

BBVA BANCO FRANCES SA  
Form 6-K  
August 22, 2003

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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 6-K

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16  
of the Securities Exchange Act of 1934

For the month of August, 2003

Commission File Number: 001-12568

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## BBVA Banco Francés S.A.

(Translation of registrant's name into English)

Reconquista 199, 1006

Buenos Aires, Argentina

(Address of principal executive offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F: Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): Yes  No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): Yes  No

Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934: Yes  No

If  Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

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**BBVA Banco Francés S.A.**

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1. Financial Statements as of June 30, 2003 and 2002 together with Auditor's Report

**FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND 2002 TOGETHER WITH INDEPENDENT  
ACCOUNTANT S REVIEW REPORT**

## BALANCE SHEETS AS OF JUNE 30, 2003 AND 2002

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

	2003	2002
<b>ASSETS</b>		
<b>CASH AND DUE FROM BANKS</b>		
Cash	246,840	173,083
Due from banks and correspondents	856,752	90,457
	<u>1,103,592</u>	<u>263,540</u>
<b>GOVERNMENT AND PRIVATE SECURITIES (Exhibit A)</b>		
Holdings in investment accounts	499,688	883,478
Holdings for trading or financial transactions	95,861	22,421
Unlisted Government Securities	137,949	584,460
Investments in listed private securities	36	2,443
	<u>733,534</u>	<u>1,492,802</u>
<b>LOANS</b>		
To government sector (Exhibits B, C and D)	5,099,048	5,826,564
To financial sector (Exhibits B, C and D)	19,874	55,938
To non financial private sector and residents abroad (Exhibits B, C and D)	1,925,711	3,608,224
	<u>7,044,633</u>	<u>9,490,726</u>
Overdraft	114,915	250,030
Discounted instruments	192,329	489,468
Real estate mortgage	438,110	662,499
Collateral Loans	5,619	17,073
Consumer	86,308	231,583
Credit cards	126,530	163,782
Other	903,564	1,636,900
Interest and listed-price differences accrued and pending collection	58,482	163,029
Less: unused collections	8	857
Less: Interest documented together with main obligation	138	5,283
Less: Allowances (Exhibit J)	448,052	1,108,367
	<u>6,596,581</u>	<u>8,382,359</u>
<b>OTHER RECEIVABLES FROM FINANCIAL TRANSACTIONS</b>		
Argentine Central Bank (BCRA)	351,494	360,109
Amounts receivable for spot and forward sales pending settlement	24,813	45,444
Instruments to be received for spot and forward purchases pending settlement	566,650	67,597
Unlisted corporate bonds (Exhibits B, C and D)	168,870	224,439
Other receivables not covered by debtor classification regulations (Note 5)	321,535	2,794,421
Other receivables covered by debtor classification regulations (Exhibits B, C and D)	10,211	24,181

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Interest accrued and pending collection not covered by debtor classification regulations	105,885	94
Interest accrued and pending collection covered by debtor classification regulations (Exhibits B, C and D)	202	7,089
Less: others unused collections	58	82
Less: Allowances (Exhibit J)	88,567	24,097
	<u>1,461,035</u>	<u>3,499,195</u>
<b>ASSETS SUBJECT TO FINANCIAL LEASING</b>		
Assets subject to financial leasing (Exhibits B, C and D)	18,139	21,666
Less: Allowances (Exhibit J)	864	426
	<u>17,275</u>	<u>21,240</u>
<b>INVESTMENTS IN OTHER COMPANIES</b>		
In financial institutions (Exhibit E)	1,391,230	1,115,891
Other (Exhibit E)	249,849	236,261
Less: Allowances (Exhibit J)	15,103	22,893
	<u>1,625,976</u>	<u>1,329,259</u>
<b>OTHER RECEIVABLES</b>		
Receivables from sale of property assets (Exhibits B, C and D)	3,321	168
Other (Note 5)	558,918	584,745
Interest accrued and pending collection on receivables from sale of property assets (Exhibits B, C, and D)	81	
Other accrued interest receivable		1
Less: Allowances (Exhibit J)	134,937	213,893
	<u>427,383</u>	<u>371,021</u>
<b>PREMISES AND EQUIPMENT (Exhibit F)</b>		
	<u>427,218</u>	<u>485,660</u>
<b>OTHER ASSETS (Exhibit F)</b>		
	<u>101,609</u>	<u>144,369</u>
<b>INTANGIBLE ASSETS (Exhibit G)</b>		
Goodwill	42,504	55,042
Organization and development expenses	882,931	155,849
	<u>925,435</u>	<u>210,891</u>
<b>SUSPENSE ITEMS</b>		
	<u>1,349</u>	<u>3,233</u>
<b>TOTAL ASSETS</b>	<u>13,420,987</u>	<u>16,203,569</u>

(Contd.)

**BALANCE SHEETS AS OF JUNE 30, 2003 AND 2002**

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

	<u>2003</u>	<u>2002</u>
<b>LIABILITIES</b>		
<b>DEPOSITS</b> (Exhibits H and I)		
Government sector	41,912	61,131
Financial sector	50,221	156,610
Non financial private sector and residents abroad	6,883,570	6,804,498
	<u>1,305,057</u>	<u>996,906</u>
Checking accounts	1,305,057	996,906
Savings deposits	703,003	708,760
Time deposits	3,509,315	1,079,064
Other	947,245	3,189,429
Interest and listed-price differences accrued payable	418,950	830,339
	<u>6,975,703</u>	<u>7,022,239</u>
<b>OTHER LIABILITIES FROM FINANCIAL TRANSACTIONS</b>		
BCRA (Exhibit I)	2,159,757	1,719,285
	<u>2,159,757</u>	<u>1,719,285</u>
Other	2,159,757	1,719,285
Banks and International Institutions (Exhibit I)	578,769	1,540,642
Non-subordinated corporate bonds (Exhibit I)	379,025	638,353
Amounts payable for spot and forward purchases pending settlement	318,736	47,157
Instruments to be delivered for spot and forward sales pending settlement	33,182	40,078
Financing received from Argentine financial institutions (Exhibit I)	90,800	99,468
Other (Exhibit I)	302,930	348,102
Interest and listed-price differences accrued payable (Exhibit I)	39,875	38,573
	<u>3,903,074</u>	<u>4,471,658</u>
<b>OTHER LIABILITIES</b>		
Other (Note 5)	85,509	1,736,102
	<u>85,509</u>	<u>1,736,102</u>
<b>ALLOWANCES</b> (Exhibit J)	515,749	103,310
<b>SUBORDINATED CORPORATE BONDS</b> (Exhibit I)	74,793	673,738

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<b>SUSPENSE ITEMS</b>	1,190	2,261
<b>TOTAL LIABILITIES</b>	11,556,018	14,009,308
<b>STOCKHOLDERS EQUITY</b> (as for the related statements of changes in stockholders equity)	1,864,969	2,194,261
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	13,420,987	16,203,569



## MEMORANDUM ACCOUNTS

	2003	2002
<b>DEBIT ACCOUNTS</b>		
Contingent		
Guaranties received	5,792,423	7,288,302
Contra contingent debit accounts	3,866,280	4,754,072
	<u>9,658,703</u>	<u>12,042,374</u>
Control		
Receivables classified as irrecoverable	847,297	564,798
Other (Note 5)	31,212,004	23,964,252
Contra control debit accounts	94,426	86,213
	<u>32,153,727</u>	<u>24,615,263</u>
For trustee activities		
Funds received in trust	38,186	53,973
	<u>38,186</u>	<u>53,973</u>
<b>TOTAL</b>	<b><u>41,850,616</u></b>	<b><u>36,711,610</u></b>
<b>CREDIT ACCOUNTS</b>		
Contingent		
Credit lines granted (unused portion) covered by debtor classification regulations (Exhibits B, C and D)	151,028	170,997
Guaranties provided to the BCRA	3,021,764	2,262,184
Other guaranties given covered by debtor classification regulations (Exhibits B, C and D)	453,741	1,784,157
Other guaranties given not covered by debtor classification regulations		1,942
Other covered by debtor classification regulations (Exhibits B, C and D)	239,747	534,792
Contra contingent credit accounts	5,792,423	7,288,302
	<u>9,658,703</u>	<u>12,042,374</u>
Control		
Items to be credited	94,411	86,043
Other	15	170
Contra control credit accounts	32,059,301	24,529,050
	<u>32,153,727</u>	<u>24,615,263</u>
For trustee activities		
Contra credit accounts for trustee activities	38,186	53,973
	<u>38,186</u>	<u>53,973</u>
<b>TOTAL</b>	<b><u>41,850,616</u></b>	<b><u>36,711,610</u></b>



The accompanying notes 1 through 17 and exhibits A through L and N are an integral part of these statements.

## STATEMENTS OF INCOME FOR THE SIX MONTH PERIODS

ENDED JUNE 30, 2003 AND 2002

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

	<u>2003</u>	<u>2002</u>
<b>FINANCIAL INCOME</b>		
Interest on cash and due from banks	4,777	3,281
Interest on loans to the financial sector	453	21,453
Interest on overdraft	17,146	113,405
Interest on discounted instruments	4,626	43,887
Interest on real estate mortgage loans	25,009	61,263
Interest on collateral loans	389	2,019
Interest on credit card loans	19,099	34,247
Interest on other loans	61,260	201,973
Interest on other receivables from financial transactions	4,162	14,075
Income from guaranteed loans Decree 1387/01	595,212	1,113,555
Net income from government and private securities	58,500	140,237
Indexation by benchmark stabilization coefficient (CER)	68,149	698,591
Other	910	1,515,127
	<u>859,692</u>	<u>3,963,113</u>
<b>FINANCIAL EXPENSE</b>		
Interest on checking accounts	8,304	156,454
Interest on savings deposits	1,953	6,127
Interest on time deposits	314,742	214,049
Interest on financing to the financial sector	301	11,721
Interest on other liabilities from financial transactions	30,214	56,250
Other interest	84,065	181,997
Indexation by benchmark stabilization coefficient (CER)	50,869	1,073,192
Other (Note 5)	516,228	249,902
	<u>1,006,676</u>	<u>1,949,692</u>
<b>GROSS INTERMEDIATION MARGIN (LOSS) / GAIN</b>	<u>(146,984)</u>	<u>2,013,421</u>
<b>ALLOWANCES FOR LOAN LOSSES</b>	<u>103,696</u>	<u>485,135</u>
<b>SERVICE CHARGE INCOME</b>		
Related to lending transactions	25,981	61,244
Related to liability transactions	58,841	95,972

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Other commissions	9,464	7,562
Other (Note 5)	23,914	38,747
	<u>118,200</u>	<u>203,525</u>
<b>SERVICE CHARGE EXPENSE</b>		
Commissions	16,390	19,503
Other	1,177	6,366
	<u>17,567</u>	<u>25,869</u>

(Contd.)

## STATEMENTS OF INCOME FOR THE SIX MONTH PERIODS

ENDED JUNE 30, 2003 AND 2002

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

	2003	2002
	<u>          </u>	<u>          </u>
<b>MONETARY GAIN / (LOSS) ON FINANCIAL INTERMEDIATION</b>	4,528	(4,677)
	<u>          </u>	<u>          </u>
<b>OPERATING EXPENSES</b>		
Payroll expenses	110,481	177,501
Fees to Bank Directors and Statutory Auditors	238	196
Other professional fees	8,016	5,593
Advertising and publicity	8,454	8,683
Taxes	8,058	10,748
Other operating expenses (Note 5)	101,986	114,508
Other	14,474	22,021
	<u>          </u>	<u>          </u>
	251,707	339,250
	<u>          </u>	<u>          </u>
<b>MONETARY LOSS ON OPERATING EXPENSES</b>	(2,784)	(62,753)
	<u>          </u>	<u>          </u>
<b>NET (LOSS) / GAIN FROM FINANCIAL TRANSACTIONS</b>	(400,010)	1,299,262
	<u>          </u>	<u>          </u>
<b>OTHER INCOME</b>		
Income from long-term investments	111,261	
Punitive interests	572	1,661
Loans recovered and reversals of allowances	585,565	18,812
Other	106,364	13,321
	<u>          </u>	<u>          </u>
	803,762	33,794
	<u>          </u>	<u>          </u>
<b>OTHER EXPENSE</b>		
Losses from long-term investments		1,308,156
Punitive interests and charges paid to BCRA	34	1,195
Charge for uncollectibility of other receivables and other allowances	367,295	350,667
Other	64,426	76,133
	<u>          </u>	<u>          </u>

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	431,755	1,736,151
	<u>          </u>	<u>          </u>
<b>MONETARY (LOSS) / GAIN ON OTHER OPERATIONS</b>	(151)	36,377
	<u>          </u>	<u>          </u>
<b>NET (LOSS) BEFORE INCOME TAX</b>	(28,154)	(366,718)
	<u>          </u>	<u>          </u>
<b>INCOME TAX</b>	133,000	
	<u>          </u>	<u>          </u>
<b>NET (LOSS) FOR THE PERIOD</b>	<b>(161,154)</b>	<b>(366,718)</b>
	<u>          </u>	<u>          </u>

The accompanying notes 1 through 17 and exhibits A through L and N are an integral part of these statements.

## STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2003 AND 2002

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

Movements	2003							2002	
	Capital Stock	Noncapitalized contributions Premiums on the issuance of shares	Adjustments to stockholders equity (1)	Retained earnings Legal Other (2)		Unrealized valuation difference (3)	Unappropriated earnings	Total	Total
1. Balance at beginning of fiscal year (restated)	368,128	934,211	769,904	428,698	1,802	430,282	(906,902)	2,026,123	2,070,243
2. Sale of interest in BBVA Uruguay S.A. (Note 2.2)									21,818
3. Unrealized valuation difference (Note 1.2.2)									468,918
4. Net (loss) for the period							(161,154)	(161,154)	(366,718)
5. Balance at end of the period	368,128	934,211	769,904	428,698	1,802	430,282	(1,068,056)	1,864,969	2,194,261

**BALANCE AT THE END OF THE PERIOD**

(1) Adjustments to stockholders equity include:

a) Adjustment to equity fund appraisal revaluation	41,285
b) Adjustment to Capital Stock	312,979

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c) Adjustment to Capital Stock (Premiums on the issuance of shares)	415,640
	<hr/>
	769,904
	<hr/>
(2) Earnings reserved Other includes:	
Mandatory reserve recorded for granting loans to personnel	1,802
	<hr/>
(3) Including 6,059 related to the interest in the Unrealized valuation difference booked by Rombo Cía.Financiera S.A.	

The accompanying notes 1 through 17 and exhibits A through L and N are an integral part of these statements.



**STATEMENTS OF CASH FLOWS FOR THE SIX MONTH PERIODS**  
**ENDED JUNE 30, 2003 AND 2002**

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

	<u>2003</u>	<u>2002</u>
<b>CHANGES IN CASH FLOWS</b>		
Cash and due from banks at beginning of the fiscal year (restated)	934,465	1,706,078
Increase / (Decrease) in cash and due from banks	169,127	(1,442,538)
	<u>1,103,592</u>	<u>263,540</u>
<b>REASONS FOR CHANGES IN CASH FLOWS</b>		
Financial income collected	724,727	847,748
Service charge income collected	118,227	226,530
Less:		
Financial expenses paid	1,169,016	1,090,585
Services charge expenses paid	17,596	25,869
Operating expenses paid	232,365	282,058
	<u>(576,023)</u>	<u>(324,234)</u>
<b>FUNDS (USED IN) RECURRING OPERATIONS</b>		
<b>OTHER SOURCES OF FUNDS</b>		
Net increase in deposits (*)	737,457	980,440
Net increase in other liabilities from financial transactions (*)		4,626,253
Net increase in other liabilities (*)	158,841	2,735,724
Net decrease in loans (**)	306,017	
Net decrease in government and private securities (**)	24,426	
Net decrease in other receivables from financial transactions (**)	65,196	
Other sources of funds (**)	190,565	55,614
	<u>1,482,502</u>	<u>8,398,031</u>
<b>USE OF FUNDS</b>		
Net increase in government and private securities (**)		1,249,703
Net increase in loans (**)		2,342,480
Net increase in other receivables from financial transactions (**)		2,845,144
Net increase in other assets (**)	429,479	2,400,583
Net decrease in other liabilities from financial transactions (*)	288,092	
Other uses of funds (*)	12,423	19,054
	<u>729,994</u>	<u>8,856,964</u>
<b>TOTAL USES OF FUNDS</b>		

<b>MONETARY (LOSS) GENERATED ON CASH AND DUE FROM BANKS</b>	(7,358)	(659,371)
<b>INCREASE/(DECREASE) IN FUNDS</b>	169,127	(1,442,538)
(*) Variations originated in financing activities.	595,783	8,323,363
(**)Variations originated in investment activities.	156,725	(8,782,296)

The accompanying notes 1 through 17 and exhibits A through L and N are an integral part of these statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2003 AND 2002**

(Translation of financial statements originally issued in Spanish-See Note 17)

(Stated in thousands of pesos)

**1. ARGENTINE ECONOMIC CONTEXT AND ITS IMPACT ON THE BANK'S ECONOMIC AND FINANCIAL POSITION.**

**1.1. General Aspects**

The Argentine Republic finds itself immersed in a delicate economic context, which makes up a framework which has as main indicators a high level of external indebtedness, high interest rates, a significant decrease in the deposit level, a country risk which has reached levels out of the habitual averages and a recession which has lasted for more than four years. This situation has led to an important fall in the demand of products and services as well as a significant increase in the level of unemployment. The Federal Government's capacity to fulfill its obligations and the possibility to access to credit lines has also been affected by these circumstances.

On November 30, 2001, owing to the severe loss of deposits from the financial system, the Government issued Decree No.1570/01, which set tight restrictions on the withdrawal of cash from banks and controls on the transfer of funds abroad while fostering an increased dollarization of the economy.

By the end of the last year, the deterioration of the economic and financial situation affected the institutions, with several successive changes taking place at the highest levels of the Federal Executive, which culminated with National Congress electing a new President to complete the constitutional period until December 10, 2003. In the interim, the suspension of payments on public debt, was declared. The newly-elected president took over on May 25, 2003.

On January 6, 2002, the Argentine Congress approved Law No. 25,561 on Public Emergency and Exchange System Reform that introduced dramatic changes to the economic model implemented until that date and that amended the Convertibility Law approved in March 1991. The new law empowers the Federal Executive to implement, among other things, additional monetary, financial and exchange measures to overcome the economic crisis in the medium term.

Subsequently, the Federal Government issued different decrees and rules that amended or supplemented existing rules and regulations. The main new measures were:

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### *1.1.1. Conversion of receivables and liabilities into Argentine pesos (pesification).*

The pesification system set up by the Federal Government under Law 25,561, Decrees No. 214/02, 410/02, 471/01, 494/02 as supplemented, establishes as follows:

- a) The switch into pesos of all the obligations, whatever their cause or origin, to deliver sums of money stipulated in US dollars or any other foreign currency outstanding as of the date of enactment of Law No. 25,561, with the exceptions, mainly, of financing related to foreign trade granted by financial institutions, and the private and government sectors obligations to deliver sums to which foreign law is applicable.
- b) The switch into pesos of all deposits with all financial institutions stipulated in US dollars or other foreign currencies at an exchange rate of 1.4 Argentine pesos to each US dollar, or its equivalent in any other currencies.

- c) The switch into pesos of all debts towards financial institutions stipulated in US dollars or other foreign currencies of the non financial private sector, whatever the amount or nature, at the exchange rate of one Argentine pesos to each US dollar, or its equivalent in any other currencies.
- d) The switch into pesos of all debts towards financial institutions stipulated in US dollars or other foreign currencies which are only subject to Argentine Law of the government sector, at the exchange rate of 1.4 Argentine pesos to each US dollar, or its equivalent in any other currencies.
- e) The switch into pesos of due-and-payable obligations to pay amounts, for any cause or of any origin, stipulated in US dollars or any other foreign currencies, unrelated to financial institutions and whatever their origin or nature, at the exchange rate of one Argentine pesos to each US dollar, or its equivalent in any other currencies.
- f) The adjustment of loans and the deposits and debts mentioned in (b) to (d) above by application of a Benchmark Stabilization Coefficient (CER), which is published by the BCRA. In addition, minimum and maximum interest rates will be applied on deposits and loans, respectively. The Coefficient mentioned above is applied as from the issuance of Decree No. 214/2002.

