
BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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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

1. We have audited the accompanying consolidated balance sheets of BBVA BANCO FRANCÉS S.A. (the “Bank”) and subsidiaries (entities organized under Argentine Legislation, except Banco Francés (Cayman) Limited, incorporated under the laws of Cayman Islands) as of December 31, 2005 and 2004, and the related consolidated statements of operations, changes in stockholders’ equity and cash flows for each of the three years in the period ended December 31, 2005 (all expressed in thousands of Argentine Pesos). These financial statements are the responsibility of the Bank’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

2. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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. The Bank is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by Bank’s management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

3. As mentioned in note 4, the accompanying consolidated financial statements have been prepared in accordance with the accounting standards established by the Argentine Central Bank (the “BCRA”) applicable to consolidated financial statements, which differ in certain respects from, and constitute a comprehensive basis of accounting other than, Argentine generally accepted accounting principles applicable to business enterprises in general.

4. 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, 2005 and 2004 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with the rules established by the BCRA applicable to consolidated financial statements.
5. As discussed in Note 3.5.18. to the consolidated financial statements, in 2005 the Company, as established by BCRA, changed its method of accounting for certain assets and liabilities and, retroactively, restated the 2004 and 2003 consolidated financial statements for the change.
6. 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 17 to the consolidated financial statements. As discussed in Note 17.15. to the consolidated financial statements, the stockholders' equity and consolidated net income (loss) in accordance with accounting principles generally accepted in the United States of America for the years ended December 31, 2004 and 2003 have been restated.

Buenos Aires, February 10, 2006 (June 26, 2006 as to Notes 16, 17 and 18 to the consolidated financial statements)

DELOITTE & Co. S.R.L.

CARLOS B. SRULEVICH

Partner

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BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2005 and 2004
Stated in thousands of Pesos

	December 31,	
	2005	2004 ⁽¹⁾
ASSETS		
CASH AND DUE FROM BANKS	1,611,506	1,666,617
Cash	483,377	421,910
Due from banks and correspondents	1,128,129	1,244,707
GOVERNMENT AND PRIVATE SECURITIES	3,504,311	2,476,948
Holdings in investment accounts	435,104	742,902
Holdings for trading or financial transactions	664,837	128,788
Unlisted Government Securities	6	492,902
Instruments issued by the Argentine Central Bank	2,248,838	999,563
Investments in listed private securities	155,849	179,212
Less: Allowances	323	66,419
LOANS	8,481,476	9,268,723
To government sector	4,623,626	6,927,719
To financial sector	142,307	169,509
To non-financial private sector and residents abroad:	3,900,517	2,374,276
Overdraft	733,514	272,275
Discounted instruments	560,863	251,332
Real estate mortgage	394,678	401,064
Collateral Loans	60,714	25,943
Consumer	355,649	182,627
Credit cards	545,918	364,105
Other	1,364,291	964,177
Interest and listed-price differences accrued and pending collection	39,653	25,517
Less: Unused collections	152,186	111,840
Less: Interest documented together with main obligation	2,577	924
Less: Difference arising from purchase of portfolio	89	88
Less: Allowances	184,885	202,693
Carried forward	13,597,293	13,412,288

(1) Restated from its original version to apply the adjustments to prior years' income to these Consolidated Financial Statements based on Argentine Central Bank's regulations (see Note 3.5.18.).

The accompanying Notes 1 to 18 and Exhibit I are an integral part of these Consolidated Financial Statements.

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS—(Continued)
As of December 31, 2005 and 2004
Stated in thousands of Pesos

	December 31,	
	2005	2004 ⁽¹⁾
Brought forward	13,597,293	13,412,288
OTHER RECEIVABLES FROM FINANCIAL TRANSACTIONS	831,450	975,241
Argentine Central Bank	286,206	325,844
Amounts receivable for spot and forward sales to be settled	158,120	380,796
Instruments to be received for spot and forward purchases to be settled	35,730	34,192
Unlisted corporate bonds	78,228	99,691
Non-deliverable forward transactions balances to be settled	281	-
Other receivables not covered by debtor classification regulations	130,321	40,152
Other receivables covered by debtor classification regulations	21,538	14,445
Interest accrued and pending collection not covered by debtor classification regulations	121,104	90,764
Interest accrued and pending collection covered by debtor classification regulations	3,020	2,153
Less: Allowances	3,098	12,796
ASSETS SUBJECT TO FINANCIAL LEASING	130,165	58,576
Assets subject to financial leasing	131,650	59,764
Less: Allowances	1,485	1,188
INVESTMENTS IN OTHER COMPANIES	50,297	47,425
In financial institutions	12,859	12,931
Other	49,377	46,205
Less: Allowances	11,939	11,711
OTHER RECEIVABLES	238,961	186,835
Receivables from sale of property assets	2,257	2,999
Tax on minimum presumed income – Tax Credit	90,094	92,631
Other	535,708	244,972
Interest accrued and pending collection on receivables from sale of property assets	41	56
Other accrued interest receivable	10	2
Less: Allowances	389,149	153,825
PREMISES AND EQUIPMENT	375,797	381,389
OTHER ASSETS	63,246	95,549
INTANGIBLE ASSETS	655,336	850,814
Goodwill	25,459	32,088
Organization and development expenses	629,877	818,726
SUSPENSE ITEMS	948	1,213
SUBSIDIARIES' OTHER ASSETS	40,255	32,342
TOTAL ASSETS	15,983,748	16,041,672

(1) Restated from its original version to apply the adjustments to prior years' income to these Consolidated Financial Statements based on Argentine Central Bank's regulations (see Note 3.5.18.).

The accompanying Notes 1 to 18 and Exhibit I are an integral part of these Consolidated Financial Statements.

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS—(Continued)
As of December 31, 2005 and 2004
Stated in thousands of Pesos

	December 31,	
	2005	2004 ⁽¹⁾
LIABILITIES		
DEPOSITS	10,613,086	8,993,780
Governmental sector	102,848	198,593
Financial sector	27,695	18,568
Non financial private sector and residents abroad:	10,482,543	8,776,619
Checking accounts	1,841,450	1,620,763
Savings deposits	3,000,466	2,395,505
Time deposits	4,855,393	3,983,558
Investments accounts	210,575	159,193
Other	477,880	381,795
Interest and listed—price differences accrued payable	96,779	235,805
OTHER LIABILITIES FROM FINANCIAL TRANSACTIONS	1,244,795	3,274,387
Argentine Central Bank—Other	100,745	1,780,275
Banks and International Institutions	224,311	251,005
Non—subordinated corporate bonds	286,486	321,181
Amounts payable for spot and forward purchases to be settled	26,165	31,892
Instruments to be delivered for spot and forward sales to be settled	165,727	423,051
Non-deliverable forward transactions balances to be settled	150	-
Financing received from Argentine financial institutions	74,927	3,110
Other	359,875	341,824
Interest and listed—price differences accrued payable	6,409	122,049
OTHER LIABILITIES	251,979	144,047
Fees payable	156	95
Other	251,823	143,952
ALLOWANCES	263,191	265,698
SUBORDINATED CORPORATE BONDS	-	60,307
SUSPENSE ITEMS	2,299	33,788
SUBSIDIARIES' OTHER LIABILITIES	1,617,891	1,413,387
TOTAL LIABILITIES	13,993,241	14,185,394
MINORITY INTEREST IN SUBSIDIARIES	188,960	171,935
STOCKHOLDERS' EQUITY	1,801,547	1,684,343
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	15,983,748	16,041,672

(1) Restated from its original version to apply the adjustments to prior years' income to these Consolidated Financial Statements based on Argentine Central Bank's regulations (see Note 3.5.18.).

The accompanying Notes 1 to 18 and Exhibit I are an integral part of these Consolidated Financial Statements.

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS—(Continued)
As of December 31, 2005 and 2004
Stated in thousands of Pesos

	December 31,	
	2005	2004 ⁽¹⁾
DEBIT ACCOUNTS		
Contingent	3,360,940	8,230,586
Guaranties received	3,035,165	5,240,258
Contra contingent debit accounts	325,775	2,990,328
Control	24,379,460	29,740,424
Receivables classified as non recoverable	393,234	469,895
Other	23,666,953	29,063,225
Contra control debit accounts	319,273	207,304
Derivatives	140,143	47,534
“Notional” amount of non-deliverable forward transactions	46,982	28,173
Contra debit derivatives accounts	93,161	19,361
For trustee activities	29,896	29,479
Funds in trust	29,896	29,479
TOTAL	27,910,439	38,048,023
CREDIT ACCOUNTS		
Contingent	3,360,940	8,230,586
Credit lines granted (unused portion) covered by debtor classification regulations	3,827	272,854
Guaranties provided to the Argentine Central Bank	70,293	2,387,972
Other guaranties given covered by debtor classification regulations	171,022	219,798
Other guarantees given non covered by debtor classification regulations	62	-
Other covered by debtor classification regulations	80,571	109,704
Contra contingent credit accounts	3,035,165	5,240,258
Control	24,379,460	29,740,424
Items to be credited	134,517	173,837
Other	184,756	33,467
Contra control credit accounts	24,060,187	29,533,120
Derivatives	140,143	47,534
“Notional” amount of non-deliverable forward transactions	93,161	19,361
Contra debit derivatives accounts	46,982	28,173
For trustee activities	29,896	29,479
Contra credit accounts for trustee activities	29,896	29,479
TOTAL	27,910,439	38,048,023

(1) Restated from its original version to apply the adjustments to prior years' income to these Consolidated Financial Statements based on Argentine Central Bank's regulations (see Note 3.5.18.).

The accompanying Notes 1 to 18 and Exhibit I are an integral part of these Consolidated Financial Statements.

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
For the fiscal years ended December 31, 2005, 2004 and 2003
Stated in thousands of Pesos

	Fiscal year ended December 31,		
	2005	2004 ⁽¹⁾	2003 ⁽¹⁾
FINANCIAL INCOME	1,654,152	1,154,825	1,883,236
Interest cash and due from banks	25,364	12,641	10,045
Interest on loans to the financial sector	21,245	5,675	6,997
Interest on overdraft	41,346	25,184	28,710
Interest on discounted instruments	22,989	10,867	11,541
Interest on real estate mortgage	41,487	44,886	47,997
Interest on collateral loans	3,622	1,370	699
Interest on credit card loans	24,095	17,606	32,992
Interest on other loans	151,583	96,688	118,829
Interest on other receivables from financial transactions	10,374	6,921	7,181
Income from secured loans—Decree No. 1387/01	323,851	246,692	680,919
Net income from government and private securities	209,438	182,183	179,667
Indexation by benchmark stabilization coefficient (CER)	663,743	375,921	284,274
Indexation by salaries variation index (CVS)	-	37,740	44,667
Other	115,015	90,451	428,718
FINANCIAL EXPENSES	608,949	458,360	1,711,293
Interest on checking accounts	23,782	20,359	17,454
Interest on savings deposits	3,675	3,639	4,282
Interest on time deposit	151,034	104,963	391,128
Interest on financing to the financial sector	1,325	1,111	286
Interest on other liabilities from financial transactions	28,001	21,845	90,522
Other interest	61,665	91,475	134,674
Indexation by CER	306,815	166,712	90,710
Other	32,652	48,256	982,237
GROSS INTERMEDIATION MARGIN—GAIN	1,045,203	696,465	171,943
ALLOWANCES FOR DOUBTFUL LOANS	114,628	52,002	77,506
SERVICE CHARGE INCOME	721,167	584,913	457,778
Related to lending transactions	84,055	72,276	58,308
Related to liability transactions	195,470	157,815	128,952
Other commissions	334,254	282,855	214,814
Other	107,388	71,967	55,704
Carried forward	1,651,742	1,229,376	552,215

(1) Restated from its original version to apply the adjustments to prior years' income to these Consolidated Financial Statements based on Argentine Central Bank's regulations (see Note 3.5.18.).

The accompanying Notes 1 to 18 and Exhibit I 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, 2005, 2004 and 2003
Stated in thousands of Pesos

	Fiscal year ended December 31,		
	2005	2004 ⁽¹⁾	2003 ⁽¹⁾
Brought forward	1,651,742	1,229,376	552,215
SERVICE CHARGE EXPENSES	<u>77,764</u>	<u>54,829</u>	<u>49,594</u>
Commissions	52,821	33,176	33,433
Other	24,943	21,653	16,161
MONETARY GAIN ON FINANCIAL INTERMEDIATION	-	-	2,620
OPERATING EXPENSES	<u>775,835</u>	<u>679,829</u>	<u>711,407</u>
Payroll expenses	423,013	351,694	322,759
Fees to Bank Directors and Statutory Auditors	329	291	385
Other professional fees	27,149	27,863	28,664
Advertising and publicity	39,757	27,266	19,306
Taxes	37,818	30,949	25,749
Other operating expenses	172,414	178,351	264,421
Other	75,355	63,415	50,123
MONETARY LOSS ON OPERATING EXPENSES	-	-	(2,326)
NET GAIN / (LOSS) FROM FINANCIAL TRANSACTIONS	<u>798,143</u>	<u>494,718</u>	<u>(208,492)</u>
NET (LOSS) / GAIN ON MINORITY INTEREST IN SUBSIDIARIES	(17,151)	(12,901)	4,844
OTHER INCOME	<u>483,851</u>	<u>729,347</u>	<u>1,194,346</u>
Income from long-term investments	2,870	20,029	2,819
Punitive interests	2,868	2,478	3,399
Loans recovered and reversals of allowances	87,857	314,885	915,156
Other	390,256	391,955	272,972
OTHER EXPENSES	<u>1,128,927</u>	<u>1,188,111</u>	<u>1,150,409</u>
Punitive interests and charges paid to Argentine Central Bank	67	108	1,129
Charge for uncollectibility of other receivables and other allowances	422,924	351,542	612,194
Amortization of difference arising from judicial resolutions	219,961	203,428	132,398
Other	485,975	633,033	404,688
MONETARY LOSS ON OTHER OPERATIONS	-	-	(1,385)
NET GAIN / (LOSS) BEFORE INCOME TAX AND TAX ON MINIMUM PRESUME INCOME	<u>135,916</u>	<u>23,053</u>	<u>(161,096)</u>
INCOME TAX AND TAX ON MINIMUM PRESUME INCOME	18,712	77,099	189,232
NET INCOME / (LOSS) FOR THE FISCAL YEAR	<u>117,204</u>	<u>(54,046)</u>	<u>(350,328)</u>
NET INCOME / (LOSS) PER ORDINARY SHARE ⁽²⁾	0,25	(0,14)	(0,95)

(1) Restated from its original version to apply the adjustments to prior years' income to these Consolidated Financial Statements based on Argentine Central Bank's regulations (see Note 3.5.18.).

(2) See Note 16.15.

The accompanying Notes 1 to 18 and Exhibit I are an integral part of these Consolidated Financial Statements.

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the fiscal years ended December 31, 2005, 2004 and 2003
Stated in thousands of Pesos

	Fiscal year ended December 31,		
	2005	2004	2003
Cash provided by / (used in) operating activities			
Financial income collected	1,545,426	1,353,146	1,054,103
Service charge income collected	720,291	583,689	458,257
Other sources of funds	214,596	476,348	533,751
Less:			
Financial expenses paid	807,599	458,620	1,983,793
Operating expenses paid	676,039	565,011	579,109
Other expenses paid	528,799	665,907	429,204
Net cash provided by / (used in) operating activities	<u>467,876</u>	<u>723,645</u>	<u>(945,995)</u>
Less:			
Cash used in / (provided by) investing activities			
Increase / (Decrease) in government and private securities	431,297	(654,438)	(387,283)
(Decrease) / Increase in loans	(81,130)	1,657,800	(541,690)
(Decrease) in other receivables from financial transactions	(27,678)	(345,916)	(113,126)
(Decrease) in investments in other companies	(113)	(15,209)	(1,513)
Increase in premises and equipment, other fixed assets and intangible assets	60,758	137,235	160,286
Increase in other assets	163,472	52,928	340,864
Net cash used in / (provided by) investing activities	<u>546,606</u>	<u>832,400</u>	<u>(542,462)</u>
Plus:			
Cash provided by / (used in) financing activities			
Increase in deposits	1,758,934	1,047,191	1,414,160
(Decrease) in other liabilities from financial transactions	(1,718,058)	(701,124)	(580,490)
(Decrease) / Increase in other liabilities	(16,788)	(341,687)	165,549
(Decrease) / Increase in minority interest in subsidiaries	(469)	(1,971)	541
Cash capital contributions	-	133,809	-
Net cash provided by financing activities	<u>23,619</u>	<u>136,218</u>	<u>999,760</u>
Monetary (loss) generated on cash and due from bank	-	-	(7,709)
(Decrease) / Increase in cash and cash equivalents	<u>(55,111)</u>	<u>27,463</u>	<u>588,518</u>
Cash and cash equivalents at the beginning of the fiscal year	1,666,617	1,639,154	1,050,636
(Decrease) / Increase in cash and cash equivalents	(55,111)	27,463	588,518
Cash and cash equivalents at the end of the fiscal year	<u>1,611,506</u>	<u>1,666,617</u>	<u>1,639,154</u>

The accompanying Notes 1 to 18 and Exhibit I are an integral part of these Consolidated Financial Statements.

BBVA BANCO FRANCÉS S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS – (Continued)
For the fiscal years ended December 31, 2005, 2004 and 2003
Stated in thousands of Pesos

SUPPLEMENTAL INFORMATION OF NONCASH INVESTING AND FINANCING ACTIVITIES

At December 31, 2005, 2004 and 2003 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 noncash assets or liabilities (see Note 16.7.).

On January 14, 2005, the restructuring process started for a substantial part of Argentina's sovereign debt, in default ever since late 2001. The swap period came to an end on February 25, 2005. In June 2005, the National Government consummated the delivery of the exchanged government securities. U.S. dollar-denominated Discount Bonds (VN 26,083,453) and peso denominated Discount Bonds (VN 146,817,752) were received by the Bank.

On November 2, 2004 Banco Bilbao Vizcaya Argentaria S.A. ("BBVA") subscribed 65.326.744 new shares. The integration of the amount of 230.603.406,32 corresponding to the new shares is carried out by the capitalization of BBVA by means of a loan amounting to US\$77.701.464,68 plus interests up to November 2, 2004 inclusive, for US\$21.288,07.

During March, 2004, the Bank sold to BBVA S.A. its 100%-interest in Banco Francés (Cayman) Limited. This operation consisted in:

- a) Swap of Federal Government Secured loans in pesos held by Banco Francés (Cayman) Limited for private sector loans denominated in US dollars belonging to BBVA Banco Francés S.A. at market value.
- b) Swap of financial loans granted to BBVA Banco Francés S.A. by BBVA S.A. and Banco Francés (Cayman) Limited for equal halves.
- c) Finally Banco Francés (Cayman) Limited sold Federal Government Secured loans to BBVA S.A. at market value for the latter to pay for the purchase of the participation to BBVA Banco Francés S.A. through the transfer of those loans. The sale price amounted to US\$238,462,142.

In addition, in June 2004 a number of private loans denominated in U.S. dollars were repurchased through the delivery of Argentine Government Bonds BODEN 2012 in exchange for those loans at market rates, resulting from the compensation mechanism for financial institutions in consequence of the negative patrimonial effects generated by the conversion into pesos at different exchange rates of loans and private debts in foreign currency, as well as the negative foreign currency net position after the conversion into pesos and released by the BCRA, with a negative result of 78,374, which was charged against allowances set up under liabilities.

Also, on February 4, 2004, the Bank acquired 5% of the capital stock of Francés Administradora de Inversiones S.A. from Banco Francés (Cayman) Limited amounting to 580, through the delivery of Argentine Government Bonds BODEN 2012.

At December 31, 2003, the Bank swapped provincial public debt into Secured Bond due in 2018. The face value of the loans and securities swapped amounted to 1,010,210.

SUPPLEMENTAL INFORMATION OF CERTAIN CASH MOVEMENTS

At December 31, 2005, 2004 and 2003, taxes paid amounted to 118,500, 139,563 and 87,695, respectively. At such dates, interest-paid amounted to 807,152, 453,415 and 1,035,468, respectively.

The accompanying Notes 1 to 18 and Exhibit I 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, 2005, 2004 and 2003
Stated in thousands of Pesos

Movements	Non-capitalized contributions			Retained earnings		Unrealized valuation difference	Unappropriated earnings	Total
	Capital Stock ⁽¹⁾	Issuance premiums ⁽¹⁾	Adjustments to stockholders' equity ⁽¹⁾	Legal	Other			
Balances at December 31, 2002 ⁽²⁾	368,128	934,211	769,904	428,698	1,802	430,282	(1,008,720)	1,924,305
Net loss for the fiscal year ⁽²⁾	—	—	—	—	—	—	(350,328)	(350,328)
Balances at December 31, 2003 ⁽²⁾	368,128	934,211	769,904	428,698	1,802	430,282	(1,359,048)	1,573,977
Decisions of Stockholders' Meeting of April 22, 2004:								
- Capital increase for the subscription of shares	103,233	261,179	—	—	—	—	—	364,412
Absorption approved by BCRA Resolution No. 52/04	—	—	—	—	—	(200,000)	—	(200,000)
Net loss for the fiscal year ⁽²⁾	—	—	—	—	—	—	(54,046)	(54,046)
Balances at December 31, 2004 ⁽²⁾	471,361	1,195,390	769,904	428,698	1,802	230,282	(1,413,094)	1,684,343
Cumulative losses absorption approved by Stockholders' Meeting held on April 28, 2005 (Communication "A" 4294 as supplemented of the BCRA)	—	(1,020,258)	(456,925)	—	(1,802)	—	1,478,985	—
Net income for the fiscal year	—	—	—	—	—	—	117,204	117,204
Balances at December 31, 2005	471,361	175,132	312,979	428,698	—	230,282	183,095	1,801,547

(1) See Note 1.2.

