	8,391,343	5,721,328	9,728	5,731,056	3,535,265	83,301	3,618,566
Financial expenses	(3,269,636)	3,042	(3,266,594)	(2,044,983)	3,260	(2,041,723)	(1,369,585)	10,295	(1,359,290)
Allowances for doubtful loans	(326,185)	—	(326,185)	(239,221)	—	(239,221)	(188,907)	21,644	(167,263)
Service charge income	3,363,632	—	3,363,632	2,494,334	—	2,494,334	1,931,600	(135)	1,931,465
Service charge expenses	(955,329)	—	(955,329)	(683,730)	—	(683,730)	(519,630)	(5)	(519,635)
Operating expenses	(3,882,015)	(18,497)	(3,900,512)	(2,954,755)	(21,977)	(2,976,732)	(2,326,630)	(63,700)	(2,390,330)
Loss on minority interest in subsidiaries	—	—	—	(323)	—	(323)	202,444	(307,989)	(105,545)
Other income	317,095	7,124	324,219	269,139	5,400	274,539	267,207	156,700	423,907
Other expenses	(271,207)	(57)	(271,264)	(287,801)	—	(287,801)	(186,331)	(198,493)	(384,824)
Income before income tax	3,359,568	(258)	3,359,310	2,273,988	(3,589)	2,270,399	1,345,433	(298,382)	1,047,051
Income Tax	(1,179,379)	(1,387)	(1,180,766)	(726,934)	(2,361)	(729,295)	(407,706)	59,462	(348,244)
Total consolidated income	2,180,189	(1,645)	2,178,544	1,547,054	(5,950)	1,541,104	937,727	(238,920)	698,807
Comprehensive income									
Net income in accordance with U.S. GAAP			2,178,544			1,541,104			698,807
Other comprehensive (loss) / income, net of tax ^{(1) (2)}			(98,864)			(8,933)			(399,335)
Comprehensive net income in accordance with U.S. GAAP			<u>2,079,680</u>			<u>1,532,171</u>			<u>299,472</u>

(1) See Note 22.21.

(2) The minority interest represents the effect of the U.S. GAAP adjustments in the Group's consolidated subsidiaries (see Note 2.1.).

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- 22.21. Set forth below are the related tax effects allocated to each component of other comprehensive income (loss) and the accumulated other comprehensive income (loss) balances, as of December 31, 2013, 2012 and 2011:

Tax effects on Other Comprehensive (Loss) / Income

	December 31, 2013			December 31, 2012			December 31, 2011		
	Before Tax Amount	Tax (Expense) or Benefit	Net of Tax Amount	Before Tax Amount	Tax (Expense) or Benefit	Net of Tax Amount	Before Tax Amount	Tax (Expense) or Benefit	Net of Tax Amount
Unrealized (losses)/gains on securities	(152,098)	53,234	(98,864)	(13,743)	4,810	(8,933)	(614,361)	215,026	(399,335)
Other comprehensive income (loss)/gain	(152,098)	53,234	(98,864)	(13,743)	4,810	(8,933)	(614,361)	215,026	(399,335)

Accumulated Other Comprehensive Income / (Loss) balances

	December 31, 2013			December 31, 2012			December 31, 2011		
	Foreign Currency Items	Unrealized Gains/ (Losses) on securities	Accumulated Other Comprehensive Income/(Loss)	Foreign Currency Items	Unrealized Gains/ (Losses) on securities	Accumulated Other Comprehensive Income/(Loss)	Foreign Currency Items	Unrealized Gains/ (Losses) on securities	Accumulated Other Comprehensive Income/(Loss)
Beginning balance	—	(80,307)	(80,307)	—	(71,374)	(71,374)	—	327,961	327,961
Current-fiscal year change	—	(98,864)	(98,864)	—	(8,933)	(8,933)	—	(399,335)	(399,335)
Ending balance	—	(179,171)	(179,171)	—	(80,307)	(80,307)	—	(71,374)	(71,374)

22.22. **Cash flows information**

As explained in Note 3.4.20., under BCRA's rules, the Bank considers certain investments securities held for trading or financial transactions and loans to financial sector as cash equivalents. These cash equivalents include some investments with original maturities greater than three months which would not qualify as cash equivalents under ASC 230-10, Statements of Cash Flows: Overall as they were acquired when they had maturities over three months. In any case, all investments that would qualify as cash equivalents are required to be treated as cash equivalents under US GAAP. In this respect, for US GAAP purpose, the Bank has always considered that highly liquid investments are treated as investments rather than cash equivalents as permitted ASC 230-10.