All those loans granted to individuals on the side of financial institutions which have as a mortgage security the single dwelling home upon the amount of USD 250,000; personal loans, in due time agreed upon the amount of USD 12,000 or another foreign currency; and those secured personal loans in due time agreed upon the amount of USD 30,000 or another foreign currency are excluded from the CER application. Such loans will be adjusted by the application of the Salary Variation Coefficient (CVS), keeping the originally agreed interest rate.

- g) The switch into pesos of inter-financing loans in foreign currency at an exchange rate of 1.4 Argentine pesos to each US dollar or its equivalent in other currencies, except for those which have relation with the import or export pre-financing or financing shall be settled at the floating exchange rate.
- h) The issuance of a Bond backed by Argentine Treasury funds to bear the imbalance in the banking system resulting from the exchange difference stemming from the switch into Argentine pesos of the deposits with, and debts owed to, the banking system.

#### *1.1.2. Bankruptcy and insolvency law*

As from the enactment of Law No. 25,563, dated January 30, 2002, all court and out-of-court foreclosures as well as the procedure of creditors petitions in bankruptcy have been suspended. Once the considered term in the legal order matured, such suspensions were voluntarily postponed until February 1, 2003 by the ABAPRA (Argentine Association of Government and Private Owned Banks) and the ABA (Argentine Bank Association).

By Decree 204 dated February 4, 2003, a voluntary conciliation procedure was established, by which the Legal Emergency Units were established for a ninety-day term within the Department of Labor and Production. These units shall take part in the foreclosures at the request of either debtors or creditors.

On May 8, 2003 the National Congress has enacted the Law 25,737, which extend court mortgage foreclosures for 90 days.

*1.1.3. Exchange system*

During the first quarter of 2002 and as the economic crisis deepened, the Federal Government established a series of restrictions and exchange controls, which have been made gradually flexible towards the end of 2002 owing to the stability of the exchange parity. The main exchange rules in force as the date of issuance of these financial statements are as follows:

By Decree No. 260/2002 dated February 8, 2002, the Federal Executive established a single and free exchange market by which, as the date of issuance of this decree, all exchange transactions in foreign currency are conducted.

Foreign exchange transactions in the floating market have, among others, the following characteristics:

The exchange rate will be freely agreed between supply and demand. As of June 30, 2003, the exchange rate was 2.8075 Argentine pesos to each US dollar.

Foreign exchange transactions may only be carried out at institutions authorized by the BCRA.

Criminal Foreign Exchange Laws will apply to transactions that do not conform to effective regulations.

Certain requirements related to the registration of transactions and customer identification and certain provisions of the information system must be complied with.

The foreign trade transactions as well as the transfers abroad are regulated by the BCRA as regards previous agreement and the settlement and term method, according to the kind of transaction.

Income and dividend payments abroad related to audited balance sheets shall be able to be carried out (except Financial Entities see Note 15).

As from November 2002, the BCRA started a process of gradual flexibilization of exchange market restrictions and aligned the exchange regulations to the context of stabilization of the financial system. The main regulations relate to:

Extension of the terms for exchange of foreign currency provided by foreign trade operations.

Elimination of the obligation to assign foreign currency to the BCRA derived from collection of exports.

Possibility of making advance payment of debts abroad corresponding to imports of goods.

Elimination of the requirement on obtaining prior approval from the BCRA to settle servicing of principal on certain financial debts.

Flexibilization of restrictions on access to the exchange market.

In accordance with Communication A 3969 of the BCRA, dated June 26, 2003, the maximum limit of Foreign Exchange Position (PGC) of the financial institutions, basically made up of the foreign currency holding plus due from banks in that currency within the country or abroad and foreign currency forward transactions is equivalent to 10% of the adjusted stockholders' equity (R.P.C.) registered as of November 30, 2001, with a minimum equivalent adding to the sum of USD 1,500,000 for banking institutions.

#### *1.1.4. Compensation to Financial Institution*

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According to the provisions of Law No. 25,561 and Decrees No. 214/02, No. 494/02, No. 905/02 and No. 2167/02 the Federal Government established a compensation for Financial Institutions for the negative monetary effects arising from conversion into Argentine pesos at an asymmetrical exchange rate of receivables and payables denominated in foreign currency, as well as for the net negative position in foreign currency resulting from its conversion into Argentine pesos.

BCRA Communications A 3650 and A 3716, as supplemented, determined the compensation procedures as follows:

- a) It was taken as reference the balance sheet of the Financial Institution as of December 31, 2001, to which those assets affected by Decrees No. 214/02 y No. 471/02 registered in branches and subsidiaries abroad of local financial institutions were included in the asset, excluding miscellaneous receivables and accounts payables



- b) The stockholders' equity resulting from the balance sheet mentioned in (a) was adjusted by applying the exchange rate of 1.4 Argentine pesos to each US dollar, or its equivalent in any other currency, to the net position in foreign currency.
- c) The amount to be compensated is the positive difference between the adjusted stockholders' equity determined on the basis of (b) above and the stockholders' equity resulting from conversion into pesos of certain assets and liabilities in foreign currency at the exchange rates defined by the rules and regulations.
- d) The compensation for each Financial Institution, determined in Argentine pesos, will be paid by delivering Federal Government Bonds in Argentine pesos at a 2% rate, maturing in 2007 .
- e) Financial Institutions will have the right to request the Bond swap mentioned in d) for LIBOR 2012 Federal Government Bonds denominated in US dollars at the exchange rate of 1.4 Argentine pesos to each US dollar, for up to the amount of the net negative position in foreign currency, resulting from conversion into pesos of assets and liabilities booked in the balance sheet as of December 31, 2001, as per the above paragraphs.
- f) The Federal Government, through the Ministry of Economy, may issue additional bonds in US dollars to be subscribed by Financial Institutions up to the amount of the net position in foreign currency of such Financial Institution and after allocating all the holdings in Bonds denominated in Argentine pesos received as a compensation. The subscription price of such will be 140 Argentine pesos to 100 dollars, face value.

Subsequently, the Federal Government and the BCRA issued different amendments (Decrees No. 2167/02 and No. 53/03, and Communications A 3825 and B 7564, among others), which originated changes in the amounts to be received in compensation, causing the presentation of three informative requirements on the side of the financial institutions. The BCRA has also started to carry out inspections in the financial institutions so as to make the compensation figures valid.

#### *1.1.5. Government Securities and Loans to the Government Sector - Guaranteed Loans - Decree No. 1387/2001*

On November 1, 2001, through Decree No. 1387/2001, the Federal Executive instructed the Ministry of Economy to offer, on a voluntary basis, the federal and provincial public debt swap for loans secured by the Argentine State or the Provincial Development Trust Fund (FFDP) aiming at obtaining a reduction of the interest related to the securities converted as well as extending amortization terms.

Decrees Nos. 1387/01 and 1646/01 established the basic characteristics of secured loans, including: conversion at nominal value plus interest of the swapped obligations (at a one-to-one rate), issuance in the same currency as the one of the swapped obligation; tax exemption on the difference both between the conversion and market values or the booking as well as the interest and secured loans; use of resources from the tax on bank account transactions and in general of all the resources related to the federal Government on account of the Federal Tax Revenue Sharing System as a guarantee of all the principal and interest maturity dates of secured loans. In addition, Decree No. 471/02 provided, among other things, the conversion into pesos of all federal, provincial and municipal obligations denominated in foreign currency on which only Argentine law is applicable at the exchange rate of 1.4 Argentine pesos to each US dollar or its equivalent in other foreign currencies and adjustment thereof through the CER and the kind of interest applicable to each secured loan and security based on the average life and original issuance currency.

Subsequently, the Federal Executive issued Decree No. 644/02 and 79/03 establishing the steps to be followed by banks to accept the new conditions, for purposes of receiving principal and interest payments on guaranteed loans. If the new conditions are not accepted, everything goes back to the status prior the swap.

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On August 27, 2002, through Decree No. 1579/02, the Federal Executive instructed the FFDP to bear provincial debt in the form of Government Securities, Bonds, Treasury Bills, or Loans voluntary converted into Secured Bonds.

Later, on October 25 and November 12, 2002, through Resolutions Nos. 539/02 and 611/02, respectively, the Ministry of Economy established the unified calculation mechanism for all debts included in the conversion system under Decree No. 1579/02, and it provided the term for Financial Institutions that submitted bids to convert provincial debt under Section No. 25, Decree No. 1387/01, as supplemented, to express their will to withdraw them.

On November 19, 2002, the Economy Ministry issued Resolution No. 624/02, by which the provincial public debt eligible for the swap of provincial public debt for bonds and guaranteed loans issued by the FFDP is established. By Resolutions Nos. 742/2002 and 135/2003, the Ministry of Economy notified the acceptance of certain exchange offers made by financial institutions.

At the date of issue of these financial statements, the Bank holds 915,125 in the process of exchange of provincial debt, which has not yet been carried out.

*1.1.6. Deposits and liabilities of the government and private sectors*

**Balance rescheduling**

As mentioned in the above paragraphs, the Federal Executive through Decree No. 1570/01 and Law No. 25,561 established severe restrictions on the withdrawal of funds from Financial Institutions. Subsequently, a number of rules were issued that established a schedule for maturity of deposits existing in the financial system. The BCRA issued a number of Communications that established the schedule for returning deposits on the basis of their currency and amount.

The characteristics of the deposit reschedule regime are as follows:

Peso-denominated deposits (time deposits):

<u>Amount (in thousands of pesos)</u>	<u>Number of installments</u>	<u>Payment schedule</u>
From ARS 0.4 to ARS 10	4	As from March 2002
From ARS 10 to ARS 30	12	As from August 2002
Above ARS 30	24	As from December 2002

Rescheduled deposits, originally agreed upon in pesos, will accrue interest at a nominal rate of 7% p.a. on balances, which will be paid on a monthly basis as from February 2002.

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Deposits denominated in foreign currency, converted into pesos at the exchange rate of 1.4 Argentine pesos to each US dollar (deposits in checking account exceeding USD 10,000, deposits in savings account exceeding USD 3,000 and term deposits):

<b>Amount</b> <b>(in thousands of pesos)</b>	<b>Number of</b> <b>installments</b>	<b>Payment schedule</b>
From ARS 1.2 to ARS 7	12	As from January 2003
From ARS 7 to ARS 14	12	As from March 2003
From ARS 14 to ARS 42	18	As from June 2003
Above ARS 42	24	As from September 2003

Rescheduled deposits, originally agreed upon in foreign currency, will accrue interest at a nominal rate of 2% p.a. on balances, which will be paid on a monthly basis as from February 2002.

By Resolution 668/02 of the Ministry of Economy dated November 25, 2002, as from December 2, 2002 the restrictions on withdrawals from demand deposits were lifted, thus putting an end to the financial corralito .

Furthermore, the Federal Executive issued various decrees establishing the general conditions and the procedure through which the holders of deposits denominated in pesos and foreign currency were able

to exercise an option to receive National Government bonds in exchange for their deposits and to request early repayment of those deposits. The characteristics of the options are as follows:

a) Swap I

Decreets No. 494/02, No. 620/02 and 905/02 established the general conditions and the procedure through which the owners of deposits in Argentine pesos and in foreign currency may exercise the options to receive in accord and satisfaction of their deposits, Federal Government Bonds. The different options were established on the features of their deposits, and consisted in the reception of Federal Government Bonds in US dollars LIBOR 2012 , Federal Government Bonds in US dollars LIBOR 2005 and Federal Government Bonds in Argentine pesos at 2% 2007 . That option matured in July 2002.

b) Swap II

By Decreets No. 1836/02 and 2167/02, the Federal Government established the basis for the Swap II of deposits from the Financial System, by which the holders of such deposits were able to opt.

Under the above regulations, the holders of certificates of rescheduled deposits originally made in foreign currency could opt to receive Federal Government Bonds in US dollar 2013 from the related bank in exchange for such certificates. These bonds were subscribed at the rate of USD 100 (face value) for each ARS 140 (face value) of the certificate.

The Financial Institutions where such deposits were made shall grant deposit holders a put option for principal or interest coupons. The exercise price in pesos shall equal the bond coupon face value in US dollars converted into pesos at the exchange rate of 1.4 Argentine pesos to each US dollar, and adjusted by CER from February 3, 2002, through the coupon maturity date.

Deposit holders could opt to convert the rescheduled amount into fixed-term bills in pesos issued by each bank, jointly with an option issued by the Federal Government to switch them into the original currency.

On the other hand, those who opted to receive Federal Government Bonds in US dollars 2005 or Federal Government Bonds in US dollars 2012 under decree No. 905/02 (Swap I) could choose to ask the bank from which they received the above bonds to grant them the above put option or to exchange the bonds for fixed-term bills.

The term for exercise of the exchange options expired on May 23, 2003.

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For purposes of obtaining such Bonds, the Financial Institutions must first apply their holding in Federal Government Bonds at a 9% rate maturing in 2002 . For the remaining amount of bonds to be subscribed on behalf of depositors, Financial Institutions may opt between:

- i) Swap them for certain assets (assistance to the public and private sector) in accordance with an established priority order.
- ii) Obtaining advances from the BCRA in Argentine pesos secured by guarantees in the amount required to acquire the abovementioned Bonds.
- iii) Pay them with their own resources without receiving the BCRA's financial assistance.

### c) Early repayment of rescheduled deposits

Decree No. 739/2003 of the Federal Executive dated March 28, 2003 and Communication A 3919 of the BCRA authorized holders of rescheduled deposits (CEDROS) not having exercised swap option II in connection with financial system deposits to request total or partial early repayment of deposits or certificates through the granting to the depositor of the value in pesos of the CEDROS plus a National

Government Bond equivalent to the difference between the technical value of the CEDROS and the quotation of the dollar on the free exchange market at the date of applying for repayment.

Amounts resulting from early repayment of CEDROS in exchange for deposits originally set up in pesos, and those originally set up in foreign currency up to a face value of \$ 42,000, will be credited to demand deposits accounts. Amounts resulting from early repayment of CEDROS for a face value of between \$ 42,000 and \$ 100,000 corresponding to deposits originally set up in foreign currency will be used to set up time deposits over 90 days counted as from the date of exercise of the option, and those exceeding the abovementioned face value will be used to set up time deposits over 120 days. Those time deposits will be adjusted by the CER and will accrue interest at an annual rate of 2%.

The term for exercise of early repayment options expired on May 23, 2003.

#### *1.1.7. Legal actions*

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. Such appeal seek communication to all federal courts of cases in which precautionary measures have been enforced or are about to be enforced since the effective date of Decree No. 1570/01 until March 11, 2002, against banks that are members of such associations.

On April 26, 2002, Law No. 25,587 was published in the Official Gazette of the Argentine Republic. This law establishes limitations to those precautionary measures that judges may adopt regarding the deposits affected by the provisions of Law No. 25,561 as supplemented. With some exceptions, the law establishes that: a) the precautionary measures cannot consist in giving the petitioner the deposited funds, and b) those appeals which interfere against them have a suspension effect, that is to say, that they must not be executed until they have been given the final order.

On July 24, 2002, the Federal Executive issued Decree No. 1316/02 establishing the temporary suspension for 120 business days of compliance with and enforcement of precautionary measures and final judgments issued in the legal actions referred to in section 1 of Law No. 25,587.

Court orders must be recorded in financial institutions in chronological order and informing that measure to the court and the BCRA. Suspended resolutions will be complied with after expiration of the term in their chronological order and within 30 business days. In the case of exceptions to the above rules, the measure will presented to the BCRA that will comply with the court orders on behalf and account of the Bank.

On March 5 2003, the Supreme Court ruled on the action for the protection of constitutional rights brought against the National Government by the Province of San Luis, declaring Decree 1570/2001 and sections 2 and 12 of Decree 214/2002 to be unconstitutional, ordering the return of the sums deposited in either US dollars or the equivalent in pesos at the free market rate of exchange. In its decision, the Supreme Court indicated that in enforcing the ruling account should be taken of the modalities, restrictions and temporary limitations which, without affecting the substance of the right being recognized, would enable the enforcement of the ruling to be made compatible with the general interest, in the context of the grave crisis in which it would be taking place, combining the power to set a reasonable term for compliance and the need to settle the credit while avoiding unnecessary loss and considering the number of creditors in a similar position vis-a-vis financial entities.



As mentioned in Note 1.1.6., the Federal Executive issued some decrees aimed at establishing the general conditions and the procedure enabling the holders of deposits in pesos and in foreign currency to exercise the option to receive National Government Bonds as payment for their deposits, and to request early repayment of those deposits.

In compliance with current regulations and the communications of the BCRA control authority- BBVA Banco Francés S.A. has faced and continues to face legal action brought by depositors who question the constitutionality of the conversion into pesos, and defends the system implemented in 2002 in defense of its net equity, stockholders and customers.

*1.1.8. BCRA advances and rediscounts*

By means of Decree 739/2003 the National Executive established that financial entities could participate in the procedure to be established by the BCRA for the repayment of existing advances and rediscounts that had been granted under the terms of Section 17 of Law No. 24144 and its modifications. This repayment should observe the following financial conditions:

- a) Financial entities should secure the assistance received by means of the handing over of National Government Secured Loans issued under the terms of Decree No.1646 dated December 21, 2001, with a face value that shall not be less than 125% of the loan principal. Entities not holding such loans in their assets may set up their guarantee with Secured National Government Bonds issued under the terms of Decree No.1579 dated August 27, 2002, or with bonds issued under the terms of Decrees 905/02, 1836/02 and 739/2003, with the established order of preference.

This guarantee shall be maintained with no reduction until the completion of the voluntary exchange of the External Public Debt Securities indicated in Section 24 of Decree 1387/01 or December 31, 2004, whichever is first, except in the case of advanced settlement, when it will be returned proportionately, in the inverse order of precedence.

- b) Repayment shall be made in the same number of installments as those of the assets assigned in guarantee of the advances, in a maximum of seventy installments, which should be monthly, consecutive and each equivalent to the percentage established by regulations of the principal adjusted by the CER, the first to fall due in March 2004.
- c) Financial entities must proceed to the accelerated settlement of the principal balance of the advances in the amount of the rate collected on the assets assigned in guarantee that exceeds 3.50% p.a. In addition, financial entities should proceed to accelerate the settlement of the principal of advances for the amount of the amortization of principal they collect from the assets assigned in guarantee that exceeds the corresponding installment in each period.
- d) Financial entities shall be able to settle principal due in advance in full or in part on any interest payment date.
- e) The CER rate plus interest will be due on restated balances as from the date of participation at the annual rate of 3.50%, payable monthly.

By communication A 3941 dated April 30, 2003, the BCRA has regulated the procedure whereby financial entities can indicate their intention to participate in the system for the settlement of rediscounts and advances described above, granting a term of 30 bank working days for entities to confirm their participation.

On May 22, 2003, the Federal Executive issued Decree No. 1262/2003 creating the Financial System Restructuring Unit (Unidad de Reestructuración del Sistema Financiero - URSF ), which has been designed to define the strategy for the restructuring of the financial system and a corresponding action plan. This decree empowers the BCRA, with the authorization of the URSF, to modify the repayment conditions mentioned in sub-section b) above, as long as a) the assets in guarantee of such advances and/or rediscounts have an average life in excess of the term mentioned in that section, b) the financial institution qualifies under any of the situations foreseen by sections 34 and 35 bis of Law 21,526, and c) the financial institution will adopt a transformation and reorganization plan, approved by the URSF, to strengthen its efficiency and viability. The mentioned repayment will be made in the same number of installments as those of the assets assigned in guarantee, with a maximum of 120 installments.

*1.1.9. Information requirements and technical regulations*

The BCRA by different Communications established extensions for the presentation of the informative requirements and requested the financial institutions specific information as an exception. As the date of issuance of these financial statements, the BCRA keeps the informative requirement related to Liquidity Position suspended.