(2) Restated from its original version to apply the adjustments to prior years' income to these Consolidated Financial Statements based on Argentine Central Bank's regulations (see Note 3.5.18.).

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BBVA BANCO FRANCES S.A. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the fiscal years ended December 31, 2005, 2004 and 2003
Stated in thousands of Pesos

NOTE 1—CORPORATE SITUATION AND BANK’S ACTIVITIES

1.1. Corporate situation

BBVA Banco Francés S.A. (“BF” or the “Bank”) has its main place of business in Buenos Aires, Argentina and operates a 230-branch network.

As from December, 1996, BF is part of Banco Bilbao Vizcaya Argentaria S.A. (BBVA) global strategy, which controls the Bank, direct and indirectly, with 75.59%-corporate stock as of December 31, 2005.

Part of BF’s corporate stock is publicly traded and is 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:

	Total
Capital Stock as of December 31, 1999:	209,631
Date of	
Stockholders’ Meeting deciding on the issuance	Registration with the Public Registry of Commerce
Form of placement	Amount (in thousands)
Total	Total
08-07-2002	02-06-2003
04-22-2004	01-25-2005
(1)	(2)
(1)	(2)
158,497	368,128
103,233	471,361

(1) Through public subscription of shares.

(2) The amount of Capital Stock is fully paid in and authorized for public offering by Comisión Nacional de Valores (“CNV”).

1.2.2. Authorized and issued shares

The capital stock of the Bank consists of 471,361,306 Ordinary Shares, par value 1.00 each, all of which are issued and available to stockholders. At July 1, 1992, there were 58,099,410 Ordinary Shares, par value 1.00 each. Following a stock distribution and a share subscription in September 1993, the total number of authorized and issued Ordinary Shares, par value 1.00 each, increased by 34,859,700 Ordinary Shares and by 18,539,914 Ordinary Shares, respectively. Furthermore, following stock distributions in September 1995 and October 1996, the total number of authorized and issued Ordinary Shares, par value 1.00 each, increased by 16,724,854 and 19,233,582 Ordinary Shares, respectively. At March 1998, the total number of authorized and issued Ordinary Shares, par value 1.00 each, increased by 25,000,000 and 14,174,432, respectively, as a result of the issuance of common stock originated by share subscription and by the exchange share rate by merger with Banco de Crédito Argentino (BCA), for a total of 186,631,892 Ordinary Shares, par value 1.00 each. In April 1999, the total number of authorized and issued Ordinary Shares, par value 1.00 each, increased by 23,000,000 as a result of the issuance of common stock by a share subscription. In August 2002, the total number of authorized and issued Ordinary Shares, par value 1.00 each, increased by 158,496,540 as a result of the issuance of common stock by a share subscription. Finally, the total number of authorized and issued ordinary shares, par value 1.00 each, increased by 103,232,874 as a result of the issuance of common stock above mentioned.

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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 1,981 technical valuation of properties of the Bank, which is available to absorb losses on the disposal or devaluation of such properties restated as mentioned in Note 3.2.
- 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 year.

The composition of "Adjustments to stockholders' equity" is as follows:

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Adjustment to equity fund appraisal revaluation	41,285	41,285
Adjustments to Capital Stock (Included Issuance Premiums)	728,619	728,619
Cumulative losses absorption	(456,925)	-
Total	<u>312,979</u>	<u>769,904</u>

1.2.4. Issuance Premiums

As of August 2002 due to the issuance of 158,496,540 shares subscription in (value 1 per share), at 3.59 each, the Bank received 590,996 over the nominal value of the shares that has been recorded under the "Issuance Premiums" account. Finally, due to the issuance of 103,232,874 shares subscription in April 2004 (value 1 per share) at 3.53 each, the Bank received 261,179 over the nominal value of the shares that has been recorded under the "Issuance Premiums" account.

1.3. Responsibility of stockholders

BBVA Banco Francés S.A. 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 No. 19,550. As a result, in compliance with Law No. 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 Credilogros Cía. Financiera S.A.

On May 20, 1999, the Argentine Central Bank ("BCRA") approved the creation of the company Credilogros Compañía Financiera S.A. (CL), which was registered with the "Inspección General de Justicia" (the governmental regulatory agency of corporations) on June 24, 1999. On August 10, 1999, at the Company request, the BCRA authorized its starting up in business as a finance company as from August 2, 1999, by Communication "B" 6568.

As of December 31, 2004, the capital stock of CL amounts to 57,100, and its stockholding structure is as follows:

BF:	69.527
BBVA:	29.947:
Inversora Otar S.A.:	0.5254%

On March 9, 2005, BF, Inversora Otar S.A. and BBVA sold their aggregate shareholdings in Credilogros Cía. Financiera S.A. to Banco de Servicios y Transacciones S.A. and Grupo de Servicios y Transacciones S.A. The amount of the transaction was US\$16,900,000, based on the Financial Statements as of December 31, 2004. Upon entering into the sale agreement, an advance payment was made for 20% of the price.

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The sale agreement as entered into shall be considered duly executed after the approval required from regulatory authorities which is still pending as of the date of issuance of these Financial Statements.

Until the transfer is consummated, Credilogros Cía. Financiera will continue to be managed by BBVA Banco Francés S.A. and the conduct of its business with customers will remain unchanged.

1.5. Sale of Banco Francés (Cayman) Limited

On March 18, 2004, the Bank sold to BBVA its 100%-interest in Banco Francés (Cayman) Limited.

The sale price amounted to US\$238,462,142, and it was collected through Federal Government secured loans previously purchased by BBVA from Banco Francés (Cayman) Limited. BF has recorded such secured loans in conformity with Communication "A" 3911 and supplementary regulations. The negative result of the transaction was 210,978 (see Note 4.3.).

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,	
			2005	2004	2005	2004	2005	2004
Francés Valores Sociedad de Bolsa S.A	Stockholder	Common	12,137	3,199	99.9700	99.9700	99.9700	99.9700
Atuel Fideicomisos S.A.	Trust manager	Common	13,099,869	13,099,869	99.9999	99.9999	99.9999	99.9999
Consolidar A.F.J.P. S.A.	Pensions fund manager	Common	75,842,839	1,899,600	53.8892	53.8892	53.8892	53.8892
Consolidar Cía. de Seguros de Vida S.A.	Insurance company	Common	7,383,921	197,875	65.9600	65.9582	65.9600	65.9582
Consolidar Cía. de Seguros de Retiro S.A.	Insurance company	Common	25,033,832	200,000	66.6666	66.6667	66.6666	66.6667
PSA Finance Argentina Cía. Financiera S.A	Financial institution	Common	9,000	9,000	50.0000	50.0000	50.0000	50.0000
Credilogros Cía. Financiera S.A.	Financial institution	Common	39,700,000	39,700,000	69.5271	69.5271	69,5271	69,5271

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, 2005.

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	12,096.1
Consolidar ART S.A.	Argentina	12.50%	Workers compensation	18,986.5
BBVA Consolidar Seguros S.A.	Argentina	12.22%	Insurance	5,338.1
Coelsa S.A.	Argentina	10.00%	Clearing house	110.5
Interbanking S.A.	Argentina	9.09%	Information services for financial markets	1,048.4
Argencontrol S.A.	Argentina	7.71%	Agent Mandatary	54.0
Sedesa S.A.	Argentina	8.12%	Deposit Guarantee Fund	123.4
Banelco S.A.	Argentina	11.43%	Nationwide ATM network & credit card administrating	5,534.6
Visa Argentina S.A.	Argentina	5.00%	Credit card issuer	1,160.0

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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 No. 21 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE), BF has consolidated - line by line - its balance sheets as of December 31, 2005, 2004 and 2003, as per the following detail:

- As of December 31, 2005:
 - a) With the Financial Statements of Credilogros Cía. Financiera S.A., Francés Valores Sociedad de Bolsa S.A., Atuel Fideicomisos S.A. and its subsidiary, and PSA Finance Argentina Cía Financiera S.A., for the fiscal year ended December 31, 2005.
 - b) With the Financial Statements of Consolidar Administradora de Fondos de Jubilaciones y Pensiones S.A., Consolidar Cía. de Seguros de Vida S.A., and Consolidar Cía. de Seguros de Retiro S.A., for the six-month periods ended December 31, 2005.
- As of December 31, 2004:
 - a) With the Financial Statements of Credilogros Cía. Financiera S.A., Francés Valores Sociedad de Bolsa S.A., Atuel Fideicomisos S.A. and its subsidiary, and PSA Finance Argentina Cía Financiera S.A., for the fiscal year ended December 31, 2004.
 - b) With the Financial Statements of Consolidar Administradora de Fondos de Jubilaciones y Pensiones S.A., Consolidar Cía. de Seguros de Vida S.A. and its subsidiary, and Consolidar Cía. de Seguros de Retiro S.A. and its subsidiary, for the six-month period ended December 31, 2004.
- As of December 31, 2003:
 - a) With the Financial Statements of Banco Francés (Cayman) Ltd. and its subsidiary, Credilogros Cía. Financiera S.A., Francés Valores Sociedad de Bolsa S.A., PSA Finance Argentina Cía Financiera S.A. and Atuel Fideicomisos S.A., for the fiscal year ended December 31, 2003.
 - b) With the Financial Statements of Consolidar Administradora de Fondos de Jubilaciones y Pensiones S.A., Consolidar Cía. de Seguros de Vida S.A. and its subsidiary, and Consolidar Cía. de Seguros de Retiro S.A. and its subsidiary, for the six-month period ended December 31, 2003.

The results of Consolidar Administradora de Fondos de Jubilaciones y Pensiones S.A., Consolidar Cía. de Seguros de Vida S.A. and its subsidiary, and Consolidar Cía. de Seguros de Retiro S.A. and its subsidiary, have been adjusted in order to homogenize the periods of companies consolidating on the basis of a twelve-month period ended on December 31, 2005, 2004 and 2003.

Interests in subsidiaries are listed in Note 2.

3.2. Restatement of the Financial Statements in equivalent purchasing power

The Financial Statements have been taken from the Bank's books of accounts in conformity with the standards of the BCRA.

These Financial Statements recognize the effects of changes in the currency purchasing power through February 28, 2003, following the restatement method established by FACPCE Technical Pronouncement No. 6 (modified by Technical Pronouncement No. 19), using adjustment rates derived from the internal Wholesale Price Index published by the National Institute of Statistics and Census (I.N.D.E.C.).

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Accordingly to the above mentioned method, the accounting figures were restated by the purchasing power changes through August 31, 1995. As from that date, based in the prevailing economic stability conditions and accordingly with CNV General Resolution No. 272 and BCRA Communication “A” 2365, the accounting figures were not restated through December 31, 2001. In view of CNV General Resolution No. 415 and BCRA Communication “A” 3702, the method was reinstated effective as from January 1, 2002, considering the previous accounting figures restated as of December 31, 2001.

By Communication “A” 3921 of the BCRA and General Resolution No. 441 of the CNV, in compliance with Decree No. 664/03 of the Federal Executive Power, application of the restatement method on Financial Statements in equivalent purchasing power has been suspended as from March 1, 2003. Accordingly, BF applied the mentioned restatement until February 28, 2003.

3.3. Comparative information

The Financial Statements as of December 31, 2005 include comparative information with Financial Statements for the fiscal years ended December 31, 2004 and December 31, 2003.

Additionally, the Consolidated Financial Statements and notes for fiscal year ended December 31, 2004 and 2003 have been modified due to adjustments to prior year’s income/(loss) (see Notes 3.5.18.)

3.4. Foreign subsidiary Financial Statements

The Financial Statements of the foreign subsidiary has been prepared based on similar methods to those applied by BF for preparing its own Financial Statements, in connection with assets and liabilities valuation, income measurement and restatement procedure as explained in Notes 3.2. and 3.5. The Banco Francés (Cayman) Ltd. Financial Statements do not require any adjustment for inflation since they are stated in US dollars.

The assets and liabilities of Banco Francés (Cayman) Ltd. and its subsidiary, as of December 31, 2003, originally stated in US dollars, were converted into Argentine pesos based on the method described in Note 3.5.1. The assigned capital and irrevocable contributions were calculated at the pesos amount paid in by the Bank. Unappropriated earnings were determined by the difference between assets, liabilities and assigned capital, converted into pesos as previously indicated. Then the income (loss) for the years was determined by the difference between unappropriated earnings at beginning and year end.

3.5. Valuation methods

The main valuation methods used in the preparation of the Financial Statements have been as follows:

3.5.1. Foreign currency assets and liabilities

As of December 31, 2005 and 2004, such amounts were converted at the benchmark exchange rate of the BCRA as of the closing date of transactions on the last business day of the fiscal years. The exchange differences were charged to income (loss) for each fiscal year.

3.5.2. Government and private securities

Government securities:

- Federal Government Bonds in US Dollars LIBOR 2012 – Compensation:

As of December 31, 2005 they were valued based on the quotation prevailing at the end of the fiscal year plus outstanding coupons.

The outstanding compensation amounting to 114,922 (resulting from the redenomination into US dollars of the liabilities with the Financial and Insurance Institutions Assistance Trust Fund detailed in Note 12) was valued

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pursuant to the same criterion and was recorded under Other receivables from financial transactions, in the line Other receivables not covered by debtor classification regulations.

As of December 31, 2004, the Bank booked the compensation received, pursuant to the provisions of BCRA Communication “A” 3785 at face value as of such date, plus interest accrued pursuant to the conditions of their issuance, converted into Argentine pesos under the method described in Note 3.5.1.

- Bonds received under the Argentine sovereign debt restructuring process:
 - Discount Bonds and GDP-linked Securities in U.S. dollars: they were valued based on current listed prices as of December 31, 2005.
 - Discount Bonds in pesos: they were recorded at the book value of the instruments delivered for swap less payments received during 2004 and the first half of 2005, without exceeding the nominal cash flow amount until maturity applicable under the terms and conditions of the bonds received.
- As of December 31, 2004, Argentine Republic External Bills in U.S. dollars “Survey + 4.95% 2001-2004”, and Treasury Bills Series 90 were valued at the lower of book value as of December 31, 2003, or the value obtained after applying to face values at that date the percentage calculated under the present value method in respect of Secured Bonds 2018, in accordance with Communication “A” 4084 of the BCRA. The difference with face value was recognized against the balancing account under Loans as established by Communication “A” 3911.
- Holdings for trading or financial transactions: they were valued based on current listed prices for each security as of December 31, 2005 and 2004. Differences in listed prices were credited/charged to income for fiscal years then ended.
- Unlisted government securities: these bonds were valued at the lower of present or face value (including adjustment and accrued interest), as established by Communication “A” 3911 as amended of the BCRA.

Investments in listed private securities:

Equity and debt instruments: they were valued based on current listed prices as of December 31, 2005 and 2004. Differences in listed prices were charged to income for fiscal years then ended.

3.5.3. Government loans

Federal Government secured loans – Decree No. 1387/01:

As of December 31, 2005 and 2004, these loans were valued at the lower of present or face value (including adjustment and accrued interest), as established by Communication “A” 3911 of the BCRA.

The present value as of December 31, 2005 was calculated by discounting the cash flows as per the relevant contracts at an annual rate of 4%, in accordance with the provisions of the abovementioned Communication for December, 2005.

The face value was calculated in accordance with the swap values established by the Ministry of Economy at November 6, 2001 plus interest accrued through the end of the period, converted into pesos at the rate of 1.40 per dollar plus Benchmark Stabilization Coefficient (CER).

The net effect of differences between the value determined for each loan (the lower of present or face value) and their theoretical value was charged to the balancing account under Loans established by Communication “A” 3911.

In accordance with the abovementioned Communication, the theoretical value was calculated based on the book value at February 28, 2003, net of the balancing account derived from the swap set forth by Decree No. 1387/01 and restated by the CER through the end of the fiscal year.

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Consolidar A.F.J.P. S.A., Consolidar Cía. de Seguros de Retiro S.A. and Consolidar Cía. de Seguros de Vida S.A.: loans secured by the National Government - Decree No. 1387/01 held by these subsidiaries were valued in accordance with the regulations of the Superintendence of Pension Fund Administrators and the National Superintendence of Insurance.

Provincial Governments loans and other Government loans

As of December 31, 2005 and 2004, these loans were valued at the lower of present or face value (including adjustment and accrued interest), as established by Communication “A” 3911 of the BCRA.

The present value as of December 31, 2005 was calculated by discounting the estimated cash flows at the annual rate of 4%, in accordance with the provisions of the abovementioned Communication for December, 2005.

As the present value determined was lower than the technical value (which agrees with the theoretical value), this difference was recognized against the balancing account under Loans established by Communication “A” 3911.

In accordance with the abovementioned Communication, the theoretical value was calculated based on the book value at February 28, 2003 restated by the CER through the end of the each fiscal year.

This item includes 812,165 and 742,930 as of December 31, 2005 and 2004, respectively, corresponding to Provincial Developments Trust Fund Corporate Bonds, which are in the final phase of the restructuring process with the National Government. No substantially adverse effects on the Bank’s equity forecast in this respect.

3.5.4. Benchmark stabilization coefficient (CER) and the Salary Variation Coefficient (CVS) accrual

As of December 31, 2005 and 2004, certain receivables and payables have been adjusted to the CER as follows:

- Federal Government Guaranteed Loans had been adjusted under Resolution No. 50/02 of the Ministry of Economy, which resolved that the CER effective 10 (ten) days prior to the maturity date of the related service will be considered for yield and repayments of the loans.
- Loans to private sector and receivables from sale of assets (subject to conversion into pesos): they have been adjusted under Communication “A” 3507 of the BCRA and supplementary regulations, which resolved that the payments through September 30, 2002, were made under the original terms of each transaction and were booked as prepayments, where as from February 3, 2002, the principal was adjusted to the CER prevailing on December 31, 2005 and the end of the previous fiscal year, deducting the prepayments mentioned above as from the payment date, except those subject to the provisions of Decrees No. 762/02 and 1242/02, which excluded the application of that coefficient from some mortgage, pledge, personal and other lines of credit.
- Federal Government Secured Bonds and Provincial Development Trust Fund Corporate Bonds: had been adjusted under Resolution No. 539/02 of the Ministry of Economy, which resolved that the CER effective 5 (five) days prior to the maturity date of the related service will be considered for yield and repayments of the bonds.
- Deposits and other assets and liabilities (subject to conversion into pesos): have been adjusted considering the CER prevailing as of December 31, 2005 and 2004.

In November 2003, the Bank accrued the C.V.S. (Salary Variation Coefficient) accumulated through that date for accounting purposes and has applied this coefficient on balances until its repeal in May 2004.

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3.5.5. Allowance for doubtful loans and contingent commitments

For loans, other receivables from financial transactions, assets subject to financing lease, receivables from sale of property assets and contingent commitments: these allowance has 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.

3.5.6. Interest income recognition

Interest has been accrued according to a compound interest formula in the fiscal years 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 loan losses. Interest is then recognized on a cash basis after reducing the balance of accrued interest, if applicable.

3.5.7. Unlisted Corporate Bonds

They were valued at acquisition cost plus income accrued but not received as of December 31, 2005 and 2004.

3.5.8. Instruments to be received and delivered for spot and forward transactions to be settled

The Bank enters into forward contracts to buy or sell foreign currencies, listed Government 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 Government 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 associated with repurchase agreements were valued as follows:

- In foreign currency: as of December 31, 2005 and 2004, they were valued according to the benchmark exchange rate of the BCRA for each currency determined on the last business day of each fiscal year.
- Holdings in investment accounts and for trading transactions: according to the method described in Note 3.5.2.

3.5.9. 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, 2005 and 2004.

3.5.10. Assets subject to financing leasing

As of December 31, 2005 and 2004, they have been valued at the present value of unaccrued installments calculated as per the conditions agreed upon in the respective contracts, applying the imputed interest rate thereto.

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3.5.11. Investments in other companies

They have been valued according to the following methods:

- VISA Argentina S.A., Banelco S.A., Consolidar A.R.T. S.A., Rombo Cía. Financiera S.A., BBVA Consolidar Seguros S.A. and Interbanking S.A.: as of December 31, 2005 and 2004 were valued by the equity method at the end of each years.
- Other: as of December 31, 2005 and 2004 were valued at acquisition cost, without exceeding their recoverable value.

The Bank recorded an adjustment to earnings of prior years of 115 (loss) due to adjustments of certain investments in other companies. This adjustment affected the items Investments in Other Companies of the balance sheet as of December 31, 2004 by 115 (decrease) and Other Income of the income statement as that date by 90 (decrease), whereas an adjustment by 25 (decrease) affected income for the year ended December 31, 2003.

3.5.12. 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.

3.5.13. Intangible assets

They have been valued at acquisition cost restated as explained in Note 3.2., less related accumulated depreciation calculated in proportion to the months of estimated useful life of the items concerned.

Amortization of goodwill and organization and development expenses is calculated using the straight-line method over the length of their estimated recovery period (120 month-period for goodwill).

The intangible assets of the subsidiary Consolidar Administradora de Jubilaciones y Pensiones S.A. were amortized in accordance with standards of the A.F.J.P.'s Superintendency.

The Bank recorded an adjustment to earnings of prior years of 18,167 (loss) due to a change in the accounting criteria applied to certain projects. Said adjustment affected the item Intangible Assets of the balance sheet as of December 31, 2004 by 18,167 (decrease) and the item Operating Expenses – Other Operating Expenses of the statement of income as of that date by 12,119 (decrease) whereas as of December 31, 2003 it affected balance sheet accounts by 30,286 (decrease).

3.5.14. Employee termination pay

The Bank expenses employee termination pay as disbursed.

3.5.15. 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, 2005 and 2004.