For purposes of the accompanying statement of cash flows the Bank considers, under ASC 230-10, cash and due from banks to be cash and cash equivalents.

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The following supplemental cash flow information separately presents the effect of exchange rate changes on cash:

	December 31,		
	2013	2012	2011
Cash and cash equivalents at the end of the fiscal year	12,880,744	8,613,997	6,353,428
Cash and cash equivalents at beginning of the fiscal year	8,613,997	6,353,428	5,691,806
Increase in cash and cash equivalents	4,266,747	2,260,569	661,622
CAUSES OF CHANGES IN CASH AND CASH EQUIVALENTS			
Cash provided by operating activities	5,974,322	3,534,123	4,485,799
Cash used in investing activities	(353,882)	(619,624)	(341,372)
Cash used in financing activities	(545,136)	(581,581)	(3,444,234)
Effect of exchange rate changes on cash	(808,557)	(72,349)	(38,571)
Increase in cash and cash equivalents	4,266,747	2,260,569	661,622

The following cash flow information presents the effect of exchange rate changes on cash over continued operations:

	December 31,		
	2013	2012	2011
CAUSES OF CHANGES IN CASH AND CASH EQUIVALENTS OVER CONTINUED OPERATIONS			
Cash provided by operating activities	5,954,398	3,502,355	1,238,259
Cash used by investing activities	(355,190)	(607,683)	(214,259)
Cash used in financing activities	(537,019)	(566,414)	(325,488)
Effect of exchange rate changes on cash	(795,199)	(67,741)	(36,115)
Increase in cash and cash equivalents	4,266,990	2,260,517	662,397

Set forth below is the reconciliation of net income to net cash flow from operating activities, as required by ASC 230-10, Statements of Cash Flows: Overall, including the adjustments in Note 22.19 (instead of including the cash flow statement under US GAAP):

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	December 31, 2013								
	BCRA GAAP			Adjustments			US GAAP		
	Cont	Disc	Total	Cont	Disc	Total	Cont	Disc	Total
Net income attributable to the controlling interest	2,079,958	(1,300)	2,078,658	71,309	(345)	70,964	2,151,267	(1,645)	2,149,622
Adjustments to reconcile net income to net cash from operating activities:									
Amortization and depreciation	150,158	—	150,158	—	—	—	150,158	—	150,158
Allowances for doubtful loans and special reserves, net of reversals	112,582	—	112,582	(109,428)	—	(109,428) ⁽¹⁾	3,154	—	3,154
Income tax	1,120,418	1,042	1,121,460	58,961	345	59,306 ⁽²⁾	1,179,379	1,387	1,180,766
Equity loss / (gains) of unconsolidated subsidiaries	33,692	—	33,692	11,512	—	11,512 ⁽³⁾	45,204	—	45,204
Net decrease / (increase) in interest receivable and payable and other accrued income and expenses	<u>2,457,590</u>	<u>20,182</u>	<u>2,477,772</u>	<u>(32,354)</u>	<u>—</u>	<u>(32,354) ⁽⁴⁾</u>	<u>2,425,236</u>	<u>20,182</u>	<u>2,445,418</u>
Net cash provided by operating activities	<u>5,954,398</u>	<u>19,924</u>	<u>5,974,322</u>				<u>5,954,398</u>	<u>19,924</u>	<u>5,974,322</u>