By means of Communication A 3917, effective April 1, 2003, the BCRA made changes to the rates to be applied to determine the minimum cash requirements, as well as the rates to be applied in determining the ratio for minimum application of resources derived from sight and term liabilities in pesos.

In addition, by means of Communication A 3959 and complementary regulations, the BCRA introduced significant changes to minimum capital requirements for financial entities.

This communication restored the need to satisfy information requirements as from May 2003, although entities must comply with capital requirements as from January 2004. In addition, gradual reductions were established in the requirements through to 2008, so that entities can adapt to the regulations in force.

## **1.2. Particular situation**

### *1.2.1. The impact of the crisis*

Since late in the year ended on December 31, 2001, the financial system in general and the Bank in particular have to cope with a significant impact in their liquidity position, mainly as a result of mass withdrawals of deposits, constitutional protection actions by depositors, the ordering of precautionary measures and immediate measures by tribunals, the suspension of court-enforced collections and foreclosures, and the enactment of numerous laws, decrees, resolutions from the Ministry of Economy and Communications by the BCRA, which led to frequent changes in the Bank's positions.

The liquidity crisis became especially aggravated in the second quarter of 2002, when cash withdrawals (accelerated by the uncertainty derived from cash withdrawal restrictions) and the reimbursement of deposits under precautionary measures, actions for infringement of fundamental rights and freedoms, and immediate measures reached their maximum level.

The situation described above led the Board of the Bank to decide the implementation of 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 mentioned intended to regularize and reorganize the aspects related to complying with the technical regulation on minimum cash, which had been affected by the above-mentioned liquidity crisis triggered by the fall of deposits, court rulings on the actions brought by depositors, and by regulatory changes on prudential regulations. Such plan comprised the measures that had been adopted in April and May 2002, in relation to the financial assistance received from BBVA Madrid and the BCRA, the sale of a stock holding, the commencement of the execution of an administrative restructuring plan and the decision to capitalize the Institution (see note 2). Such plan was updated in October, 2002, and again subsequently in February and May 2003. However, as the date of issuance of these financial statements, the BCRA has not given an opinion in this respect.

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

### *1.2.2. Compensation to Financial Institutions for the effects of the devaluation and conversion into pesos*

The Bank has submitted the BCRA three informative requirements regarding the amount to be compensated according to the Federal Executive Decree 905/02 dated August 5, September 12 and December 23, 2002, respectively. The final amount to be compensated, which originates from the last presentation made by BF on December 23, 2002, amounts to 797,300. BF applied this amount to the subscription of BODEN 2012 for a nominal value of thousands of USD 569,500 (at the exchange rate of 1.4 Argentine pesos to each US dollar). In addition, so as to cover the remaining negative foreign currency position after the pesification, the Bank requested the BCRA an advance payment to subscribe the above-mentioned bonds up to the concurrence of negative net foreign currency position for the amount of thousands of USD 37,039.

On September 11, 2002, the BCRA credited BODEN 2012 for a nominal value of thousands of USD 421,890, and on October 29, 2002 for a nominal value of thousands of USD 88,894 (net of collateral security margin of 15%), in accordance with a previous compensation estimate. During March 2003, the BCRA unblocked bonds for a nominal value of thousands of USD 386,000. Then the Bank made the contribution to the subsidiary Banco Francés (Cayman) Ltd. The remaining Bonds are currently blocked until the BCRA's definite approval regarding the compensation amount is given.

The Bank and its subsidiaries keeps registered in its asset BODEN 2012 for an amount of 1,471,975 (under Government Securities) and BODEN 2012 to be received for an amount of 238,067 (under Other receivables from financial transactions), related to a nominal value of thousands of USD 606,539. As mentioned in note 1.1.4., as the date of issuance of these financial statements, such amounts are pending validation on the side of the BCRA. However, on July 29, 2003 the Bank received a note from the BCRA in which it observations certain items and recording criteria that gave rise to the compensation being requested. In the opinion of the Board of Directors and its legal advisors, BF has reasonably interpreted current regulations, and it is therefore reviewing the information with the intention of replying to the mentioned observations.

As required by BCRA Communication A 3703, the compensation received was booked in January, 2002, as follows:

The gain resulting from the asymmetrical switch into pesos, which amounted to 1,217,700 (historical value 591,301), was allocated to Financial Income Gold and foreign currency exchange difference, for the purpose of neutralizing the negative effects of the switch into pesos.

The amount of compensation received for the difference between Stockholders' Equity as of December 31, 2001, and the Stockholders' Equity that resulted from adjusting the net position in foreign currency switched into pesos at the exchange rate of 1.4 Argentine pesos to each US dollar, amounting to 424,223 (historical value 205,999), was allocated to the Stockholders' Equity account Unrealized valuation difference from compensation of the net position in foreign currency.

### *1.2.3. Assistance to the Government Sector*

Pursuant to Decrees Nos. 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 USD 3,291,795 thousands, for Guaranteed Loans amounting to USD 3,360,403 thousands.

Subsequently, the Federal Executive established, by Decree No. 644/02, the steps that the Financial Institutions were to follow to accept the new conditions so as to receive the payments of principal and interest related to the Guaranteed Loans. On May 22, 2002, the Bank accepted the abovementioned changes to the conditions of the Guaranteed Loans, while its subsidiary, Banco Francés (Cayman) did it on July 12, 2002. On the other hand, Consolidar AFJP S.A., Consolidar Cía. de Seguros de Vida S.A., and Consolidar Cía. de Seguros de Retiro S.A. (except for loans for 481,082), did not accept the changes to the conditions of the Guaranteed Loans for 606,530.

In addition, the bank has presented to Banco de la Nación Argentina, in its capacity as trustee for the FFDP, provincial governments securities and loans granted to the government sectors of the provinces for a nominal value of thousand of USD 47,892 and 480,970, respectively, so as carry out the swap provided by Decree No. 1387/01. Such transaction is recorded under the accounts Government and private securities and Loans, respectively, for the abovementioned value switched into pesos at the exchange rate of 1.4 Argentine pesos to each US dollar and adjusted by the CER plus related accrued interest receivable as of June 30, 2003.

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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. Thus, the Bank registered the interest accrual of these holdings and financing according to the new interest rate.

As of June 30, 2003, and 2002 the Bank carried the following receivables from the government sector:

- a) Government securities in portfolio and affected to liability repurchase agreements:

	06.30.03		06.30.02
	BBVA Banco	Consolidated	Consolidated
	Francés	Position	Position
Argentine Federal Government 9% Bonds 2002			419,551
Argentine Republic External Bills	612,139	613,472	825,165
Tucumán Provincial Treasury Bonds	46,200	46,200	65,841
CCF (Tax credit certificate)	89,921	89,922	94,080
Argentine Federal Government Bonds LIBOR 2012	361,324	1,472,189	
BCRA Bills (LEBAC)	94,076	148,354	
Treasury Bills	61,783	73,887	74,677
LECOP Bonds Treasury Bills	1,559	2,816	2,576
Other	1,505	54,079	83,594
<b>Total</b>	<b>1,268,507</b>	<b>2,500,919</b>	<b>1,565,484</b>

- b) Credit assistance to the government sector:

	06.30.03		06.30.02
	BBVA Banco	Consolidated	Consolidated
	Francés	position	position
Federal Government secured loans Decree No. 1387/01 (net of discounts)	3,276,005	5,674,922	5,875,189
Provincial Governments secured loans Decree No. 1579/02	915,125	915,125	982,065
Loans to other public sector agencies	907,918	907,918	964,081
<b>Total</b>	<b>5,099,048</b>	<b>7,497,965</b>	<b>7,821,335</b>
Allowances		(198,470)	

- c) Compensation to be received from the Federal Government: as detailed in notes 1.1.4. and 1.2.2., the Bank and its subsidiary (Credilogros Cía. Financiera) booked as Other receivables from financial transactions Other receivables not covered by debtor classification regulations as of June 30, 2003 and 2002, in 247,508 and 2,670,040 respectively, which reflects the amount pending compensation, as established by Decree No. 905/02.

Taking into account that: a) under Communication A 3911, the BCRA has determined the valuation criteria that financial institutions must apply regarding assistance to the public sector, which for the current year establish the application of discounted values at rates that do not significantly differ from contractual ones, b) the Federal Government has announced the suspension of payment of the national debt services for those bonds which have not been swapped for secured loans (from which 83,156 during the 2002 fiscal year and 68,236 during the six month period ended June 30, 2003, were received in concept of interest services), c) the Federal Government Bonds in Dollars 2012 received and to be received in compensation for the devaluation effects are valued at their technical value, while their listed price is not representative of the value

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for which they could be sold out in the market, since the total volume has not been significant, it is not possible to determine the effect that these issues could have on the recoverability of the book values of these holdings and financing.



1.2.4. Assistance to the Private Sector

The effects resulting from the crisis that Argentina is currently enmeshed by and the difficulties evidenced in the payment chain have had a negative impact on the Bank's credit assistance of debtors from the commercial and consumer portfolios generating ever increasing deterioration.

As of June 30, 2003, and 2002 the Bank carried the following receivables from the private sector:

	06.30.03		06.30.02
	BBVA Banco	Consolidated	Consolidated
	Francés	position	position
Commercial loans portfolio	1,927,180	1,998,278	4,820,175
Consumer loans portfolio	875,001	910,943	1,525,048
Private debt securities	168,898	230,521	307,668
(Allowances loan portfolio)	(629,373)	(641,417)	(1,426,635)
(Allowances on debt securities)	(57,344)	(85,359)	(39,241)
<b>Total</b>	<b>2,284,362</b>	<b>2,412,966</b>	<b>5,187,015</b>

The Bank has carried out an analysis of its loan portfolio in view of the new events and has booked during the six month period ended June 30, 2003, incremental charges for allowances with the object of achieving a major degree of hedge for doubtful accounts in accordance with the BCRA standards.

By Communication A 3918, on April 4, 2003 the BCRA flexibilized until December 31, 2003 the criteria for classification and setting up of reserves on loans to debtors of the private non-financial sector. Following a conservative criterion, in order to maintain the level of coverage of the risk of loan losses, the Bank will maintain the provisions set up on the loan portfolio which exceed those required by the abovementioned communication.

1.2.5. Deposits. Rescheduling of balances. Swap for Government Bonds (Swap I and II)

Swap I

The Bank's customers opted to swap their rescheduled deposits into bonds as follows:

Amount

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	in thousands <u>of pesos</u>
Section 2 of Decree No. 905/2002	650,214
Section 3 of Decree No. 905/2002	6,098
Section 4 of Decree No. 905/2002	99,481
Section 5 of Decree No. 905/2002	39,259
Section 24 of Decree No. 905/2002	36,434
	<hr/>
Total	831,486
	<hr/>
% of total deposits	10.74%
% of deposits eligible for swap	31.20%

The Bank swapped the following holdings for the mentioned bonds subscription:

Argentine Federal Government 9% Bonds for a technical value (without the CER) of 318,640.

Federal Government secured loans for an average booking amount of 304,702.

The Bank plans to swap Provincial Loans for the difference (208,144), once the corresponding regulations have been issued.

Swap II

The Bank received the following options from depositors (capital):

	<b>Amount in thousands of pesos</b>
Federal Government Bonds in US dollars maturing in 2013	204,138
Federal Government Bonds in US dollars maturing in 2006	176
Certificate of deposit T-bills in pesos	1,879
<b>Total</b>	<b>206,193</b>
% of deposits eligible for swap	16.93%

At the date of issuance of these financial statements, the process of subscription and delivery of the mentioned bonds is pending implementation by the Government.

Additionally, during 2002, the Bank reimbursed in cash 206,030 in rescheduled deposits pursuant to the option provided by the BCRA which, in the case of the Bank, were for deposits up to pesos 10,000 plus CER.

Advanced repayment:

The Bank had received applications for the advanced repayment of rescheduled deposits under the terms of Decree 739/2003 for 608,176 which were repaid in cash and in time deposits adjusted to 90 and 120 days since April, 2003. At the date of issuance of these financial statements a significant portion of the deposits that fell due during the period had been roll over.

*1.2.6 Deferred Tax*

As of June 30, 2003, the Bank records under Other Receivables (in the Tax Advance account) a taxable deferred asset of 233,000. Since this net deferred asset arises from temporary measure differences between the BCRA accounting and fiscal standards in effect, and taking into account that on a significant part of the assets which are generated there are uncertainties regarding the way to determine the recoverable value, accordingly, these uncertainties affect this asset recoverability.

On June 19, 2003, the Entity received a note from the BCRA indicating that the capitalization of items arising from the application of the deferred tax method is not allowed.

By means of a note dated June 26, 2003, the Bank's Board of Directors and its legal counsel have indicated that in their opinion the rules of the BCRA do not prohibit the application of the deferred tax method generated by the recognition of temporary differences between the accounting and tax result.

*1.2.7. Legal actions*

I) Constitutional protection actions

The Bank has been notified of injunctions, mainly pursuant to constitutional protection actions, that require deposits to be reimbursed in cash in amounts larger than provided under current legislation or regulations, and/or the release of rescheduled deposits and/or declare the inapplicability of legislation passed by National Congress or measures issued by the Federal Executive or the BCRA. As of the date of filing these Financial Statements, neither Federal, nor Buenos Aires City nor Provincial courts had ruled on the substance of the matter; accordingly, the final outcome of these legal actions is unknown.

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 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) will be able to be amortized in 60 monthly installments as from April 2003.

At June 30, 2003, BF records 855,793 under Intangible Assets (less accumulated amortization for 42,031) and 27,224 under Other Receivables (which had been fully provisioned) capitalized for this reason. At June 30, 2002, it recorded 209,961 capitalized under Other Receivables, net of provision.

## II) Portfolio variation coefficient

In accordance with that established by the current standards, the Bank has to apply the CVS (Salary Variation Coefficient) for certain pesified loans.

Owing to the loss, which arises from the application in certain bank loans of the CVS coefficient instead of the CER one, the Entity has decided to demand for a compensation to the Economy Ministry and the BCRA. Accordingly, it has activated the difference generated by the CVS coefficient application instead of the CER one on the understanding that the Federal Government shall compensate the Bank for the loss caused by this situation. As of June 30, 2003, this asset amounts to 97,000, net of allowances for 104,728, which had been recorded under Other Receivables. At the date of these financial statements the National Government submitted a bill to the consideration of the National Congress contemplating that compensation.

## III) Yield mismatching

As a result of the measures adopted since the beginning of 2002, the financial system became exposed to a structural mismatching of rates and terms, with net financial income in particular being subject to the behavior of retail inflation (basically CER) as regards the rate of interest, as well as to the evolution of the exchange rate in relation to the position in foreign currency. A significant portion of the risk assets in the financial system and those held by the Bank are restated according to the CER plus an annual interest rate, whereas most liabilities earn real interest rates -except for the remaining portfolio of rescheduled deposits (Cedros) which is restated according to the CER index plus 2% p.a. This situation becomes more evident as the volume of rescheduled deposits declines, whether because of payment following court orders or because of releases and settlement of Cedros established by law. See Notes 1.1.6. and 1.1.7.

This mismatching was the cause of one of the complaints by the financial system that the Federal Government responded to favorably, with a partial solution through the issue of Decree 739/03 and BCRA Communication A 3941 dated April 30, 2003, according to which financial liquidity assistance from the Central Bank will start to accrue interest at the CER rate plus an annual rate of 3.5%. See 1.1.8.

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The Board of Directors considers that as long as interest rates remain at current levels this situation will not generate additional negative impacts through to the end of the current year.

In the opinion of the Bank's management and its legal counsel, it is highly probable that the Government will seek to compensate banks for the damage to their equity. At the date of issuance of these financial statements it is not possible to determine the final outcome of these matters, and the statements do not therefore include any adjustment that could derive from the resolution of these uncertainties.

*1.2.8. Advances requested from the BCRA and financing received from BBVA Madrid*

For the purpose of covering the decrease in deposits, the Bank obtained, during the period March through July 2002, advances from the BCRA, which as June 30, 2003, amount to 1,826,581, 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.

The Bank has adhered to the cancellation procedure related to such assistance as described in note 1.1.8. As a result, the Bank will repay the assistance received from the BCRA in 64 monthly installments as from March, 2004.

In addition to the advances granted by the BCRA, BF received from BBVA the following:

In April 2002, the Bank received assistance from BBVA Madrid in the amount of USD 159 million, from which USD 79,316 plus its accrued interests have been capitalized as of December 31, 2002 (note 2.3), in security for which it provided Guaranteed Loans to the Argentine Government and syndicated loans granted to customers of the non-financial private sector.

In May 2002, the Bank sold its equity interest in BBVA Uruguay to BBVA Madrid for USD 55 million (note 2.2).

In July 2002, the Bank entered into repurchase agreements with BBVA Madrid for an amount of USD 102.9 million, which remain in force at the date of the issuance of these financial statements.

In addition, BF has agreed upon the refinancing of simple corporate bonds for the amount of US\$ 150 million maturing on October 31, 2002, through the issuance of a new bond. Such refinancing included the interest payment and of a 5% of the capital as of October 31, 2002, the payment of a 5.26% of the capital of the new bond to 180 days and the rest in a year. BBVA, who holds 13.33% of those corporate bonds, will assist BF as of the date of maturity of each principal installment, including the first payment made on October 31, 2002, to the extent of the amounts repayable by BF to BBVA in such respect. In addition, BF refinanced its foreign credit lines.

*1.2.9. Technical Regulations*

During 2001, BCRA Communication A 3498 introduced changes to the minimum cash and minimum liquidity requirements systems. The minimum cash requirements thus imposed are higher than before. Subsequently, the BCRA issued Communication A 3597 as supplemented, which established the System for Minimum Application of Resources from on-demand and term obligation in pesos.

By the BCRA Resolution 36/2003, the Bank was authorized to reduce the minimum cash requirement in pesos for and up to the amount of the excess of the Minimum Application of Resources, originated in facilities granted by the BCRA in due time.

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The Bank has requested the BCRA a) the November 2001 to February 2002 position compensation with regard to the minimum liquidity requirements in pesos with foreign currency, and b) the minimum cash position compensation in pesos between March and September 2002; being the subject currently under consideration by the oversight agency.

On March 7, 2003, the BCRA issued Communication A 3889, effective May 1, 2003, establishing that the absolute value of the global position in foreign currency should not exceed 30% of the adjusted stockholders' equity for the previous month. To comply with these limits, the Bank has submitted its proposed schedule for adaptation to the regulation, which is currently pending approval by the BCRA.

The Entity has submitted to the BCRA the monthly technical ratios required by that control authority. On the basis of the individual statements the ratios for minimum capital, spreading of credit risk, immobilized assets and the global foreign currency position record a shortfall in compliance. Although these shortfalls do



not at present give rise to non-compliance with BCRA rules, the Bank is evaluating the measures needed to regularize this situation by the date on which these regulations come into force.

*1.2.10. Future evolution of the economical situation and its effect on the Bank*

The negative consequences of the situations described above on the Financial System overall and in particular on the Bank, involve the liquidity, the impact of the devaluation of the Argentine peso and the switch into pesos, the recoverability of loans to both the Government and the private sectors, lost profitability and the mismatch of terms and currencies.

In addition, the measures taken by the Federal Executive allowed progress towards the compensation for the asymmetrical switch into pesos (Note 1.1.4.) and coverage of the foreign currency position. Swap of rescheduled deposits for federal government bonds (Note 1.1.6.) allowed depositors to choose to take such bonds in exchange for their deposits and depositors have been authorized to request the early repayment of these deposits. In addition, the BCRA has issued regulations on the procedures to be followed by financial entities to confirm their participation in the system for the settlement of advances and rediscounts. (Note 1.1.8.).

As from the third quarter of 2002, and with greater intensity in the first semester of 2003, economic variables have begun to evolve favorably for the financial sector in general and for the Bank in particular. The most significant events have included:

An increase in the primary Treasury surplus and the reaching of a short-term agreement with the International Monetary Fund. Fiscal targets for the first semester of 2003 agreed with the international agency have been met.

Decline and stabilization in the exchange rate, as a result of a considerable trade surplus.

Increase in gross domestic product of 2% in the first quarter of 2003, compared to the previous quarter.