The Bank recorded an adjustment to earnings of prior years for 8,040 (loss) to reflect expenses of software maintenance and transport of values corresponding to the fiscal year ended December 31, 2004. This adjustment affected the item Other Liabilities from the balance sheet as of December 31, 2004 in 8,040 (increase), the item Administrative Expenses – Other Operating Expenses of the statement of income in 7,390 (increase) and the item Operating Expenses - Other in 650 (increase).

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3.5.16. 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.

3.5.17. 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 original value. The adjustment resulting from the restatement is included in the "Adjustment to Stockholders' Equity" account.

The Stockholders' Meeting held on April 28, 2005 decided to absorb accumulated losses as detailed in the Consolidated Financial Statements of Changes in Stockholders' Equity.

3.5.18. Adjustments to prior years income

Following we present a summary of the adjustments, under BCRA rules, to prior years income which affect the fiscal years 2005, 2004 and 2003:

Items	Adjustments
Investments in other companies	The Bank recorded an adjustment to earnings of prior years of 115 (loss) due to adjustments of certain investments in other companies. This adjustment affected the items Investments in Other Companies of the balance sheet as of December 31, 2004 by 115 (decrease) and Other Income of the income statement as that date by 90 (decrease), whereas an adjustment by 25 (decrease) affected income for the year ended December 31, 2003.
Intangible assets	The Bank recorded an adjustment to earnings of prior years of 18,167 (loss) due to a change in the accounting criteria applied to certain projects. Said adjustment affected the item Intangible Assets of the Balance Sheet as of December 31, 2004 by 18,167 (decrease) and the item Operating Expenses – Other Operating Expenses of the statement of income as of that date by 12,119 (decrease) whereas as of December 31, 2003 it affected balance sheet accounts by 30,286 (decrease).
Other liabilities	The Bank recorded an adjustment to earnings of prior years for 8,040 (loss) to reflect expenses of software maintenance and transport of values corresponding to the fiscal year ended December 31, 2004. This adjustment affected the item Other Liabilities from the balance sheet as of December 31, 2004 in 8,040 (increase), the item Administrative Expenses – Other Operating Expenses of the statement of income in 7,390 (increase) and the item Operating Expenses - Other in 650 (increase).

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<u>Items</u>	<u>Adjustments</u>
Tax on minimum presumed income (“TOMPI”)	Up to December 31, 2003, the Bank recorded under Other Receivables - Tax Advance account, a credit for the TOMPI, as long as this tax exceeded income tax. On March 8, 2004, the BCRA requested the reversal of the amounts recorded as assets for TOMPI for the years 2001/2002 with charge to income or prior years’ adjustments, as appropriate, based on a regulatory interpretation of the BCRA. In addition, on February 11, 2005, the BCRA issued Communication “A” 4295 whereby it allowed, under certain guidelines, to record TOMPI credit balances. Therefore, on December 31, 2005, the Entity recorded this asset for 118,494 (90,094 in the items Other Receivables - Tax on minimum presumed income and 28,400 in Other Receivables – Other) and included an adjustment to earnings of prior years for a total amount of 92,631 (gain). In the balance sheet as of December 31, 2004, presented for comparative purposes, such adjustment affected the item Other receivables by 92,631 (increase) and in the statement of income as of that date affected the items Income Tax and Tax on Minimum Presumed Income and Other Income by 26,406 (decrease), whereas an adjustment of 65,631 affected the book value at the beginning of fiscal year 2004.
Portfolio variation coefficient	On June 30, 2004, in compliance with the provisions under Communication “A” 4114 of the B.C.R.A. and Resolution 302/04 of the Ministry of Economy and Production, the Bank proceeded to write off the asset representing the nominal difference generated by the application of CVS instead of CER and booked an adjustment of earnings of prior years for 141,064 (loss). In the Financial Statements as of December 31, 2003, presented for comparative purposes, such adjustment affected the other receivables account (decrease) for 141,064, other income (decrease) for 105,792 and other expense (decrease) for 61,728. Under no circumstances does such de-registration mean a waiver of compensation.

3.5.19. Statements of Operations Accounts

- As of December 31, 2005 and 2004, 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 amounts. As of December 31, 2003 accounts accruing monetary transactions (Financial Income (Expense), Service Charge Income (Expense), Provision for Loan Losses, Operating Expenses, etc.) were restated by applying the adjustments coefficients to the historical amounts accrued on a monthly basis, up to February 28, 2003.
- 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.

3.5.20. Consolidated statements of cash flows

For purposes of reporting cash flows, cash and cash equivalents include amounts set forth under “Cash and due from banks”. The Consolidated Statement of Cash Flows was prepared using the measurement methods prescribed by the BCRA, but in accordance with the SEC’s presentation requirements.

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3.5.21. Other assets and other liabilities from subsidiaries (Consolidar Group)

They have been valued in accordance with the accounting standards established by the National Superintendence of Insurance and National Superintendence of Pension Funds Managers.

3.5.22. Use of estimates

The preparation of the Financial Statements in accordance with the standards set forth by the BCRA requires the Bank's Board of Directors 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 periods being reported. Final income/loss may differ from such estimates.

NOTE 4—DIFFERENCIES BETWEEN BCRA ACCOUNTING STANDARDS AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES EFFECTIVE IN BUENOS AIRES CITY - ARGENTINA

By Resolution CD No. 93/05 the Professional Council in Economic Sciences of Buenos Aires City (C.P.C.E.C.A.B.A.) adopted, with certain clarifications, Technical Pronouncements No. 16, 17, 18, 19, 20 and 21 of the F.A.C.P.C.E. incorporating certain changes to the professional accounting valuation and disclosure standards. Furthermore, by General Resolution No. 459/04, the National Securities Commission (C.N.V.) adopted, with certain amendments, those Technical Pronouncements based on the resolutions of the C.P.C.E.C.A.B.A., which are mandatory applicable as from the years commenced on January 1, 2003, except for Technical Pronouncement No. 21, effective on April 1, 2004, with early application permitted.

The Bank has prepared these Financial Statements by applying the regulations of the BCRA, which do not contemplate some of the valuation criteria incorporated to the accounting principles generally accepted in Buenos Aires City.

The main differences between the regulations of the BCRA and the accounting principles generally accepted in Buenos Aires City are detailed below.

4.1. Restatement of the Financial Statements to recognize the changes in the currency purchasing power

These Financial Statements recognize the effects of changes in the currency purchasing power through February 28, 2003 following the restatement method established by Technical Pronouncement No. 6 of the F.A.C.P.C.E. (amended by TP No. 19). In accordance with Decree No. 664/03 of the National Executive Power, Communication "A" 3921 of the BCRA and Resolution No. 441 of the C.N.V., the application of that method was discontinued by the Bank and, therefore, it did not recognize the effects of changes in the currency purchasing power arising after March 1, 2003.

In addition, CD No. 190/03 issued by the C.P.C.E.C.A.B.A. established the discontinuance of the restatement into homogenous currency as from October 1, 2003 on the understanding that the country showed a stable monetary context. The change in the Wholesale Prices Index between March 1, 2003 and September 30, 2003 was 2.14% (negative). Had the accounting information been restated in accordance with professional accounting standards, the effect on the results for each fiscal year and total stockholders' equity would not have been significant considering the Financial Statements as a whole.

4.2. Valuation criteria

a) Federal Government Secured Loans

During the year ended on December 31, 2001, as a consequence of the provisions of Decree No. 1387/01, on November 6, 2001 the Bank and its subsidiaries exchanged federal government securities, bonds, treasury bills and/or unsecured loans with the Federal Government for a face value of US\$3,291,795 thousands for federal secured loans. At December 31, 2005 and 2004, those loans are recorded under "Loans – to the Government Sector" amounting to 3,809,264 and 6,181,489, respectively, in accordance with the criterion described in Note 3.5.3.

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In accordance with Resolution CD No. 290/01 of the C.P.C.E.C.A.B.A., at December 31, 2005 and 2004, these assets should have been valued considering the respective quotation values of the swapped bonds at November 6, 2001, delivered in exchange. However, the recoverable values of these assets as of December 31, 2005 exceed their book values.

b) Government Securities and Other Credit Assistance to the Public Sector

As of December 31, 2005 and 2004, the Bank and its subsidiaries keeps other assets with the Public Sector amounting to 1,172,681 and 1,867,810 respectively, in accordance with the criterion described in Notes 3.5.2., 3.5.3. and 3.5.8. In accordance with accounting principles generally accepted in Buenos Aires City, these assets are to be valued at current value and would imply a decrease in stockholders' equity in approximately 265,000 and 518,000 as of December 31, 2005 and 2004.

c) Effects caused by court measures related to deposits (constitutional protection actions)

As mentioned in Note 15.2., as of December 31, 2005 and 2004, the Bank recorded assets amounting to 565,352 and 739,289 (whose original values had been 1,119,388 and 1,075,116), respectively, under "Intangible Assets – Organization and Development Expenses" account corresponding to differences resulting from compliance with the court measures generated by the repayment of deposits in the financial system within the framework of Law No. 25,561, Decree No. 214/02 and complementary regulations, as established by Communication "A" 3916 of the BCRA. In accordance with professional accounting standards currently in force, the amounts detailed above should have been covered by an allowance up to the concurrence of the balance that represents the best possible estimate of the amounts to be recovered, an amount that may not be objectively determined as of the date of issuance of these statements.

d) Tax effects

As already indicated 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 current 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 360,000 and 118,000 as of December 31, 2005 and 2004, respectively, should be reversed.

4.3. Disclosure aspects

Unrealized valuation difference

During the fiscal year 2004, the Bank has absorbed 200,000 of the negative results appeared from the sale operation of the subsidiary of Banco Francés (Cayman) Limited and charged to the account "Unrealized Valuation Difference" of the stockholders' equity, according to what was authorized in the Resolution No. 52/04 of the Superintendent of Financial and Exchange Institutions.

According to accounting principles generally accepted in Buenos Aires City, such amount should have been charged to income (loss) for the fiscal year finished on December 31, 2004, while the remaining balance of the mentioned account should be recorded into unappropriated earnings account of the stockholders' equity.

4.4. Other differences with respect to generally accepted accounting principles effective in Buenos Aires City, Consolidar Cía. de Seguros de Retiro S.A.

The Company included the balance from the technical commitments incurred with the insured in the Other Subsidiaries' Liabilities caption. The abovementioned caption includes 29,819 and 58,458 for the fiscal years ended at December 31, 2005 and December, 31 2004, respectively, corresponding to the regularizing account called "Unaccrued secured loans valuation difference" which, as established by the National Superintendence of Insurance, will be settled

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through subsequent accrual of the regularizing accounts of secured loans. In accordance with current professional accounting standards, such amount should have been recorded as a loss for the year ended December 31, 2003.

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 each fiscal year considering the effect of temporary differences between accounting and taxable income. The Bank considered as temporary differences those that have a definitive reversal date in subsequent years. As of December 31, 2005 and 2004, the Bank has estimated the existence of a net operating loss in the income tax.

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's Board of Directors, based on the opinion of its legal counsel, have responded the above mentioned note, indicating that in their opinion the rules of the BCRA did not prohibit the application of the deferred tax method generated by the recognition of temporary differences between the accounting and tax result. Subsequently, Resolution No. 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 has set up an allowance for the net balance between the deferred tax assets and liabilities.

5.2. Tax on minimum presumed income

Tax on minimum presumed income (TOMPI) was established by Law No. 25,063 in the year ended December 31, 1998, for a ten-year term. 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 tax on minimum presumed income, but will be reduced by any excess of the latter over former.

Up to December 31, 2003, the Bank recorded under Other Receivables - Tax Advance account, a prepaid tax for the TOMPI, as long as this tax exceeded income tax.

On March 8, 2004, the BCRA requested the reversal of the amounts recorded as assets (prepaid tax) for TOMPI for the years 2001/2002 with charge to income or prior years' adjustments, as appropriate, based on a regulatory interpretation of the BCRA.

In addition, on February 11, 2005, the BCRA issued Communication "A" 4295 whereby it allowed, under certain guidelines, to record TOMPI receivable balances.

Therefore, on December 31, 2005, the Entity recorded this asset for 118,494 (90,094 in the items Other Receivables - Tax on minimum presumed income and 28,400 in Other Receivables - Other) and included an adjustment to prior years earnings for a total amount of 92,631 (gain). In the balance sheet as of December 31, 2004, presented for comparative purposes, such adjustment affected the item Other receivables by 92,631 (increase) and in the statement of operations for the year then ended affected the items Income Tax and Tax on Minimum Presumed Income and Other Income by 26,406 (decrease), whereas an adjustment of 65,631 affected the book value at the beginning of fiscal year 2004.

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5.3. Other tax issues

The AFIP (Argentine Public Revenue Administration) inspected open tax periods and the Bank received ex-officio assessments, which were appealed before the Argentine Administrative Tax Court. Such Court, to the issuance date of these Financial Statements, gave an opinion on the ex-officio assessment made in 1992 and 1993, partially admitting the claim of tax authorities. On June 18, 2002 the Bank decided to appeal the ruling of 1992 with the Court of Appeals, where it is being treated at present.

Furthermore, on July 18, 2003 a remedy for the review and appeal against the 1993 judgment was filed, and is currently pending.

The Argentine Administrative Tax Court has also issued an opinion in respect of the appeals filed against the ex-officio assessments concerning the tax on minimum presumed income for year 1999 and the income tax for years 1994, 1995 and 1998, fully upholding the claims filed and reversing the appealed resolutions. However, on April 8, 2005 the Argentine Administrative Tax Court conceded the appeal to Argentine Public Revenue Administration.

The Board of Directors and tax and legal counsel estimate that the Bank made a reasonable interpretation of effective regulations regarding the observed periods.

NOTE 6— SUBSIDIARIES' OTHER ASSETS AND SUBSIDIARIES' OTHER LIABILITIES

Detailed below are the balances of those accounts:

Subsidiaries' Other Assets

	<u>2005</u>	<u>2004</u>
Premium receivables from insurance companies	23,461	16,431
Complementary Capital – Insurance Company	13,226	13,337
Others related to insurance business	3,568	2,574
Total	<u>40,255</u>	<u>32,342</u>

Subsidiaries' Other Liabilities

	<u>2005</u>	<u>2004</u>
Insurance companies, claims in adjustment process	128,339	312,638
Fluctuation fund – Consolidar Cía de Seguros de Retiro S.A.	79,887	90,470
Insurance companies, mathematical reserve	1,367,010	1,235,383
Insurance companies, reinsurer's reserve	(244)	(79,191)
Difference arising from secured loans accrued valuation	(29,819)	(58,458)
Benefit pending of integration – Resolution No. 29,796	(2,203)	(114,266)
Others related to insurance business	74,921	26,811
Total	<u>1,617,891</u>	<u>1,413,387</u>

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NOTE 7—RESTRICTED ASSETS

As of December 31, 2005, there were Bank's assets, which are restricted as follows:

- a) The Government and Private Securities account includes 24,435 in Federal Government bonds in US dollars LIBOR 2012 which have been frozen until final confirmation by the Argentine Minister of Economy and Production of the compensation amount (see Note 15.1.).
- b) The Government and Private Securities account includes 69,068 in Secured Bonds due 2018 allocated to the guarantee required to act as custodian of investment securities related to pension funds.
- c) Out of the Bank's loan portfolio, 1,213 are allocated to the guarantee securing payables to the BCRA.
- d) Francés Valores Sociedad de Bolsa S.A. (stockbroking company) holds two shares of Mercado de Valores de Buenos Aires S.A, booked in the amount of 4,840. 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 stock broking companies with their obligations.

NOTE 8—CONTINGENCIES

Export tax rebates

In January 1993, former Banco de Crédito Argentino ("ex BCA") found out that a group of companies presumably related among them had used fake documentation to collect export tax rebates, under current legislation through certain of its branches.

Immediately upon becoming aware of such events, the ex-BCA reported this situation to the Federal Police Banking Division pressing criminal charges before the Federal Criminal Court No. 2, Clerk's Office No. 5 of the City of Buenos Aires.

The BCRA has made certain observations to the procedure followed by the ex-BCA in paying tax rebates. The ex-BCA has based its reply to the BCRA on the fact that the aforesaid payments had been made complying strictly with current regulations for the aforesaid transactions.

On October 14, 1994, the General Director for Legal Affairs of the Ministry of Economy and Public Works and Utilities (MEOSP) ordered the ex-BCA to reimburse the amount which may be applicable to tax rebate payments which, in his opinion, were considered inapplicable.

On October 26, 1994, the ex-BCA filed a notice with the MEOSP by which it fully and emphatically rejected the aforesaid order for containing untrue, erroneous and legally unfounded representations since the ex-BCA acted in strict compliance with current regulations when carrying out each and every transaction related to the payment of export tax rebates.

On December 17, 1996, the ex-BCA was notified of the lawsuit filed by the Federal State in the action styled MEOSP, Federal State vs. BCA in regard of "Request for Opinion", at the Federal Administrative Court of Original Jurisdiction, Clerk's Office No. 1 of the City of Buenos Aires.

The lawsuit has been filed in November 1995 even when it was first notified by the Federal State on the aforesaid date.

In February, 1997, the ex-BCA put forth a defense to stop the progress of the lawsuit filed by the Federal Government suspending the term until the complaint is answered. In that filing the Bank's Legal Counsel alleged that the ex-BCA acted in compliance with the standards in force, and after a background analysis, it became abundantly clear that it was the responsibility of the government agencies that had not met the express control standards under their exclusive charge.

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The abovementioned exception was dismissed in December 1997 by the judge hearing the case, therefore, in February 1998, the Bank decided to file an appeal with the Court of Appeals.

The Court of Appeals ruled in favor of the Bank's appeal, that is to say, it upheld the Bank's defense based on a legal defect and its request that the Banco de la Nación Argentina, the Customs Service and the BCRA be summoned as parties to the suit. Both such requests were rejected by the Court of original jurisdiction and have now deserved a favorable ruling from the appellate court.

At present, the proceedings are awaiting that the Federal State amends the vices of its action, hence once this has been complied with, notifications will be resumed. Irrespective of the above, it has been agreed to suspend the legal proceedings with a view to a possible out-of-court transactions formulated by sellers, since this out-of-court settlement was dropped by sellers, the abovementioned legal proceedings were resumed. Despite the suspension of terms, the parties agreed to a pre-trial stage for the production of evidence. The court has ordered the Federal Government to resolve the defects in the claim. The National Government has just reduced its claim significantly.

In any event, the eventual contingency resulting from such situation will be assumed by the sellers of the ex-BCA under the terms of the shares sales contracts.

NOTE 9—BANK DEPOSIT GUARANTEE INSURANCE SYSTEM

The Bank is included in the Deposit Guarantee System established by Law 24,485, Regulatory Decrees No. 540/95, 1292/96 and 1127/98 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 No. 1292/96, shall be the BCRA with one share as a minimum and the trustees of the trust created by the financial institutions in the 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 13.7597% 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 of 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 thirty 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 No. 19/01, providing for the exclusion of Mercobank S.A.'s (a bank organized under Argentine legislation) senior liabilities under the terms of Section 35 bis of the Financial Institutions Law, the authorization to transfer the excluded assets to BF 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 BF as trustee in relation to the exclusion of assets as provided in the resolution abovementioned. BF entrusted Atuel Fideicomisos S.A. the management of collections and the realization of the corpus assets. As of December 31, 2005, total estimated corpus

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assets of Diagonal Trust and Inmobal Nutrer Trust amount to 5,728 and 4,699 respectively, and they are recorded in memorandum debit accounts “For trustee activities – Funds received in trust”.

Atuel Fideicomisos S.A., within the framework of its activities, is acting as trustee for the following trusts, and will not respond with its personal property in the execution of the trust, to be satisfied with the underlying assets.

- Corp Banca Trust: created by contract dated May 13, 1997, signed between Atuel Fideicomisos S.A. as trustee, Corp Banca S.A. (later BBVA Banco Francés S.A.) as trustor and beneficiary, Banco Central de la República Argentina and Seguro de Depósitos S.A. (the beneficiaries).

The proceeds of the collection and/or the realization of the assets that constitute this Trust, resulting from Trustor’s performance, will be applied to the obligations engaged and/or assumed by Corp Banca S.A. (later BBVA Banco Francés S.A.) as beneficiaries of this trust, under the terms and conditions detailed in the respective contract.

- Banco Francés Trust: created by contract dated May 12, 2000, signed between Atuel Fideicomisos S.A. as trustee, and BBVA Banco Francés S.A. as trustor and beneficiary. As from January 1, 2002, by assignment made by BBVA Banco Francés S.A., the beneficiary of the certificate of interest is Banco Bilbao Vizcaya Argentaria S.A. (BBVA).

Atuel Fideicomisos S.A. acts as liquidator and collection manager of the assets under trust, and is accountable to the beneficiary for all monthly amounts obtained as a consequence of the above-mentioned liquidation and collection.

In addition, Atuel Fideicomisos S.A. participates as the administration and collection manager of Diagonal Trust which was created by contract dated January 5, 2001, signed between Mercobank S.A as trustor, BBVA Banco Francés S.A. as trustee and BBVA Banco Francés S.A and other financing entities and Seguro de Depósitos S.A. as beneficiaries.

10.2. Non-Financial Trusts

BF acts as trustee in 63 and 53 non-financial trusts for the fiscal years ended at December 31, 2005 and December 31, 2004, respectively, 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 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 4,068 million and 4,135 million as of December 31, 2005 and 2004, respectively, consist of cash, creditors' rights, real estate and shares.

NOTE 11—CORPORATE BONDS

The Ordinary Stockholders’ Meeting of former-Banco Francés del Río de la Plata (former-BFRP) held on September 30, 1994, authorized the creation of a five-year program for issuance and reissuance of corporate bonds, nonconvertible into shares, for an amount of up to US\$500,000,000.