(1) Adjustment to Note 22.3.2

(2) Adjustment to Note 22.1

(3) Adjustment to Note 22.6

(4) Others

	December 31, 2012								
	BCRA GAAP			Adjustments			US GAAP		
	Cont	Disc	Total	Cont	Disc	Total	Cont	Disc	Total
Net income attributable to the controlling interest	1,303,514	(3,640)	1,299,874	217,944	(3,690)	214,254	1,521,458	(7,330)	1,514,128
Adjustments to reconcile net income to net cash from operating activities:									
Amortization and depreciation	127,933	—	127,933	(3,025)	—	(3,025) ⁽¹⁾	124,908	—	124,908
Allowances for doubtful loans and special reserves, net of reversals	340,109	—	340,109	(17,038)	—	(17,038) ⁽²⁾	323,071	—	323,071
Income tax and TOMPI	864,625	51	864,676	(111,062)	3,690	(107,372) ⁽³⁾	753,563	3,741	757,304
Equity loss / (gains) of unconsolidated subsidiaries	37,264	—	37,264	(13,723)	—	(13,723) ⁽⁴⁾	23,541	—	23,541
Net decrease / (increase) in interest receivable and payable and other accrued income and expenses	<u>828,910</u>	<u>35,357</u>	<u>864,267</u>	<u>(73,096)</u>	<u>—</u>	<u>(73,096) ⁽⁵⁾</u>	<u>755,814</u>	<u>35,357</u>	<u>791,171</u>
Net cash provided by operating activities	<u>3,502,355</u>	<u>31,768</u>	<u>3,534,123</u>				<u>3,502,355</u>	<u>31,768</u>	<u>3,534,123</u>

(1) Adjustment to Note 22.17 (portion corresponding to amortization)

(2) Adjustment to Note 22.3.2

(3) Adjustment to Note 22.1

(4) Adjustment to Note 22.6

(5) Others

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	December 31, 2011								
	BCRA GAAP			Adjustments			US GAAP		
	Cont	Disc	Total	Cont	Disc	Total	Cont	Disc	Total
Net income attributable to the controlling interest	940,116	73,923	1,014,039	(17,239)	(4,854)	(22,093)	922,877	69,069	991,946
Adjustments to reconcile net income to net cash from operating activities:									
Amortization and depreciation	93,643	733	94,376	20,608	—	20,608 ⁽¹⁾	114,251	733	114,984
Allowances for doubtful loans and special reserves, net of reversals	112,513	—	112,513	34,600	—	34,600 ⁽²⁾	147,113	—	147,113
Income tax and TOMPI	549,992	2,366	552,358	61,123	(61,828)	(705) ⁽³⁾	611,115	(59,462)	551,653
Equity loss / (gains) of unconsolidated subsidiaries	29,764	(21,270)	8,494	8,091	—	8,091 ⁽⁴⁾	37,855	(21,270)	16,585
Net decrease / (increase) in interest receivable and payable and other accrued income and expenses	(487,769)	3,191,788	2,704,019	(107,183)	66,682	(40,501) ⁽⁵⁾	(594,952)	3,258,470	2,663,518
Net cash provided by operating activities	1,238,259	3,247,540	4,485,799				1,238,259	3,247,540	4,485,799

(1) Adjustment to Note 22.17 (portion corresponding to amortization)

(2) Adjustment to Note 22.3.2

(3) Adjustment to Note 22.1

(4) Adjustment to Note 22.6

(5) Others

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
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22.23. New accounting pronouncements (U.S. GAAP)

a) ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income

In February 2013, the FASB provides amendments to Topic 220 (Comprehensive Income) by which an entity has report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts.

The amendments are effective prospectively for reporting periods beginning after December 15, 2012. Early adoption is permitted.

The Bank does not anticipate that the adoption of this new statement at the required effective date will have a significant effect in its results of operations, financial position or cash flows.

b) ASU 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists

In July 2013, the FASB provides amendments to Topic 740 (Income Taxes) by which an entity must present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for a net operating loss (“NOL”) carryforward, a similar tax loss, or a tax credit carryforward except when (i) NOL carryforward, a similar tax loss, or a tax credit carryforward is not available as of the reporting date under the governing tax law to settle taxes that would result from the disallowance of the tax position, and (ii) the entity does not intend to use the deferred tax asset for this purpose. If either of these conditions exists, an entity should present an unrecognized tax benefit in the financial statements as a liability and should not net the unrecognized tax benefit with the deferred tax asset.

The amendments are effective for fiscal years beginning after December 15, 2013 and interim periods within those years. Early adoption is permitted.