Wholesale and retail inflation rates have continued to slow, within a calmer financial context. Recent estimates indicate that retail inflation for 2003 will be lower than forecast (22%).

There has been growth in deposits in the financial system, in spite of the financial *corralón* opened, during April and May, 2003.

In the particular case of BF, it can be seen that:

it has increased its deposit portfolio and the volume of its transactions,

it has complied with minimum cash requirements for over one year,

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it has offered the early return of all Cedros arising from deposits in pesos, and it has settled its repurchase agreement transaction with the BCRA in the amount of 19,469.

it has completed the advanced repayment of Cedros for 608,176, having paid 318.023 in cash, set up 110,920 in 90-day time deposits and 179,233 in 120-day deposits.

Except for events outside its control, the Board of Directors expects the balance achieved will be maintained. The BCRA and the Bank are monitoring on a constant basis the results of the actions taken by the Bank with the aim of strengthening its financial position.

Nevertheless, at the date of presentation of these financial statements structural problems remain in the Argentine economy and the Argentine financial system that are pending solution. These include the conclusion of the process of compensation for banks, the reconstruction of the financial system, the start of negotiations with foreign creditors, negotiations with privatized utility companies and the completion of the debt restructuring process by companies in the private sector.

The Board of Directors is optimistic regarding the future development of operations, especially if the State were to make good the significant gap implicit in compliance with the release of blocked funds following

court orders, and were to compensate the financial system for the financial and economic loss for banks resulting from the application of the CVS instead of the CER, as well as compensating for the mismatching between assets and liabilities that are restated according to indexes and assets and liabilities subject to interest rates.

The impacts generated by these issues on the Bank's equity and financial position as of June 30, 2003 were recorded in accordance with the regulations of the BCRA and with the best estimates made by the Bank's Management in those cases not specifically regulated as of the date of issuance of these financial statements. Thus, it has not been possible to foresee the future evolution of these variables and their potential effect on the Bank.

## **2. CORPORATE SITUATION AND BANK'S ACTIVITIES**

### **2.1. Corporate situation**

BBVA Banco Francés S.A. (BF) has its main place of business in Buenos Aires and operates a 241-branch network and 39 offices of its affiliate Credilogros Compañía Financiera S.A.

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 79.52% corporate stock as of June 30, 2003.

Part of BF's corporate stock is publicly traded and has been registered with the Buenos Aires Stock Exchange, New York Stock Exchange and Madrid Stock Exchange.

### **2.2. Sale of interest in Banco Bilbao Vizcaya Argentaria Uruguay S.A.**

On May 13, 2002, the Bank entered into an agreement with BBVA for the sale of its 60.87% interest in BBVA Uruguay. This transaction was approved by the Bank's Board of Directors at their meeting held on May 13, 2002, and the Central Bank of the Uruguayan Republic on May 10, 2002. The total selling price for the shares amounted to USD 55 million, which was collected on the date the transaction was carried out, without giving rise to any significant result.

### **2.3. Capital increase**

At the Regular and Special Meetings held on August 7, 2002, the stockholders approved the Bank's capital increase in the amount of up to 1,250,000 nominal value for the subscription of common, book-entry shares, entitled to one vote per share. Those shares may be paid up in cash and/or with subordinated corporate bonds in foreign currency issued by the Bank, maturing on March 31, 2005, and/or loans granted by BBVA to the Bank. At the referred meeting the stockholders delegated to the Board of Directors the powers to establish the remaining conditions.

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The Bank's Board of Directors, at this meeting of December 5, 2002, decided on the following issues, among others, the value of subordinated corporate bonds to capitalize USD 58.10 per USD 100 nominal value, based on valuation reports made by independent third parties.

On December 31, 2002, was decided to declare the capital increase closed, 158,361,439 new shares in the exercise of preferential right and 135,101 new shares in the exercise of the right of accession were subscribed and integrated.

Changes in the Bank's capital stock during the last 4 fiscal years are as follows:

				<b>Total</b>
				<b>(in thousands)</b>
				<u>186,631</u>
<b>Date of</b>				
<b>Stockholders</b>	<b>Registration with the</b>			
<b>Meeting deciding</b>	<b>Public Registry of</b>		<b>Form of</b>	<b>Amount</b>
<b>on the issuance</b>	<b>Commerce</b>		<b>placement</b>	<b>(in thousands)</b>
<u>04-27-1999</u>	<u>08-20-1999</u>	<u>(1)</u>	<u>23,000</u>	<u>209,631</u>
<u>08-07-2002</u>	<u>02-06-2003</u>	<u>(1)</u>	<u>158,497</u>	<u>368,128(2)</u>

(1) Through public subscription of shares.

(2) The amount of Capital Stock is fully paid in and authorized for public offering by CNV.

#### 2.4. Banco Francés (Cayman) Limited

On August 15, 2002, the Bank made a capital irrevocable contribution in kind (Federal Government Guaranteed Loans GL 08) with original nominal values of USD 185,043,841, which were pesificated under the Executive Orders mentioned in 1.1.1, representing a book value in pesos, as of that date, of 305,409. Such contribution was authorized by Resolution No. 360 of BCRA's Board of Directors and by the Cayman Islands Monetary Authority dated May 30, 2002, and February 19, 2003 respectively.

In addition, on March 24, 2003, the Bank has made the contribution in kind of the Federal Government Libor 2012 bonds in US dollars received as compensation, as disclosed in 1.2.2. derived from the pesification effect of the Federal Government Guaranteed Loans portfolio held by such subsidiary. Though Board Resolution No. 645 of October 17, 2002, the BCRA authorized the Bank to make the contribution in kind in the mentioned subsidiary for an amount up to USD 386 million of BODEN 2012 (amount resulting of the guaranteed Loans holdings in that subsidiary as of December 31, 2001). The Monetary Authority of the Cayman Islands has authorized the abovementioned capitalization through the resolution dated February 19, 2003.

#### 2.5. Responsibility of shareholders

BBVA Banco Francés S.A. is a corporation established under the laws of the Argentine Republic, and the responsibility of its shareholders 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 shareholders nor the local or foreign shareholders will respond, in excess of the mentioned paid-in shareholding, for the liabilities arising out of the transactions performed by the financial entity.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**3.1. RESTATEMENT OF THE FINANCIAL STATEMENTS IN EQUIVALENT PURCHASING POWER**

The financial statements have been taken from the Bank's books of account in conformity with the standards of the BCRA.

The Bank presents its financial statements in equivalent purchasing power, following the restatement method established by FACPCE Technical Resolution No. 6 (modified by Technical Resolution No.19), using adjustment rate derived from the internal Wholesale Price Index published by the INDEC.

Accordingly to the above mentioned method, the accounting measurements were restated by the purchasing power changes through August 31, 1995. As of that date, based in the prevailing economic stability conditions and accordingly with CNV General Resolution No. 272 and BCRA Communication A 2365, the accounting measures 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 measures restated as of December 31, 2001.

By Communication A 3921 of the BCRA and General Resolution No. 441/03 of the National Securities Commission (C.N.V.), in compliance with Decree 664/03 of the Federal Executive, application of the restatement method on financial statements in equivalent purchasing power has been suspended as from March 1, 2003. Accordingly, BBVA Banco Francés S.A. applied the mentioned restatement until February 28, 2003.

### 3.2. COMPARATIVE INFORMATION

As required by the regulations of the BCRA, the financial statements for the six-month period ended on June 30, 2003 are presented in comparative form with those for the same period of the previous year. To that end, the financial statements for the period ended on June 30, 2002 were restated into currency units of February 28, 2003 through the application of the adjustment coefficient derived from the internal wholesale price index published by the National Institute of Statistics and Census (I.N.D.E.C.).

At June 30, 2002, the regulations of the BCRA did not contemplate the opening of rescheduled deposits separately from freely available deposits. Since at June 30, 2003 rescheduled deposits and the CEDROS are disclosed separately from the remaining deposits, the financial statements as of June 30, 2002 have been reclassified taking into account the rescheduled time deposits for the sole purpose of their presentation in comparative form with the financial statements at June 30, 2003.

### 3.3. VALUATION METHODS

The main valuation methods used in the preparation of the financial statements have been as follows:

a) Foreign currency assets and liabilities:

As of June 30, 2003, 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 such year. The exchange differences were charged to income (loss) for the period.

As of June 30, 2002, the assets and liabilities in foreign currency were converted at the Banco Nación selling exchange rate effective for each currency as of the last business day of the period. Exchange differences were credited/charged to income for the period.

b) Government and private securities:

Government securities:

Holdings in investment accounts:

Federal Government Compensation: BCRA Communication A 3785, dated October 29, 2002, determined that the Federal Government Bonds (BODEN 2012) received for the compensation mentioned above could be booked at technical value, limiting dividend distribution in cash to income exceeding the difference between book value and the listing value of such bonds booked in the month in which the year is closed. Additionally, such Communication set forth that the cap derived from rising market price by 20% will not apply for the valuation of the bonds mentioned above for treating valuation differences.

As of June 30, 2003, the Bank booked the compensation received, pursuant to the provisions of BCRA Communication A 3785 at nominal residual 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 3.3.a).

Remaining holding: as provided by Communication A 3278 by the BCRA, they were valued at acquisition cost, increased by compound interest formula due to the accrual generated on the internal rate of return and the time elapsed from the acquisition date.

The book value for each security is decreased in the amount of the positive difference resulting from the book value less 120% of the market value.

Holdings for trading or financial transactions: they were valued based on current listed prices for each security as of June 30, 2003 and 2002. Differences in listed prices were credited/charged to income for the six month periods then ended.

Unlisted government securities: at June 30, 2003 these bonds were valued at the lower of present or technical value (including restatement and accrued interest), as established by Communication A 3911 of the BCRA.

The present value was calculated by discounting the cash flows as per the relevant contracts at an annual rate of 3%, in accordance with the provisions of the abovementioned Communication.

The effect of differences between the value determined for each security (the lower of present or technical value) and their theoretical value amounted to (4,785) and was charged to the balancing account 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 period.

As of June 30, 2002, they were valued at their nominal residual value plus income accrued through the end of the period.

Investments in listed private securities:

Equity and debt instruments: they were valued based on current listed prices as of June 30, 2003 and 2002. Differences in listed prices were credited/charged to income for the six month periods then ended.

c) Government loans

Federal Government secured loans Decree No. 1387/2001:

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As of June 30, 2003 these loans were valued at the lower of present or technical value, as established by Communication A 3911 of the BCRA.

The present value was calculated by discounting the cash flows as per the relevant contracts at an annual rate of 3%, in accordance with the provisions of the abovementioned Communication.

The technical 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 rate of \$ 1.40 per dollar plus CER.

The net effect of differences between the value determined for each loan (the lower of present or technical value) and their theoretical value amounted to 427.254 and was charged to the balancing account 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 1387/01 and restated by the CER through the end of the period.

As of June 30, 2002, they were stated at the swap values established by the Ministry of Economy as of November 6, 2001, plus the related interest accrued through period end, translated into pesos at the exchange rate of 1.4 Argentine pesos to each US dollar and adjusted to the CER.

As set forth Communication A 3366 and A 3385 of the BCRA, the initial value of guaranteed loans matched the previous book value of federal government bonds and/or loans as of the swap date, without giving rise to any income (loss) for the swap recognition, since the positive difference generated between the swap values established by the Ministry of Economy and the book value of the swapped bonds was reflected in a balancing account.

Provincial Governments secured loans and other Government loans

As of June 30, 2003 these bonds were valued at the lower of present or technical value (including restatement and accrued interest), as established by Communication A 3911 of the BCRA.

The present value was calculated by discounting the cash flows as per the relevant contracts at an annual rate of 3%, in accordance with the provisions of the abovementioned Communication.

The effect of differences between the value determined for each loan (the lower of present or technical value) and their theoretical value amounted to (110,897) and was charged to the balancing account 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 period.

As of June 30, 2002, they were valued at their nominal residual value plus income accrued through the end of the period.

d) Interest accrual:

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, rescheduled certificates of deposit subject to CER ( CEDROS ) and guaranteed loans (Decree No. 1387/2001), on which interest has been accrued by the straight line method.

e) Benchmark stabilization coefficient (CER) and the Salary Variation Coefficient (CVS) accrual:

As mentioned in Note 1.1.1, as of June 30, 2003 and 2002, receivables and payables have been adjusted to the CER as follows:

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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 June 30, 2003 and 2002, deducting the prepayments mentioned above as from the payment date, except those subject to the provisions of Decrees 762/02 and 1242/02, which excluded the application of that coefficient from some mortgage, pledge, personal and other lines of credit.

Deposits and other assets and liabilities (subject to conversion into pesos): The CER prevailing on June 30, 2003 and 2002 was applied.

As of June 30, 2002, Guaranteed Loans had been adjusted under Resolution 50/2002 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.

The Bank has not accrued the CVS coefficient on its books because so far the BCRA has not regulated its application. Nevertheless, if it were to have recorded this item, the results for the period ended June 30, 2003 and the stockholders' equity at that date would not have varied significantly.

f) Allowance for loan losses and contingent commitments:

For loans, other receivables from financial transactions and contingent commitments: this 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 2729 and supplemented of the BCRA (see note 1.2.4.).

g) Instruments to be received and to be delivered for spot and forward transactions pending settlement:

In foreign currency: as of June 30, 2003, they were valued according to the bench-mark exchange rate of the BCRA for each currency determined on the last business day of the period.

As of June 30, 2002, they were valued at the Banco Nación's selling exchange rate for each currency determined on the last business day of the period.

Of securities, associated with repurchase agreements:

Holding in investment accounts (government securities): they were valued based on the criterion described in note 3.3.b.). At June 30, 2003 the Bank entered into reverse repurchase agreements with BBVA with Argentine Republic External Bills amounting to 535,009 originally maturing in July 2003, which had been roll over by the date of these financial statements.

Holdings for trading or financial transactions (government and private securities): they were valued based on the criterion described in note 3.3.b.).

h) 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 June 30, 2003 and 2002.

i) Unlisted Corporate Bonds:

They were valued at acquisition cost plus income accrued but not received as of June 30, 2003 and 2002.

j) Other receivables from financial transactions: Compensation to be received from the Federal Government:

As of June 30, 2003 and 2002, the compensation to be received by the Bank has been booked as Other receivables from financial transactions - Other receivables not covered by debtor classification regulations, and was valued at the residual nominal value of the Federal

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Government Bonds in US dollars plus the interest accrued according to the conditions of issuance, converted into pesos according to the provisions of note 3.3.a.).

k) Assets subject to financing leasing:

As of June 30, 2003 and 2002, they have been valued at the current value of unaccrued installments calculated as per the conditions agreed upon in the respective contracts, applying the imputed interest rate thereto.

l) Investments in other companies:

Investments in controlled financial institutions, supplementary activities and authorized: they were valued based on the following methods:

Credilogros Compañía Financiera S.A., Francés Valores Sociedad de Bolsa S.A., Consolidar Administradora de Fondos de Jubilaciones y Pensiones S.A., Consolidar Cía. de Seguros de Vida S.A., Consolidar Cía. de Seguros de Retiro S.A. and Atuel Fideicomisos S.A.: were valued by the equity method at the end of each period.

Banco Francés (Cayman) Ltd: was valued by the equity method, converted into pesos according to the following methods:

The financial statements were adapted to the professional accounting standards effective in Argentina and the rules of the BCRA. Such financial statements, which were originally stated in foreign currency, were converted into Argentine pesos as described below:

Assets and liabilities were converted based on the criterion described in 3.3.a.).

The assigned capital and irrevocable contributions were calculated at the ARS amount remitted by the Bank

Unappropriated earnings were determined by the difference between assets, liabilities and assigned capital, converted into pesos as indicated above.

Income (loss) for the period was determined by the difference between unappropriated earnings at beginning and period end, and was allocated to Income (loss) from long-term investments .

Investments in non controlled financial institutions, supplementary activities and authorized: they were valued according to the following methods:

Rombo Cía. Financiera S.A. and other companies (Visa Argentina S.A., Banelco S.A. and Interbanking S.A): were valued by the equity method at the end of each period.

Bladex S.A. (included in Other Foreign): was valued at acquisition cost in foreign currency plus the nominal value of stock dividends received, converted into pesos based on the method described in 3.3.a).

Other: valued at acquisition cost, without exceeding their recoverable value.

Other non controlled affiliates: they were valued based on the following methods:

Consolidar A.R.T. S.A. and BBVA Seguros S.A.: were valued by the equity method at the end of each period.

Other: were valued at acquisition cost, without exceeding their recoverable value.

As from the effectiveness date of Law No. 25,063, dividends in cash or in kind received by the Bank from investments in other companies in excess of accumulated taxable income of such companies at the time of distribution thereof shall be subject to a 35% income tax withholding, which shall be a single and final payment.

m) 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 3.1., less related accumulated depreciation calculated in proportion to the months of estimated useful life of items concerned (see Exhibit F).

n) Intangible assets:

They have been valued at acquisition cost restated as explained in note 3.1, less related accumulated depreciation calculated in proportion to the months of estimated useful life of the items concerned (see useful life assigned in Exhibit G).



o) Employee termination pay:

The Entity expenses employee termination pay disbursed.

p) Income tax:

The Bank determined the charge for income tax applying the effective 35% rate to taxable income estimated for each year considering the effect of temporary differences between book and taxable income. The Bank considered as temporary differences those that have a definitive reversal date in subsequent years.

Tax on minimum presume 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 lived 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 reduced by any excess of the latter over former.

As of June 30, 2003 and 2002, the Bank has estimated the existence of a net operating loss in the income tax and has activated under the Other receivables Tax prepayments account a credit for tax on minimum presumed income for the amount of 41,634 and 22,303, respectively. In addition, as a consequence of the application of the deferred tax method as of June 30, 2003 and 2002, the Bank has registered under the Other receivables account a net deferred asset of 233,000 and 73,915 respectively (see note 1.2.6).

At June 30, 2003 and 2002 net deferred assets was made up as follows:

	<u>2003</u>	<u>2002</u>
Tax loss carryforwards		
Deferred tax assets	451,766	140,545
Deferred tax liabilities	(218,766)	(66,630)
Net deferred assets	<u>233,000</u>	<u>73,915</u>

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 agency, to the issuance date of these financial statements, issued 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

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the ruling of 1992 with the Court of Appeals, where it is being treated at present. The Board of Directors and tax and legal counsel estimate that the Bank made a reasonable interpretation of effective regulations regarding the observed periods.

q) Allowance for other contingencies:

Includes the estimated amounts to meet contingencies of probable occurrence that, if occurred, would give rise to a loss for the Bank.

r) Stockholders equity accounts:

They are restated as explained in note 3.1, except for the Capital Stock and Non capitalized contributions account which has been kept at original value. The adjustment resulting from its restatement is included in the Adjustment to Stockholders Equity Adjustment to Capital Stock account.

s) Statement of Income Accounts:

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 usage of nonmonetary assets were computed based on the value of such assets, as mentioned in note 3.1.

Income from investments in subsidiaries was computed based on such companies income adjusted as explained in note 3.1.

The effect derived from inflation for maintaining monetary assets and liabilities up to February 28, 2003, has been recorded in three accounts: Monetary income (loss) on financial intermediation , Monetary income (loss) on operating expenses and Monetary income (loss) on other operations .

t) Result per share:

At June 30, 2003 and 2002 the Bank calculates the net result per share on the basis of 368,128,432 and 209,631,892 ordinary shares, respectively, of \$ 1 par value each. The net result for the periods ended on those dates is as follows:

	<u>2003</u>	<u>2002</u>
Net loss for the period	161,154	366,718
Net loss per share for the period	\$ 0.44	\$ 1,75

**4. DIFFERENCES BETWEEN BCRA STANDARDS AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES EFFECTIVE IN BUENOS AIRES CITY ARGENTINA**

By Resolutions CD Nos. 238/01, 243/01, 261/01, 262/01 and 187/02 the Professional Council in Economic Sciences of Buenos Aires City (C.P.C.E.C.A.B.A.) approved, with certain amendments, Technical Pronouncements Nos. 16, 17, 18, 19 and 20 incorporating certain changes to the professional accounting valuation and disclosure standards, which are mandatory applicable as from years commenced on July 1, 2002 and interim periods corresponding to those years. Furthermore, by General Resolution No. 434, the National Securities Commission (C.N.V.) adopted, with certain amendments, Technical Pronouncements Nos. 16 to 20 based on the resolutions of the C.P.C.E.C.A.B.A., which will be mandatory applicable as from the years commenced on January 1, 2003.