On April 27, 1999, the Ordinary and Extraordinary Stockholders’ Meeting decided to extend the term of the abovementioned program for five years and authorized the issuance of corporate bonds convertible into share of commons stock in the amount of up to US\$200,000,000 either under the Bank’s program or otherwise.

On April 27, 2000, the Ordinary and Extraordinary Stockholders’ Meeting approved to increase the outstanding amount under the abovementioned program for up to US\$1,000,000,000. The increase was authorized by CNV’s Certificate No. 268 of July 18, 2000.

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In addition, the abovementioned Stockholders' Meeting approved the creation of a program for the issuance of non-subordinated short-term corporate notes to be issued under several classes and series up to a total amount outstanding at any given time of US\$300,000,000; the term of the program is five years, during which corporate notes nonconvertible into shares and unsecured or guaranteed by third parties may be issued for a term of up to one year in accordance with the conditions stipulated by the Board of Directors.

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 Negotiable Obligations with ordinary guarantee, or such guarantees as may be decided by the Board of Directors, and unsecured Subordinated Negotiable Obligations, convertible or not into shares. During the life of the Program, which will be 5 (five) years, it shall be possible to issue and re-issue any number of series and/or classes of Negotiable Obligations 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.

The following chart reflects corporate bonds in force as of December 31, 2005:

<u>Global program amount</u>	<u>Date of issuance</u>	<u>Features</u>	<u>Face value</u>	<u>Currency</u>	<u>Price of issue</u>	<u>Nominal annual rate</u>	<u>Payment of interest</u>	<u>Book balance (in thousands)</u>	<u>Capital expiration Date</u>
US\$ 1,000,000,000	11/26/2003	Non-subordinated	94,503,150	US\$	100%	(1)	Semiannual	288,871	10/31/2008 (2)

(1) Libor plus 150 basis points.

(2) Principal shall be amortized in 10 semiannually installments with maturity between April 30 and October 31 each year.

According to the provisions of the Corporate Bond Law and to the rules of the BCRA, the proceeds from the issuance of corporate bonds are allocated to (i) granting mortgage loans to purchase and repair housing and personal loans in Argentina; (ii) granting corporate loans in Argentina earmarked for contributions to working capital; investment in physical assets located in Argentina or refinancing liabilities, or (iii) contributing to working capital, investing in physical assets located in Argentina or refinancing liabilities.

NOTE 12—FUNDING OF THE FINANCIAL AND INSURANCE INSTITUTIONS ASSISTANCE TRUST FUND (FFAEFS)

- 12.1.** On November 22, 1996, the ex-BCA requested the Board of the FFAEFS for a US\$60,000,000 loan to finance the purchase of certain assets and liabilities to be excluded from ex - Banco Caseros S.A. Such request was granted and the respective agreement was signed on December 18, 1996.

By means of such agreement, the Bank undertook to repay the loan seven years after disbursement by the FFAEFS on December 20, 1996. On December 22, 2003, the Bank cancelled such financing, after its conversion into Argentine pesos at the exchange rate of 1 Argentine peso to each dollar and its adjustment by CER.

- 12.2.** On December 22, 1997, Corp Banca (CB) executed with the FFAEFS a loan for consumption agreement in the amount of US\$30,000,000, to be reimbursed in five annual, equal and consecutive installments starting as from the disbursement date. The first one would be paid three years after such date.

As per this agreement, CB issued subordinate corporate bonds with the authorization for public offering by the CNV and the authorization to trade on the BCBA in the terms and conditions established in the loan for consumption agreement and under Communication "A" 2264 of the BCRA for the amount equivalent to that effectively loaned under the loan for consumption agreement referred to above. By Resolution No. 12,384 of August 28, 1998, the CNV authorized the issuance of common, subordinate corporate bonds nonconvertible into shares for a face value of US\$30,000,000 at an annual nominal rate equal to LIBOR plus an annual nominal rate of 4% for the first period and, thereafter, LIBOR plus an annual nominal rate of 3% with a minimum of 8,07% per annum, due December 29, 2004.

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On December 29, 2004, the Bank cancelled the last installment of this corporate bonds, after its conversion into Argentine pesos at the exchange rate of 1 Argentine peso to each US dollar and its adjustment by CER.

Due to these agreements, the BF may not distribute cash dividends in amounts exceeding 50% of liquid and realized income related to each balance sheet normally prepared.

On January 10, 2003, the Federal Executive published Decree No. 53/03 which amended section 1 subsection j) of Decree No. 410/02, excluding from the conversion into pesos provided for by section 1 of Decree No. 214/02 the “obligation of Public and Private Sector Companies to pay any amount of money in foreign currency owed to the National Government as a result of subsidiary or other loans and guarantees originally financed by Multilateral Credit Institutions or arising from liabilities owed by the National Treasury and refinanced with external creditors”.

The decision taken by the Managing Committee of the Trust Fund for Reconstruction of Companies at the meeting held on May 28, 2003 stating that only 50% of the aforementioned financing was to be converted into pesos while the difference was to be maintained in its original currency was notified by note dated June 9, 2003.

The Bank has filed a subsidiary appeal for reversal before a higher administrative authority applying for a change in the aforementioned criterion and has reiterated its position on occasion of each interest and principal payment. Upon the appeal for reversal being dismissed, the claims were filed with the hierarchical superior officer on March 16, 2004. On May 17, 2004 the grounds for the appeal before the higher administrative authority were enlarged.

On February 7, 2005, the Bank was notified of Resolution No. 25 dated January 17, 2005 executed by the Argentine Minister of Economy and Production, which dismisses the Hierarchical Remedy filed.

On May 16, 2005, an administrative action under section 100 (Decree No. 1759/72, 1991 revision) was filed against Resolution No. 25 issued by the Ministry of Economy and Production, which dismissed the Hierarchical Appeal filed by the Bank. At present, the case is pending determination by the Federal Executive. Notwithstanding, in May 2005 a liability of 23,176 thousand dollars was recorded under Other Liabilities from Financial Transactions, this being the dollar amount owed estimated by the Bank in the filing mentioned above. This effect should be compensated under the terms of the compensation mechanism for financial institutions mentioned in Note 15.1., which was also recorded for 114,922 in the line Other receivables not covered by debtor classification regulations under Other receivables from financial transactions (Note 3.5.2.) and 72,429 for the corresponding liability to be paid to B.C.R.A. At any event, the final determination of this issue would not imply additional losses for the Bank.

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, 2005, the Bank’s Stockholders’ Equity exceeds the minimum requested to act as agent in the over-the-counter market, according to Resolution No. 368/01 of the CNV.

13.2. Mutual Funds custodian

As of December 31, 2005 and 2004, in its capacity of custodian of “FBA Acciones Globales”, “FBA Total”, “FBA Renta”, “FBA Renta Pesos”, “FBA Renta Dólares”, “FBA Bonos”, “FBA Calificado”, “FBA Ahorro Dólares”, “FBA Ahorro Pesos”, “FBA Renta Fija”, “FBA Renta Premium”, “FBA Renta Corto Plazo”, “FBA Europa”, “FBA Horizonte”, “FBA Internacional” and “FBA EEUU”, managed by the subsidiary Francés Administradora de Inversiones S.A. Gerente de Fondos Comunes de Inversión, the Bank holds certificates of deposits, shares, corporate bonds, government securities, tax credit certificates and investments financial trust certificates in safekeeping in the amount of 777,933 and 423,568 respectively, all of which making up the Fund’s portfolio and booked in memorandum accounts “Debit-Control - Other”.

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NOTE 14—RESTRICTIONS ON EARNINGS DISTRIBUTIONS

- a) As stated in Note 12, the Bank may not distribute as dividends in cash an amount exceeding 50% of liquid and realized income related to each one of the Financial Statements regularly prepared.
- b) Under BCRA Communication “A” 4152, the distribution of earnings must be previously approved by the BCRA.
- c) Under BCRA Communication “A” 4295, in order to determine the balances to be distributed, the assets booked as Minimum presumed income tax are to be deducted from unappropriated earnings.
- d) As stated in the Offering Memorandum of the Bank's outstanding corporate bonds, the Bank may pay dividends or other distributions only with ordinary shares.

NOTE 15—ECONOMIC FRAMEWORK AND EVOLUTION OF THE BANK

On January 14, 2005, the restructuring process started for a substantial part of Argentina's sovereign debt, in default ever since late 2001 (for an approximate amount of US\$80 billion). The process included a significant reduction in the principal owed as well as reduction in interest rates and extension of payment terms. For this purpose, the National Government offered three types of bonds in exchange for the defaulted securities, whose characteristics were established pursuant to Decree No. 1735/04. Additionally, the Government has announced that it does not plan to make payments on debt not submitted to the restructuring process. The proposal presented contemplated the issuance of bonds with significant waiting periods both for the amortization of principal and interest. This will allow the Government to schedule maturities stepwise and to have financial relief, as it will thus be able to adequately honor payments of the debt recently restructured and to continue to honor the payments already committed in the framework of the debt restructured during 2002 (primarily the Secured Loans issued by the National Government) as it has been doing so far. The swap period came to an end on February 25, 2005. The level of acceptance received by the exchange offer was significant. On March 18, 2005, the National Government announced the outcome of the exchange, the degree of acceptance of which amounted to 76.15%. And this implies that the Argentine Republic has left the default behind.

In June 2005, the National Government consummated the delivery of the exchanged government securities. U.S. dollar-denominated Discount Bonds and peso-denominated Discount Bonds were received, and interest amounts were also paid as scheduled.

Additionally, in mid-December, 2005 the Government decided to pay off, in full and prior to maturity, its indebtedness to the IMF, applying to such payment the international reserves accumulated in the B.C.R.A.

At the close of fiscal 2005, BBVA Banco Francés posted income for 117,204, with stockholders' equity amounting 1,801,547 and a ROE (average return on equity) of 7%. Hand in hand with robust economic growth, reflected in a 9% increase in GDP, the Bank successfully implemented a business strategy aimed at reconstructing the volume of intermediation in the private sector, in turn reflected in 69.4% growth in the aggregate of loans to the private sector and 19.4% in total deposits. In line with this objective, the Bank kept focused on its core business, consolidating its leading position in the market in terms of deposits, growing in terms of total loans to the private sector and posting quality levels in its portfolio that are even better than those seen prior to the crisis. Additionally, the Bank maintained its strengths in transactional businesses carrying out at the same time major improvements in the structure of its assets and liabilities, including a decrease in Government assets and total settlement of the re-discounts due to illiquidity granted by the Central Bank of Argentina during the 2002 crisis (with rate costs plus CER adjustment). The substantial increase in profitability achieved during 2005 provides a sound basis for the challenge faced by the Bank for the future consisting in the expansion of recurring income, which represents the Bank's main objective.

Consolidation in the financial margin, based on higher variation in the CER coefficient plus a growing volume of intermediation with its customers, in conjunction with high efficiency levels led to sustained growth in the Bank's operating income. Such growth in operating income was achieved after offsetting the loss derived from the sale of

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Government assets with the charge resulting from the amortization due to payment of the actions for the protection of constitutional rights (“amparo”) for this fiscal year.

In the light of the favorable evolution seen in recent years, the Board of Directors of the Bank is optimistic in relation to future operations, specially if the Federal Government were to take measures to solve the deep imbalance caused by compliance with the constitutional protection actions (judicial injunctions) and to complete the process of compensation to the financial system.

15.1. Asymmetrical conversion into pesos (pesification)

The Bank received several notes from the BCRA in which it observed certain items and recording criteria that gave rise to the compensation being requested. BF answered those letters expressing that it had made a reasonable interpretation of current regulations and requesting the BCRA to review the criteria observed.

Subsequently, Resolutions No. 24/04 and 179/04 issued by the Superintendent of Financial and Exchange Institutions, partially accepted the defense presented by the Bank. BF filed two Hierarchical Remedy with the Superintendence of Financial and Exchange Institutions, requesting the revocation of the abovementioned resolutions in respect of rejected items.

The total effect of the above differences on the compensation amounts to 280,000, approximately. It should be noted that as of December 31, 2004 the Bank has written off assets subject to objections that were not recognized in connection with the BCRA’s request. This does not imply a waiver of the actions mentioned above.

In addition, as mentioned in Note 12, in May 2005 the compensation to be received in Boden 2012 for US\$39,078,010 face value was recorded under Other receivables not covered by debtor classification -Other receivables from financial transactions.

15.2. Legal actions – Constitutional protection actions

The measures adopted by the Federal Executive Power with respect to the situation of public emergency in political, economic, financial and foreign exchange matters triggered a number of legal actions brought by individuals and companies against the Federal Government, the BCRA and financial institutions, based on considering that some of those measures were contrary to their constitutional rights.

In the particular case of foreign-exchange deposits, the first instance courts of began to massively order by precautionary measures the partial or total reimbursement of such deposits, either in foreign currency or at the free-exchange rate at the time of reimbursement, until a final pronouncement is made as to the constitutional validity of the conversion into pesos of foreign-currency deposits, as set forth by legal regulations of the Federal Executive.

Up to the date of these Financial Statements, the Supreme Court has issued a number of judgments related to this issue which resolve the subject only in a partial and non-definitive manner, as more fully detailed in Exhibit I to these Consolidated Financial Statements.

On the other hand, in view of the equity loss caused by these measures to the detriment of the financial system, and in particular of BF, such loss has been brought to the knowledge of the Ministry of Economy and the BCRA, with reserve of rights. To this date, the authorities have not ruled a possible compensation for the financial system on this matter.

The Bank, in conformity with BCRA regulations, has recognized the differences resulting from the compliance of the above-mentioned judicial pronouncements with respect to the provisions of the regulations in force. The above-mentioned assets, calculated according to the nominal difference between the free-exchange rate of the deposit at the time of payment as against the accounting value (the nominal value of the foreign-exchange deposit converted into pesos at the rate of 1.40 pesos per dollar plus CER adjustment to that date), are being amortized in 60 monthly installments as from April 2003 or as from the date of payment, whichever is later.

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As of December 31, 2005 and 2004, BF recorded 565,352 and 739,289, respectively, (after deduction of accumulated amortization for 554,036 and 335,827 as of December 31, 2005 and 2004, respectively) under Intangible Assets, Organization and Development Expenses account.

The Bank, however, notifies that such amortization is solely calculated to comply with the regulations of the BCRA and that by no means does it 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.

In the opinion of the Bank's Board of Directors and its legal advisors there exists compensation or recovery probabilities for such equity loss.

15.3. Portfolio variation coefficient

Pursuant to Law No. 25,796 and Decree No. 117/04, the Federal Government established that financial institutions were to be compensated for the damages sustained as a result of the application to certain bank loans of indexation by salary variation coefficient (CVS) instead of indexation by benchmark stabilization coefficient (CER). The Argentine Central Bank (B.C.R.A.) regulated such procedure through Communication "A" 4114, whereas the Ministry of Economy and Production, pursuant to Resolution 302/04 clarified the calculation methodology to be used. However, given that the provisions mentioned give rise to doubts as regards implementation and effective compensation, on May 6, 2004, the ABA (Asociación de Bancos de la Argentina) filed with the Ministry of Economy with copy to the Argentine Central Bank, a request for compensation for the difference between the CER and CVS coefficients applicable to loans according to the provisions of Law No. 25,713, Decree No. 762/02. Said request was rejected by the Ministry of Economy on July 21, 2004.

As the Bank applied the CVS coefficient to certain loans subject to "pesification", on May 18, 2004, it filed with the B.C.R.A., with copy to the Ministry of Economy, its adhesion to the system of compensation for the difference in coefficients already mentioned, subject to the calculation methodology that in the opinion of the Bank was best suited to the spirit of current rules and regulations, a copy of which was attached to the adhesion filing. Said filing was ratified in a letter dated October 4, 2004.

On June 30, 2004, in compliance with the provisions under Communication "A" 4114 of the B.C.R.A. and Resolution 302/04 of the Ministry of Economy and Production, the Bank proceeded to write off the asset representing the nominal difference generated by the application of CVS instead of CER and booked an adjustment of earnings of prior years for 141,064 (loss). In the Financial Statements as of December 31, 2003, presented for comparative purposes, such adjustment affected the other receivables account (decrease) for 141,064, other income (decrease) for 105,792 and other expense (decrease) for 61,728. Under no circumstances does such de-registration mean a waiver of compensation.

15.4. BCRA advances and rediscounts

For the purpose of covering the decrease in deposits, the Bank obtained, during the period March through July 2002, advances from the BCRA at the end of the previous fiscal year amounted to (principal, CER and interests) 1,855,115, and are included under "Other liabilities from financial transactions – BCRA Other". In guarantee of such assistance, the Bank executed a first-degree collateral agreement whereby it encumbered in favor of the BCRA a portion of the Bank's credit rights under the Guaranteed Loan Agreement executed on December 7, 2001, pursuant to Federal Executive Decree No. 1387/01 as supplemented and amended.

On September 2, 2005, the Bank cancelled in advance the aggregate balance of rediscounts for liquidity purposes granted by the BCRA, then amounting to 1,827,911. Consequently, the national secured loans pledged as a security for that assistance were released and are available as of the date hereof.

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15.5. Regularization and Reorganization Plan

Due to the systemic crisis occurred at the end of 2001, the Bank's Board of Directors decided to implement a plan to strengthen the Bank's stockholders' equity and liquidity. Similarly, the BCRA in exercise of its powers requested that the Bank formally submit the above-mentioned plan before that body. The plan was presented on May 31, 2002.

As from July 2002, BF has regularized its liquidity position, fulfilling in this way with the technical regulations required, under this concept, by the BCRA.

By Resolution No. 354/2003 dated September 4, 2003, the BCRA requested the Bank's reformulation of the regularization and reorganization plan to consider issues such as the adoption of measures to increase the Bank's adjusted stockholders' equity and conforming of technical ratios to those required by Communication "A" 3959 and complementary regulations related to Minimum Capital Requirements in force as from January 1, 2004. After its joint analysis with the technical divisions of the Bank and the BCRA of the alternatives under treatment, on January 21, 2004, the Bank filed a formal reformulation of the regularization and reorganization plan with the control authority, thus complying with the requirements established by the mentioned Resolution.

During March 2004, the Bank carried out the actions covered in the plan, included the sale of the subsidiary Banco Francés (Cayman) Limited to BBVA. Therefore, as from April 2004 the Bank has met the Minimum Capital requirements and other technical ratios established by the BCRA, even without giving effect to the capital increase made in November 2004.

In addition, the Stockholders' Meeting dated April 22, 2004 ordered a capital increase that was fully subscribed and paid in during the month of November 2004.

During June, 2004, as committed in the plan, the repurchase of loans and the sale of Boden 2012 was carried out.

On February 25, 2005, the Superintendent of Financial and Exchange Institutions gave notice of Resolution No. 46/05 dated February 23, 2005, which regarded the regularization and reorganization plan presented by the Bank as duly fulfilled.

As of December 31, 2005, the Bank's Minimum Capital position, measured on an individual basis, was as follows:

Capital Requirement (*)	816,370
Computable Capital	1,714,660
Excess over Capital Requirement	<u>898,290</u>

(*) This requirement includes 206,530 due to breach of the commitment for pro rata sharing of credit risk regulation in connection with balances held in correspondents, which occurred during the effectiveness of the reorganization plan. Such incremental requirement should have met until January 2006.

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NOTE 16—OTHER REQUIRED DISCLOSURES IN ACCORDANCE WITH THE SEC’S REQUIREMENTS

16.1. Transactions with related parties

The balances as of December 31, 2005 and 2004, for transactions performed with parents, subsidiaries and affiliates are as follows:

Company	Balance Sheet				Memorandum Accounts ⁽¹⁾	
	Assets		Liabilities		2005	2004
	2005	2004	2005	2004		
BBVA S.A.	6,237	-	22,985	85,350	31,951	-
Consolidar A.R.T. S.A.	180	30	27,999	20,724	243,912	197,703
BBVA Consolidar Seguros S.A.	188	4	2,381	3,879	41,662	34,506
Rombo Cía. Financiera S.A.	72,323	22,934	721	293	-	-
Inversora Otar S.A.	-	-	890	95	336,391	326,004
Consolidar Salud S.A.	-	18	840	-	-	-

(1) Includes Items in safekeeping, Credit lines granted (unused portion) covered by debtor classification regulations and Guaranties given covered by debtor classification regulations.

The net income as of December 31, 2005, 2004 and 2003, for transactions performed with parents, subsidiaries and affiliates are as follows:

	Net Income ⁽²⁾		
	2005	2004	2003
Income	22,659	2,404	1,269
Expenses	(3,871)	(9,743)	(14,761)
	18,788	(7,339)	(13,492)

(2) All the concerted operations have been contracted according with market’s conditions.

16.2. 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, and in accounts with foreign correspondent banks. The required daily averages calculated for the month ending on each balance sheet date are as follows:

	December 31,	
	2005	2004
Peso and Foreign Currency Balances	1,449,832	1,505,954

16.3. Interest-bearing deposits with other banks

- a) Included in “Cash and Due from Banks” there are: (1) interest-bearing deposits with the BCRA totaling 919,932 and 1,177,698 as of December 31, 2005 and 2004 respectively; (2) interest-bearing deposits in foreign banks totaling 5,742 and 31,190 as of December 31, 2005 and 2004, respectively and (3) interest-bearing deposits in local banks totaling 2,513 and 927 as of December 31, 2005 and 2004, respectively.
- b) Included in “Loans” there are: (1) overnight foreign bank interest-bearing deposits totaling 9,839 as of December 31, 2005. As of December 31, 2004 the Entity did not register amounts for this kind of operation.
- c) Included in “Other Receivables from Financial Transactions” there are other interest-bearing deposits with the BCRA totaling 107,198 and 146,825 as of December 31, 2005 and 2004, respectively.