The Bank does not anticipate that the adoption of this new statement at the required effective date will have a significant effect in its results of operations, financial position or cash flows.

c) ASU 2014-02, Accounting for Goodwill (a consensus of the Private Company Council)

In January 2014, the FASB provides amendments to Topic 350 (Intangibles—Goodwill and Other) by which allow an entity to account alternative for the subsequent measurement of goodwill. An entity that elects the accounting alternative in this Update should amortize goodwill on a straight-line basis over 10 years, or less than 10 years if the entity demonstrates that another useful life is more appropriate. An entity that elects the accounting alternative is further required to make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level. Goodwill should be tested for impairment when a triggering event occurs that indicates that the fair value of an entity (or a reporting unit) may be below its carrying amount. When a triggering event occurs, an entity has the option to first assess qualitative factors to determine whether the quantitative impairment test is necessary. If that qualitative assessment indicates that it is more likely than not that goodwill is impaired, the entity must perform the quantitative test to compare the entity’s fair value with its carrying amount, including goodwill (or the fair value of the reporting unit with the carrying amount, including goodwill, of the reporting unit). If the qualitative assessment indicates that it is not more likely than not that goodwill is impaired, further testing is unnecessary. The goodwill impairment loss, if any, represents the excess of the carrying amount of the entity over its fair value (or the excess of the carrying amount of the reporting unit over the fair value of the reporting unit). The goodwill impairment loss cannot exceed the entity’s (or the reporting unit’s) carrying amount of goodwill. The disclosures required under this alternative are similar to existing U.S. GAAP. However, an entity that elects the accounting alternative is not required to present changes in goodwill in a tabular reconciliation.

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The amendments are effective prospectively to goodwill existing as of the beginning of the period of adoption and new goodwill recognized in annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. Early adoption is permitted.

The Bank does not anticipate that the adoption of this new statement at the required effective date will have a significant effect in its results of operations, financial position or cash flows.

NOTE 23—SUBSEQUENT EVENTS

During January 2014, the exchange rate of the U.S. dollar in connection with the Peso in the free exchange market (also named “the official market”) was increased by 23%, from Ps.6.52 at the end of the fiscal year 2013 to Ps.8.02 at January 24, 2014, remaining at a market price closer to such value until now. As at this date the Bank had a net asset position in foreign currency.

Exhibit Number	Description
1.1	Amended and Restated By-Laws (Estatutos) of BBVA Francés*
1.2	English translation of the Amended and Restated By-Laws (Estatutos) of BBVA Francés*
8.1	Subsidiaries of the Company
12.1	Section 302 Certification of Chief Executive Officer
12.2	Section 302 Certification of Chief Financial Officer
13.1	Section 906 Certification pursuant to 18 U.S.C. Section 1350

(*) Incorporated by reference in the BBVA Banco Francés Annual Report on Form 20-F for the year ended December 31, 2012 filed with the Securities and Exchange Commission on April 10, 2013.

Subsidiaries of the Company**Exhibit 8.1**

<u>Subsidiary</u>	<u>Jurisdiction of Incorporation</u>	<u>Principal Activity</u>
BBVA Francés Asset Management S.A. Sociedad Gerente de Fondos Comunes de Inversión	Republic of Argentina	Mutual funds
BBVA Francés Valores S.A.	Republic of Argentina	Stock exchange brokerage
Consolidar AFJP S.A. (undergoing liquidation proceedings)	Republic of Argentina	Pension and Retirement Fund Administrators
PSA Finance Argentina Compañía Financiera S.A.	Republic of Argentina	Financial Institution

I, Ricardo Enrique Moreno, certify that:

1. I have reviewed this annual report on Form 20-F of BBVA Banco Francés S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 21, 2014

/s/ Ricardo Enrique Moreno
Title: Chief Executive Officer

I, Ignacio Sanz y Arcelus, certify that:

1. I have reviewed this annual report on Form 20-F of BBVA Banco Francés S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 21, 2014

/s/ Ignacio Sanz y Arcelus
Title: Chief Financial Officer

**Certification by CEO and CFO pursuant to Section 1350, as adapted
pursuant to Section 906 of the Sarbanes – Oxley Act of 2002**

Exhibit 13.1

The certification set forth below is being submitted in connection with BBVA Banco Francés S.A.'s Annual Report on Form 20-F for the year ended December 31, 2013 (the "Annual Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code as adapted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002.

Ricardo Enrique Moreno, the Chief Executive Officer and Ignacio Sanz y Arcelus, the Chief Financial Officer of BBVA Banco Francés S.A., each certifies that, to the best of his knowledge:

1. the Annual Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of BBVA Banco Francés S.A.

April 21, 2014

/s/ Ricardo Enrique Moreno

Name: Ricardo Enrique Moreno
Chief Executive Officer

/s/ Ignacio Sanz y Arcelus

Name: Ignacio Sanz y Arcelus
Chief Financial Officer