The Bank has prepared these financial statements applying the regulations of the BCRA, which do not contemplate the new valuation and disclosure criteria incorporated to the professional accounting standards in effect in the Buenos Aires City.

The main differences between the regulations of the BCRA and the professional accounting standards in effect in the Buenos Aires City are detailed below.

**I. Restatement of the financial statements to recognize the changes in the purchasing power of the currency**

These financial statements recognize the effects of changes in the purchasing power of the currency 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. 664/2003 of the National Executive Branch, Communication A 3921 of the BCRA and Resolution No. 441 of the C.N.V., application of that method was discontinued by the Bank and, therefore, it did not recognize the effects of changes in the purchasing power of the currency arising after March 1, 2003.

The financial statements at June 30, 2002, presented for comparative purposes, were restated following the same criterion.

In accordance with Resolution MD 10/2003 of the C.P.C.E.C.A.B.A., the professional accounting standards continue to adopt this method. The changes in the internal wholesale price index (IPIM) between March 1, 2003 and June 30, 2003, amounted to 3.27% (negative). The effect of failing to apply this method to these financial statements has not been quantified by the Entity.

## **II. Valuation criteria**

### Valuation of assets with the non-financial public sector

#### a) Secured loans

As detailed in Note 1.2.3, 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 national government securities, bonds, treasury bills and/or unsecured loans with the National Government for a nominal value of US\$ 3,291,795,000 for Secured Loans. At June 30, 2003 and 2002, those loans are recorded under Loans to the Public Sector amounting to 5,674,922 and 5,875,189, respectively, in accordance with the criterion described in Note 3.3.c. In accordance with Resolution CD No. 290/01 of the C.P.C.E.C.A.B.A., at June 30, 2003 and 2002 these assets should have been valued considering the respective quotation values of the swapped bonds at November 6, 2001, which as from that date are considered as transaction cost, plus interest accrued through the end of each period, converted into pesos at the rate of \$ 1.40 per dollar plus CER.

#### b) Compensation receivable under sections 28 and 29 of Decree No. 905/2002 of the National Executive Branch

At June 30, 2003 and 2002, the Bank and its subsidiaries hold government securities received and receivable generated by the compensation established by sections 28 and 29 of Decree No. 905/2002 of the National Executive Branch (see Notes 3.3.b. and 3.3.j.) amounting to 1,719,483 and 2,670,040, respectively, under Government securities holdings in investment accounts and Other receivables from financial transactions Others not covered in debtor classification regulations, respectively.

#### c) Government securities held in investment accounts

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At June 30, 2003 and 2002, the Entity recorded Argentine Republic External Bills amounting to 612,139 and 825,165 under Government Securities holdings in investment accounts and Other receivables from financial transactions Instruments to be received from spot and forward purchases , respectively.

In accordance with professional accounting standards in force in the Buenos Aires City, the assets mentioned in paragraphs b) and c) above must be valued at their current value. At the date of approval of these financial statements, the market values of the BODEN 2012 traded on the Stock Exchange and the Electronic Open Market since the beginning of the year have ranged between 42% and 62% of their face value in dollars. However, at the date of approval of these financial statements, the traded volume of these assets has not been material. Consequently, the known market value of those assets might not represent the value at which they could be realized.

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

As mentioned in Note 1.2.7., at June 30, 2003, the Bank recorded assets amounting to 813,762 under Intangible Assets Organization and Development Expenses 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 current professional accounting standards, those amounts (originally recorded under Other Receivables Miscellaneous Debtors ) should be recognized based on the best possible estimate of amounts receivable, considering the circumstances mentioned in that note.

### III. Disclosure aspects

#### a) Comparative financial statements

The new professional accounting standards incorporate the obligation to disclose certain information in the basic financial statements or as complementary information, which has not been included in these financial statements. Those standards require disclosure of figures in the balance sheet at June 30, 2003 in comparative form with those for the immediately preceding full year (in this case, December 31, 2002). As mentioned in Note 3.2., the regulations of the BCRA require comparative disclosure with the balance sheet for the same period of the previous year.

#### b) Unrealized valuation difference

As mentioned in Note 1.2.2, at June 30, 2002 the Bank recognized 468,918 under Unrealized valuation difference in the shareholders equity corresponding to the portion of compensation received under sections 28 and 29 of Decree No. 905/02 of the National Executive Branch, equivalent to the recognition of 40% on the net position in foreign currency at December 31, 2001. In accordance with the professional accounting standards in force in the Buenos Aires City, at June 30, 2002 that amount should have been appropriated to the results of that period.

### 5. BREAKDOWN OF MAIN ITEMS AND ACCOUNTS

As of June 30, 2003 and 2002, the breakdown of the items included under Other accounts which exceed 20% of the total amount of each item is as follows:

	<u>2003</u>	<u>2002</u>
<b>OTHER RECEIVABLES FROM FINANCIAL TRANSACTIONS</b>		
<b>Other receivables not covered by debtor classification regulations</b>		
Compensation to be received from Federal Government	238,067	2,659,467
Other	83,468	134,954
<b>Total</b>	<u>321,535</u>	<u>2,794,421</u>

<b>OTHER RECEIVABLES</b>		
Prepayments	10,964	3,813
Guarantee deposits	15,360	19,191
Miscellaneous receivables (1) (2)	251,321	458,534
Tax prepayments (3)	280,207	99,067
Other	1,066	4,140
<b>Total</b>	<b>558,918</b>	<b>584,745</b>



- (1) As of June 30, 2003, it includes the return differential of the CER index with respect to the CVS, which amounts to 201,728 (see note 1.2.7.II).
- (2) As of June 30, 2002 it includes the exchange differences paid for constitutional protection actions.
- (3) Includes the deferred tax asset for 233,000 and 73,915 as of June 30, 2003 and 2002, respectively (see note 1.2.6)

	2003	2002
<b>OTHER LIABILITIES</b>		
Accrued salaries and payroll taxes	20,313	19,539
Accrued taxes	6,540	15,446
Miscellaneous payables (1)	53,718	1,695,013
Other	4,938	6,104
<b>Total</b>	<b>85,509</b>	<b>1,736,102</b>

- (1) As of June 30, 2002, includes 1,642,694, for the capital contribution to Banco Francés (Cayman) Ltd. (note 2.4.).

<b>MEMORANDUM ACCOUNTS DEBIT CONTROL</b>		
Items in safekeeping	30,438,060	22,982,071
Collections items	666,052	898,169
Checks drawn on the Bank pending clearing	99,265	79,745
Other	8,627	4,267
<b>Total</b>	<b>31,212,004</b>	<b>23,964,252</b>

<b>FINANCIAL EXPENSES</b>		
Gold and foreign currency exchange difference	72,174	
Contribution to deposit guarantee fund	11,334	19,406
Turnover tax	1,573	11,357
Valuation adjustment, loans to the public non-financial sector Communication A 3911	427,254	
Loan impairment loss		211,216
Other	3,893	7,923
<b>Total</b>	<b>516,228</b>	<b>249,902</b>

<b>SERVICE CHARGE INCOME</b>		
Safe deposit box rental	2,784	3,388
Commissions on capital markets transactions	2,392	1,712
Commissions on payroll payments	962	1,206

Commissions on trust administration	1,604	1,643
Commissions on insurance sales	4,652	3,709
Commissions on loans and guarantees	2,474	7,525
Other	9,046	19,564
<b>Total</b>	<b>23,914</b>	<b>38,747</b>

**2003**      **2002**

**OPERATING EXPENSES OTHER OPERATING EXPENSES**

Rent	14,618	10,954
Depreciations of bank premises and equipment	26,128	20,446
Amortizations of organization and development expenses	29,818	36,746
Electric power and communications	8,835	13,894
Maintenance, conservation and repair expenses	9,693	12,842
Security services	6,591	11,294
Other	6,303	8,332
<b>Total</b>	<b>101,986</b>	<b>114,508</b>

**6. RESTRICTIONS ON ASSETS**

As of June 30, 2003, there are Bank assets, which are restricted as follows:

- a) The Public and Private Securities account includes 361,324 in Federal Government bonds in US dollars LIBOR 2012 which, as mentioned en note 1.2.2), have been frozen until final confirmation by the BCRA of the compensation amount.
- b) The Loans to government sector account includes 65,044 in guaranteed loans decree 1387/01 allocated to the guarantee required to act as custodian of investment securities related to pension funds.
- c) Out of the Bank's active loan portfolio, 1,132 is allocated to the guarantee securing payables to the BCRA.
- d) The Loans to government sector account includes 3,303,642 in guaranteed loans decree 1387/01 allocated to the guarantee for the advances received from the BCRA (note 1.2.8).
- e) The Loans to the non financial private sector and residents abroad account includes 337.368 in syndicated loans provided as security for the assistance received from BBVA Madrid (note 1.2.8).

**7. CONTINGENTS**

**EXPORT TAX REBATES**

In January 1993, 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 Tribunal of Original Jurisdiction, Clerk's Office No. 1 of the City of Buenos Aires.

The lawsuit has been filed for an undetermined amount 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.

The abovementioned exception was dismissed on 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 will amend 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.

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.

**8. TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES (ART. 33 OF LAW No. 19,550)**

The balances as of June 30, 2003 and 2002, for transactions performed with parents, subsidiaries and affiliates are as follows:

Company	Balance Sheet				Memorandum Accounts (1)	
	Assets		Liabilities		2003	2002
	2003	2002	2003	2002		
BBVA Madrid	565,061		525,068	676,654	4,737	23,236
Francés Valores Sociedad de Bolsa S.A.	9,973		8,245	667	796	
Banco Francés (Cayman) Limited	6,254	81	277,580	422,921		33,038
Consolidar A.R.T. S.A.	20		12,422	40,374	217,605	178,308
Consolidar Administradora de Fondos de Jubilaciones y Pensiones S.A.	38		19,979	16,973	46,652	79,773
Consolidar Cía. De Seguros de Retiro S.A.	20	99	227,106	90,293	1,180,820	749,238
Consolidar Cía. De Seguros de Vida S.A.		110	5,998	43,155	275,005	329,153
Credilogros Compañía Financiera S.A.	15,019	50,882	2,751	2,183		
Atuel Fideicomisos S.A.		19	1,031	1,189	43	
BBVA Seguros S.A.	446		22,572		33,884	
Consolidar Comercializadora S.A.			554	205	3,300	
PSA Finance Cía Financiera Argentina S.A.	86		8,854		2,000	
Rombo Cía. Financiera S.A.	181	1,352	176	202		
Francés Administradora de Inversiones S.A.	320		5,934	5,549	2,140	
Inversora Otar S.A.	1,515		264	2,579	256,947	

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

**9. BANK DEPOSITS GUARANTEE INSURANCE SYSTEM AND BANK LIQUIDITY FUND****9.1. Bank deposits guarantee insurance system**

Law No. 24,485, published on April 18, 1995, and Decree No. 540/95 of the same date provided for the organization of a Bank Deposit Guarantee Insurance System, characterized as being limited, mandatory, and for valuable consideration, designed to provide coverage for risks inherent in bank deposits, as a subsidiary and supplementary protection to the one offered by the system of bank deposit privileges and protection created by the Financial Institutions Law.

Such Law provided for the organization of the company Seguros de Depósitos Sociedad Anónima (SEDESA) to manage the Deposit Guarantee Fund (FGD), whose shareholders, as amended by Decree No. 1292/96, will be the BCRA with one share, as a minimum, and the trust made up of the financial institutions is such proportion as may be determined by the BCRA for each one, based on their contributions to the FGD.

This guarantee system does not include deposits made by other financial institutions (including certificates of deposits acquired by secondary trading), deposits made by persons directly or indirectly related to the financial institution, the deposits procured through systems offering additional incentives to the interest rate (among which, the deposits obtained through the Libretón product are contemplated), certificates of deposits of securities, acceptances or guarantees and, lastly, those deposits made after September 1998, at a rate exceeding by two percentage points per annum the rolling average for the last five banking days of the deposit rates found by the survey performed by the BCRA. Communication A 2399 issued on December 15, 1995, includes within the exemptions those certificates of deposit transferable whose ownership has been acquired by way of endorsement.

By Communication A 2337 of May 19, 1995, the BCRA notified the financial institutions about the approval of the regulations on the application of the guarantee system as from April 18, 1995.

In August 1995, such company was organized. The Bank holds a 9,8512% equity interest therein.

Decree No. 1127/98 of the Federal Executive of September 24, 1998, modified the amount covered by the deposit guarantee system established by Decree No. 540/95, increasing such amount to thirty thousand, irrespective of the term. In the case of transactions in the name of two or more persons, the guarantee will be prorated among the respective holders. The total guarantee amount by person may not exceed the abovementioned amount, regardless of the number of accounts and/or deposits.

The deposits for amounts over thirty thousand are also included in the guarantee system up to such maximum limit. The BCRA may decide at any time and in general terms the amendment of such guarantee system cover amount based on the development of the consolidation process of the Argentine Financial System and other indicator that may be considered appropriate.

On January 21, 2000, the BCRA established by Communication A 3064 that, as from the irrevocable contributions for January 2000, the contribution percentage will be reduced from 0.03% to 0.015% provided that for the remaining 0.015%, the financial institutions and SEDESA execute a loan agreement to fund the FGD. On February 8, 2000, the Bank executed the abovementioned loan agreement, recording such financing under the Other Receivables from Financial Transactions account, in accordance with BCRA regulations.

According to Communication A 3153 of the BCRA, from September 2000, contributions decreased from 0.03% to 0.015% and the obligation to take the loans mentioned in the prior paragraph was abrogated. However, effective loans agreed prior to that date will remain effective until their cancellation.

Finally, on November 9, 2001, through Communication A 3358, the BCRA decided to reestablish the ordinary contribution to the deposit guarantee fund at 0,03% as from the date upon which the contributions for December 2001 are made.

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As of June 30, 2003, the Bank had granted loans to SEDESA in the amount of 2,888 registered in Other receivables not covered by debtor classification regulations account, with final maturity in August 2003.

### **9.2. Bank Liquidity Fund (FLB)**

On December 26, 2001, the Federal Executive issued Decree No. 32/2001 whereby it created the FLB to provide the financial system with adequate liquidity levels. The FLB will be effective during five years as from the date on which the decree is published and it will be managed by SEDESA, which will act as trustee thereof, and will be set by financial institutions by subscribing Class A Certificates of Participation and by the Federal Government by subscribing Class B Certificates of Participation.



As of December 31, 2001, the Bank contributed in USD 54,436 thousands to the FLB. During April 2002, the contribution was reimbursed to the bank, after its switch into pesos at the exchange rate of 1.4 Argentine pesos to each US dollar.

## **10. TRUST ACTIVITIES**

### **10.1. Financial Trusts**

On January 5, 2001, the BCRA's Board of Director 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 settlor 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 June 30, 2003, total estimated corpus assets amount to 38,186 and it is recorded in memorandum debit accounts. For trustee activities Funds received in trust .

### **10.2. Non Financial Trust**

BF acts as trustee in 61 non financial trusts, and in no case being personally liable for the liabilities assumed in the performance of the contract obligations; such liabilities will be satisfied with and up to the full amount of the corpus assets and the proceeds therefrom. The non financial trusts concerned were set up to secure the receivables of several creditors (beneficiaries) and the trustee was entrusted the management, care, preservation and custody of the corpus assets until (i) the requirements to show the noncompliance with the obligations by the debtor (settlor) 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 settlor, or (ii) all contract terms and conditions are complied with, in which case all the corpus assets will be returned to the settlor or to whom it may indicate. The trust assets represent about \$ 5.665 million and are of different kinds, because even though the majority of them consist of cash or creditors' rights, BF is also trustee of real estate and shares.

## **11. CORPORATE BONDS**

### **11.1. Corporate Bonds issued by BF**

The Regular 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 October 6, 1997, the Regular and Special Stockholders' Meeting ratified for the whole program effective period the delegation to the Board of Directors, approved by the Regular Stockholders' Meeting held on September 30, 1994, of the necessary powers to determine all the issuance conditions of the corporate bonds (including collection subordination) to be issued under the company's corporate bonds issuance program for an outstanding amount of up to US\$ 500,000,000, authorized by CNV's Certificate No. 87 of December 16, 1994.

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On April 27, 1999, the Regular and Special Stockholders Meeting decided to extend the term of the abovementioned program for five years, authorizing the Board of Directors to take the necessary steps for issuance thereof. In addition, it 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, granting the Board of Directors the necessary authority to carry out the issuance, establish the conversion value, determine the terms of the securities and modify the current program.

On April 27, 2000, the Regular and Special Stockholders Meeting approved to increase the outstanding amount under the abovementioned program for up to US\$ 1,000,000,000 and delegated on to the Board of

Directors the performance of proceedings to obtain approval before CNV and Buenos Aires Stock Exchange (BCBA) and such other stock exchanges as may be chosen to be listed. The increase was authorized by CNV's Certificate No. 268 of July 18, 2000.

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 Shareholders' 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. In addition, the determination of all the conditions of the Program and the Negotiable Obligations to be issued under it, including the power to define the placement and subscription conditions, have been delegated to the Board of Directors.

During the 2002 fiscal year, the Bank has received the capitalization of subordinate corporate bonds for a nominal value of USD 130 million (note 2.3.) and has refinanced corporate bonds for a nominal value of USD 142.5 million (note 1.2.8).

The following chart reflects corporate bonds in force as of June 30, 2003:

<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>
USD 1,000,000,000	03/31/1998	Subordinated	20,000,000	USD	100%	(1)	Semiannual	56,799	03/31/2005 (3)
USD 1,000,000,000	10/31/2002	Non-subordinated	142,500,000	USD	100%	(2)	Quarterly	381,433	10/31/2003 (4)

(1) Libor plus 330 basis points.

(2) Libor plus 245 basis points.

(3) Principal is fully repayable upon maturity.

(4) These bonds original expiration date was as of October 31, 2002 for a total amount of USD 150,000,000. They have been refinanced, including the interest payment and a 5% of capital as of October 31, 2002, the payment of a 5.26% of capital of a new bond in 180 days, while the remaining capital will be paid in a 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.

**11.2. Corporate bonds issued by Corp Banca (CB)**

As regards the agreement executed by CB with the Fondo Fiduciario de Asistencia a Entidades Financieras y de Seguros (FFAEFS) (see note 12), as of June 30, 2003, there is a series of common, subordinate corporate bonds nonconvertible into shares for a face value of US\$ 30,000,000 issued on December 18, 1998, at LIBOR plus 4% per annum in the first period and then, LIBOR plus 3% or 8.07% per annum in case the abovementioned interest rate were, for this period, less than 8.07% per annum, due on December 29, 2004. The principal is amortized in five annual, equal and consecutive installments, having the first matured on December 29, 2000, and the next maturing every December 29 through the final maturity date. The interest will be payable in arrears on an annual basis on same payment date of the principal's amortization.

As of June 30, 2003, the book value of such bonds amounts to 17,994, after conversion at the exchange rate of 1 Argentine pesos to each US dollar, and indexation by applying the CER (see note 12).

## 12. FUNDING OF THE 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, accruing compensatory interest at the rate fixed by the International Bank for Reconstruction and Development for the Argentine National State for the second tranche of the loan called Bank Reform Loan 3926-AR plus 1% p.a.

The Bank may issue subordinate corporate bonds with authorization of the public offering by the CNV and the authorization to trade on the BCBA under the conditions established in the aforesaid agreement and up to the amount actually loaned. In this sense, the BCRA authorized to compute the financial assistance from its granting as subordinated debt to calculate the minimum capital requirement under BCRA regulations.