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16.4. Government and private securities

Government and private securities held by the Bank at December 31, 2005 and 2004 are as follows:

	<u>December 31,</u>	
	<u>2005</u>	<u>2004</u>
<u>Holdings in investment accounts</u>		
Argentine Republic External Bills (VEY4D)	-	594,593
Argentine Bonds	435,104	78,384
Argentine Treasury bills	-	58,169
Other	-	11,756
Total	<u>435,104</u>	<u>742,902</u>
<u>Holdings for trading or financial transactions</u>		
Treasury Bills	-	9,032
Middle Term Treasury Bonds (BONTE 2002)	-	5,165
Argentine Bonds	608,319	87,242
Debt Consolidation Bonds - Social Security (BOCON)	45,238	1,670
Other	11,280	25,679
Total	<u>664,837</u>	<u>128,788</u>
<u>Unlisted Government securities</u>		
Secured Bonds (BOGAR 2018)	-	451,121
Tax credit certificates	6	41,151
Other	-	630
Total	<u>6</u>	<u>492,902</u>
<u>Instruments issued by the Argentine Central Bank</u>		
Argentine Central Bank Bills (LEBAC)	1,160,312	958,979
Argentine Central Bank Notes (NOBAC)	1,088,526	40,584
Total	<u>2,248,838</u>	<u>999,563</u>
<u>Investment in listed private securities</u>		
Shares	28,284	40,965
Negotiable Obligations	87,541	93,102
Mutual Funds	18,925	45,145
Certificates of participation in financial trusts	21,099	-
Total	<u>155,849</u>	<u>179,212</u>

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Securities holdings in investment accounts

The book value and market value of holdings in investment accounts (including those used for forward purchases under repurchase agreements) at December 31, 2005 and 2004, were as follows:

	December 31,							
	2005		2004		2005		2004	
	Book value		Gross unrealized gains		Gross unrealized losses		Market value	
Argentine Republic External Bills (VEY4D)	—	594,593	—	—	—	403,796	—	190,797
Argentine Bonds	435,104	78,384	—	—	170,271	12,010	264,833	66,374
Argentine Treasury Bills	—	58,169	—	—	—	31,621	—	26,548
Other Debt Bonds	—	11,756	—	—	—	8,497	—	3,259
Total	435,104	742,902	—	—	170,271	455,924	264,833	286,978

The book value and the market value of holdings in investment accounts (including those used for forward purchases under repurchase agreements) at December 31, 2005, by contractual maturity were as follows:

	December 31, 2005	
	Book value	Market value
Past due	30,438	29,317
Due in one year or less	60,897	48,167
Due after one year through five years	67,269	43,279
Due after five years through ten years	276,500	144,070
Total	435,104	264,833

As of December 31, 2005 and 2004, the Bank did not hold government securities classified as “held to maturity” under US GAAP. The government securities classified as “holding in investment account” under BCRA rules were classified either “available for sale” or “trading” under U.S. GAAP (see Notes 17.5.1. and 17.5.2.).

16.5. Loans

A description of certain categories of loans on the accompanying consolidated balance sheets is as follows:

To government sector: loans to public sector, excluding public financial entities.

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.

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.

Consumer: loans granted to individuals to acquired consumer goods.

Collateral loans (real state mortgage and security agreements): loans secured by privileged guarantees.

Credit cards: consists mainly of credit card loans.

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Under BCRA 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,	
	2005	2004
Government sector	4,623,626	6,927,719
Financial sector	142,307	169,509
Non-financial private sector and residents abroad	3,900,517	2,374,276
—Commercial portfolio		
With self-liquidating preferred guarantees	92,092	60,604
With other preferred guarantees	44,036	34,287
Without preferred guarantees	2,293,984	1,310,114
—Consumer portfolio		
With self-liquidating preferred guarantees	6,968	4,322
With other preferred guarantees	439,198	411,019
Without preferred guarantees	1,024,239	553,930
Less: Difference arising from purchase of portfolio	(89)	(88)
Less: Allowances for loan losses	(184,885)	(202,693)
Total	8,481,476	9,268,723

Commercial loan: encompasses all financing facilities, other than those not reaching an amount equivalent to 500 with or without preferred guarantees.

Consumer loan: 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 500 with or without preferred guarantees.

“Self - liquidating preferred” 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.

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The Bank also tracks its loan portfolio by industry segment. At December 31, 2005, the following industry segments represented the loan concentrations:

	<u>Industry Segment</u>	<u>Percentage of Total Loans</u>
Governmental Services		53.35%
Consumer		15.42%
Other		7.23%
Mining Products		4.64%
Oil and Carbon		4.05%
Agricultural Livestock		2.75%
Retail Trade		2.30%
Food Stuff		2.03%
Financial Sector		1.64%
Beverage		1.57%
Construction		0.92%
Transportation Material		0.90%
Wholesale Trade		0.90%
Other Manufacturing		0.88%
Industrial Metals		0.81%
Leather and Fur Product		0.61%
Total		<u>100.00%</u>

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.

The Bank has significant exposure to the Argentine Federal Government and Provinces in form of secured loans and other debt obligations. Federal and provincial debt represents a significant portion of Bank's total risk assets. During 2002, most dollar Public Sector debt with the Financial System was converted into pesos at a rate of 1.4 pesos per dollar, while most dollar Private Sector debt was converted into pesos at a rate of 1 peso per dollar, thus increasing the relative share of Public Sector exposure in the Bank's assets.

During 2005, certain "related-parties" of the Bank were loan customers of the Bank. As defined under BCRA 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 Statutory Auditor 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 year ended December 31, 2005, is as follows:

	<u>2005</u>
Balance at the beginning of the fiscal year	30,730
New Loans	58,411
Repayments	(5,488)
Balance at the end of the fiscal year	<u>83,653</u>

Total loans outstanding to these related parties at December 31, 2005 and 2004 including accrued interest, amounted to 85,604 and 31,358, 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, 2005 and 2004, approximately 27,690 and 5,587 or 0.32% and 0.06% 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

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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, 2005 and 2004, non-performing loans amounted to 93,472 and 105,136, respectively; Past due loans included in the abovementioned amounts reach to 52,874 and 86,933 at December 31, 2005 and 2004, respectively.

16.6. Allowance for loan losses

The activity in the allowance for loan losses for the fiscal years presented is as follows:

	<u>Year ended</u> <u>December 31, 2005</u>	<u>Year ended</u> <u>December 31, 2004</u>	<u>Year ended</u> <u>December 31, 2003</u>
Balance at the beginning of the fiscal year	202,693	459,573	1,062,512
Provision for loan losses	114,220	62,509	317,993
Write-offs	(132,028)	(319,389)	(914,715)
Monetary gain generated on allowances	-	-	(6,217)
Balance at the end of the fiscal year	<u>184,885</u>	<u>202,693</u>	<u>459,573</u>

16.7. Other receivables from financial transactions

The composition of other banking receivables by type of guarantee is as follows:

<u>Description</u>	<u>December 31,</u>	
	<u>2005</u>	<u>2004</u>
With preferred guarantees	286,185	325,668
Without preferred guarantees	548,363	662,369
Allowances	(3,098)	(12,796)
	<u>831,450</u>	<u>975,241</u>

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>2005</u>	<u>2004</u>
Forward Purchases and Sales		
“Notional” amount of non-deliverable forward purchases	46,982	28,173
Contra debit derivatives accounts	46,982	28,173
“Notional” amount of non-deliverable forward sales	93,161	19,361
Contra debit derivatives accounts	93,161	19,361
Non-deliverable forward transactions balances pending settlement-Receivables	281	—
Non-deliverable forward transactions balances pending settlement-Liability	150	—
Forward sales of government securities		
Forward sales of government securities ⁽¹⁾	2	—
Forward sales of securities		
Debtors under forward sales of securities	6	11
Repurchase and reverse repurchase agreements with government securities		
Debtors under reverse repurchase agreements	99,762	359,341
Forward sales under reverse repurchase agreements	110,680	399,074

(1) These accounts include the contract amount of the transactions expressed in thousand of Ps. using the closing exchange rate or quoted market value.

<u>Description</u>	<u>December 31,</u>	
	<u>2005</u>	<u>2004</u>
Spot transactions with settlement another day		
Unsettled spot securities purchases	16,960	10,841
Creditors under unsettled spot securities purchases	18,169	11,270
Debtors under unsettled spot securities sales	38,006	4,483
Unsettled spot securities sales	9,311	3,831
Unsettled spot foreign exchange purchases	—	8,320
Creditors under unsettled spot foreign exchange purchases	3,025	5,941
Debtors under unsettled spot foreign exchange sales	1,286	213
Unsettled spot foreign exchange sales	3,169	2,877
Unsettled spot Government securities purchases	18,770	15,031
Creditors under unsettled spot Government securities purchases	4,971	14,681
Debtors under unsettled spot Government securities sales	19,060	16,748
Unsettled spot Government securities sales	42,565	17,269

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16.8. Premises and equipment and other assets

16.8.1. 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>	Estimated useful life (years)	December 31,	
		2005	2004
Land and buildings	50	448,338	451,190
Furniture and facilities	10	81,441	79,835
Machinery and equipment	5	64,742	59,431
Vehicles	5	3,921	3,877
Accumulated depreciation		(222,645)	(212,944)
Total		375,797	381,389

Depreciation expense was 29,207 and 34,727, at December 31, 2005 and 2004, respectively.

16.8.2. Other assets

Other assets consisted of the following at December 31, 2005 and 2004:

<u>Description</u>	Estimated useful life (years)	December 31,	
		2005	2004
Rent assets	50	9,230	8,106
Works of art	—	983	983
Assets acquired for secure loans	50	—	13,767
Stationery and office supplies	—	1,610	985
Land and buildings not affected by banking activities	50	50,398	71,477
Vehicles to deliver for leasing		1,025	231
Total		63,246	95,549

Depreciation expense was 1,344 and 2,100, at December 31, 2005 and 2004, respectively.

16.9. Intangible assets

Goodwill

The breakdown of goodwill account as of December 31, 2005 and 2004, is as follows:

<u>Description</u>	December 31,	
	2005	2004
Goodwill for the purchase of Corp Banca S.A., net of accumulated amortization of 40,835 at December 31, 2005	25,459	32,088

Depreciation expense on goodwill was 6,629 and 6,768 (included 138 for the purchase of FADISA by Atuel Fideicomisos S.A.) at December 31, 2005 and 2004, respectively.

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Organization and development expenses

The breakdown of organization and development account as of December 31, 2005 and 2004, is as follows:

<u>Description</u>	<u>Estimated useful life (years)</u>	<u>December 31,</u>	
		<u>2005</u>	<u>2004⁽²⁾</u>
Start-up expenses of Consolidar AFJP	11	29,687	38,365
Organization and development non – deductible expenses ⁽¹⁾	5	565,352	739,289
Computer software acquisition expenses and computer programs development expenses	5	6,087	1,568
Other intangible assets	5	28,751	39,504
Total		<u>629,877</u>	<u>818,726</u>

(1) See Note 15.2.

(2) Restated from its original version to apply the adjustments to prior years income to these Consolidated Financial Statements related with Argentine Central Bank regulations (see Note 3.5.18.).

The variations in 2005 in intangible asset accounts were as follows:

	<u>2005</u>
Balance at January 1, 2005	818,726
—Additions	63,789
—Decreases	4,551
—Period amortization	248,087
Balance at December 31, 2005	<u>629,877</u>

16.10. Allowances

Allowances deducted from assets or included in liabilities are as follows:

<u>Description</u>	<u>December 31,</u>	
	<u>2005</u>	<u>2004</u>
Deducted from assets		
For government and private securities ⁽¹⁾	323	66,419
For other receivables from financial transactions ⁽²⁾	3,098	12,796
For assets subject to financial leasing ⁽²⁾	1,485	1,188
For investments in other companies ⁽³⁾	11,939	11,711
For other receivables ⁽⁴⁾	389,149	153,825
Total	<u>405,994</u>	<u>245,939</u>
Liabilities		
Other loss contingencies ⁽⁵⁾	262,426	261,784
Contingent commitments ⁽⁶⁾	765	3,914
Total	<u>263,191</u>	<u>265,698</u>

(1) Recorded to cover probable impairment risk arising out of government securities and in compliance with the Communication “A” 4084 of the BCRA.

(2) Recorded in compliance with the provisions of Communication “A” 2950, as supplemented, of the BCRA, taking into account Note 3.5.5.

(3) Recorded to cover probable impairment risk arising out of investments in other companies.

(4) Recorded to cover probable uncollectibility risks arising out of other receivables principally related with the payments under protection actions on Mutual Funds and deferred tax asset (see Note 5.1.).

(5) Principally includes labor litigation amounting to 17,424 and 15,008 thousand at December 31, 2005 and 2004, respectively and customer and other third-party claims amounting to 245,002 and 246,776 at December 31, 2005 and 2004, respectively. These amounts have been accrued in accordance with BCRA rules, which are substantially similar to SFAS No. 5.

(6) Allowance provided in accordance with BCRA rules to cover potential Contingent Commitments risks. These amounts have been accrued in accordance with BCRA rules, which are substantially similar to SFAS No. 5.

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16.11. Other liabilities from financial transactions – Argentine Central Bank

The Bank borrows funds under various credit facilities obtained from the Argentine Central Bank for specific purposes, as follows:

<u>Description</u>	<u>December 31,</u>	
	<u>2005</u>	<u>2004</u>
Short-term liabilities	22,143	266,109
Long-term liabilities	<u>78,602</u>	<u>1,633,114</u>
Total	<u>100,745</u>	<u>1,899,223</u>

At December 31, 2005 and 2004, accrued interests and other differences included on the above liabilities amounted to 45,735 and 139,440 respectively. During fiscal year 2005, interest rate for this liability was 2% per annum.

Maturities of the long-term liabilities in the table above for each of the following fiscal years are as follows:

<u>Fiscal Year</u>	
2007	13,100
2008	13,100
2009	13,100
2010	13,100
2011	13,101
As from 2011	<u>13,101</u>
Total	<u>78,602</u>

16.12. 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>2005</u>	<u>2004</u>
Short-term liabilities		
Other lines of credit from local and foreign banks	<u>249,626</u>	<u>185,940</u>
Total short-term liabilities	<u>249,626</u>	<u>185,940</u>
Long-term liabilities		
Other lines of credit from local and foreign banks	<u>53,636</u>	<u>69,940</u>
Total long-term liabilities	<u>53,636</u>	<u>69,940</u>
Total	<u>303,262</u>	<u>255,880</u>

Accrued interests included on the above liabilities are 4,024 and 1,765, at December 31, 2005 and 2004 respectively, and are included in the “Interest and listed-price differences accrued payable” account in the accompanying consolidated balance sheets. Interest rates for long-term liabilities vary from 5.04% to 5.52% per annum.

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Maturities of the long-term liabilities in the table above for each of the following fiscal years are as follows:

<u>Fiscal Year</u>	
2007	18,923
2008	23,798
2009	5,459
2010	5,456
Total	<u>53,636</u>

The funds mentioned under the caption “Long-term liabilities: Other lines of credit from local and foreign banks” are applied mainly to loans to companies involved in foreign trade transactions.

16.13. 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>2005</u>	<u>2004</u>
Assets		
Cash and due from Banks	1,027,697	609,487
Government and private securities	265,080	707,237
Loans	641,172	874,829
Other receivables from financial transactions	226,298	111,542
Assets subject to financial leasing	78	85
Investments in other companies	809	794
Other receivables	13,569	19,067
Suspense items	97	284
Total	<u>2,174,800</u>	<u>2,323,325</u>
Liabilities		
Deposits	1,285,196	820,827
Other liabilities from financial transactions	802,090	707,837
Other liabilities	6,355	13,928
Subordinated Corporate Bonds	-	60,307
Suspense items	6	2,793
Other liabilities	8,717	-
Total	<u>2,102,364</u>	<u>1,605,692</u>

16.14. Minimum capital requirements

Under BCRA regulations, the Bank is required to maintain individual and consolidated minimum levels of equity capital (“minimum capital”). At December 31, 2005 and 2004 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 regulations, are as follows:

	<u>Required Minimum Capital</u>	<u>Computable Capital</u>	<u>Excess of actual Minimum Capital over Required Minimum Capital ⁽¹⁾</u>
December 31, 2005	868,512	1,889,893	1,021,381
December 31, 2004	466,595	1,656,396	1,189,801

(1) The Bank must maintain a surplus of minimum paid-in capitals amounting to at least Ps.38,440, Ps.40,392 and Ps.37,969 as at December 31, 2005, 2004 and 2003, 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

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16.15. Earnings per share

Earnings per share for the fiscal years ended December 31, 2005, 2004 and 2003, were computed by dividing net income by the weighted-average number of Ordinary Shares outstanding during each fiscal year.

16.16. Employee benefit plans

The Bank does not maintain pension plans for its employees; nevertheless, since 2005 the Banco Francés Group gives to certain executives, with role at corporate level, the possibility to access into defined contribution pension plan that it is subject to SFAS No. 87 and 132 (revised 2003). This pension plan consists in a percentage calculated over determinate recompensing concepts. During the fiscal years ended December 31, 2005 the Bank has been accruing initial contributions as hedge for prior years by 3,430 and 669 for the 2005. These expenses are included in “Other Expense - Charge for uncollectibility of other receivable and other allowances” and “Administrative Expenses - Personal Expenses”, respectively, in the Consolidated Financial Statements as of December 31, 2005 .

In addition, the Bank is obligated to pay employer contributions to the National Pension Plan System, determined on the basis of total monthly payroll. These expenses aggregated 31,294, 28,841 and 24,784 for the fiscal years ended December 31, 2005, 2004 and 2003, respectively, and are included in the “Operating Expenses—Payroll expenses” account in the Consolidated Statements of Income.

16.17. Business segment consolidated information

FAS No. 131 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 in assessing 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.

The following information shows total assets, financial income, service charge income and other income, total income, financial expenses, provision for loan losses, operating expenses, other expenses, total expenses, loss on minority interest in subsidiaries and total net income for each of the business segment identified by the Bank’s management.

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As of December 31, 2005

	Banking Financial							Total
	BBVA Banco Francés S.A. ⁽³⁾	Credilogros Cía. Financiera S.A.	PSA Finance S.A.	Total	Pension Fund Manager	Insurance	Eliminations	
Total assets	13,839,847	86,734	64,107	13,990,688	346,858	1,787,736	(141,534)	15,983,748
Financial income	1,412,036	27,469	3,093	1,442,598	40,067	183,627	(12,140)	1,654,152
Service charge income and other income	757,620	16,267	5,965	779,852	294,071	299,133	(168,038)	1,205,018
Total income ⁽¹⁾	2,169,656	43,736	9,058	2,222,450	334,138	482,760	(180,178)	2,859,170
Financial expenses	(617,332)	(3,551)	(79)	(620,962)	(124)	(3)	12,140	(608,949)
Allowances for doubtful loans	(109,265)	(4,970)	(393)	(114,628)	-	-	-	(114,628)
Operating expenses	(564,742)	(24,751)	(2,550)	(592,043)	(141,146)	(44,302)	1,656	(775,835)
Other expenses	(791,684)	(3,703)	(1,314)	(796,701)	(175,995)	(419,089)	166,382	(1,225,403)
Total expenses ⁽²⁾	(2,083,023)	(36,975)	(4,336)	(2,124,334)	(317,265)	(463,394)	180,178	(2,724,815)
Loss on minority interest in subsidiaries	(1)	(1,850)	(999)	(2,850)	(7,843)	(6,458)	-	(17,151)
Total net income	86,632	4,911	3,723	95,266	9,030	12,908	-	117,204

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

(2) Includes: financial expenses, provision for loan losses, service charge expenses, operating expenses, other expenses and income tax.

(3) Includes: Atuel Fideicomisos S.A. and Francés Valores Sociedad de Bolsa S.A.

As of December 31, 2004

	Banking Financial							Total
	BBVA Banco Francés S.A. ⁽⁴⁾	Credilogros Cía. Financiera S.A.	PSA Finance S.A.	Total	Pension Fund Manager	Insurance	Eliminations	
Total assets ⁽³⁾	14,275,608	98,603	29,119	14,403,330	311,420	1,545,654	(218,732)	16,041,672
Financial income	951,586	23,915	1,251	976,752	35,812	148,700	(6,439)	1,154,825
Service charge income and other income ⁽³⁾	675,257	14,191	1,340	690,788	245,905	514,454	(136,887)	1,314,260
Total income ⁽¹⁾	1,626,843	38,106	2,591	1,667,540	281,717	663,154	(143,326)	2,469,085
Financial expenses	(461,014)	(1,727)	(64)	(462,805)	(1,642)	(352)	6,439	(458,360)
Allowances for doubtful loans	(49,464)	(2,260)	(278)	(52,002)	-	-	-	(52,002)
Operating expenses ⁽³⁾	(474,568)	(26,907)	(2,018)	(503,493)	(133,296)	(44,143)	1,103	(679,829)
Other expenses ⁽³⁾	(719,669)	(5,495)	(383)	(725,547)	(141,392)	(588,884)	135,784	(1,320,039)
Total expenses ⁽²⁾	(1,704,715)	(36,389)	(2,743)	(1,743,847)	(276,330)	(633,379)	143,326	(2,510,230)
Gain / (loss) on minority interest in subsidiaries ⁽³⁾	(7)	(779)	505	(281)	(2,484)	(10,136)	-	(12,901)
Total net income / (loss)	(77,879)	938	353	(76,588)	2,903	19,639	-	(54,046)

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

(2) Includes: financial expenses, provision for loan losses, service charge expenses, operating expenses, other expenses and income tax.

(3) Restated from its original version to apply the adjustments to prior years income to these Consolidated Financial Statements (see Note 3.5.18.).

(4) Includes: Atuel Fideicomisos S.A. and Francés Valores Sociedad de Bolsa S.A.