On July 22, 1997, the ex-BCA Regular Stockholders Meeting approved issuing subordinated corporate bonds in the amount of US\$ 60,000,000 and granted the Board of Directors the power to determine the issuance terms and conditions not expressly determined by such Stockholders Meeting. To date, the mentioned corporate bonds were not issued.

As of June 30, 2003, the book value of such financing amounts to 90,144, after its conversion into Argentine pesos at the exchange rate of 1 Argentine peso to each US and its updating by CER, and they are included in the account Financing received from local Financial Institutions , under Other liabilities from Financial Transactions .

12.2. On December 22, 1997, CB executed with the FFAEFS a loan for consumption agreement in the amount of US\$ 30,000,000, which will be reimbursed in five annual, equal and consecutive installments starting as from the disbursement date. The first one will 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 nominal value of US\$ 30,000,000. Such issuance took place on December 18, 1998 (see note 11.2).

As of June 30, 2003, by Resolution No. 321 of the BCRA, the Bank recorded the above mentioned financing in the Subordinated Corporate Bonds account.

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Due to this agreement, 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 53/2003 by which those obligations made with Multilateral Lending Agencies, directly or through subsidiary loans or of any nature and guarantees are excluded from the conversion into pesos.

By means of a note dated June 9, 2003 the Ministry of Economy and Production, through the Management Committee of the Trust for the Reconstruction of Companies, determined that only 50% of the mentioned loans should be converted into pesos, with the remaining balance being kept in its original currency.

The Bank has asked to be granted a review with staying powers of the grounds invoked by the mentioned Committee, which has been granted to it. Nevertheless, the Board of Directors and its legal counsel consider that the effects such measure might have on the financial statements would not be significant.

### **13. COMPLIANCE WITH CNV REQUIREMENTS**

#### **13.1. Compliance with the requirements to act as agent in the over-the-counter market**

As of June 30, 2003, 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 Fund custodian**

As of June 30, 2003, 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 Internacional, the Bank holds certificates of deposits, shares, corporate bonds, government securities, index and options in custody in the amount of 248,537, all of which making up the Fund's portfolio and booked in memorandum accounts Debit-Control - Other.

As of June 30, 2002, 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 Total 50, FBA Penta Premium, FBA Futuro, FBA Renta Corto Plazo, the Bank held certificates of deposits, shares, corporate bonds, index, options and government securities in custody in the amount of 68,416, all of which making up the Funds' portfolio and booked in memorandum accounts Debit-Control - Other.

### **14. CONTRIBUTION TO THE INSTITUTO DE SERVICIOS SOCIALES BANCARIOS (BANKING HEALTH SERVICES INSTITUTE)**

The contribution provided in Section 17, point (f) of Law No. 19,322 originally 2% on interest and commissions charged by banks was reduced to 1% as from July 1, 1996 through July 1, 1997; as from the latter date, the abovementioned contribution was repealed (Decreets No. 263, dated March 20, 1996 and No. 915, dated August 7, 1996).

The Argentine Bank Employees' Association (ABA) filed a constitutional protection action seeking that the abovementioned decrees be declared unconstitutional. The Federal Administrative-Contentious Court of Appeals ruled in favor of the constitutional protection action, reversing the original decision, and declared both decrees illegal. Subsequently, on November 4, 1997, the Supreme Court of Justice of the Nation declared an extraordinary appeal brought before the Federal Administrative-Contentious Court of Appeals by the Federal Executive Branch (PEN) against the abovementioned ruling to be inadmissible on formal grounds (that is to say, the Supreme Court did not rule on the substance of the matter).

On December 19, 1997, the Administrator of the Argentine Bank Employees' Health Plan (OSBA) sent to the former-BFRP and the former-BCA a letter, in light of the abovementioned developments, stating that the contribution provided in Section 17, point (f) of Law No. 19,322 is in full effect and requesting that steps be taken to have the abovementioned contributions deposited to the order of the abovementioned Health Care

Organization.

In another turn of events, by Decree No. 336/98 dated March 26, 1998, the PEN confirmed the total elimination of the Banking Health Services Institute (ISSB) and set up a new entity (OSBA) which is not a continuation of the ISSB.

Upon an action against the Federal State for protection of a right guaranteed by the Constitution started by the enrollees of the ABA and OSBA to annul Decree No.336/98, on April 3, 1998, the Judiciary decided to issue an official letter to the Ministry of Economy and Public Works and Utilities, as a restraining order and



without rendering an opinion on the substance of the matter, notifying that the abovementioned Ministry of Economy will have to abstain from enforcing Decree No. 336/98, specifically as far as the elimination of the contributions established by Section No.17, point (f) of Law No. 19,322 in favor of the ISSB and any other measure modifying the situation prior to the issuance of the Decree objected to are concerned.

In the opinion of the Bank's Management, OSBA's request is illegitimate and ungrounded since, to the date of issuance of these financial statements, the court of last resource with jurisdiction on the merits of the case has not ruled on the illegality of the Decrees. Therefore, in the opinion of the Bank's Management, the contribution named has been abrogated and the Bank has complied with all obligations arising out of the abovementioned Decrees. No provision was recorded to cover the contributions that may be claimed.

Notwithstanding with standing the above, on October 25, 2000, the BCRA notified the bank, that OSBA requested and obtained an attachment over the account held by the bank with the BCRA in the amount of 5,696 plus 1,709 for estimated interest, court costs and attorneys fees, while on October 31, 2000, the Bank received service of process of the execution proceedings file by OSBA. On March 6, 2001, the trial court ruled against the execution sought against the Bank and ordered that the attachment be lifted. The plaintiff appealed the trial court's judgment. In the opinion of the Board of Directors, the plaintiff has no right of action and the claim is illegitimate and inappropriate.

#### **15. RESTRICTION 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 3574, the distribution of profits is suspended for the period established by such institution.
- c) As mentioned in note 3.3.b), BCRA Communication A 3785 allowed booking the Federal Government bonds received in compensation as holdings in investment accounts at technical value, limiting the distribution of dividends in cash to income exceeding the difference between book value and the listing value in effect in the month in which the fiscal year ends.

#### **16. PUBLICATION OF THE FINANCIAL STATEMENTS**

As provided by Communication A 760, the previous intervention of the BCRA is not required for the publication of these financial statements.

#### **17. ACCOUNTING PRINCIPLES EXPLANATION ADDED FOR TRANSLATION INTO ENGLISH**

This financial statements are presented on the basis of the standards of the BCRA and, except for the effect of the matter mentioned in Note 4, in accordance with generally accepted accounting principles in Buenos Aires City Argentina. Certain accounting practices applied by the Bank that conform with the standards of the BCRA and with generally accepted accounting principles in Buenos Aires City may not conform with the generally accepted accounting principles in other countries.

The effects of the differences, if any, between generally accepted accounting principles in Argentina and the generally accepted accounting principles in the countries in which the financial statements are to be used have not been quantified. Accordingly, they are not intended to

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present financial position, results of operations and cash flows in accordance with generally accepted accounting principles in the countries of the users of the financial statements, other than Argentina.



## DETAIL OF GOVERNMENT AND PRIVATE SECURITIES

AS OF JUNE 30, 2003 AND 2002

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

Description	Serie	Identification	Holding		Position Without Options	Final position
			Market value	Book balance as of 2003		
<b>GOVERNMENT SECURITIES</b>						
<b>Holdings in investment accounts</b>						
Local						
In pesos						
Treasury bills	90	ARLE901=BA		61,234	61,234	61,234
Subtotal in pesos				61,234	58,313	61,234
In foreign currency						
Argentine Republic External Bills		ARVEY4D3=BA		77,130		612,139
Federal Government Bonds in US dollar Libor 2012				361,324		361,324
Subtotal in foreign currency				438,454	825,165	973,463
Subtotal in Holdings in investment accounts				499,688	883,478	1,034,697
<b>Holdings for trading or financial transactions</b>						
Local						
In pesos						
Treasury Bills	90	ARLE901=BA	549	549	549	549
BCRA Bills (LEBAC)			94,076	94,076	94,076	94,076

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Federal Government Bonds in US				
dollar Libor 2008	671	671	(1)	(1)
Other	285	285	285	285
		<u>          </u>	<u>          </u>	<u>          </u>
Subtotal in pesos		95,581	19,956	94,909
		<u>          </u>	<u>          </u>	<u>          </u>
In foreign currency				
Other	280	280	208	208
		<u>          </u>	<u>          </u>	<u>          </u>
Subtotal in foreign currency		280	2,244	208
		<u>          </u>	<u>          </u>	<u>          </u>
Foreign				
		<u>          </u>	<u>          </u>	<u>          </u>
Subtotal in foreign			221	
		<u>          </u>	<u>          </u>	<u>          </u>
Subtotal in Holdings for trading or financial transactions		95,861	22,421	95,117
		<u>          </u>	<u>          </u>	<u>          </u>

EXHIBIT A

(Contd.)

## DETAIL OF GOVERNMENT AND PRIVATE SECURITIES

AS OF JUNE 30, 2003 AND 2002

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

Description	Serie	Identification	Market value	Holding		Position without options	Final position
				Book Balance as of 2003	Book Balance as of 2002		
<b>Unlisted government securities</b>							
Local							
In pesos							
Tax credit certificates due in 2003/2006				89,921		89,921	89,921
Tucuman Provincial Treasury Bonds		ARTUCU13=BA		46,200		46,200	46,200
Province of Buenos Aires T-bills				1,559		1,559	1,559
Other				269		269	269
Subtotal in pesos				137,949	584,460	137,949	137,949
Subtotal Unlisted government securities				137,949	584,460	137,949	137,949
<b>TOTAL GOVERNMENT SECURITIES</b>				<b>733,498</b>	<b>1,490,359</b>	<b>1,267,763</b>	<b>1,267,763</b>

## INVESTMENTS IN LISTED PRIVATE SECURITIES

## Other debt instruments

Local

In foreign currency

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Metrogas 2003 Corporate Bonds	28	28	28	28
Subtotal in foreign currency		28	43	28
<b>Subtotal Other debt instruments</b>		28	43	28
<b>Other Equity instruments</b>				
Local				
In pesos				
Atanor S.A.	8	8		
Other			(26)	(26)
Subtotal in pesos		8	698	(26)
Foreign				
Subtotal in foreign			1,702	
Subtotal Equity instruments		8	2,400	(26)
<b>TOTAL INVESTMENTS IN LISTED PRIVATE SECURITIES</b>		36	2,443	2
<b>TOTAL GOVERNMENT AND PRIVATE SECURITIES</b>		733,534	1,492,802	1,267,765

## EXHIBIT B

**CLASSIFICATION OF FINANCING FACILITIES BY CATEGORIES  
AND GUARANTIES RECEIVED AS OF JUNE 30, 2003 AND 2002**

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

	<u>2003</u>	<u>2002</u>
<b>COMMERCIAL PORTFOLIO</b>		
Normal performance		
Preferred collaterals and counter guaranty A	5,135,278	6,254,730
Other collaterals and counter guaranty B	15,662	28,818
Without senior security or counter guaranty	542,647	2,499,628
In potential risk		
Preferred collaterals and counter guaranty A	4,311	5,290
Other collaterals and counter guaranty B	12,425	16,523
Without senior security or counter guaranty	428,586	1,676,085
Nonperforming		
Other collaterals and counter guaranty B	1,750	40,423
Without senior security or counter guaranty	258,680	166,438
With high risk of uncollectibility		
Preferred collaterals and counter guaranty A		120
Other collaterals and counter guaranty B	1,086	12,348
Without senior security or counter guaranty	795,837	80,609
Uncollectible		
Preferred collaterals and counter guaranty A	38	
Other collaterals and counter guaranty B	6,668	12,104
Without senior security or counter guaranty	12,004	36,837
<b>Total</b>	<b><u>7,214,972</u></b>	<b><u>10,829,953</u></b>



**EXHIBIT B****(Contd.)**

**CLASSIFICATION OF FINANCING FACILITIES BY CATEGORIES  
AND GUARANTIES RECEIVED AS OF JUNE 30, 2003 AND 2002**

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

	<u>2003</u>	<u>2002</u>
<b>CONSUMER AND HOUSING PORTFOLIO</b>		
Normal performance		
Preferred collaterals and counter guaranty A	1,057	1,894
Other collaterals and counter guaranty B	392,221	566,708
Without senior security or counter guaranty	390,620	595,050
Inadequate performance		
Other collaterals and counter guaranty B	4,060	21,884
Without senior security or counter guaranty	4,336	28,215
Deficient performance		
Other collaterals and counter guaranty B	2,420	13,312
Without senior security or counter guaranty	7,163	44,099
Unlikely to be collected		
Preferred collaterals and counter guaranty A	1	184
Other collaterals and counter guaranty B	3,543	25,908
Without senior security or counter guaranty	13,123	75,342
Uncollectible		
Preferred collaterals and counter guaranty A	132	35
Other collaterals and counter guaranty B	27,623	20,199
Without senior security or counter guaranty	28,215	34,974
Uncollectible, classified as such under regulatory requirements		
Other collaterals and counter guaranty B	31	8
Without senior security or counter guaranty	456	450
<b>Total</b>	<u>875,001</u>	<u>1,428,262</u>

General Total (1)	8,089,973	12,258,215
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- (1) Items included: Loans (before allowances); Other receivables from financial transactions: Unlisted corporate bonds, Other receivables covered by debtor classification regulations, Interest accrued and pending collection covered by debtor classification regulations; Assets subject to financial leasing (before allowances); Other receivables: Receivables from sale of goods and interest accrued on receivables from sale of goods; Contingent credit balance memorandum accounts: Credit lines granted (unused portion) covered by debtor classification regulations, Other guaranties given covered by debtor classification regulations and Other covered by debtor classification regulations.

## EXHIBIT C

## FINANCING FACILITIES CONCENTRATION

AS OF JUNE 30, 2003 AND 2002

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

	FINANCING			
	2003		2002	
	Outstanding balance	% of total portfolio	Outstanding balance	% of total portfolio
<b>Number of clients</b>				
10 largest clients	5,153,965	63.71%	6,431,542	52.47%
50 next largest clients	1,804,725	22.31%	2,972,042	24.25%
100 following clients	375,434	4.64%	919,503	7.50%
Remaining clients	755,849	9.34%	1,935,128	15.78%
<b>Total (1)</b>	<b>8,089,973</b>	<b>100.00%</b>	<b>12,258,215</b>	<b>100.00%</b>

(1) See (1) in Exhibit B.

## EXHIBIT D

## BREAKDOWN BY FINANCING TERMS AS OF JUNE 30, 2003

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

Description	Past-due portfolio	Term remaining to maturity						Total
		1 month	3 months	6 months	12 months	24 months	More than 24 months	
Government sector		6,935	6,121	9,037	18,078	162,389	4,896,488	5,099,048
Financial sector		15,311	293	294	593	1,210	2,173	19,874
Non financial private sector and residents abroad	783,547	1,264,615	72,758	157,848	79,588	173,730	438,965	2,971,051
<b>TOTAL</b>	<b>783,547</b>	<b>1,286,861</b>	<b>79,172</b>	<b>167,179</b>	<b>98,259</b>	<b>337,329</b>	<b>5,337,626</b>	<b>8,089,973(1)</b>

(1) See (1) in Exhibit B.



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Other						707	1,071				
	Subtotal noncontrolled					18,968	19,178				
	Total in financial institutions, supplementary and authorized					1,606,150	1,312,882				
<b>IN OTHER COMPANIES</b>											
Noncontrolled											
Local											
Consolidar ART S.A.	Common	\$	1	1	375,000	15,419	11,347	Workers compensation	06/30/03	3,000	112,783
BBVA Seguros S.A.	Common	\$	1	1	550,332	4,161	4,166	Insurance	06/30/03	4,503	34,056
Other						203	799				
Foreign											
A.I.G. Latin American Fund						15,103	22,893	Investing	12/31/00	37,048	27,615
Other						43	65				
	Subtotal noncontrolled					34,929	39,270				
	Total in other companies					34,929	39,270				
	Total investments in other companies					1,641,079	1,352,152				

## MOVEMENT OF PREMISES AND EQUIPMENT

## AND OTHER ASSETS FOR THE SIX MONTH PERIODS

ENDED JUNE 30, 2003 AND 2002

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

Description	Restated net				Depreciation for the		Net book value at 2003	Net book value at 2002
	book value at beginning of fiscal year	Additions in constant currency	Transfers in constant currency	Decreases in constant currency	period in constant currency			
					Years of useful life	Amount		
<b>PREMISES AND EQUIPMENT</b>								
Real Estate	373,671	1,724	194	5,430	50	7,466	362,693	382,639
Furniture and Facilities	36,537	982		504	10	4,158	32,857	40,400
Machinery and Equipment	44,984	4,967		4,337	5	14,405	31,209	61,994
Automobiles	545	120		107	5	99	459	627
<b>Total</b>	<b>455,737</b>	<b>7,793</b>	<b>194</b>	<b>10,378</b>		<b>26,128</b>	<b>427,218</b>	<b>485,660</b>
<b>OTHER ASSETS</b>								
Works of Art	983						983	983
Rent assets	4,643			788	50	46	3,809	6,272
Assets acquired to secure loans	5,358	535	(3,343)	2,035	50	14	501	10,121
Stationery and office supplies	984	1,367		1,525			826	1,238
Other assets	101,607		3,149	8,331	50	935	95,490	125,755
<b>Total</b>	<b>113,575</b>	<b>1,902</b>	<b>(194)</b>	<b>12,679</b>		<b>995</b>	<b>101,609</b>	<b>144,369</b>

## EXHIBIT G

## MOVEMENT OF INTANGIBLE ASSETS FOR THE SIX MONTH PERIODS

ENDED JUNE 30, 2003 AND 2002

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

Description	Restated net		Amortization		Net book value at 2003	Net book value at 2002
	book value at beginning of period	Additions in constant currency	Decreases in constant currency	for the period in constant currency		
			Years of useful life	Amount		
Goodwill	48,643		10	6,139	42,504	55,042
Organization and Development expenses (1)	72,586	27,580	1 & 5	29,818	69,169	155,849
Organization and development non-deductible expenses (2)		855,793		42,031	813,762	
<b>Total</b>	<b>121,229</b>	<b>883,373</b>		<b>77,988</b>	<b>925,435</b>	<b>210,891</b>

(1) This mainly includes costs from information technology projects contracted from independent parties and leasehold improvements.

(2) See Note 1.2.7.I.



## CONCENTRATION OF DEPOSITS

AS OF JUNE 30, 2003 AND 2002

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

Number of clients	2003		2002	
	Outstanding	% of total	Outstanding	% of total
	balance	portfolio	balance	portfolio
10 largest clients	708,986	10.16%	542,683	7.73%
50 next largest clients	726,010	10.41%	491,184	6.99%
100 following clients	483,024	6.92%	248,101	3.53%
Remaining clients	5,057,683	72.51%	5,740,271	81.75%
<b>TOTAL</b>	<b>6,975,703</b>	<b>100.00%</b>	<b>7,022,239</b>	<b>100.00%</b>

**BREAKDOWN OF MATURITY TERMS OF DEPOSITS,  
OTHER LIABILITIES FROM FINANCIAL TRANSACTIONS AND  
SUBORDINATED CORPORATE BONDS**

**AS OF JUNE 30, 2003**

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

Description	Term remaining to maturity						Total
	1 month	3 months	6 months	12 months	24 months	More than 24 months	
<b>Deposits</b>	5,209,944	736,683	131,865	209,921	418,275	269,015	6,975,703
<b>Other liabilities from financial transactions</b>							
BCRA	13,489	17	544	104,086	312,249	1,729,372	2,159,757
Banks and International Institutions	482,805	47,864	14,712	5,867	27,130	7,617	585,995
Non-subordinated corporate bonds	2,408		379,025				381,433
Financing received from Argentine financial institutions	34,617		86,424				121,041
Other	302,930						302,930
<b>TOTAL</b>	836,249	47,881	480,705	109,953	339,379	1,736,989	3,551,156
<b>Subordinated corporate bonds</b>			9,351		65,442		74,793
<b>TOTAL</b>	6,046,193	784,564	621,921	319,874	823,096	2,006,004	10,601,652

## MOVEMENT OF ALLOWANCES FOR THE SIX MONTH PERIODS

ENDED JUNE 30, 2003 AND 2002

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

Description	Restated book value at beginning of fiscal year	Increases in constant currency	Decreases			Book value	
			Reversals in constant currency (6)	Applications in constant currency	Monetary gain generated on allowances	2003	2002
<b>DEDUCTED FROM ASSETS</b>							
Loans							
Allowance for doubtful loans	835,462	103,696(1)	65,375	419,667	(6,064)	448,052	1,108,367
Other receivables from financial transactions							
Allowance for doubtful receivables	102,205	5,109(1)(5)	14,465	3,486	(796)	88,567	24,097
Assets subject to financial leasing							
Allowance for doubtful receivables	473	395(1)			(4)	864	426
Investments in other companies							
For impairment value (3)	18,225		2,991		(131)	15,103	22,893
Other receivables							
Allowance for doubtful receivables	394,394	124,208(2)	379,239	1,509	(2,917)	134,937	213,893
<b>Total</b>	<b>1,350,759</b>	<b>233,408</b>	<b>462,070</b>	<b>424,662</b>	<b>(9,912)</b>	<b>687,523</b>	<b>1,369,676</b>
<b>LIABILITIES-ALLOWANCES</b>							
Contingents commitments (1)	309,120		126,424		(2,273)	180,423	46,602

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Other contingencies	166,298	242,692(4)		72,505	(1,159)	335,326	56,708
Total	475,418	242,692	126,424	72,505	(3,432)	515,749	103,310

- (1) Recorded in compliance with the provisions of Communication A 3918, as supplemented, of the BCRA, taking into account note 3.3.f).
- (2) Recorded to cover possible uncollectibility risks arising out of payments under protection actions booked in Other Receivables (note 1.2.7.I).
- (3) Recorded, to recognize the estimated impairment in AIG Latin American Fund's equity as of June 30, 2003.
- (4) Recorded to cover possible contingencies that were not considered in other accounts (civil, labor, commercial and other lawsuits). (note 3.3.p).
- (5) Includes the charge on allowances on financial trusts, booked in Financial Income Net income from government and private securities .
- (6) Includes exchange differences generated as allowances in foreign currency, booked in the Financial expense Gold and foreign currency exchange difference account, as follow:

Loans	(60,227)
Other receivables from financial transactions	(14,465)
Investments in other companies	(2,991)
Other receivables	(4)

## EXHIBIT K

## CAPITAL STRUCTURE AS OF JUNE 30, 2003

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

SHARES			CAPITAL STOCK			
Class	Quantity	Votes per share	Issued		Pending	Paid in
			Outstanding	In portfolio	issuance or distribution	
Common	368,128,432	1	368,073		55 (1)	368,128 (2)

- (1) Shares issued and available to stockholders but not as yet withdrawn.  
(2) Capital registered with the Public Registry of Commerce (note 2.3.).

## EXHIBIT L

## FOREIGN CURRENCY BALANCES AS OF JUNE 30, 2003 AND 2002

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

Accounts	2003								2002	
	Total of period (per type of currency)								Total of period	
	Total of fiscal year	Euro	US Dollars	Deutsche Marks	Pounds Sterling	French Franc	Swiss Franc	Yen		Other
<b>ASSETS</b>										
Cash and due from banks	198,264	2,418	195,040		217			59	530	32,788
Government and private securities	438,762		438,762							829,375
Loans	769,529	100	769,429							1,474,980
Other receivables from financial transactions	1,039,526	483	1,039,043							3,000,654
Assets subject to financial leasing	92		92							
Investments in other companies	1,366,721		1,366,721							1,071,745
Other receivables	19,326		19,326							24,748
Suspense items	124		124							659
<b>TOTAL</b>	<b>3,832,344</b>	<b>3,001</b>	<b>3,828,537</b>		<b>217</b>			<b>59</b>	<b>530</b>	<b>6,434,949</b>
<b>LIABILITIES</b>										
Deposits	96,829		96,829							254,652
Other liabilities from financial transactions	1,480,471	3,143	1,476,886		88			7	347	2,481,939
Other liabilities	17,553	4	17,548						1	1,662,480
Subordinated corporate bonds	56,799		56,799							647,516
Suspense items	4		4							212
<b>TOTAL</b>	<b>1,651,656</b>	<b>3,147</b>	<b>1,648,066</b>		<b>88</b>			<b>7</b>	<b>348</b>	<b>5,046,799</b>
<b>MEMORANDUM ACCOUNTS</b>										

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**Debit accounts (except  
contra debit accounts)**

Contingent	5,605,352		5,605,352						6,900,120
Control	7,071,076	5,781	7,062,834		2			2,459	19,246,791
For trust activities									1
<b>TOTAL</b>	<b>12,676,428</b>	<b>5,781</b>	<b>12,668,186</b>		<b>2</b>			<b>2,459</b>	<b>26,146,912</b>

**Credit accounts (except  
contra credit accounts)**

Contingent	613,333		613,333						2,006,485
Control									340
<b>TOTAL</b>	<b>613,333</b>		<b>613,333</b>						<b>2,006,825</b>

## EXHIBIT N

## ASSISTANCE TO RELATED CLIENTS AND AFFILIATES AS JUNE 30, 2003 AND 2002

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

Concept	Status									Total	
	Normal	Nonperforming / deficient compliance				With high risk of uncollectibility / unlikely to be collected		Uncollectible, classified as such under regulatory requirements	2003	2002	
		In potencial risk / Inadequate Compliance	Not yet matured		Past-due		Not yet matured				Past-due
			Uncollectible								
1. Loans	18,658							18,658	62,934		
Overdraft	1,699							1,699	2,040		
Preferred collaterals and counter guaranty A											
Other collaterals and counter guaranty B Without senior security or counter guaranty	1,699							1,699	2,040		
Discounted Instruments									106		
Preferred collaterals and counter guaranty A											
Other collaterals and counter guaranty B Without senior security or counter guaranty									106		
Real Estate Mortgage and Collateral Loans	81							81	321		
Preferred collaterals and counter guaranty A	81							81	321		



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Other collaterals and counter guaranty B Without senior security or counter guaranty				
Consumer	6		6	30
Preferred collaterals and counter guaranty A				
Other collaterals and counter guaranty B Without senior security or counter guaranty	6		6	30
Credit Cards	126		126	43
Preferred collaterals and counter guaranty A				
Other collaterals and counter guaranty B Without senior security or counter guaranty	126		126	43
Other	16,746		16,746	60,394
Preferred collaterals and counter guaranty A				
Other collaterals and counter guaranty B Without senior security or counter guaranty	16,746		16,746	60,394
2. Other receivables from financial transactions	4,657		4,657	20,992
3. Assets subject to financial leasing and other	6,376		6,376	
4. Contingent commitments	19,180		19,180	47,360
5. Investments in other companies and private securities	1,463,023		1,463,023	1,198,126
<b>Total</b>	<b>1,511,894</b>		<b>1,511,894</b>	<b>1,329,412</b>
<b>Total Allowances</b>	<b>41</b>		<b>41</b>	<b>317</b>

**CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2003 AND 2002****(Art. 33 of Law No. 19,550)**

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
<b>CASH AND DUE FROM BANKS</b>		
Cash	251,521	179,874
Due from banks and correspondents	948,341	132,410
	<u>1,199,862</u>	<u>312,284</u>
<b>GOVERNMENT AND PRIVATE SECURITIES (Note 5)</b>		
Holdings in investment accounts	1,613,323	926,194
Holdings for trading or financial transactions	226,393	207,336
Unlisted Government Securities	140,276	589,480
Investments in listed private securities	76,995	58,527
Less: Allowances	24,523	40,040
	<u>2,032,464</u>	<u>1,741,497</u>
<b>LOANS</b>		
To government sector (Exhibit 1)	7,497,965	7,821,335
To financial sector (Exhibit 1)	52,388	16,887
To non financial private sector and residents abroad (Exhibit 1)	2,019,684	3,761,886
	<u>116,442</u>	<u>260,063</u>
Overdraft	116,442	260,063
Discounted instruments	192,674	504,294
Real estate mortgage	438,421	663,288
Collateral Loans	6,130	25,925
Consumer	112,307	306,899
Credit cards	133,622	171,407
Other	960,897	1,668,957
Interest and listed-price differences accrued and pending collection	59,799	167,823
Less: Unused collections	470	1,487
Less: Interest documented together with main obligation	138	5,283
Less: Allowances	658,421	1,426,635
	<u>8,911,616</u>	<u>10,173,473</u>
<b>OTHER RECEIVABLES FROM FINANCIAL TRANSACTIONS</b>		

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BCRA	351,497	360,109
Amounts receivable for spot and forward sales pending settlement	69,624	91,449
Instruments to be received for spot and forward purchases pending settlement	608,755	125,058
Unlisted corporate bonds (Exhibit 1)	197,453	281,402
Other receivables not covered by debtor classification regulations	330,976	2,804,995
Other receivables covered by debtor classification regulations (Exhibit 1)	11,034	25,845
Interest accrued and pending collection not covered by debtor classification regulations	105,885	94
Interest accrued and pending collection covered by debtor classification regulations (Exhibit 1)	249	7,110
Less: Others unused collections	58	82
Less: Allowances	110,148	24,298
	<u>1,565,267</u>	<u>3,671,682</u>
<b>ASSETS SUBJECT TO FINANCIAL LEASING</b>		
Assets subject to financial leasing (Exhibit 1)	19,039	23,579
Less: Allowances	1,009	450
	<u>18,030</u>	<u>23,129</u>
<b>INVESTMENTS IN OTHER COMPANIES</b>		
In financial institutions	12,592	13,003
Other	47,007	50,610
Less: Allowances	15,103	22,893
	<u>44,496</u>	<u>40,720</u>
<b>OTHER RECEIVABLES</b>		
Receivables from sale of property assets (Exhibit 1)	3,321	168
Other	633,028	661,311
Interest accrued and pending collection on receivables from sale of property assets (Exhibit 1)	81	
Other accrued interest receivable		1
Less: Allowances	135,351	214,018
	<u>501,079</u>	<u>447,462</u>
<b>PREMISES AND EQUIPMENT</b>		
	<u>463,479</u>	<u>523,812</u>
<b>OTHER ASSETS</b>		
	<u>101,609</u>	<u>144,369</u>
<b>INTANGIBLE ASSETS</b>		
Goodwill	42,504	55,042
Organization and development expenses	976,153	267,413
	<u>1,018,657</u>	<u>322,455</u>
<b>SUSPENSE ITEMS</b>		
	<u>1,349</u>	<u>3,299</u>
<b>OTHER SUBSIDIARIES ASSETS (Note 5)</b>		
	<u>10,736</u>	<u>6,746</u>
<b>TOTAL ASSETS</b>	<b><u>15,868,644</u></b>	<b><u>17,410,928</u></b>

(Contd.)

## CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2003 AND 2002

(Art. 33 of Law No. 19,550)

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

	2003	2002
<b>LIABILITIES</b>		
<b>DEPOSITS</b>		
Government sector	41,912	61,131
Financial sector	47,470	155,970
Non financial private sector and residents abroad	7,246,898	7,635,674
	<u>1,492,071</u>	<u>1,258,625</u>
Checking accounts		
Savings deposits	711,381	714,543
Time deposits	3,677,218	4,726,375
Other	947,689	102,941
Interest and listed-price differences accrued payable	418,539	833,190
	<u>7,336,280</u>	<u>7,852,775</u>
<b>OTHER LIABILITIES FROM FINANCIAL TRANSACTIONS</b>		
BCRA	2,159,757	1,719,285
Other	2,159,757	1,719,285
Banks and International Institutions	1,280,375	2,561,615
Non-subordinated corporate bonds	379,025	638,353
Amounts payable for spot and forward purchases pending settlement	364,533	106,023
Instruments to be delivered for spot and forward sales pending settlement	75,435	84,758
Financing received from Argentine financial institutions	98,341	81,941
Other	205,414	193,001
Interest and listed price differences accrued payable	37,690	38,610
	<u>4,600,570</u>	<u>5,423,586</u>
<b>OTHER LIABILITIES</b>		
Dividends payable	14	30
Fees payable	663	148
Other	126,118	165,855
	<u>126,795</u>	<u>166,033</u>

<b>ALLOWANCES</b>	698,433	116,178
<b>SUBORDINATED CORPORATE BONDS</b>	74,793	673,738
<b>SUSPENSE ITEMS</b>	1,201	2,289
<b>OTHER SUBSIDIARIES LIABILITIES (Note 5)</b>	994,534	815,266
<b>TOTAL LIABILITIES</b>	<b>13,832,606</b>	<b>15,049,865</b>
<b>MINORITY INTEREST IN SUBSIDIARIES (Note 3)</b>	171,069	166,802
<b>STOCKHOLDERS EQUITY</b>	1,864,969	2,194,261
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>15,868,644</b>	<b>17,410,928</b>

## MEMORANDUM ACCOUNTS

	2003	2002
<b>DEBIT ACCOUNTS</b>		
Contingent		
Guaranties received	5,810,882	7,341,552
Contra contingent debit accounts	3,877,577	4,789,156
	<u>9,688,459</u>	<u>12,130,708</u>
Control		
Receivables classified as irrecoverable	885,442	588,844
Other	31,916,691	24,942,803
Contra control debit accounts	94,426	86,213
	<u>32,896,559</u>	<u>25,617,860</u>
For trustee activities		
Funds in trust	61,615	72,358
	<u>61,615</u>	<u>72,358</u>
<b>TOTAL</b>	<b><u>42,646,633</u></b>	<b><u>37,820,926</u></b>
<b>CREDIT ACCOUNTS</b>		
Contingent		
Credit lines granted (unused portion) covered by debtor classification regulations (Exhibit 1)	151,028	170,997
Guaranties provided to the BCRA	3,021,764	2,262,184
Other guaranties given covered by debtor classification regulations (Exhibit 1)	465,038	1,819,240
Other guaranties given not covered by debtor classification regulations		1,942
Other covered by debtor classification regulations (Exhibit 1)	239,747	534,793
Contra contingent credit accounts	5,810,882	7,341,552
	<u>9,688,459</u>	<u>12,130,708</u>
Control		
Items to be credited	94,411	86,043
Other	15	170
Contra control credit accounts	32,802,133	25,531,647
	<u>32,896,559</u>	<u>25,617,860</u>
For trustee activities		
Contra credit accounts for trustee activities	61,615	72,358
	<u>61,615</u>	<u>72,358</u>
<b>TOTAL</b>	<b><u>42,646,633</u></b>	<b><u>37,820,926</u></b>

The accompanying notes 1 through to 5 to the consolidated financial statements with subsidiaries and the Exhibit 1 are an integral part of these statements, which in turn are part of the stand-alone Financial Statements of

BBVA Banco Francés S.A. and are to be read in conjunction therewith.

**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS PERIODS ENDED JUNE 30, 2003 AND 2002**

(Art. 33 of Law No. 19,550)

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

	<u>2003</u>	<u>2002</u>
<b>FINANCIAL INCOME</b>		
Interest on cash and due from banks	5,061	3,515
Interest on loans to the financial sector	5,921	10,428
Interest on overdraft	17,163	113,481
Interest on discounted instruments	4,626	43,887
Interest on real estate mortgage	25,022	61,309
Interest on collateral loans	401	2,813
Interest on credit card loans	20,540	37,169
Interest on other loans	64,316	222,894
Interest from other receivables from financial transactions	4,162	14,075
Income from guaranteed loans Decree 1387/01	653,185	1,614,310
Net income from government and private securities	133,216	
Indexation by CER	112,906	699,156
Other	492,656	1,371,512
	<u>1,539,175</u>	<u>4,194,549</u>
<b>FINANCIAL EXPENSE</b>		
Interest on checking accounts	8,868	144,746
Interest on savings deposits	1,909	2,398
Interest on time deposits	299,226	202,375
Interest on financing to the financial sector	637	5,091
Interest from other liabilities from financial transactions	50,422	90,938
Other interest	84,179	181,997
Net income from government and private securities		103,041
Indexation by CER	50,874	1,074,172
Other	1,062,081	1,414,778
	<u>1,558,196</u>	<u>3,219,536</u>
<b>GROSS INTERMEDIATION MARGIN (LOSS) / GAIN</b>	<u>(19,021)</u>	<u>975,013</u>
<b>ALLOWANCES FOR LOAN LOSSES</b>	<u>107,004</u>	<u>500,140</u>



**SERVICE CHARGE INCOME**

Related to lending transactions	27,419	63,412
Related to liability transactions	59,018	95,991
Other commissions	98,167	133,895
Other	25,367	41,029
	<u>209,971</u>	<u>334,327</u>

**SERVICE CHARGE EXPENSE**

Commissions	16,092	18,810
Other	4,623	16,760
	<u>20,715</u>	<u>35,570</u>

(Contd.)

**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS PERIODS ENDED JUNE 30, 2003 AND 2002**

(Art. 33 of Law No. 19,550)

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

	<u>2003</u>	<u>2002</u>
<b>MONETARY GAIN/(LOSS) ON FINANCIAL INTERMEDIATION</b>	2,620	(792,953)
<b>OPERATING EXPENSES</b>		
Payroll expenses	151,363	236,482
Fees to Bank Directors and Statutory Auditors	255	309
Other professional fees	13,182	9,698
Advertising and publicity	9,191	9,257
Taxes	12,049	16,813
Other operating expenses	119,942	139,331
Other	23,623	34,189
	<u>329,605</u>	<u>446,079</u>
<b>MONETARY LOSS ON OPERATING EXPENSES</b>	(2,326)	(23,939)
<b>NET (LOSS) FROM FINANACIAL TRANSACTIONS</b>	(266,080)	(489,341)
<b>RESULTS OF MINORITY INTEREST IN SUBSIDIARIES</b>	(3,855)	43,136
<b>OTHER INCOME</b>		
Income from long-term investments	3,187	175,577
Punitive interests	1,553	3,776
Loans recovered and reversals of allowances	592,101	19,432
Other	204,057	104,305
	<u>800,898</u>	<u>303,090</u>
<b>OTHER EXPENSE</b>		

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Punitive interests and charges paid to BCRA	34	1,195
Charge for uncollectibility of other receivables and other allowances	367,678	350,774
Other	186,515	421,938
	<u>554,227</u>	<u>773,907</u>
<b>MONETARY (LOSS) / GAIN ON OTHER OPERATIONS</b>	<u>(1,385)</u>	<u>569,209</u>
<b>NET (LOSS) BEFORE INCOME TAX AND TAX ON MINIMUM PRESUMED INCOME</b>	<u>(24,649)</u>	<u>(347,813)</u>
<b>INCOME TAX AND TAX</b>	<u>136,505</u>	<u>18,905</u>
<b>NET (LOSS) FOR THE PERIOD</b>	<u><b>(161,154)</b></u>	<u><b>(366,718)</b></u>

The accompanying notes 1 through 5 to the consolidated financial statements with subsidiaries and the Exhibit 1 are an integral part of these statements, which in turn are part of the stand-alone Financial Statements of

BBVA Banco Francés S.A. and are to be read in conjunction therewith.