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	Banking Financial				Total	Pension Fund Manager	Insurance	Eliminations	Total
	BBVA Banco Francés S.A. ⁽⁴⁾	BBVA Francés (Cayman) Ltd.	Credilogros Cía. Financiera S.A.	PSA Finance S.A.					
Total assets ⁽³⁾	12,248,072	2,506,379	54,992	11,846	14,857,289	298,830	1,332,840	(131,120)	16,357,839
Financial income	1,163,181	563,068	10,628	600	1,737,477	46,580	118,211	(19,032)	1,883,236
Service charge income and other income ⁽³⁾	1,094,203	89,612	22,230	147	1,206,192	186,902	342,025	(82,995)	1,652,124
Total income ⁽¹⁾	2,257,384	652,680	32,858	747	2,943,669	233,482	460,236	(102,027)	3,535,360
Financial expenses	(1,181,831)	(468,884)	(10,540)	(1,709)	(1,662,964)	(12,925)	(54,436)	19,032	(1,711,293)
Allowances for doubtful loans	(73,203)	-	(4,164)	(139)	(77,506)	-	-	-	(77,506)
Operating expenses	(539,465)	(6,155)	(23,165)	(1,713)	(570,498)	(105,906)	(35,655)	652	(711,407)
Other expenses ⁽³⁾	(972,796)	(2,985)	(5,114)	(284)	(981,179)	(95,052)	(395,347)	82,343	(1,389,235)
Total expenses ⁽²⁾	(2,767,295)	(478,024)	(42,983)	(3,845)	(3,292,147)	(213,883)	(485,438)	102,027	(3,889,441)
Gain / (loss) on minority interest in subsidiaries ⁽³⁾	-	-	3,027	1,812	4,839	(8,065)	8,070	-	4,844
Net monetary income / (loss)	1,548	-	(100)	(195)	1,253	(2,099)	(245)	-	(1,091)
Total net income / (loss)	(508,363)	174,656	(7,198)	(1,481)	(342,386)	9,435	(17,377)	-	(350,328)

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

(2) Includes: financial expenses, provision for loan losses, service charge expenses, operating expenses, other expenses and income tax.

(3) Restated from its original versión to apply the adjustments to prior years income to these Consolidated Financial Statements (see Note 3.5.18.).

(4) Includes: Atuel Fideicomisos S.A. and Francés Valores Sociedad de Bolsa S.A.

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 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 nonrecurring 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, as it is mentioned in Note 16.5., the Bank has significant exposure to the Argentine Federal Government and Provinces in form of secured loans and other debt obligations. For the years ended December 31, 2005, 2004 and 2003, the Bank recorded, under BCRA rules, income from secured loans (Decree No. 1387/01), including CER accrual of 805,273, 508,612 and 441,162, respectively. In addition, for the years ended December 31, 2005, 2004 and 2003, the Bank recorded net income from government securities of 176,156, 162,386 and 179,667, respectively.

Substantially most of Bank's operations, property and customers are located in Argentina.

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16.18. Consolidated income statements and balance sheets

The presentation of Financial Statements according to Central Bank rules differs significantly from the format required by the US. Securities and Exchange Commission under Rules 9-03 and 9-04 of Regulation S-X (“Article 9”). The following Financial Statements have been restated into constant Pesos as explained in Note 3.2. The restatement was made using the adjustment factor arising from the WPI. These Financial Statements were prepared using the measurement methods prescribed by the BCRA, but in accordance with the presentation requirements of the US SEC. The income statements presented below discloses the categories required by Article 9:

	Year ended December 31,		
	2005	2004 ⁽¹⁾	2003 ⁽¹⁾
Consolidated Income Statements			
Interest and fees on loans	1,254,007	887,998	776,051
Dividends on investment securities	-	214	-
Interest on investment securities	3,586	3,513	90,588
Trading account interest	243,751	180,161	166,116
Total interest income	<u>1,501,344</u>	<u>1,071,886</u>	<u>1,032,755</u>
Interest on deposits	365,106	316,082	537,903
Interest on short-term borrowings	210,300	92,835	194,140
Interest on long-term debt	891	3,856	4,253
Total interest expense	<u>576,297</u>	<u>412,773</u>	<u>736,296</u>
Net interest income	<u>925,047</u>	<u>659,113</u>	<u>296,459</u>
Provision for loan losses	114,628	52,002	77,506
Net interest gain after provision for loan losses	<u>810,419</u>	<u>607,111</u>	<u>218,953</u>
Service charges on deposit accounts	143,933	125,877	106,470
Credit card service charges and fees	102,050	66,837	53,303
Fees on securities activities	15,598	9,152	7,297
Other commissions	539,462	380,792	286,664
Income from investment in equity securities	2,870	20,029	2,149
Foreign currency gains net	72,407	76,943	-
Minority interest in subsidiaries—gain	-	-	4,844
Other	480,349	716,890	1,190,694
Total other income	<u>1,356,669</u>	<u>1,396,520</u>	<u>1,651,421</u>

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	Year ended December 31,		
	2005	2004 ⁽¹⁾	2003 ⁽¹⁾
Consolidated Expenses Statements			
Commissions	52,821	33,176	33,376
Personnel expenses	397,693	329,811	299,417
Fees and external administrative services	39,837	39,056	38,481
Depreciation of bank premises and equipment and other fixed assets	30,592	36,827	54,061
Business travel and development	12,961	10,981	10,945
Utilities	21,440	20,569	22,915
Advertising and promotion	39,757	27,266	19,305
Contributions and taxes	92,564	95,064	75,075
Maintenance and repairs	26,157	23,656	22,654
Amortization of Goodwill	6,629	6,768	9,925
Provision for loss contingencies	422,924	351,542	574,932
Deferred income tax	-	-	35,401
Foreign currency loss net	-	-	65,820
Loss on disposal of fixed and other assets	26,402	12,432	10,511
Minority interest in subsidiaries—loss	17,151	12,901	-
Loss from effect of inflation on banking assets and liabilities	-	-	1,015
Other	844,244	980,529	757,637
Total other expenses	<u>2,031,172</u>	<u>1,980,578</u>	<u>2,031,470</u>
Income before income tax and tax on minimum presume income expenses	<u>135,916</u>	<u>23,053</u>	<u>(161,096)</u>
Income tax and tax on minimum presume income expenses (see Note 5.1. and 5.2.)	<u>18,712</u>	<u>77,099</u>	<u>(189,232)</u>
Net gain / (loss)	<u>117,204</u>	<u>(54,046)</u>	<u>(350,328)</u>
Net gain / (loss) per Ordinary Share	0.25	(0.14)	(0.95)

(1) Restated from its original version to apply the adjustments to prior years income to these Consolidated Financial Statements related with Argentine Central Bank regulations (see Note 3.5.18.).

Certain categories of income and expense maintained by the Bank have been presented in the above Article 9 statement of income in a manner which warrants further discussion:

- “Foreign currency gain (loss), 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, “Foreign currency gains, net”, is presented as a component of “Non-interest income”.

Central Bank rules also required certain classifications of assets and liabilities which are different from those required by Article 9. The following balance sheets depicts the Bank’s consolidated balance sheets at December 31, 2005 and 2004 as if the Bank followed the balance sheets disclosure requirements under Article 9:

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	December 31,	
	2005	2004 ⁽¹⁾
ASSETS		
Cash and due from banks	683,267	456,802
Interest bearing deposits in other banks	1,035,385	1,356,640
Unsettled spot purchases	35,730	34,192
Debtors under forward sales and under reverse repurchase agreements	99,768	359,341
Debtors under unsettled spot sales	58,352	21,455
Trading account assets	3,069,207	1,734,046
Investments securities	485,401	790,327
Loans	8,666,361	9,471,416
Allowance for loan losses	(184,885)	(202,693)
Premises and equipment	375,797	381,389
Intangible assets	655,336	850,814
Other assets	1,004,029	787,943
Total assets	<u>15,983,748</u>	<u>16,041,672</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Interest bearing deposits	8,616,985	7,674,122
Non interest bearing deposits	1,996,101	1,319,658
Creditors under forward purchases and under reverse repurchase agreements	150	-
Creditors under unsettled spot purchases	26,165	31,892
Forward sales and under repurchase agreements	110,682	399,074
Unsettled spot sales	55,045	23,977
Other short-term borrowings	674,997	890,571
Other liabilities	1,872,169	1,596,350
Long-term debt	377,756	1,984,052
Commitments and contingent liabilities	263,191	265,698
Minority Interest in subsidiaries	188,960	171,935
Common Stock	471,361	471,361
Non-capitalized contributions	175,132	1,195,390
Other stockholders' equity	1,155,054	17,592
Total liabilities and stockholders' equity	<u>15,983,748</u>	<u>16,041,672</u>

(1) Restated from its original version to apply the adjustments to prior years' income to these Consolidated Financial Statements based on Argentine Central Bank's regulations (see Note 3.5.18.).

16.19. 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.

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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. As December 31, 2004, 2003 and 2002 the bank does not have outstanding options.
- 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.

Pursuant to BCRA 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 Note 3.5.9.

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 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. The Bank attempts to limit its credit risk by dealing with creditworthy counterparties and obtaining collateral where appropriate. At December 31, 2004 and 2003, the Bank entered into forward contracts for trading and hedging purposes. The notional amount of outstanding forward contracts as of the mentioned dates, are included in Note 16.7. The following table shows at December 31, 2004 and 2003 the notional value forward transactions divided between hedging and trading (all transactions are due in one year or less):

	December 31, 2005			December 31, 2004		
	Hedging	Trading	Total	Hedging	Trading	Total
Forward sales and purchases of foreign exchange	138,041	—	138,041	47,534	—	47,534
Forward sales and purchases of government and private securities	—	2	2	—	—	—
Other forward sales and purchases	—	2,102	2,102	—	—	—

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,	
	2005	2004
Credit lines granted (unused portion) cover by debtor classification	3,827	272,854
Foreign trade acceptances and standby letters of credit	80,571	109,704
Guarantees granted	171,084	219,798

(*) A significant portion of the Bank’s guarantees as of December 31, 2005 and 2004, have a remaining maturity of less than one year.

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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. 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,	
	2005	2004
Self-liquidating counter guarantees	13,112	96,725
Preferred counter guarantees	74	127

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,	
	2005	2004
Checks drawn on the Bank pending clearing	105,251	105,565
Checks drawn against other Banks	134,517	173,837
Drafts and notes for collection	528,885	461,424

c) Trust activities

See Note 10.

16.20. Pension Fund Management

Consolidar AFJP S.A. manages a pension fund that as of December 31, 2005 and 2004 amounted to 12.8 billion and 10.5 billion, respectively.

NOTE 17—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 rules followed in the preparation of the Bank's Financial Statements and those applicable in the United States under generally accepted accounting principles ("US GAAP"). References below to "SFAS" are to United States Statements of Financial Accounting Standards. Pursuant to the BCRA's rules, the Bank's 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 rules has not been reversed in the reconciliation to US. GAAP.

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17.1. 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 criteria is in accordance with US GAAP, based on SFAS No. 109, "Accounting for Income Taxes".

Under SFAS No. 109, 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:

<u>Description</u>	<u>Year ended December 31,</u>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Statutory income tax rate	35.00%	35.00%	35.00%
Income tax (benefit) provision computed at statutory rate	623,328	514,532	(114,299)
Tax exempt income	(494,422)	(488,239)	(184,919)
Nondeductible items	84,700	233,323	278,526
Other, net	(30,890)	22,006	(60,518)
Income tax computed in accordance with U.S. GAAP	<u>182,716</u>	<u>281,622</u>	<u>(81,210)</u>
Initial adjustments to net deferred tax assets	(77,258)	(218,651)	—
Income tax computed in accordance with BCRA rules	<u>(242,000)</u>	<u>67,497</u>	<u>206,959</u>
Adjustments to reconcile income tax (benefit) to US GAAP	347,458	(4,526)	(288,169)
(Recover) Charge of allowances on deferred tax assets	<u>(366,801)</u>	<u>(509,158)</u>	<u>(104,287)</u>

The tax exempt income adjustment noted above principally relates to gains generated by equity investment, which were not subject to income tax (19,758, 61,848 and 64,700 for the year ended December 31, 2005, 2004 and 2003, respectively), to the exemption established during the public debt swap transaction mentioned in Note 1.3., by which the income generated by the Guaranteed Loans received were exempt in the income tax (105,825, 162,104 and 30,955 for the years ended December 31, 2005, 2004 and 2003 respectively), the write-off of the relevant asset generated by the application of the CVS index instead CER mentioned in Note 15.3. (49,371 for the year ended December 31, 2004) and other net effects.

The non-deductible items noted above principally relates to:

- The effect of the conversion into pesos and the adjustment through the CER, over the difference between book value under US GAAP and face value of Federal Government loans carried by the Bank and domestic subsidiaries which were not deductible from income tax (233,323 and 190,967 for the years ended December 31, 2004 and 2003 respectively). For the fiscal year ended December 31, 2005, this effect results in a tax exempt income of 251,375.
- The effects of the inflation, which were not deductible from income taxes (22,635 for the year ended December 31, 2003).
- The allowances booked under BCRA rules (84,700 for the fiscal years ended December 31, 2005)

Other includes other net effects, and tax exempt income and non-deductible items arising from Consolidated Subsidiaries.

SFAS No. 109 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.

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As of December 31, 2002, as a result of the deteriorating economic and financial situation in Argentina, a valuation allowance was recorded to reserve for the Bank's net deferred tax assets because management believed that it was more likely than not that these assets would not be recovered and the Bank provided a valuation allowance over its net deferred tax assets position. This situation continued and accordingly, the Bank provided a valuation allowance of 1,681,832 in order to fully reserve for its net deferred tax assets as of December 31, 2003.

As of December 31, 2005 and 2004, a favorable evolution in the Argentine economy has been recorded. 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 provided a valuation allowance of 805,873 and 1,172,674 as of December 31, 2005 and 2004, respectively.

Deferred tax assets (liabilities) are summarized as follows:

<u>Description</u>	<u>December 31,</u>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>Deferred tax assets:</u>			
Government and private securities valuation	—	34,437	174,330
Loans	219,506	163,042	495,515
Loan origination and issuance credit card's fees	9,241	7,379	4,188
Property, equipment and miscellaneous assets	5,962	—	—
Intangible assets	—	167	—
Investment in other companies	—	—	74,297
Other liabilities	29,589	35,093	12,715
Allowance for loss contingencies	614,194	561,120	584,540
Pension and retirement obligations' activities	72,549	68,070	43,635
Foreign exchange difference	—	—	18,802
Net operating loss	766,673	914,384	474,232
Other	575	2,811	—
	<u>1,718,289</u>	<u>1,786,503</u>	<u>1,882,254</u>
<u>Deferred tax liabilities:</u>			
Government and private securities valuation	(14,135)	—	—
Foreign exchange difference	(1,087)	(10,134)	—
Property, equipment and miscellaneous assets	—	(2,120)	(10,178)
Intangible assets	(599)	—	(4,495)
Other	—	—	(252)
	<u>(15,821)</u>	<u>(12,254)</u>	<u>(14,925)</u>
Net deferred tax asset under US GAAP	<u>1,702,468</u>	<u>1,774,249</u>	<u>1,867,329</u>
Net deferred tax asset in accordance with BCRA rules	<u>360,000</u>	<u>118,000</u>	<u>185,497</u>
Adjustment to reconcile net deferred tax assets / liabilities to US GAAP	<u>1,342,468</u>	<u>1,656,249</u>	<u>1,681,832</u>
Allowances on deferred tax assets in accordance with BCRA rules	<u>(360,000)</u>	<u>(118,000)</u>	<u>(185,497)</u>
Adjustment to reconcile Allowances on deferred tax assets to US GAAP	<u>(805,873)</u>	<u>(1,172,674)</u>	<u>(1,681,832)</u>

The nature of deferred tax asset or liability of the most significant components are described as follows:

- Government and private securities: as mentioned in Note 17.5. all unlisted government and private securities and those with non-representative valuation, were adjusted at fair value, thus causing a increase/decrease in their accounting value, which does not comply with the conditions required for them to be tax-deductible in the years ended December 31, 2005, 2004 and 2003.
- 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

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debtor's payment capacity. This differing 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 17.4.4.), which, as mentioned above, does not comply with the indicators required to be tax-deductible, and the difference between book value under US GAAP and the face value of Federal Government loans received for the sale of Banco Francés (Cayman) Limited (see Note 15.5.).

- 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 as explained in Note 3.2. and on the basis of the months of useful life elapsed from addition date through valuation date.
- Intangible assets: under tax criteria, the amortization of these assets is determined by the full-year-of-addition method, whereas accounting criteria contemplate the calculation of amortization on the basis of the months of useful life elapsed from addition through valuation date.
- Investments in other companies: the accounting value of participations in controlled companies is determined by applying the equity method. In terms of the Income Tax Law, the results generated by the above-mentioned companies will only be subject to the tax when dividends are collected.
- 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.
- 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.
- Foreign exchange difference: In fiscal years ended December 31, 2005, 2004 and 2003, on valuing the assets in foreign currency, the bank converted such an amounts at the benchmark exchange rate of the BCRA. The income tax law requires Banco Nación buying exchange rate. On fiscal year ended December 31, 2001, the effect generated by the foreign exchange difference resulting from the Argentine peso devaluation booked in the year ended December 31, 2001, according with US GAAP, may be deducted from taxes in the next five fiscal years as from the fiscal year commenced on January 1, 2002.

As of December 31, 2005, the Bank (on individual basis) carries accumulated tax loss carry forwards of 766,673 that will mature as follows:

	<u>Amount</u>
2006	37,314
2007	482,479
2008	210,814
2009	36,066

The adjustments required in order to reconcile assets and liabilities with the US GAAP, as detailed in the following notes, are shown without considering their effect on the income tax. The effect of reflecting such adjustments on the Bank's net assets causes them to increase by 536,595 and 483,575 as of December 31, 2005 and 2004, respectively. In addition, income would be increased by 19,343, 513,684 and 392,456 as of December 31, 2005, 2004 and 2003, respectively.

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Tax on minimum presumed income

As mentioned in Note 5.2. as of December 31, 2005, the Bank has recorded an asset for the credit for tax on minimum presumed income.

As of December 31, 2003, a valuation allowance was provided to reserve the amount recorded, in view of the deteriorating economic situation in Argentina and the cumulative tax loss for the preceding years in the Bank. As previously mentioned, several events arose after the closing of the year ended December 31, 2004 that improved the forecast of the Argentine economy and the development of future operations in the bank. Given that the Bank estimates that it shall have taxable income against which these tax credits shall be offset, the valuation allowance should be reversed in accordance with US GAAP.

Had US GAAP been applied, and as a result of the adjustment to prior years' earnings booked by the Bank under BCRA's rules, the Banks' assets would be increased by 1,003 as of December 31, 2004 and would be decreased by 61,639 as of December 31, 2003. On the other hand, the Bank's net income would be decreased by 1,003 and 66,457 for the years ended December 31, 2005 and 2003 respectively, and would be increased by 62,642 for the year ended December 31, 2004.

As of December 31, 2005, the Bank (on individual basis) carries accumulated tax on minimum presumed income credits for 118,494 that will mature as follows:

	<u>Amount</u>
2011	17,115
2012	24,519
2013	23,997
2014	24,463
2015	28,400

17.2. 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 US. GAAP under SFAS No. 91, 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 required to state such amounts in accordance with US. GAAP would be decreased assets by 23,051, 20,781 and 11,083 at December 31, 2005, 2004 and 2003, respectively. On the other hand, income for the year ended December 31, 2005 and 2004 would be decreased by 2,270 and 9,698 and for the year ended December 31, 2003 would be increased by 19,282.

17.3. Intangible assets

The Bank amortizes software development expenses (included in organization and development expenses) over their estimated useful life, up to a maximum of 60 months. US. GAAP, in accordance to the Statement of Position 98-1, requires that part of such expenses be written off to income when incurred, depending on their characteristics.

Pension Fund Manager Superintendency regulations, the agency overseeing Consolidar AFJP S.A., authorized the capitalization of disbursements made through September 25, 1994, for "salaries, advertising, software, agent's commissions, fees, brochures, forms printing and leases and rentals", as the most significant items. Consolidar AFJP S.A., capitalized expenses incurred in connection with the launch of new activities. Under US GAAP, the above-mentioned expenses are to be considered as expenses for the fiscal year in which they are incurred.

The effects of adjustments required to state such amounts in accordance with US. GAAP would be decreased assets by 16,890, 16,418 and 18,861 at December 31, 2005, 2004 and 2003, respectively. In addition income would be decreased by 472 at December 31, 2005 and increased by 2,443 and 40,087 at December 31, 2004 and 2003, respectively.

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17.4. 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 3.5.5.).

U.S GAAP 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.

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 17.4.1, 17.4.2, 17.4.3 and 17.4.4.

The following table discloses the amounts required by SFAS No. 114, as of December 31, 2005, 2004 and 2003:

	Fiscal year ended December 31,		
	2005	2004	2003
—Total amount of loans considered as impaired	990,854	1,068,695	1,855,435
Amount of loans considered as impaired for which there is a related allowance for credit losses	990,854	1,068,695	1,820,799
Amount of loans considered as impaired for which there is no related allowance for credit losses	-	-	34,636
—Reserves allocated to impaired loans	297,667	363,685	753,729
—Average balance of impaired loans during the fiscal year	1,033,864	1,201,999	2,009,021

Under US GAAP, the activity in the allowance for loan losses for the fiscal years presented is as follows:

	Year ended December 31, 2005	Year ended December 31, 2004	Year ended December 31, 2003
Balance at the beginning of the fiscal year	340,402	799,011	1,772,176
Provision for loan losses	102,251	24,908	328,823
Charge-offs	(158,326)	(483,517)	(1,290,552)
Monetary gain generated on allowances	-	-	(11,436)
Balance at the end of the fiscal year	<u>284,327</u>	<u>340,402</u>	<u>799,011</u>

17.4.1. Interest recognition—non accrual loans

The method applied to recognize income on loans is described in Note 3.5.6.

Additionally, 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 Banks books and is considered a part of the loan balance. It allowances in its whole when the Bank determining the reserve for credit losses. U.S. GAAP requires that such accrued interest be charged off to income.

The Bank recognizes interest income on a cash basis for non-accrual loans. U.S. GAAP requires that if the collectibility of the principal of the nonaccrual 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 income statements taken as a whole.

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17.4.2. Impaired loans—Non-Financial Private Sector and residents abroad

Effective July 1, 1995, the Bank adopted SFAS No. 114, “Accounting by Creditors for Impairment of a Loan” and SFAS No. 118, “Accounting by Creditors for Impairment of a Loan—Income Recognition and Disclosures” for computing U.S. GAAP adjustments. SFAS No. 114, as amended by SFAS No. 118, 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. The Bank considers commercial loans over 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. SFAS No. 118 amends the income recognition provisions that had been included in SFAS No. 114.

Had US GAAP been applied, the Bank’s assets would be increased by 49,569 and 37,601 at December 31, 2005 and 2004 respectively and decreased by 10,830 at December 31, 2003. On the other hand, the income would be increased by 11,968 and 48,431 at December 31, 2005 and 2004, respectively, and decreased by 10,830 at December 31, 2003.

17.4.3. Federal Government Secured Loans

During the fiscal year ended December 31, 2001, and pursuant to Decrees No. 1387/01 and 1646/01, the Bank and its subsidiaries swapped a portion of their holdings in federal government securities and/or loans to the federal government sector outstanding as of November 6, 2001, for a nominal value of US\$3,291,795 thousands, for Guaranteed Loans amounting to US\$3,360,403 thousands.

As provided for in BCRA Communication “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.

As of December 31, 2001, the above-mentioned debt swap is subject to the provisions of SFAS No. 115, “Accounting for certain investments in debt securities”. According to SFAS No. 115 a non-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. Once this impairment is recognized in the accounting, 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 considered the mentioned value plus the related CER adjustment accrued.

As of December 31, 2005, 2004 and 2003 the values calculated as mentioned in the above paragraph were converted into pesos. The income for the years ended December 31, 2004 and 2003 reflects mainly the interest accretion, allowances recovery recorded under BCRA rules (loss), and the effect of the incorporation of new secured loans (loss). The income for the year ended December 31, 2005 reflects mainly the revenues produced for the sale of an important part of the stock of these assets effected during the year then ended at market values significantly higher to those recorded in accordance with US GAAP, and by the interest accretion of the loans in stock.

The effects of adjustments required to state such amounts in accordance with US GAAP would be decreased assets by 909,500, 1,821,800 and 2,005,492 at December 31, 2005, 2004 and 2003 respectively. On the other hand, the income for the year ended December 31, 2005 and 2004 would be increased by 912,300 and 183,692 and the income for the years ended December 31, 2003 would be decreased by 288,999. Additionally, see Note 17.18.

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17.4.4. Loans—Non-Financial Provincial Governmental Sector and other governmental sector agencies

As a result of Public Emergency and Exchange System Reform Law and the public debt default, meeting such obligations is based on scant Argentine Treasury resources and the persistent fiscal deficit of the Federal, Provincial and Municipal Governments, which inevitably led to a significant public indebtedness. Therefore, the Ministry of Economy was empowered to take the actions and deal with the formalities needed to reschedule the Federal Government's debt.

Thus, on February 27, 2002, the Federal and Provincial Governments signed an agreement on the financial relationship and basis of a federal tax revenue sharing system which, among other issues, established that the Provincial Governments may request from Federal Government to renegotiate provincial public debts; such debts could thus be reprogrammed under the guidelines to which the federal governmental debt is subject.

The originally conditions of these assets were modified too under the terms of the "pesification" system.

On December 26, 2002, the Economy Ministry accepted the offers of conversion of the Provincial Public Debt into Guaranteed Bonds, implemented in loans and that represented in Government Securities. During the second six-month period of 2003, the Bank received the mentioned securities in swap, i.e. Secured Bonds due in 2018. (see Note 17.5.1.).

As fully explained in Note 3.5.3., on December 31, 2005, the process of swap of Provincial Development Trust Fund Corporate Bonds is in the final phase of the restructuring process for which the Bank will receive BOGAR 2020.

Considering the issues mentioned above, an impairment does affect such credit facilities and a loss must therefore be recorded according to US GAAP for the difference between their accounting value and the expected value of their future cash flows.

The effects of adjustments required to state these amounts in accordance with US GAAP would be decreased assets by 149,012, 175,310 and 328,608 at December 31, 2005, 2004 and 2003, respectively. On the other hand, income for the years ended December 31, 2005, 2004 and 2003 would be increased by 26,298, 153,298 and 381,056—effect of recovering of allowances for loans losses of 375,837 and a monetary gain from these allowances by 5,219 (inflation effect)—, respectively. It should be noted that the increase in the income for the year ended December 31, 2003 is originated in the above – mentioned swap (see additionally Note 17.5.2, decreased in the income for the same year).

17.5. Government and private securities valuation

17.5.1. Government securities—Available for sale

At December 31, 2003 the Bank swapped provincial public debt into Secured Bond due in 2018. The face value of the loans and securities swapped amounted to 1,010,210. At December 31, 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 Ps.146,818.

According to US 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, SFAS No. 115 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. This valuation criteria differ from BCRA rules, as described in Note 3.5.2.

Had US GAAP been applied, the Bank's assets would be decreased 173,002, 460,087 and 821,375 at December 31, 2005, 2004 and 2003, respectively.

On the other hand, the income for the year ended December 31, 2005 and 2004 would be increased by 383,305 and 167,307 and the income for the year ended December 31, 2003 would be decreased by 378,462, respectively.

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Additionally, see Note 17.18.

The amortized cost and fair value of Government Securities available for sale as of December 31, 2005 are as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Loss</u>	<u>Fair Value</u>	<u>Number of Positions</u>
Government Securities	330,316	(10,194)	320,122	3

17.5.2. Government and private securities—Trading Account

Under US GAAP, the Bank classified as trading securities, its holdings booked in investment accounts under BCRA rules, basically BODEN 2012 and other securities. The Bank carries these Government and private securities in accordance with BCRA (see Note 3.5.2.). Under U.S. GAAP for trading securities, a fair valuation methodology should be used to value the securities for accounting purposes.

Had US GAAP been applied, the Banks assets would be increased by 4,525 at December 31, 2005 and decreased by 7,922 and 372,245 at December 31, 2004 and 2003, respectively. On the other hand, the income for the year ended December 31, 2005, 2004 and 2003 would be increased by 12,447, 364,323 and 542,743, respectively.

17.6. Gain contingencies

I) Constitutional protection actions

At December 31, 2003, as described in Note 15.2., the Bank recorded an asset for 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 is being amortized in 60 monthly installments as from April 2003.

SFAS No. 5 “ Accounting for 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, the Bank’s assets would be decreased by 586,534, 739,289 and 811,557 at December 31, 2005, 2004 and 2003, respectively. On the other hand the income for the year ended December 31, 2005 and 2004 would be increased by 152,755 and 72,268, respectively, and for the year ended December 31, 2003 would be decreased by 416,444.

At December 31, 2003 the Bank recorded as an asset the difference generated by the CVS coefficient application instead of the CER. As described in Note 15.3., on June 2004 the Bank wrote off the relevant asset and recorded an adjustment to earnings of prior year. This adjustment has not had impact under U.S. GAAP because this asset was not recognized under those policies.

II) Credilogros Compañía Financiera S.A.

At December 31, 2002 the subsidiary Credilogros Compañía Financiera S.A. presented different notes to the BCRA and to the Ministry of Economy requesting the compensation mechanism for financial institutions in consequence of the negative patrimonial effects generated by the conversion into pesos at different exchange rates of loans and private debts in foreign currency, as well as the negative foreign currency net position after the conversion into pesos as of December 31, 2001, calculated on the basis of certain interpretation which were different from the existing regulations. In consequence, the Entity has activated the amounts that would arise from the eventual compensation.

On 31 December 2003 and because of several adverse instances on the claim referred to above, the Entity resolved to desist thereon and booked the claimed amount as a result of the fiscal year (loss).

Had U.S. GAAP been applied, the Bank’s income for the year ended December 31, 2003 would be increased by 6,613.

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17.7. Investment in other companies

At December 31, 2005, 2004 and 2003, the Bank accounted for the investment in the Buenos Aires Stock Exchange at the market value at that date. Under U.S. GAAP, 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, the Bank's assets would be decreased by 1,796 at December 31, 2005 and increased by 558 and 1,458 at December 31, 2004 and 2003, respectively.

In addition, there are a number of companies which are under 20% and they were valued by the equity method in accordance with Central Bank rules. Under US GAAP, such investments, which are non-marketable securities, would have been valued at cost. Had US GAAP been applied, the Bank's assets would be decreased by 16,970, 13,400 and 10,029 at December 31, 2005, 2004 and 2003, respectively.

On the other hand, the income for the years ended December 31, 2005, 2004 and 2003 would be decreased by 5,924, 4,271 and 3,473, respectively, due to the effect of the differences mentioned in the preceding paragraphs.

17.8. Foreign currency translation

U.S. GAAP foreign currency translation requirements are covered by SFAS No. 52. A determination of the foreign entity's functional currency, which is the currency of the primary economic environment in which it operates, must be made. Depending on the functional currency of the foreign entity, translations of Financial Statements are performed using a combination of current, average and historical exchange rates.

The functional currency of Banco Francés (Cayman) Ltd. is the US\$. Under U.S. GAAP its Financial Statements should be translated into Pesos at the current rate for assets and liabilities and at the average exchange rate for its results of operations.

The Bank, under Central Bank rules, has translated the assets, liabilities and results amounts of Banco Francés (Cayman) Ltd. at the applicable fiscal year-end exchange rate (see Note 3.4). Had U.S.GAAP been applied, the Bank's income for fiscal year ended December 31, 2003 would be increased by 159,677. The comprehensive income for that year would be decreased for such amounts.

In the fiscal year ended December 31, 2004, this subsidiary was sold. In consequence, the comprehensive income at December 31, 2003 was charged to income in the fiscal year ended December 31, 2004 by 143,371. Under U.S.GAAP, the effect of the sale was not material to the Bank's Consolidated Income Statement.

17.9. Vacation expense

The cost of vacations earned by employees is generally recorded by the Bank when paid. U.S. GAAP requires that this expense be recorded on an accrual basis as the vacations are earned.

Had U.S. GAAP been applied, the Bank's liabilities would be increased by 44,829, 36,073 and 33,586 at December 31, 2005, 2004 and 2003, respectively. In addition, the income for the years ended December 31, 2005, 2004 and 2003 would be decreased by 8,756, 2,487 and 1,512, respectively.

17.10. 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 be increased by approximately 768,653 and 740,826 at December 31, 2005 and 2004, respectively.

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The same effect would be displayed in the Balance Sheet disclosure requirements in accordance with Regulation S-X (see Note 16.18.).

17.11. Forward and unsettled spot transactions

The Bank enters into forward and unsettled spot contracts for trading purposes.

The Bank accounts for such forward and unsettled spot contracts on a basis different from that required under 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. In the United States, accounting for forward foreign exchange contracts and futures contracts are governed by SFAS No. 133, "Accounting for Derivated Instruments and Hedging Activities"(see Note 17.22). 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 be decreased by approximately 84,523 and 53,347 at December 31, 2005 and 2004, respectively.

The same effect would be displayed in the Balance Sheet disclosure requirements in accordance with Regulation S-X (see Note 16.18.).

17.12. 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 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 U.S. GAAP, 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, 2005, 2004 and 2003. Consequently, the balance related to the previously mentioned revaluation included in the "Adjustments to Stockholders' Equity" caption has not been modified.

17.13. 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 80,571 and 109,704 at December 31, 2005 and 2004, respectively.

The same effect would be displayed in the Balance Sheet disclosure requirements in accordance with Regulation S-X (see Note 16.18.).

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17.14. Variable—income investments

Consolidar Group has variable-income investments. Under BCRA rules, these investments were valued at their face value plus the respective agreed-upon yield accrued through the fiscal year-end and, where applicable, translated at the exchange rate effective as of that date.

US GAAP require that fair value for such investments be determined by means of mathematical models such as Black-Scholes.

In the opinion of Bank's management, the effect of such adjustment is not material at December 31, 2005, 2004 and 2003.

17.15. Pension and retirement obligations' activities

As indicted in Note 16.20., at December 31, 2005 and 2004, the subsidiary Consolidar AFJP S.A. manages a retirement and pension plan for an amount of 12.8 and 10.5 billion pesos, respectively.

During the period ended December 31, 2005, the Bank performed a review and recalculation for its pension and retirement obligations' activities, as well as the amounts considered to recover for any future compensation, consequently, the Bank reconsidered the amounts previously recorded under US GAAP for such obligations.

As a result of such review, the stockholders' equity and consolidated net income in accordance with accounting principles generally accepted in the United States of America have been restated for the year ended December 31, 2004 and 2003. Therefore, the stockholders' equity for the periods ended December 31, 2004 and 2003 has been reduced in 172,930 and 124,670, respectively, and net income has been reduced in 48,260 and 124,670, respectively.

Additionally, for the period ended December 31, 2005 if U.S. GAAP had been applied, the stockholders' equity would be decreased by 209,039 and net income would have been reduced by 36,109.

17.16. Fair Value of Financial Instruments

In December 1991, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments" (SFAS No. 107). This pronouncement became effective for fiscal years ended after December 15, 1992 and 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.

SFAS No. 107 defines a financial instrument as cash, evidence of an ownership in an entity, or a contract that both conveys or imposes on an entity the contractual right or obligation to either receive or deliver cash or another financial instrument. Fair value is defined 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 is best evidenced by a quoted market price, if one exists.

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.

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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.

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

- Listed—Investment accounts: fair value for these securities is based upon quoted market prices (if available) at December 31, 2005 and 2004.
- Unlisted government securities: 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.

Loans and assets subject to financial leasing

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, 2005 and 2004.

Other receivables from financial transactions

- Forward purchases of Government securities under repurchase agreements with holdings in investment accounts: fair value for these receivables were based upon quoted market prices (if available) at December 31, 2005 and 2004 of the securities to be received after the fiscal year-end.
- Unlisted corporate bonds: 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.

Deposits

As a significant portion of the Bank's deposits as of December 31, 2005 and 2004 (almost 99% considering the contractual terms in effect as of such date) have a remaining maturity of under one year, they were considered to have a fair value equivalent to their carrying value at the balance sheet date.

Advances requested from the BCRA

As from December 31, 2004 fair value is estimated by discounting future cash flows of the Federal Government Guaranteed Loans—Decree No. 1387/01, given in guarantee to the BCRA.

Subordinated corporate bonds

As of December 31, 2005 and 2004, non-subordinated and subordinated corporate bonds have a remaining maturity of under one year and/or with variable rates, they were considered to have a fair value equivalent to their carrying value at the balance sheet date.

Off-Balance sheet

Commitments to extend credit, standby letter of credit, guarantees granted and foreign trade acceptances (see Note 16.19.).

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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, 2005 and 2004 market fee would not give rise to a material variance from the carrying amount.

The following is a summary of carrying amounts and estimated fair values of financial instruments at December 31, 2005 and 2004:

	December 31,			
	2005		2004 ⁽³⁾	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets				
Cash and due from banks	1,611,506	1,611,506	1,666,617	1,666,617
Government and private securities ⁽¹⁾	3,504,311	3,309,544	2,476,948	1,999,718
Loans ⁽²⁾	8,481,476	8,349,742	9,268,723	8,182,892
Other receivables from financial transactions	831,450	831,450	975,241	971,853
Assets subject to financial leasing	130,165	130,165	58,576	58,576
Investments in other companies	50,297	50,297	47,425	47,425
	<u>14,609,205</u>	<u>14,282,704</u>	<u>14,493,530</u>	<u>12,927,081</u>
Financial liabilities				
Deposits	10,613,086	10,613,086	8,993,780	8,993,780
Other liabilities from financial transactions	1,244,795	1,244,569	3,274,387	3,080,458
Subordinated Corporate Bonds	-	-	60,307	68,077
	<u>11,857,881</u>	<u>11,857,655</u>	<u>12,328,474</u>	<u>12,142,315</u>

(1) Includes the effect described in Note 17.5.

(2) Includes the effects described in Notes 17.4.2., 17.4.3. and 17.4.4.

(3) Restated from its original version to apply the adjustments to prior years income to these Consolidated Financial Statements related with Argentine Central Bank regulations (see Note 3.5.18.).

17.17. 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 nominal 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 required to state such amounts in accordance with US GAAP would be increased assets by 254,882 at December 31, 2005, 2004 and 2003.

- On May 13, 1999, BBVA (majority owner of BF) acquired CB and Atuel Fideicomisos S.A. and on September, 13, 1999, BBVA sold its interests in both companies to BF. 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 US GAAP, the Bank would be required to account for the acquisition of the mentioned companies at BBVA's book balance. Had US GAAP been applied, the Bank's assets would be increased by 29,236, 22,607 and 15,977 thousand at December 31, 2005, 2004 and 2003, respectively. Additionally, the income would be increased by 6,629, 6,630 and 6,628 for the years ended December 31, 2005, 2004 and 2003.
- SFAS No. 142 requires, effective January 1, 2002, that goodwill are 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 US GAAP goodwill. Had US GAAP been applied, the Bank's assets would be decreased by 309,577 as of December 31,

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2005, 2004 and 2003 respectively. On the other hand, the income for the year ended December 31, 2003 would be increased by 3,297.

17.18. Transfers and servicing of financial Assets and Extinguishment of Liabilities

In June 1996, the FASB issued Statement No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, which is effective for all transfers and servicing of financial assets and extinguishments of liabilities occurring after December 31, 1996, as amended by SFAS No. 127 “Deferral of the Effective Date of Certain Provisions of SFAS No. 125”. SFAS No. 125 as subsequently amended by SFAS No. 140, establishes a criteria for determining whether a transfer of financial assets in exchange for cash or other consideration should be accounted for as a sale or as a pledge of collateral in a secured borrowing. This statement also establishes accounting requirements for pledged collateral.

On April 26, 2004, the Bank swapped Secured Bonds due in 2018 to conclude the Swap I of deposits for Government Bonds. This swap generated, in accordance with US GAAP, gains on extinguishments of deposits liabilities for the fiscal year ended December 31, 2003 of 104,337, thus generating an increasing of the Bank’s assets by that amount as of December 31, 2003 and a decreasing in the income for the fiscal year ended December 31, 2004.

In August 2004, the Bank swapped Secured Bonds due in 2018 in the framework of Swap II of Deposits for Government Bonds. This swap generated, in accordance with US GAAP, gains on extinguishments of deposit liabilities in the income for the year ended December, 31 2004 for 107,955.

17.19. Earnings Per Share

In February 1997, the FASB issued Statement No. 128, “Earnings Per Share”, which is effective for interim financial information and annual Financial Statements with periods ending after December 15, 1997. SFAS No. 128 supersedes APB 15 and its interpretations. It applies to companies with publicly traded common stock or potential common stock and establishes a new methodology for reporting earnings per share (EPS). It requires that entities with simple capital structures present basic per share amounts for income for continuing operations and net income on the face of the income statement. All other entities subject to SFAS No. 128 must present basic and diluted per-share amounts for income from continuing operations and net income on the face of the income statement, regardless of the magnitude of their difference.

The adoption of this accounting disclosure is shown in Note 17.25.

17.20. Reporting on Comprehensive Income (loss)

SFAS No. 130 “Reporting on Comprehensive Income” requires entities to report a measure of all changes in equity of an enterprise that result from transactions and other economic events of the period other than transactions with owners (“comprehensive income”). Comprehensive income (loss) is the total of net income (loss) and all other non-owner changes in equity. This statement, which is effective for fiscal years beginning after December 15, 1997, requires that comprehensive income (loss) be reported in a financial statement that is displayed with the same prominence as other Financial Statements with an aggregate amount of comprehensive income (loss) reported in that same financial statement. The adoption of this accounting disclosure is shown in Notes 17.26. and 17.27.

17.21. Employer’s disclosures about pensions and other postretirement benefits

SFAS No. 132 “Employers’ Disclosures about Pensions and Other Postretirement Benefits”. This Statement, which is effective for fiscal years beginning after December 15, 1997, revises employers’ disclosures about pension and other postretirement benefit plans. It does not change the measurement or recognition of those plans. It standardizes the disclosure requirements for pensions and other postretirement benefits to the extent practicable, requires additional information on changes in the benefit obligations and fair values of plan assets that will facilitate financial analysis, and eliminates certain disclosures that are no longer as useful as they were when SFAS No. 87 “Employers’ Accounting for Pensions”, No. 88 “Employers’ Accounting for settlements and Curtailments of Defined Benefit

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Pension Plans and for Termination Benefits” and No. 106 “Employers’ Accounting for Postretirement Benefits Other Than Pensions”, were issued. The Statement suggests combined formats for presentation of pension and other postretirement benefit disclosures. The Banco Francés Group gives to certain executives, with role at corporate level, the possibility to access into defined contribution pension plan. This adjustment has not had impact under U.S. GAAP. (see Note 16.16.).

17.22. Accounting for Derivative Instruments and Hedging Activities

In June 1998, the U.S. Financial Accounting Standards Board issued SFAS No. 133 “Accounting for Derivative Instruments and Hedging Activities”. This statement as subsequently amended by SFAS No. 137, 138 and 149 is required to be adopted for reporting under U.S. generally accepted accounting principles for all fiscal years beginning after June 15, 2000.