**FOR THE SIX MONTHS PERIODS ENDED JUNE 30, 2003 AND 2002****(ART. 33 OF LAW No. 19,550)**

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

	<u>2003</u>	<u>2002</u>
<b>CHANGES IN CASH FLOWS</b>		
Cash and due from banks at beginning of fiscal year	1,050,635	1,899,134
Increase/(decrease) in cash and due from banks	149,227	(1,586,850)
	<u>1,199,862</u>	<u>312,284</u>
<b>REASON OF CHANGES IN CASH FLOWS</b>		
Financial income collected	865,664	1,010,935
Service charge income collected	209,828	359,330
Less:		
Financial expense paid	1,453,913	1,224,975
Services charge expense paid	20,744	35,570
Operating expenses paid	306,834	375,295
	<u>(705,999)</u>	<u>(265,575)</u>
<b>FUNDS USED IN RECURRING OPERATIONS</b>		
<b>OTHER SOURCES OF FUNDS</b>		
Net increase in other liabilities from financial transactions (*)		3,845,351
Net increase in deposits (*)	622,268	588,249
Net increase in other liabilities (*)	85,797	1,292,212
Net decrease in government and private securities (**)	340,609	
Net decrease in loans (**)	809,499	
Net decrease in other receivables from financial transactions (**)	67,352	
Other sources of funds (**)	286,908	148,521
	<u>2,212,433</u>	<u>5,874,333</u>
<b>TOTAL OF SOURCES OF FUNDS</b>		
<b>USE OF FUNDS</b>		
Net increase in government and private securities (**)		1,430,005
Net increase in loans (**)		1,133,142
Net increase in other receivables from financial transactions (**)		3,214,426
Net increase in other assets (**)	418,828	396,969
Net decrease in other liabilities from financial transactions (*)	796,169	

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Other uses of funds (*)	134,501	364,851
<b>TOTAL FUNDS USED</b>	<b>1,349,498</b>	<b>6,539,393</b>
<b>MONETARY (LOSS) GENERATED ON CASH AND DUE FROM BANKS</b>	<b>(7,709)</b>	<b>(656,215)</b>
<b>INCREASE / (DECREASE) IN FUNDS</b>	<b>149,227</b>	<b>(1,586,850)</b>
(*) Variations originated in financing activities	(222,605)	5,360,961
(**) Variations originated in investment activities	1,085,540	(6,026,021)

The accompanying notes 1 through to 5 to the consolidated financial statements with subsidiaries and the Exhibit 1 are an integral part of these statements, which in turn are part of the stand-alone Financial Statements of

BBVA Banco Francés S.A. and are to be read in conjunction therewith.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**WITH SUBSIDIARIES AS OF JUNE 30, 2003 AND 2002**

**(ART. 33 OF LAW No. 19,550)**

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

**1. SIGNIFICANT ACCOUNTING POLICIES AND SUBSIDIARIES**

**General rule**

In accordance with the procedures set forth in BCRA's regulations and Technical Resolution No. 4 of the Argentine Federation of Professional Councils in Economic Sciences (modified by Technical Resolution No. 19), BBVA Banco Francés S.A. (BF) has consolidated line by line its balance sheets as of June 30, 2003 and 2002, and the statements of income and cash flows for the six month periods ended, as per the following detail:

- a) With the financial statements of Banco Francés (Cayman) Ltd. and its subsidiary, Credilogros Cía. Financiera S.A. and its subsidiary, Francés Valores Sociedad de Bolsa S.A. and Atuel Fideicomisos S.A., for the six month periods ended June 30, 2003 and 2002.
- 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 fiscal year ended June 30, 2003 and 2002.

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 to make the six month periods of the companies being consolidated consistent.

Interests in subsidiaries as of June 30, 2003 and 2002 are listed below:

Shares		Interest percentage in	
Type	Quantity	Total Capital	Possible Votes

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Companies		June 30,		June 30,			
		2003	2002	2003	2002	2003	2002
Banco Francés (Cayman) Ltd.	Common	305,506,745	82,283,621	100.0000	100.0000	100.0000	100.0000
Francés Valores Soc. de Bolsa S.A.	Common	3,199	3,199	99.9700	99.9700	99.9700	99.9700
Atuel Fideicomisos S.A.	Common	99,999	99,999	99.9999	99.9999	99.9999	99.9999
Consolidar A.F.J.P. S.A.	Common	1,899,600	1,899,600	53.8892	53.8892	53.8892	53.8892
Consolidar Cía. de Seguros de Vida S.A.	Common	197,875	197,875	65.9582	65.9582	65.9582	65.9582
Consolidar Cía. de Seguros de Retiro S.A.	Common	200,000	200,000	66.6667	66.6667	66.6667	66.6667
Credilogros Cía. Financiera S.A.	Common	39,700,000	39,700,000	69.5271	69.5271	69.5271	69.5271

Assets, liabilities, stockholders equity and subsidiaries net income balances as of June 30, 2003 and 2002, are listed below:

Companies	Assets		Liabilities		Stockholders Equity		Net income/gain-(loss)	
	June 30,		June 30,		June 30,		June 30,	
	2003	2002	2003	2002	2003	2002	2003	2002
Banco Francés (Cayman) Ltd. and subsidiary	3,075,854	3,429,282	1,724,986	2,381,567	1,350,868	1,047,715	102,533	(1,106,176)
Francés Valores Soc. De Bolsa S.A.	10,175	5,367	2,305	281	7,870	5,086	1,772	2,635
Atuel Fideicomisos S.A.	1,160	3,047	837	2,216	323	831	132	544
Consolidar A.F.J.P. S.A.	292,788	288,465	52,900	85,974	239,888	202,491	10,117	(56,782)
Consolidar Cía. de Seguros de Vida S.A. and subsidiary	247,676	273,606	188,771	223,675	58,905	49,931	1,015	(12,988)
Consolidar Cía. de Seguros de Retiro S.A. and subsidiary	894,019	696,733	845,674	632,471	48,345	64,262	1,768	(4,481)
Credilogros Cía. Financiera S.A. and subsidiary	86,490	163,073	46,549	87,477	39,941	75,596	(2,889)	(69,605)

## 2. VALUATION METHODS

The financial statements of the subsidiaries have 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 note 3 to the financial statements of BF, except for:

Banco Francés (Cayman) Limited: the financial statements of this subsidiary do not require any adjustment for inflation since they are stated in US dollars. These statements were converted into Argentine pesos based on the method described in note 3.3.1) to the financial statements of BF.

Consolidar AFJP S.A.: the intangible assets of this subsidiary were amortized in accordance with the standards of the A.F.J.P. s Superintendency.

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 1387/01 held by these subsidiaries were valued in accordance with the regulations of the Superintendency of Pension Fund Administrators (A.F.J.P) and the National Superintendency of Insurance.

## 3. MINORITY INTEREST IN SUBSIDIARIES

The breakdown of balances in the Minority interest in subsidiaries account is as follows:

	2003	2002
Consolidar Administradora de Fondos de Jubilaciones y Pensiones S.A.	110,613	93,369



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Consolidar Cía. de Seguros de Vida S.A.	20,052	16,997
Consolidar Cía. de Seguros de Retiro S.A.	16,120	21,417
Credilogros Compañía Financiera S.A. and subsidiary	24,282	35,019
Francés Valores Sociedad de Bolsa S.A.	2	
	<u>171,069</u>	<u>166,802</u>

**4. RESTRICTIONS ON ASSETS**

- a) Francés Valores Sociedad de Bolsa S.A. (stockbroking company) holds three shares of Mercado de Valores de Buenos Aires S.A, booked in the amount of 5,550. These shares have been pledged in favor of HSBC La Buenos Aires Cía. 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 stockbroking companies with their obligations.
- b) See note 6 to the financial statements of BBVA Banco Francés.

**5. BREAKDOWN OF MAIN ITEMS**

Detailed below are the balances of those accounts that show significant variations in relation to the figures that arise from the financial statements of BF:

	<u>2003</u>	<u>2002</u>
<b>GOVERNMENT SECURITIES</b>		
<b>Holdings in investment accounts</b>		
Argentine Republic External Bills (VEY4D)	77,130	825,165
Federal Government Bonds (LIBOR 2012)	1,451,078	
Treasury bills	64,642	71,275
Other	20,473	29,754
<b>Total</b>	<b>1,613,323</b>	<b>926,194</b>
<b>Holdings for trading or financial transactions</b>		
Argentine Republic Global External Bonds 2008	1,258	1,931
BCRA bills (LEBAC)	148,354	
Treasury Bills	9,245	3,402
Middle Term Treasury Bonds (BONTE 2002)	6,562	15,875
Federal Government Bonds (LIBOR 2012)	21,111	
Argentine Republic External Bills	2,693	
USA Treasury Notes	14,082	157,525
Federal Government Bonds 2008 (BODEN 2008)	10,603	
Other	12,485	28,603
<b>Total</b>	<b>226,393</b>	<b>207,336</b>
<b>Unlisted government securities</b>		
Federal Government 9% Bonds (due in 2002)	1,066	420,568
Tucumán Provincial Treasury Bonds	46,200	65,841
Tax credit certificates due in 2003/2006	89,922	94,080
Other	3,088	8,991
<b>Total</b>	<b>140,276</b>	<b>589,480</b>

	<u>2003</u>	<u>2002</u>
<b>PRIVATE SECURITIES</b>		
<b>Investments in listed private securities</b>		
Cointel S.A. Corporate Bonds	5,553	4,739
Acindar S.A.	2,440	2,733
Siderar S.A.	2,630	
Transener S.A. Corporate Bonds	3,792	2,182
Perez Companc S.A. Corporate Bonds	17,855	4,666
Siderca S.A.		5,588
Telecom S.A.	2,975	
Tenaris S.A. ADR	6,961	
Banco Roberts Trust	1,269	
Galtrust 1 Financial Trust	3,725	4,007
Other	29,795	34,612
<b>Total</b>	<u>76,995</u>	<u>58,527</u>
Allowances	(24,523)	(40,040)
<b>Total</b>	<u>2,032,464</u>	<u>1,741,497</u>
<b>OTHER SUBSIDIARIES ASSETS</b>		
Premium receivables from insurance companies	10,299	5,158
Others related to insurance business	437	1,588
<b>Total</b>	<u>10,736</u>	<u>6,746</u>
<b>OTHER SUBSIDIARIES LIABILITIES</b>		
Insurance companies, claims in adjustment process	377,890	365,141
Insurance companies, mathematical reserve	688,419	440,051
Insurance companies, reinsurer reserve	(196,954)	(201,465)
Other related to insurance business	125,179	211,539
<b>Total</b>	<u>994,534</u>	<u>815,266</u>

**CONSOLIDATED CLASSIFICATION OF FINANCING FACILITIES**  
**BY CATEGORIES AND GUARANTIES RECEIVED**  
**AS OF JUNE 30, 2003 AND 2002**

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

	<u>2003</u>	<u>2002</u>
<b>COMMERCIAL PORTFOLIO</b>		
Normal performance		
Preferred collaterals and counter guaranty A	7,536,987	8,317,466
Other collaterals and counter guaranty B	24,099	32,643
Without senior security or counter guaranty	634,328	2,540,961
Potential risk		
Preferred collaterals and counter guaranty A	4,311	5,290
Other collaterals and counter guaranty B	12,425	16,822
Without senior security or counter guaranty	428,586	1,676,085
Non performing		
Other collaterals and counter guaranty B	1,750	40,423
Without senior security or counter guaranty	258,680	166,438
With high risk of uncollectibility		
Preferred collaterals and counter guaranty A		125
Other collaterals and counter guaranty B	1,342	12,343
Without senior security or counter guaranty	824,420	80,609
Uncollectible		
Preferred collaterals and counter guaranty A	38	
Other collaterals and counter guaranty B	6,668	12,104
Without senior security or counter guaranty	12,450	36,837
<b>Total</b>	<b><u>9,746,084</u></b>	<b><u>12,938,146</u></b>

Exhibit 1

(Contd.)

**CONSOLIDATED CLASSIFICATION OF FINANCING FACILITIES****BY CATEGORIES AND GUARANTIES RECEIVED****AS OF JUNE 30, 2003 AND 2002**

(Translation of financial statements originally issued in Spanish-See Note 17)

-Stated in thousands of pesos-

	<u>2003</u>	<u>2002</u>
<b>CONSUMER AND HOUSING PORTFOLIO</b>		
Normal performance		
Preferred collaterals and counter guaranty A	1,060	2,485
Other collaterals and counter guaranty B	392,723	567,843
Without senior security or counter guaranty	410,891	655,160
Inadequate performance		
Other collaterals and counter guaranty B	4,135	22,042
Without senior security or counter guaranty	6,027	32,608
Deficient performance		
Other collaterals and counter guaranty B	2,420	13,312
Without senior security or counter guaranty	8,758	50,349
Unlikely to be collected		
Preferred collaterals and counter guaranty A	1	184
Other collaterals and counter guaranty B	3,543	25,908
Without senior security or counter guaranty	16,078	92,118
Uncollectible		
Preferred collaterals and counter guaranty A	132	35
Other collaterals and counter guaranty B	27,623	20,199
Without senior security or counter guaranty	36,976	42,066
Uncollectible, classified as such under regulatory requirements		
Other collaterals and counter guaranty B	31	8
Without senior security or counter guaranty	545	779
<b>Total</b>	<u>910,943</u>	<u>1,525,096</u>
<b>General Total (1)</b>	10,657,027	14,463,242

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- (1) Items included: Loans (before allowances); Other receivables from financial transactions: Unlisted corporate bonds, Other receivables covered by debtor classification regulations, Interest accrued and pending collection covered by debtor classification regulations; Assets subject to financial leasing (before allowances); Other receivables: Receivables from sale of goods and interest accrued on receivables from sale of goods; Contingent credit-balance memorandum accounts: Credit lines granted (unused portion) covered by debtor classification regulations, Other guaranties given covered by debtor classification regulations and Other covered by debtor classification regulations.

**FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND 2002 TOGETHER WITH INDEPENDENT  
ACCOUNTANT'S REVIEW REPORT**

**INDEPENDENT ACCOUNTANT'S**

**REVIEW REPORT**

**(LIMITED REVIEW)**

To the President and Directors of

**BBVA BANCO FRANCÉS S.A.**

**Reconquista 199**

Buenos Aires

1. We have reviewed the accompanying balance sheet of BBVA BANCO FRANCÉS S.A. as of June 30, 2003 and the related statements of income, changes in stockholders' equity and cash flows for the six-month period then ended, with their notes 1 to 16 and exhibits A through L and N thereto (all expressed in thousands of pesos).

We have also reviewed the consolidated balance sheet of BBVA BANCO FRANCÉS S.A. and its subsidiaries (listed in note 1 to such consolidated balance sheet) as of June 30, 2003 and the related consolidated statements of income and changes in cash flows for the six-month period then ended, with their notes 1 to 5 and exhibit 1, presented as supplementary information.

The preparation and issuance of such financial statements is the responsibility of the Bank's Board of Directors. Our responsibility is to issue a report on such financial statements, based on our limited review performed with the scope described in paragraph 2.

2. We conducted our review in accordance with auditing standards generally accepted in Argentina for limited reviews of interim financial statements, and the Minimum Standards for External Audits for the limited review of quarterly financial statements established by the Argentine Central Bank (B.C.R.A.). This review is substantially less in scope than an audit of financial statements conducted in accordance with generally accepted standards, the objective of which is to express an opinion regarding the financial statements taken as a whole. Accordingly, we do not express an opinion on the financial statements mentioned in paragraph 1.
3. The stand-alone financial statements of BBVA BANCO FRANCÉS S.A. and the consolidated financial statements of BBVA BANCO FRANCÉS S.A. and its subsidiaries as of June 30, 2002, presented for comparative purposes, were subject to a limited review performed by other auditors, who issued their report dated November 18, 2002, to which we refer, disclaiming a representation because of significant uncertainties existing at such date, mainly related to: (a) the Bank's ability to continue to operate as a going concern and (b) the recoverability of carrying amounts of the portfolio of Government Bonds and Private securities, credit assistance, certain other receivables, Investments in other companies and goodwill.



4. We have audited the financial statements of the Bank at December 31, 2002 (opening balances), on which we issued our report dated February 20, 2003 including a disclaimer of opinion due to the significant effect on those financial statements of the uncertainties existing at that date related to: (a) the circumstances mentioned in paragraphs 5 and 6 below, and (b) the uncertainties on the determination of the recoverable value of the credit assistance granted to debtors of the commercial loan portfolio and the future evolution of the Bank's operations.
5. As more fully explained in note 1.1 to the accompanying financial statements, from the last quarter of 2001, the Republic of Argentina has found itself immersed in a delicate economic context which led the Federal Government to take a series of measures, which mainly consisted in: a) the announcement of the default in paying the public debt, b) the devaluation of the Argentine peso, c) the mandatory conversion of assets and liabilities denominated in foreign currency into pesos, and d) the restriction on withdrawal of funds deposited in the financial institutions. The economic crisis produced, additionally, a significant increase in domestic prices, a significant deposit decrease in the financial institutions and worsening in the debtors' payment capacity. All these measures, added to the effects derived from the economic crisis, have significantly affected the financial system as a whole and, accordingly, the Bank and its subsidiaries have been affected too.

As described in note 1.2.10. to the stand-alone financial statements, the Bank's Board of Directors indicates that in its opinion in recent months a favorable evolution was observed in certain economic variables and the overall financial system in Argentina, and in the Bank in particular.

In addition, it states that at the date of issuance of this report, the Government continues analyzing additional measures intended to alleviate the effects of the crisis and resolve outstanding structural problems within the economy and the financial system. As explained in detail in note 1.2.10 to the stand-alone financial statements, the Bank's Board of Directors has, from the accounting perspective, recognized the impacts generated by these matters on the Bank's equity and financial position as of June 30, 2003 in accordance with the standards established by the B.C.R.A. and with its best estimates in those cases not specifically regulated as the date of issuance of this report by such oversight agency.

6. In several notes to the financial statements, detailed below, the Bank's Board of Directors states that it is not possible to foresee the future development of the uncertainties that exist at the present date or their effect on the Entity, that certain situations must still be resolved by the authorities, and that measures aimed at their regularization are in the process of evaluation. These situations are the following:
  - i) Note 1.2.3. to the financial statements, concerning the recoverable value at June 30, 2003 of government securities and credit assistance granted to the government sector; Note 1.2.6. to the financial statements on the recoverability of the balance of the deferred tax asset, and Note 1.2.7. to the financial statements, in relation to the assets recorded for the expected compensation for payments to depositors made under court orders and the difference between adjustment indexes (CER vs. CVS);

- ii) Note 1.2.2. to the financial statements, concerning the determination of the final amount of compensation generated in the devaluation and conversion into pesos according to Decree No.905/2002 and complementary regulations issued by the Executive, given the process of review carried out by the B.C.R.A. and the note sent to the Entity by that authority dated July 29, 2003 containing a series of observations that reduce the amounts used as a basis for compensation, the quantification of which in terms of the asset recognized it has not yet been possible to quantify. As indicated in the same note, in the opinion of the Bank's Board of Directors and its legal counsel, BBVA Banco Francés S.A. has made a reasonable interpretation of current regulations, and the Entity is in the process of reviewing the information in order to reply to the mentioned observations; and
  - iii) Note 1.2.9. to the financial statements, related to approval by the B.C.R.A. of the facilities requested to the monetary authority in relation to technical liquidity ratios and compliance with ratios for solvency and the overall foreign currency position laid down by the B.C.R.A.
7. The financial statements mentioned in paragraph 1 have been prepared by the Company in accordance with regulations established by the B.C.R.A., which differ from professional accounting standards in force in Buenos Aires as described in Note 4 to the stand-alone financial statements.
8. Based on our limited review with the scope indicated in paragraph 2, which did not include all the procedures necessary to enable us to express an opinion on the financial statements indicated in paragraph 1, and due to the very significant and pervasive effects on those financial statements from the uncertainties existing at the date of issuance of this report, as detailed in paragraphs 5 and 6, we are not in a position to make any representation on the stand-alone financial statements of BBVA BANCO FRANCÉS S.A. and on the consolidated financial statements of BBVA BANCO FRANCÉS S.A. and its subsidiaries as of June 30, 2003, considered as a whole.

Furthermore, as indicated in paragraph 7, divergences exist with regard to professional accounting standards in force in Buenos Aires.

9. As described in note 17 to the stand-alone financial statements, the effects of the differences between generally accepted accounting principles in Argentina and the accounting principles generally accepted in the countries in which the accompanying financial statements are to be used have not been quantified. Accordingly, they are not intended to present the financial position in accordance with accounting principles generally accepted in the countries of the users of the financial statements, other than Argentina. The translation into English has been made solely for the convenience of English-speaking readers.

Buenos Aires, August 8, 2003

**DELOITTE & Co. S.R.L.**

CARLOS B. SRULEVICH  
Partner

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**BBVA BANCO FRANCÉS S.A.**

Date: August 20, 2003

By:

/s/ MARÍA ELENA SIBURU DE LÓPEZ OLIVA

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Name:

María Elena Siburu de López Oliva

Title:

Investor Relations Manager