SFAS No. 133 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.

Among other provisions, SFAS No. 133 requires that for a transaction to qualify for special hedge accounting treatment the transaction must meet specific test of effectiveness and all hedge ineffectiveness is required to be reported currently in computation of net income. SFAS No. 133 further requires the identification of assets, liabilities or anticipated transactions being hedged and periodic revaluation of such hedged positions to reflect the changes in market value of risk being hedged. SFAS No. 133 further expands the definition of derivatives to include certain contracts or provisions commonly embedded in contracts or financial instruments and requires that such derivatives be reported at fair value.

In Note 16.19., it is explained in detail the derivative instruments used by the Bank and the valuation methods of these instruments were explained in Note 3.5.8. Management believes that the effect of the application of this accounting requirement does not have a material impact on the Bank consolidated financial condition or results of operations.

17.23. Foreign exchange difference

As a result of the sale of Banco Francés (Cayman) Ltd. during the year ended December 31, 2004, as described in Note 1.5., 200,000 of the negative result of the transaction was absorbed and charged to the account “Unrealized valuation difference” under stockholder’s equity.

17.24. Technical Commitments

Consolidar Cía. de Seguros de Retiro S.A. and Consolidar Cía. de Seguros de Vida S.A. maintain reserves accounted in Other Liabilities from Subsidiaries valued in accordance with de accounting standards established by the Superintendencia of Pension Fund Administrators and the National Superintendencia of Insurance (see Notes 3.5.21. and 6.).

The effects of adjustments required to state such amounts in accordance with US. GAAP would be decreased liabilities by 10,114 at December 31, 2005 and would be increased liabilities by 36,783 and 41,357 at December 31, 2004 and 2003, respectively. On the other hand, income for the years ended December 31, 2005 and 2004 would be increased by 46,897 and 4,574, respectively and would be decreased by 41,357 at December 31, 2003.

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17.25. Set forth below are the significant adjustments to consolidated net income and consolidated stockholders' equity which would be required if U.S. GAAP had been applied instead of Central Bank rules:

	Ref.	Consolidated Net Income		
		Years ended December 31,		
		2005	2004	2003
Net income as stated		117,204	(54,046)	(2) (350,328) (2)
Deferred taxes	17.1	(347,458)	4,526	(2) 288,169
Allowances on deferred tax assets	17.1	366,801	509,158	104,287
Tax on minimum presumed income	17.1	(1,003)	62,642	(2) (66,457) (2)
Loan origination and issuance credit card's fees	17.2	(2,270)	(9,698)	19,282
Intangible assets	17.3	(472)	2,443	(2) 40,087 (2)
Non Financial Private Sector and residents abroad loans	17.4.2	11,968	48,431	(10,830)
Federal Government secured loans	17.4.3	912,300	183,692	(288,999)
Provincial Government loans	17.4.4	26,298	153,298	381,056
Government securities	17.5	395,752	531,630	164,281
Gain contingencies	17.6	152,755	72,268	(409,831) (2)
Investment in other companies	17.7	(5,924)	(4,271)	(3,473)
Foreign currency translation to reporting currency (Argentine Peso)	17.8	—	143,371	159,677
Vacation expense	17.9	(8,756)	(2,487)	(1,512)
Pension and retirement obligations' activities	17.15	(36,109)	(48,260)	(3) (124,670) (3)
Goodwill Amortization	17.17	6,629	6,630	6,628
Impairment on goodwill	17.17	—	—	3,297
Gain on extinguishment of liabilities	17.18	—	3,618	104,337
Unrealized valuation difference	17.23	—	(200,000)	—
Technical Commitments	17.24	46,897	4,574	(41,357)
Approximated net income / (loss) in accordance with U.S. GAAP		<u>1,634,612</u>	<u>1,407,519</u>	<u>(26,356)</u>
Approximated net income / (loss) per share in accordance with U.S. GAAP ⁽¹⁾		<u>3.47</u>	<u>3.65</u>	<u>(0.07)</u>
Weighted average number of shares Outstanding (in thousands)		<u>471,361</u>	<u>385,334</u>	<u>368,128</u>

(1) See Note 17.19.

(2) Restated from its original version to apply the adjustments to prior years' income to these Consolidated Financial Statements based on Argentine Central Bank's regulations (see Note 3.5.18.).

(3) Restated from its original version to apply the adjustments required by US GAAP to prior years' income to these Consolidated Financial Statements (see Note 17.15.).

	Ref.	Consolidated Stockholders' Equity		
		Years ended December 31,		
		2005	2004	2003
Stockholders' equity as stated		1,801,547	1,684,343	(1) 1,573,977 (1)
Deferred taxes	17.1	1,342,468	1,656,249	(1) 1,681,832
Allowances on deferred tax assets	17.1	(805,873)	(1,172,674)	(1,681,832)
Tax on minimum presumed income	17.1	—	1,003	(1) (61,639) (1)
Loan origination and issuance credit card's fees	17.2	(23,051)	(20,781)	(11,083)
Intangible assets	17.3	(16,890)	(16,418)	(1) (18,861) (1)
Non Financial Private Sector and residents abroad loans	17.4.2	49,569	37,601	(10,830)
Federal Government secured loans	17.4.3	(909,500)	(1,821,800)	(2,005,492)
Provincial Government loans	17.4.4	(149,012)	(175,310)	(328,608)
Government securities	17.5	(168,477)	(468,009)	(1,193,620)
Gain contingencies	17.6	(586,534)	(739,289)	(811,557) (1)
Investment in other companies	17.7	(18,766)	(12,842)	(8,571)
Vacation expense	17.9	(44,829)	(36,073)	(33,586)
Pension and retirement obligations' activities	17.15	(209,039)	(172,930)	(2) (124,670) (2)
Goodwill	17.17	(25,459)	(32,088)	(38,718)
Gain on extinguishment of liabilities	17.18	—	—	104,337
Technical Commitments	17.24	10,114	(36,783)	(41,357)
Approximated consolidated Stockholder's (deficit) equity in accordance with U.S. GAAP		<u>246,268</u>	<u>(1,325,801)</u>	<u>(3,010,278)</u>

(1) Restated from its original version to apply the adjustments to prior years' income to these Consolidated Financial Statements based on Argentine Central Bank's regulations (see Note 3.5.18.).

(2) Restated from its original version to apply the adjustments required by US GAAP to prior years' income to these Consolidated Financial Statements (see Note 17.15.).

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Had US GAAP been applied, the amounts of the assets and liabilities would be as follows:

	For the fiscal years ended December 31,		
	2005	2004 ^{(1) (2)}	2003 ^{(1) (2)}
Assets	15,421,682	14,069,122	12,440,507
Liabilities	15,175,414	15,394,923	15,450,785

(1) Restated from its original version to apply the adjustments to prior years' income to these Consolidated Financial Statements based on Argentine Central Bank's regulations (see Note 3.5.18.).

(2) Restated from its original version to apply the adjustments required by US GAAP to prior years' income to these Consolidated Financial Statements (see Note 17.15.).

17.26. The following presents the consolidated statement of operations adjusted to reflect the application of U.S. GAAP using the Central Bank format:

	Consolidated Net Income Year ended December 31,		
	2005	2004 ⁽²⁾	2003 ⁽²⁾
Financial income	2,113,219	1,640,306	2,249,498
Financial expenses	(608,949)	(458,360)	(1,711,293)
Allowances for doubtful loans	(102,659)	(3,571)	(422,251)
Service charge income	721,510	574,606	483,943
Service charge expenses	(77,764)	(54,829)	(49,594)
Operating expenses	(781,067)	(670,064)	(667,631)
Net Monetary loss	-	-	(1,091)
Other income	1,187,397	1,640,769	1,677,721
Other expenses	(670,751)	(1,198,765)	(1,672,273)
Income before income tax	1,780,936	1,470,092	(112,971)
Income tax	(124,170)	(72,573)	(76,862)
Net income	1,656,766	1,397,519	(189,833)
Gain / (loss) on minority interest in subsidiaries	(22,154)	10,000	163,477
Total consolidated income	1,634,612	1,407,519	(26,356)
Comprehensive income			
Net income / (loss) in accordance with US GAAP	1,634,612	1,407,519	(26,356)
Other comprehensive income / (loss), net of tax ^{(1) (3)}	(62,543)	(87,454)	(159,677)
Comprehensive net income / (loss) in accordance with US GAAP	1,572,069	1,320,065	(186,033)

(1) See Note 17.27.

(2) Restated from its original version to apply the adjustments to prior years' income to these Consolidated Financial Statements based on Argentine Central Bank's regulations (see Note 3.5.18.).

(3) The minority interest represents the effect of the US GAAP adjustments in the Group's consolidated subsidiaries (see Note 2.1.).

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17.27. 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, 2005, 2004 and 2003:

Tax effects on Other Comprehensive Income / (Loss)

	Year ended December 31, 2005			Year ended December 31, 2004			Year ended December 31, 2003		
	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
Foreign currency translation Adjustments	—	—	—	(143,371)	—	(143,371)	(159,677)	—	(159,677)
Unrealized gains/(losses) on Securities:	(96,220)	33,677	(62,543)	86,026	(30,109)	55,917	—	—	—
Other comprehensive income gain / (loss)	(96,220)	33,677	(62,543)	(57,345)	(30,109)	(87,454)	(159,677)	—	(159,677)

Accumulated other comprehensive income / (loss) balances

	Year ended December 31, 2005			Year ended December 31, 2004			Year ended December 31, 2003		
	Foreign Currency Items	Unrealized Gains/ (losses) on securities	Accumulated Other Comprehen- sive Income (loss)	Foreign Currency Items	Unrealized Gains/ (losses) on securities	Accumulated Other Comprehen- sive Income (loss)	Foreign Currency Items	Unrealized Gains/ (losses) on securities	Accumulated Other Comprehen- sive Income (loss)
Beginning balance	—	55,917	55,917	143,371	—	143,371	303,048	—	303,048
Current-fiscal year change	—	(62,543)	(62,543)	(143,371)	55,917	(87,454)	(159,677)	—	(159,677)
Ending balance	—	(6,626)	(6,626)	—	55,917	55,917	143,371	—	143,371

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17.28. Cash flows information

For purposes of the accompanying statement of cash flows the Bank considers cash and due from banks to be cash and cash equivalents.

The following supplemental cash flow information separately presents the effect of inflation from operating, investing and financing activities and the effect of exchange rate changes on cash.

	December 31, 2005	December 31, 2004	December 31, 2003
Cash and cash equivalents at the end of the fiscal year	1,611,506	1,666,617	1,639,154
Cash and cash equivalents at beginning of the fiscal year	1,666,617	1,639,154	1,050,636
Subtotal	(55,111)	27,463	588,518
Reversal of inflation restatement of cash and cash equivalents	-	-	7,726
(Decrease) / increase in cash and cash equivalents	(55,111)	27,463	596,244
CAUSES OF CHANGES IN CASH AND CASH EQUIVALENTS			
Cash provide by / (used in) operating activities	467,876	723,645	(942,695)
Cash used in / (provided by) investing activities	534,780	824,038	(412,928)
Cash provided by financing activities	23,619	136,218	1,091,709
Effect of exchange rate changes on cash	11,826	8,362	(34,302)
(Decrease) / increase in cash and cash equivalents	(55,111)	27,463	596,244

Set forth below is the reconciliation of net income to net cash flow from operating activities, as required by SFAS No. 95 "Statement of Cash Flows":

	Year ended December 31,		
	2005	2004	2003
Net gain / (loss) for the fiscal year	117,204	(54,046) (1)	(350,328) (1)
Adjustments to reconcile net income to net cash from operating activities:			
Amortization and depreciation	312,298	298,328 (1)	315,230 (1)
Provision for loan losses and special reserves, net of reversals	513,160	170,561	(78,555) (1)
Net income from government and private securities	(209,438)	(182,183)	(179,667)
Foreign exchange differences	(72,942)	(76,943)	(1,059)
Minority interests in subsidiaries	17,151	12,901 (1)	(4,844) (1)
Deferred taxes	50,917	120,150 (1)	189,232 (1)
Equity (loss) of unconsolidated subsidiaries	(2,870)	(20,029) (1)	(2,819) (1)
Monetary loss generated on cash and due from banks	-	-	7,709
Net (increase) / decrease in interest receivable and payable and other accrued income and expenses	(257,604)	454,996 (1)	(840,894) (1)
Net cash provided by / (used in) operating activities	467,876	723,645	(945,995)

(1) Restated from its original version to apply the adjustments to prior years income to these Consolidated Financial Statements related with Argentine Central Bank regulations (see Note 3.5.18.).

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17.29. New accounting pronouncements (U.S. GAAP)

a) Accounting Changes and Error Corrections

In May, 2005, the FASB issued Statement No. 154 “Accounting Changes and Error Corrections” (a replacement of APB Opinion No. 20 and FASB Statement No. 3).

This statement applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. Opinion No. 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle.

This statement requires retrospective application to prior periods’ Financial Statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. This statement is the result of a broader effort by the FASB to improve the comparability of cross-border financial reporting by working with the IASB.

b) Accounting for Certain Hybrid Financial Instruments

In February, 2006, the FASB issued Statement No. 155 “Accounting for Certain Hybrid Financial Instruments” (amends FASB Statements No. 133, “Accounting for Derivative Instruments and Hedging Activities”, and No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities”).

This Statement resolves issues addressed in Statement 133 Implementation Issue No. D1, “Application of Statement 133 to Beneficial Interests in Securitized Financial Assets.”

This Statement:

- Permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation.
- Clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement No. 133.
- Establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation.
- Clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives.
- Amends Statement No. 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument.

The Company does not expect that the adoption of the above mentioned new accounting pronouncement will have a material impact on the Consolidated Financial Statements.

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c) Accounting for Servicing of Financial Assets

In March, 2006, the FASB issued Statement No. 156 “Accounting for Servicing of Financial Assets “ (amends FASB Statement No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities”), with respect to the accounting for separately recognized servicing assets and servicing liabilities.

This Statement:

- Requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in any of the following situations:
 - A transfer of the servicer’s financial assets that meets the requirements for sale accounting.
 - A transfer of the servicer’s financial assets to a qualifying special-purpose entity in a guaranteed mortgage securitization in which the transferor retains all of the resulting securities and classifies them as either available-for-sale securities or trading securities in accordance with FASB Statement No. 115, “Accounting for Certain Investments in Debt and Equity Securities”.
 - An acquisition or assumption of an obligation to service a financial asset that does not relate to financial assets of the servicer or its consolidated affiliates.
- Requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable.
- Permits an entity to choose either of the following subsequent measurement methods for each class of separately recognized servicing assets and servicing liabilities:
 - *Amortization method*—Amortize servicing assets or servicing liabilities in proportion to and over the period of estimated net servicing income or net servicing loss and assess servicing assets or servicing liabilities for impairment or increased obligation based on fair value at each reporting date.
 - *Fair value measurement method*—Measure servicing assets or servicing liabilities at fair value at each reporting date and report changes in fair value in earnings in the period in which the changes occur.
- At its initial adoption, permits a one-time reclassification of available-for-sale securities to trading securities by entities with recognized servicing rights, without calling into question the treatment of other available-for-sale securities under Statement 115, provided that the available-for-sale securities are identified in some manner as offsetting the entity’s exposure to changes in fair value of servicing assets or servicing liabilities that a servicer elects to subsequently measure at fair value.
- Requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of financial position and additional disclosures for all separately recognized servicing assets and servicing liabilities.

The Company does not expect that the adoption of the above mentioned new accounting pronouncement will have a material impact on the Consolidated Financial Statements.

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NOTE 18—SUBSEQUENT EVENTS

- a) On March 10, 2006 the Board of Directors resolved to propose to the shareholders the distribution of dividends in cash for a total amount of 27,000 to be distributed in proportion to the nominal holding of each shareholder equivalent to \$0.05728 per share.

On April 27, 2006 at the Bank's General Annual and Special Shareholders' Meeting, it was announced that such distribution is subject to the following two conditions:

- Express authorization of the Argentine Central Bank as per Communication "A" 4152 dated June 3, 2004; and
- Exemption for the holders of the Corporate Bonds Program Series 15 issued on November 26, 2003.

On April 27, 2006 the Argentine Central Bank issued an authorization to this Bank for the payment of dividends in cash.

On May 5, 2006, the Meeting of Bondholders of the Corporate Bonds Program Series 15 issued on November 26, 2003, held on second call, resolved to grant this Bank exemption from the prohibition to distribute dividends in cash, which had been included in the terms and conditions of such Series.

On June 2, 2006, the payment of dividends in cash was effected.

- b) As of May 31, 2006 the restructuring process of the Provincial Development Trust Fund has successfully ended and the Bank swapped this debt receiving Secured Bonds due 2020.

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Exhibit I

The measures adopted by the Federal Executive with respect to the political, economic, financial and foreign exchange emergency triggered a number of legal actions to be filed by individuals and companies, in the form of constitutional protection actions (judicial injunctions resulting in the immediate release of frozen deposits), against the Federal Government, the BCRA and Financial Institutions as the petitioners consider that the Law on Public Emergency and its supplementary provisions are unconstitutional. Based, mainly in the “Kiper against Federal Government and Others” case, dictated by the Supreme Court, the courts massively started to dictate through constitutional protection actions, the partial reimbursement of bank deposits in US dollars or Argentine pesos at the “floating” exchange rate.

On March 11, 2002, the Argentine Association of Government-owned and Private Banks and the Argentine Bank Association filed a “per saltum” appeal with the Argentine Supreme Court under section 195 bis of the Argentine Code of Civil and Commercial Procedure (according to the modification introduced by Law No. 25,561). The appeal was filed for the benefit of government-owned and private banks that are members of such associations and was based on the Argentine institutional and systematic crisis and on the need to comply with effective regulations to achieve an ordered and gradual solution for the restrictions affecting the financial system and guaranteeing a plurality of interest.

The Supreme Court of Justice (CSJN) has handed down the following decisions in relation to the claims filed as a result of the emergency situation above described:

- On March 5 2003, on the action for the protection of constitutional rights brought against the Federal Government by the Province of San Luis, the Banco de la Nación Argentina and the BCRA declaring to be unconstitutional, ordering the return of the amounts deposited in either US dollars or the equivalent in pesos at the free market rate of exchange.
- On July 13, 2004, in the case “Cabrera, Gerónimo Rafael v. Argentine Executive Branch on action for the protection of constitutional rights (amparo)”, in which it rejected the claim of a depositor on the grounds that the latter had exercised his rights within the framework of the emergency laws, and collected a portion of his deposit in pesos, without reserving the right to claim the difference in U.S. dollars at the exchange rate prevailing in the open market.
- On September 14, 2004, the CSJN also pronounced in the case entitled “CAMPBELL, María Enriqueta Vda. De Tufiño y otro c/ P.E.N. - Banco de Salta S.A. Grupo Macro s/ AMPARO- Medida cautelar”, rejecting the claim of a depositor which was filed before the Court of original Jurisdiction and the Court of appeal, declaring the unconstitutionality of the emergency rule questioned regarding the pesification of the deposit funds in foreign currency.
- On October 26, 2004, was pronounced in the case entitled “BUSTOS, ALBERTO ROQUE Y OTROS c/ P.E.N. Y OTROS s/ AMPARO”, revoking the sentence in which mentioned the action on the protection of constitutional rights (amparo), declaring that such action is not adequate for such claim and declares the constitutionality of the rule by which the Argentine economy was pesificated due to the economic, financial and exchange emergency situation through which the country is going through, confirmed by Congress Law. The revocation of the sentence of the Original Jurisdiction do not state how the Judge of this jurisdiction will resolve the fulfillment of the Court and for such reason proceed to the refund of the amount already paid due to the legal demands ordered by a Grade Judge.

On February 3, 2004, the ABA, which groups all national banks of foreign-capital, filed with the Ministry of Economy a request for compensation of the exchange gain/loss resulting from compliance with judicial injunctions related to constitutional protection actions commenced by holders of deposits denominated in US Dollars prior to the alteration of the convertibility regime. The Bank has consented to such filing.

As of the date hereof, BBVA Banco Francés S.A. continues to be subject to precautionary measures or execution of judgments rendered by first or second instance courts as well as to decisions that adhered to the Supreme Court rulings as concerns the constitutionality of pesification, the own acts’ theory, etc. (which are, in terms of volume and impact, substantially lower than in prior years). The Bank estimates that it shall not receive new claims implying a significant adverse effect on its balance sheets. In the defense of its shareholders’ and clients’ interests, BBVA Banco Francés S.A. has articulated such judicial defenses as deemed by it to be conducive to the preservation of its equity.

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Exhibit I (Cont)

Owing to the equity loss that the fulfillment of the precautionary measures ordered by different courts in constitutional protection actions imply for the financial system and, in particular, for BF, the Bank has let this loss be known to the Ministry Economy and the BCRA expressing a reservation of legal rights.

To date the authorities have not ruled on possible compensation for the financial system in relation to these matters.

Furthermore, by means of Communication “A” 3916 dated April 3, 2003 the BCRA resolved to allow the capitalization of the differences arising from compliance with court orders in cases challenging regulations in force in accordance with Law 25,561, Decree No. 214/02 and complementary regulations in relation to deposits within the financial system. This asset (calculated according to 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) is being amortized in 60 monthly installments as from April 2003.

As of December 31, 2005 and 2004, BF records 565,352 and 739,289, respectively (after deducting the accumulated amortization for 554,036 and 335,827 as of December 31, 2005 and 2004, respectively), in the Intangible Assets item, Organization and Development Expenses account.

The Bank, however, notifies that such amortization is solely calculated to comply with the regulations of the BCRA and that by no means does it 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.

In the opinion of the Bank’s Board of Directors and its legal advisors there exists compensation or recovery probabilities for such equity loss.